

# Intellectual Property Forum

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Co-Editors  
Fiona Rotstein  
Fiona Phillips



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# Intellectual Property Forum

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Fiona Rotstein

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The Intellectual Property Society of Australia and New Zealand Inc is an independent society whose principal objectives are to provide a forum for the dissemination and discussion of intellectual property matters.

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# Expressions of Interest

are invited from IP lawyers and writers

to contribute to the Profile Section of *Intellectual Property Forum*

Since 1997, *Intellectual Property Forum* has featured regular interviews with a range of eminent persons who have made a significant contribution to the advancement of Intellectual Property Law in Australia and New Zealand.

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## Editorial – Fiona Rotstein and Fiona Phillips

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**Fiona Rotstein**  
Co-Editor



**Fiona Phillips**  
Co-Editor

Welcome to another issue of *Intellectual Property Forum*. This issue presents an array of intellectual property (“IP”) issues in the areas of Indigenous knowledge, patents, copyright, competition law and trade marks. We start with a profile of the University of Sydney’s Professor Kimberlee Weatherall. In an interview with Fiona Rotstein, Professor Weatherall discusses why, in her view, we need to “fix copyright”, what the emerging IP issues are in artificial intelligence and where lie the future challenges in IP law.

Our first article, *Indigenous Knowledge Governance: Developments from the Garuwanga Project*, is by Professor Natalie Stoianoff from the University of Technology Sydney. Professor Stoianoff wrote a report for the March 2017 issue of *Intellectual Property Forum* regarding the background and specific aims of the Garuwanga Project, so we are delighted to learn of the Project’s progression. Her article details the Project’s outcomes, starting with a summary of the study undertaken to compare nearly 70 nations with access and benefit sharing regimes. Professor Stoianoff then explains the development of key principles for the evaluation of Indigenous knowledge governance structures and describes the discussion paper that formed the basis of the “on Country” community consultations. An overview of the results of those consultations is also provided with a precis of Project conclusions.

We then move to *Retaining the Dam Wall: Does a Recent Case Suggest a Review of Australia’s Pre-Grant Patent Oppositions?* by lawyers Vanessa Farago-Diener and John Lee. The authors

discuss recent comments made by Justice Beach of the Federal Court of Australia (“Federal Court”) in his Honour’s final paragraph in *SNF (Australia) Pty Limited v BASF Australia Ltd* [2019] FCA 425. The *SNF v BASF* proceeding highlights the potential for patent applicants to incur immense cost and delay in obtaining grant when pre-grant opposition decisions of the Australian Patent Office (“Patent Office”) are appealed to the Federal Court. According to the authors, the concluding comments of Beach J necessitate discussion of whether substantive changes to Australian pre-grant opposition are required, not only in respect of appeals to the Federal Court but also the Patent Office opposition process itself. In formulating their contention, Farago-Diener and Lee provide an overview and history of Australian pre-grant opposition and how the process compares with the United Kingdom, the European Union and the United States of America.

Following is *Making Sense of the “Best Method” Mess* by Claire Gregg, a registered Trans-Tasman patent attorney in Australia

and New Zealand. Together with IPSANZ, we thank the Honourable Justice Stephen Burley for choosing this worthy winner of the 2019 John McLaren Emmerson QC Essay Prize among a field of excellent entries. Gregg analyses several recent decisions by Australian courts and the Patent Office which highlight the importance of disclosing the best method known to the applicant of performing the invention at the time of filing the complete specification for a patent application. Gregg opines that failure to disclose the best method is the most damaging ground of invalidity because it invalidates the entire patent and cannot be rectified by amendment. Examining the post-*Intellectual Property Laws Amendment (Raising the Bar) Act 2012* (Cth) sufficiency of disclosure requirement and the importance of patent harmonisation, Gregg discusses whether Australia should maintain best method given national and international developments.

Our final article, *Aboriginal and Torres Strait Islander Peoples' Heritage: A Model for Protection Under the Copyright Act 1968* (Cth), is by Australian barrister Dr Dimitrios Eliades. Dr Eliades analyses the deficiencies of the *Copyright Act 1968* (Cth) ("Copyright Act") in recognising the unique features of Australia's Aboriginal and Torres Strait Islander ("ATSI") heritage. Such deficiencies relate to duration, authorship and originality. The author also considers aspects of the existing legislation which may be endorsed to protect ATSI heritage, such as enforcement procedures, relief and moral rights. Dr Eliades proposes a model to better protect ATSI heritage that addresses aspects not covered by the *Copyright Act* and also encompasses features of the Act which may be immediately utilised. The model seeks to use existing processes where possible, incorporating in them, features such as the expertise of elders as expert witnesses, to aid the Federal Court in the enforcement of ATSI heritage and disputes as to custodianship.

We also have four reports. First, we feature *Intellectual Property and Competition Law – Nothing Special?* by the Honourable Robert French AC, former Chief Justice of the High Court of Australia. French examines what is so unique about IP as a category of property rights that there is a particular focus on its interaction with competition law and policy. Next, we have *Where There's a Hit, There's a Writ* by Australian solicitor and academic Shaun Miller. This well-worn adage of the entertainment industry is explored by Miller in the context of copyright law and also through the prisms of passing off, misleading and deceptive conduct and confidentiality. Then, Dr Charlie Day, CEO of Innovation and Science Australia, reviews *Capitalism Without Capital: The Rise of the Intangible Economy* by Jonathan Haskel and Stian Westlake. This is followed by Australian academic Benjamin Hopper's review of *Research Handbook on Patent Law and Theory: Second Edition* edited by Toshiko Takenaka.

Lastly, we have 14 updates on current developments in IP across Australia, New Zealand, Asia, Europe and North America. These cover a plethora of topical IP issues. They include, among other matters, the revocation in the European Union of two famous trade marks, McDonald's word mark BIG MAC and Adidas AG's figurative mark of three stripes; the criteria relating to the subject matter of registered German designs; and a recent French case involving the parody exception to copyright infringement. We thank our regular contributors and their teams for reporting on the latest developments in the IP world. We hope you enjoy this issue and, as always, we welcome emails to [editors@ipsanz.com.au](mailto:editors@ipsanz.com.au) regarding contributing to the journal and providing feedback on its content.



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# In Conversation with Professor Kimberlee Weatherall

Fiona Rotstein

Professor Kimberlee Weatherall is a Professor of Law at the University of Sydney. She teaches and researches across intellectual property (“IP”) law, technology law and the IP-trade nexus. In an interview with Fiona Rotstein, Professor Weatherall discusses her frustrations with the copyright system, the emerging IP issues in artificial intelligence (“AI”) and the future challenges of IP law.



Photo courtesy of the University of Sydney

Professor Kimberlee Weatherall

**Q:** What led you into the law?

**A:** I don't think there is an obvious answer to that question. I was just always really interested in the law. I was interested in the law when I was a student at school, perhaps because I was very interested in text. I specialised in subjects like Latin and English and it seemed like an obvious path. It wasn't until I got to university and started really studying the law that I really found that it was my vocation though. In many ways, it's a lot like what I loved about English. It's picking apart texts, working out interpretations of texts but in a context where it's not just that you're thinking about the meaning, but the meaning has real world impact.

**Q:** You received a Bachelor of Arts and a Bachelor of Laws from the University of Sydney. You then obtained a Bachelor of Civil Law at Oxford University and a Master of Laws at Yale University. Why did you decide to further your study of law overseas?

**A:** Because it seemed the obvious path at the time. I was a good student. I did well at university. At that stage I was planning to be a barrister, which meant that a Bachelor of Civil Law was a fairly obvious path and the idea of studying overseas had all the usual glamour of travel plus the intellectual interest of actually getting to do post-graduate research.

**Q:** Did you ever practise law?

**A:** I did but only very briefly. I worked for Mallesons Stephen Jaques (“Mallesons”) when I was at university and then briefly after finishing my first degree. I first worked as an associate to Justice Burchett in the Federal Court of Australia (“Federal Court”) and then I returned to Mallesons but I was only there for about a year before I left for post-graduate studies.

**Q:** What is it about academia that holds for you such a compelling attraction?

**A:** It's a number of things. First and foremost, it's the ability to research, write about and influence areas of law and policy that you really care about, and to do so from a standpoint of independence. So, as a Professor of Law, I get to survey the field, work out where the problem areas are, what's really interesting, what really matters and then pursue those issues from a genuinely independent perspective. What I write about, what I read isn't dictated by client interests, it's not dictated by the latest file to come in, it's what I think is important. I also happen to, as I discovered once I became an academic, love teaching and I love public speaking (that took me a while) and I love writing. Those three things are my job.

**Q:** How did you come to specialise in IP?

**A:** I was influenced by the Professor I had for IP. I learnt from Patricia Loughlan at the University of Sydney. She sparked my interest in it. I wrote my first research paper on issues coming out of the (then) new World Intellectual Property Organization (“WIPO”) internet treaties of 1996.<sup>1</sup> They happened while I was at university and I got to write about those and then I worked with Justice Burchett in the Federal Court who was also very oriented towards IP.

I think what appeals about IP is that on the one hand, it is a very technical legal area, you really need to understand case law and legislation. But it also impacts on a whole range of areas of policy, so it deals with big questions like innovation and creativity. The other fantastic thing about IP is you get to engage with new technologies: it is constantly being challenged and constantly changing. If you are going to choose an area where your job is to research and write, there is never a shortage of subject matter.

**Q:** Yes, that's true. IP is a very dynamic area of the law.

**A:** Well, when I got into it, we were in the midst of the "copyright is dead, the internet is here" kind of period. That was my introduction to IP. Things haven't slowed down since. I came in at the beginning of what you might call the "digital transformation". But, if anything right now, the transformation of IP is speeding up, with the rise of big data and data analytics. Researching in this area has been constantly satisfying in the way that it raises many of the same questions but in entirely new contexts, with entirely new technologies.

**Q:** You are now Professor of Law at the University of Sydney where you teach and research across IP and the IP-trade connexion. What do you view as the major current issues in IP law?

**A:** It is the same questions as always, really. How do we benefit from technology? How do we encourage technological development? How do we encourage creativity? But in extraordinarily challenging new contexts. So, the digital transformation continues to challenge copyright and patents and trade marks and designs, pretty much every area of IP law. As we virtualise everything, it brings to the fore questions of IP which is always abstract in its basic nature but it now applies to "virtual things" which makes the boundary drawing even harder than before. One area where there are obvious and ongoing questions around the boundaries of IP is in the context of data. There are massive collections of data being generated and used for entirely new things in ways that we could never have envisaged. How you manage all of the rights around that (IP; privacy; other rights) poses genuinely challenging questions that I think we haven't even begun to grapple with.

**Q:** Yes, some companies, like Amazon and Netflix, have collected so much data from consumers, they don't know what to do with it all.

**A:** Yes and that raises an awful lot of questions: well and truly beyond IP law. Again, that's an area that I've always found interesting – where IP law butts up against other legal areas, like privacy, confidential information and trade secrets.

**Q:** In 2017, you and Dr Rebecca Giblin edited a book of essays titled *What if we could reimagine copyright?* (ANU Press). You dedicated the book to "everyone who believes we can fix copyright". Why do you believe we need to "fix copyright"?

**A:** Because it seems clear to me, and this is an ongoing problem, that copyright isn't always meeting the objectives that we set for it. To the extent that copyright is about encouraging creativity and

rewarding authors, it seems fairly obvious that it's doing a pretty poor job of that right now. If you look at all of the data, authors' incomes in particular are going down and it's becoming harder and harder to make a living as an author. That would be true across a range of different forms of creativity – it is hard to make a living this way. Whether that is just always going to be a necessary function of the way the economics work in creative industries, I'm not entirely willing to accept that it's just the nature of the beast that authors will always be the last ones to receive the trickle down money of whatever they can get out of writing.

It also seems obvious to me that we haven't yet resolved questions around the appropriate boundaries of enforcement. How should copyright be managed in the digital context? What is the role of platforms and intermediaries? How does that need to change over time? You can't tell me that everything is settled and happy, or that everyone thinks that copyright works beautifully. No one thinks that copyright works beautifully! But I think the thing that really came out of the workshop that we held in the lead-up to the book, and in the chapters our authors wrote, was that everyone really wanted copyright to work better for the full range of stakeholders and in particular, individual creators.

**Q:** I like the inscription of the book, so I had to ask you about it. I like the title of the book too.

**A:** It was a really interesting project. As lawyers, we are trained to tinker around the edges and find the loopholes and work out the applications at the edges of the law. We whinge and we criticise and we talk about how the law might be amended and reformed to fix minor this and minor that. But what would you do if you actually had a blank slate? If you could re-write the law from scratch? Thinking that through was one of the hardest intellectual exercises I have ever undertaken. Particularly in IP, because we are so structured by the way the treaties are and the way the treaties have been for over 100 years. We don't think from a blank slate. A fascinating exercise, which I thoroughly recommend!

**Q:** Do you think the practice and thinking of IP law has become too specialised, i.e. do people stay in their own lane in terms of their speciality?

**A:** Yes but I don't think that's exclusive to IP. One of things I have consciously tried to do in my academic career is work across areas of IP. I've spent a lot of time on copyright and I'm known in that space. I've spent a lot of time on IP and trade. But I've also had projects on trade mark law with Professor Robert Burrell. I did work on design law as part of

the Advisory Council on IP (“ACIP”). I’ve tried very consciously not to confine myself to one area of IP and I think that has strengthened my ability to see some of the connections. I have in more recent times challenged myself to get a little bit out of the IP space as well. I have another report on digital rights in Australia which has caused me to explore current issues around privacy and surveillance. I think you need to do that. You need to, as you say, get out of your lane a little sometimes.

**Q:** Do you think the same applies to the practice of IP law as well?

**A:** It’s hard for me to say, since I’m not in practice. I think probably the challenges for practitioners are different. As I said at the outset, the thing about my job is that I can pursue matters of interest. I can’t imagine practitioners ever having the time or inclination to sit down and say, “What if I had a blank slate? How would I rewrite copyright?”. It’s not the imperative of the position. As a practitioner, your job is to give good legal advice and to be efficient about it. In that context, it does make sense to be specialised, to really get your head around an area of the law.

But in saying that, I do think for everyone, it is always important to at least engage with broader debates, go to interesting talks, hear interesting people speak, listen to podcasts, read books outside your speciality. I consciously do that well outside of IP and that way I can get ideas from all over the place. I doubt it is efficient for clients for patent lawyers to suddenly be advising on copyright but I imagine that patent lawyers benefit from hearing about the debates in copyright, or the debates about criminal law, or economic policy, or how vulnerable populations experience the world.

**Q:** You have frequently given evidence to Australian Parliamentary Committees, including the Joint Standing Committee on Treaties, and you were a member of the (now defunct) ACIP and an advisory committee member and expert reader to the Australian Law Reform Commission (“ALRC”) inquiry, *Copyright and the Digital Economy*. What do you enjoy most about these law reform roles?

**A:** I think mostly, it takes me outside of intellectual debates, and enables me to have a real impact, as well as hear and engage with other perspectives and try to find compromises. All of those roles have enabled me to work with and talk to people who are practitioners or who are end users of IP. ACIP was particularly valuable because we had business people, patent and trade mark attorneys, academics and economists all in the one room, as well as representatives from IP

Australia. It was a really interesting mixed group and it gave me a completely different perspective on how things work. It was really valuable to be sitting down and nutting stuff out with an economist, a patent attorney, a trade mark attorney and an academic, all trying to reach a consensus on some text or an outcome.

Similarly for the ALRC inquiry into copyright, we had practitioners, collecting society representatives, academics, judges and barristers. We had a whole bunch of people who were coming at questions from all sorts of different perspectives and there’s something really valuable about being in the room with those people, trying to work stuff out together.

So, it’s two things. It’s the ability to work with people who are not academics and who are coming from very different perspectives from mine, because you learn a lot from that and it challenges you to really justify your own views. And it’s the ability to hopefully try and improve things for the real world.

**Q:** Are there any key IP issues you would like to see addressed, either by the courts or by the legislature?

**A:** [Laughs]. How long have you got? I don’t have a pat answer for that. Well, the obvious one is copyright reform. It’s now 2019, we had the ALRC report, *Copyright and the Digital Economy* (ALRC Report 122), in 2013. We had the copyright modernisation discussion that went nowhere. It is infinitely frustrating to have report after report after report going through various expert groups and have nothing ever come of any of it. I don’t immediately see prospects of this being addressed.

**Q:** Why do you think this is the case?

**A:** Because there are entrenched interests on all sides with very different perspectives (and misunderstandings), and because it is not a sufficient priority for any political party within parliament, such that they would want to spend the political capital to make things happen.

**Q:** How do you view the relationship between academia and practice in IP law?

**A:** I think we are fortunate to have all sorts of opportunities to engage with practice. There are various organisations, like the Copyright Society of Australia, IPSANZ and the Communications and Media Law Association. There are quite a number of interest groups and law society groups. There’s the Law Council of Australia IP subcommittee that involves both practitioners and academics.

I think we have a multitude of opportunities to engage. Is it perfect? No, of course not, because we are

all busy and you just get busy on the usual treadmill of life. Teaching, marking, trying desperately to publish research papers, putting in grant applications in my case, being Associate Dean Research and doing research strategy for the University of Sydney Law School. The busyness reduces your opportunities to engage. But we have an area where people do talk and engage with each other and I think that's a real strength of this area.

**Q:** You are a committee member of the Australian Computer Society ("ACS")'s Technical Advisory Board on Artificial Intelligence Ethics. What do you see as some of the emerging IP issues in the area of AI?

**A:** There's any number of issues. I think we are all still trying to feel our way around and see the impact of things like AI/machine learning/data science. There's not even any agreed single definition of what we are talking about, let alone how it will develop or how it can be regulated. So, there are issues at a number of levels. From an IP perspective, there's the usual issues around how do we grant rights in this space. What are the appropriate bounds of patents in this space? Or there are a lot of people thinking and writing at the moment about the appropriate IP rights in the products of AI. Should a computer be an author? Is it the person who writes the software? Or do we just say that actually copyright isn't for this: that copyright is about human creativity and therefore copyright just isn't the model here? I don't think we have resolved that question at all and we are still talking that through.

There's also the question of what data analytics and machine learning will do to the IP system. How will we run the IP system differently using these tools? How will it help us deal with the backlog of IP applications? How can it make things more efficient? How can we do so without losing sight of policy goals that are implicit in the way that we currently fund the system? Something we have talked about a lot in the ACS committee and in other contexts is what is the appropriate use of these technological and automated tools in government decision making and how do you manage that process? Automated decision making raises a difficult set of issues around due process and the rule of law, and even the nature of law.

Another whole set of issues and the ones I mentioned earlier were what are the rights in data? All of machine learning and AI depends on big data sets. What are the ownership interests in that? Do we think we have the right mix of ownership and/or other interests in data, or do we need to recognise a broader set of

interests in data? Those are really difficult questions that cannot be resolved by IP alone. They are going to involve technologists, IP people, privacy people, human rights people and competition people all thinking about that question and hopefully together. But that's not always been the practice.

**Q:** We have discussed many issues that remain unsettled but, generally speaking, where do you think lie the future challenges in IP law?

**A:** One thing I want to mention that I haven't so far is how on earth do we deal with the fact of our existing treaty framework and whether it actually fits the new world? I think in the not too distant future we will be confronted with some very difficult questions there. We have a treaty system that was written pre 20<sup>th</sup> century in its foundations and we are trying to apply it today. It's hard to change – at the WIPO level and bilateral and regional trade agreements at the World Trade Organization level. How we manage that, whether we are allowed to reimagine any of it (if you go back to that), I think is a really difficult challenge. You add that to the challenges of the new technologies, let's just say I don't think I'm going to be out of a job any time soon.

**Q:** If not the law, what other career path do you think you might have pursued?

**A:** On the one level, I'm not a lawyer. I'm an academic, I'm a thinker, I'm a writer, I'm a policy analyst and a policy advisor. I'm a teacher. I have a multitude of careers already. That is the beauty of academia and that's why I'm able to stay in this field. And I can shift my research to find new challenges: that's why I'm now able to range into new areas of interest, like AI. But I genuinely don't know the answer to this question. I think the law did turn out to be something of a vocation for me. I got really, really interested in it. It's funny isn't it? I can't think of another career path I might have pursued.

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1 *WIPO Copyright Treaty 1996 and WIPO Performances and Phonogram Treaty 1996.*

# Indigenous Knowledge Governance: Developments from the Garuwanga Project

Professor Natalie Stoianoff<sup>1</sup>

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## Introduction

The protection of Indigenous knowledge and cultural expressions has become a major topic in Australian law reform in recent years. This has occurred in two streams, one which is predicated on intellectual property rights and the other from the perspective of environment and heritage regulation. The latter is grounded in Australia's obligations under the *Convention on Biological Diversity* ("CBD").<sup>2</sup> While the former has its impetus from Australia's engagement with the World Intellectual Property Organization ("WIPO") Intergovernmental Committee on Intellectual Property and Genetic Resources, Traditional Knowledge and Folklore ("IGC"), the IGC was established in 2000 in response to the WIPO and United Nations Environment Programme (responsible for the introduction of the CBD) jointly commissioned "study on the role of intellectual property rights in the sharing of benefits arising from the use of biological resources and associated traditional knowledge".<sup>3</sup> IP Australia has led the developments on the intellectual property front while the Australian states and territories have led developments on the environment and heritage front.

## A. Environment and Heritage

The CBD recommends an access and benefit sharing system for not only biological or genetic resources but also traditional knowledge associated with those resources. It is in this context that federal environmental law, through the *Environment Protection and Biological Conservation Act 1999* (Cth), established a permit system for access to biological resources from Commonwealth areas incorporating benefit sharing mechanisms.<sup>4</sup> While the regulations to that legislation acknowledge the potential existence of Australian Indigenous traditional knowledge associated with such biological resources, the regime does not go far enough to explicitly protect such knowledge.<sup>5</sup> The same failure to protect such Indigenous knowledge occurred with the establishment of the Queensland regime under the *Biodiscovery Act 2004* (Qld).<sup>6</sup>

Meanwhile, the Northern Territory's *Biological Resources Act 2006* (NT) does explicitly require benefit-sharing agreements over biological resources to include "protection for, recognition of and valuing of any indigenous people's knowledge to be used" in relation to that resource.<sup>7</sup> But at the same time the legislation excludes Indigenous knowledge "obtained from scientific or other public documents, or otherwise from the public domain".<sup>8</sup> The state of Victoria has taken a different approach by amending its *Aboriginal Heritage Act 2006* (Vic) in 2016 to not only protect tangible examples of Aboriginal heritage but also intangible Aboriginal heritage encompassing traditional and ecological

knowledge and various cultural expressions.<sup>9</sup> However, as with the Northern Territory legislation, "anything that is widely known to the public" is not protected.<sup>10</sup>

More recently, New South Wales embarked upon the development of its own Aboriginal Cultural Heritage legislation with the similar intention to protect both the tangible and intangible. Several consultations were held across the state and draft legislation was prepared: *Draft Aboriginal Cultural Heritage Bill 2018* (NSW) ("Draft Bill").<sup>11</sup> This Draft Bill comes after earlier consultations in 2013/14 on the introduction of Aboriginal Cultural Heritage legislation that focussed on the tangible heritage of Aboriginal peoples in New South Wales. However, it was in October 2014 that the Indigenous Knowledge Forum finalised the White Paper for the Office of Environment and Heritage ("White Paper"), recommending adoption of a sui generis or stand-alone legal regime protecting Aboriginal knowledge for the benefit of Aboriginal communities in the state of New South Wales.<sup>12</sup>

The White Paper advocated for the establishment of a "Competent Authority" to manage such a regime particularly as a competent authority would be required to provide the governance framework for administering a legal regime covering the creation, maintenance and protection of community knowledge databases. Further, a competent authority would enable Australia to meet the requirements of the *Nagoya Protocol on Access to Genetic Resources and the Fair and Equitable Sharing of Benefits Arising from their Utilization to the Convention on Biological Diversity*<sup>13</sup> ("Nagoya Protocol")

once ratified.<sup>14</sup> This Protocol calls for countries to put in place two main measures:

- (i) ensuring that prior informed consent of Indigenous communities is obtained for access to their traditional knowledge; and
- (ii) that fair and equitable benefit-sharing mechanisms are agreed upon for the use of that knowledge, keeping in mind community laws and procedures as well as customary use and exchange.

The Draft Bill, if passed, will establish an Aboriginal Cultural Heritage Authority “to administer the legal framework, make key decisions about Aboriginal cultural heritage, provide advice and recommendations to the Minister, and develop policies, guidelines, codes of practice and methods” and be advised by local Aboriginal Cultural Heritage consultation panels. However, what our research revealed in developing the White Paper was that such a competent authority needs to be independent of government in order to have the support of Aboriginal communities. Further:

*Community consultations highlighted concern regarding the functions of this entity being administered by one or more existing agencies and the need for the Competent Authority to include a local or regional community agency to administer the Knowledge Holder registers and provide for Community Knowledge databases. The need for confidential information to be protected was also noted as was the need to have an appeal process and a process for ensuring benefits under the control of the Competent Authority are applied and are not lost if the Authority is wound up.<sup>15</sup>*

The Draft Bill received further feedback through formal submissions, including by the Indigenous Knowledge Forum, which led to more consultations with targeted stakeholders at the beginning of 2019 and further refining of the Draft Bill. Those refinements have yet to be made public.

### B Intellectual Property

At the beginning of 2016, IP Australia concluded a consultation asking, “How should Australia protect Indigenous Knowledge?”. The 12 submissions received included the White Paper. As noted above, in that Paper we recommended the introduction of sui generis legislation for the recognition and protection of Indigenous knowledge as it relates to natural resources management but still encompassing cultural expressions.<sup>16</sup> What must be recognised is that, for Indigenous peoples, there is an inherent connection between Country, or traditional lands, and knowledge and that connection is an important aspect of cultural law, cultural expression and well-being. A key feature of the governance of the legal regime proposed in the White Paper was the establishment of a competent authority to administer the permit system for access to Indigenous knowledge.

The next stage in IP Australia’s engagement with the question of Indigenous Knowledge was the commissioning of the report by Terri Janke titled *Indigenous Knowledge: Issues for protection and management*.<sup>17</sup> In that report which was published in March 2018, the need for a National Indigenous Cultural Authority “owned and managed by Indigenous people, [that] could provide infrastructure to assist build capacity and develop networks for exercising authority over Indigenous Knowledge” was emphasised and built on Terri Janke’s comprehensive 2009 report, *Beyond Guarding Ground, A Vision for a National Indigenous Cultural Authority*. IP Australia then held a series of focus group sessions in late 2018 and a further consultation to determine a way forward based on the commissioned report by Terri Janke and IP Australia’s consultation paper, *Protection of Indigenous Knowledge in the Intellectual Property System*,<sup>18</sup> released in September 2018. What has become apparent is that these intellectual property developments are aligned with the developments on the environment and heritage front.

The need for a National Indigenous Cultural Authority was reinforced in 2013 by the National Congress of Australia’s First Peoples (“Congress”) identifying various characteristics<sup>19</sup> whereby the Cultural Authority should be independent from government with its own legal status, board of governance, constitution and representing members. The board would be elected from its grass-roots membership base but also allow for the necessary skills-based director representation.<sup>20</sup> The Congress recognised a need for further research, funding and support to investigate how to best establish an Authority with the above characteristics.<sup>21</sup>

### C Garuwanga<sup>22</sup> Project

In 2016, with the assistance of an Australian Research Council Linkage Grant, the project, *Garuwanga: Forming a Competent Authority to Protect Indigenous Knowledge* (“Garuwanga Project”), was born with the express purpose of investigating how best to establish such a cultural authority recognising that consideration needed to be given not only to establishing a national competent authority but also local and regional competent authorities.<sup>23</sup> The Garuwanga Project is about finding the best legal structure of governance for Indigenous Australians to manage their knowledge and culture and enable Australia to comply with the *Nagoya Protocol*. The objective is to provide the communities with a path to sustainable development and capacity building. To achieve this the Garuwanga Project stipulated three aims:

- (1) identify and evaluate a variety of legal governance structures for a Competent Authority suitable for administering an Indigenous Knowledge protection regime;
- (2) facilitate Aboriginal Community engagement in making that determination; and

- (3) recommend a type of Competent Authority structure based on what is important to Aboriginal Communities and how such a Competent Authority should operate.

This article reports on the outcomes of the Garuwanga Project commencing with an outline of the study undertaken to compare nearly 70 nations with access and benefit-sharing regimes. The article explains the development of key governance principles for the evaluation of governance structures and provides a summary of the Discussion Paper that formed the basis of the “on Country” community consultations. An overview of the outcomes of those consultations is provided with a summary of project conclusions.

### LAYING THE FOUNDATIONS

#### A What is a Competent Authority and why do we need one?

A “competent authority” is any person or organisation “that has the legally delegated or invested authority, capacity, or power to perform a designated function” or to deal with a specific matter.<sup>24</sup> The competent authority may take many forms and perform different functions in relation to administering a legal regime for the protection of Indigenous knowledge. The need to protect Indigenous knowledge from misuse is recognised under several international instruments.<sup>25</sup> The CBD and *Nagoya Protocol* discussed above are the key international instruments that give rise to the need for competent national authorities in the protection of Indigenous knowledge.

These instruments acknowledge:

- the rights of Indigenous communities to their traditional knowledge;
- that Indigenous knowledge should only be accessed with the prior, informed consent of Indigenous communities;
- that any access to Indigenous knowledge should be on mutually agreed terms; and
- with the equitable sharing of benefits from use of Indigenous knowledge.

The *Nagoya Protocol* requires each member state to designate a “competent national authority” (or authorities) and “national focal point” on access and benefit sharing in relation to genetic resources and Indigenous or traditional knowledge about those genetic resources.<sup>26</sup> For example, under the *Nagoya Protocol*, access to a particular plant species and the Indigenous knowledge about the medicinal benefits of that plant would need to be administered or evidenced by a competent national authority. That same authority, or even another authority, would need to be responsible for advising on applicable procedures and requirements for obtaining prior informed consent and entering into mutually agreed

terms.<sup>27</sup> The national focal point has the responsibility of advising applicants seeking access to genetic resources and the Indigenous knowledge associated with those resources and liaising with the Secretariat of the Convention on Biological Diversity.<sup>28</sup>

It is possible for the competent national authority and the national focal point to be the same organisation.<sup>29</sup> Consequently, it was quite reasonable for the Indigenous Knowledge Forum to propose, in its 2014 White Paper, a competent authority to effectively perform both functions. The question then arose as to the legal structure such a competent authority would take. In answering that question, the Garuwanga Project addressed concerns over the form, independence and funding of such a Competent Authority, as well as local Indigenous representation, by facilitating Aboriginal Community engagement in identifying, evaluating and recommending an appropriate competent authority legal structure. An action research methodology was employed within an Indigenous research paradigm. This was achieved by forming a research team, referred to as the Research Roundtable (see appendix for its membership), comprising academic researchers and representatives of several interested Indigenous organisations working together under an Indigenous research paradigm encompassing epistemologies (ways of knowing) through stories, narrative and reflection, connectedness to Country, culture and spirituality in a collaborative and interdisciplinary process.

An analysis of existing Australian Indigenous governance frameworks as well as frameworks adopted in countries with existing Indigenous knowledge protection regimes was carried out to assist in the development of an appropriate legal structure for such a competent authority. Then, through Indigenous participation in the Research Roundtable and through community consultations or focus groups, the Garuwanga project has ensured Indigenous engagement in the choice of the most appropriate governance framework for the competent authority providing transparency and accountability. However, it should be noted that the scope of this project did not extend to consultations with Torres Strait Islanders. Accordingly, we can only say that the outcomes of the consultations are representative of Aboriginal views and not necessarily those of Torres Strait Islanders.

While the initial impetus for research into the form of the competent authority emerged in relation to the regime proposed for the state of New South Wales, this project provides a model for an authority for a national regime with a similar purpose. Once ratified, Australia’s obligations under the *Nagoya Protocol* will be national, not just state-based, but can be rolled out state by state and territory by territory and it is recognised that the concept of such an authority could be a local or regional community agency. Further, despite the fact that a national presence is required, the structure of the competent authority should be determined with the interests and needs of Aboriginal and Torres Strait Islander Peoples

at the forefront. Considerations include providing for Indigenous community-controlled management, whether regional management is needed or desirable, and how the structure can be adapted to differing needs of different communities.

Specifically, a competent authority under the White Paper would have explicit roles and duties.<sup>30</sup> These are to:

- (a) maintain a Confidential Register of Knowledge Holders;
- (b) maintain a Public Register of Knowledge Resources and regularly update the information;
- (c) maintain a Confidential Register of Knowledge Resources and regularly update the information;
- (d) receive requests for determination or access in relation to Knowledge Resources;
- (e) render determinations in relation to determination requests;
- (f) liaise with Knowledge Holders in relation to access requests to ascertain whether access will be granted or refused;
- (g) notify parties seeking access of the approval or refusal of the request;
- (h) assist Indigenous Communities in negotiating Access Agreements, by request;
- (i) evaluate compliance of Access Agreements;
- (j) maintain a Register of Access Agreements and regularly update the information;
- (k) administer shared Benefit(s) for Indigenous Communities which are derived from access to Knowledge Resources as prescribed in the regulations;
- (l) monitor compliance with Access Agreements and advise Indigenous Communities of any violations;
- (m) provide model(s) of agreement as a guide for Indigenous Communities;
- (n) develop and monitor compliance in a Code of Ethics and Best Practices;
- (o) provide training to the prescribed court or prescribed tribunal; and
- (p) respond to requests by any person to search the registers it maintains to determine if any Registered Knowledge Resources exist in respect of specified subject matter.<sup>31</sup>

The reference to Knowledge Resources was the collective term that the White Paper gave to Indigenous knowledge and cultural expressions.

### **B Comparative Study**

Most competent authorities around the world are government-based organisations or departments, however, during the White Paper community consultations, great concern was expressed about such institutions having any form of control over Indigenous knowledge.<sup>32</sup> Accordingly, what is unique about the Garuwanga Project is the proposal for a competent authority that is independent of government. In the first activity for the project a comparative study was prepared.<sup>33</sup> The study focussed on the following issues:

- (i) the functions of the Competent Authority;
- (ii) the structure of the Competent Authority including corporate structure and membership;
- (iii) the funding of the Competent Authority; and
- (iv) the accountability of the Competent Authority including reporting obligations.

The legislation of 69 countries with Indigenous populations were examined. A competent authority regulating access to and benefit sharing in relation to the use of Indigenous or traditional knowledge was found in the legislation of 20 of the 69 countries examined and of those 20 countries 12 regimes were of particular significance. Countries have taken very different approaches to establishing a Competent Authority for the protection of Traditional/Indigenous Knowledge including:

- using existing authorities, such as the national intellectual property office or Ministry of Environment, to act as the Competent Authority;
- establishing new bodies to regulate access and benefit sharing in relation to Traditional/Indigenous Knowledge; and
- establishing Indigenous advisory boards to support and provide advice to the national Competent Authority.

The following Table 1 demonstrates that even though the majority of national regimes utilised a government organisation as the competent authority, most of those nations had Indigenous and local community participation. Of those 12 countries only two, Cook Islands and Vanuatu, established competent authorities separate to their government.<sup>34</sup>

**Table 1: Government and Indigenous and Local Community Involvement in Competent Authority breakdown by Country**

Country	Part of Government Ministry	Government Oversight	Independent from Government	Indigenous and Local Community Participation
Brazil	X			X
Cook Islands	X		X	X
Costa Rica	X			X
Ethiopia		X		
India		X		X
Kenya	X			
Niue	X	X		X
Peru	X	X		X
Philippines	X			X
South Africa	X			X
Vanuatu		X	X	X
Zambia	X			

Meanwhile, reports were prepared on the governance structures utilised by each Partner Organisation and other organisations represented in the Research Roundtable. These reports were expanded during the course of the first 18 months of the project and incorporated in the ensuing Discussion Paper. In the Research Roundtable discussions that followed, it was evident that in order to properly evaluate these governance structures a more detailed set of evaluation criteria were required than originally anticipated. At the conceptual stage of the project the criteria for analysis of the various governance structures were:

- (i) suitability to the domestic legal and regulatory context;
- (ii) expectations of the functions and powers of competent authority to be established under the White Paper; and
- (iii) most importantly, those Aboriginal laws and customs considered relevant by the Aboriginal partner investigators, and other Aboriginal members of the Research Roundtable.

However, the Research Roundtable determined it was necessary to identify first what constituted good governance from an Indigenous perspective. To this end a report was then prepared for consideration by the Research Roundtable in the formulation of a set of governance principles to be applied to the different legal forms of governance already in operation through different organisations operating in Australia.

## C Governance Principles

Dodson and Smith considered governance for sustainable development of Indigenous Australian communities and defined governance as:

*the processes, structures and institutions (formal and informal) through which a group, community or society makes decisions, distributes and exercises authority and power, determines strategic goals, organises corporate, group and individual behaviour, develops rules and assigns responsibility.*<sup>35</sup>

As to what constitutes good governance, consideration was given to the common principles identified by the United Nations Development Programme (“UNDP”) as underpinning good governance, namely:

- (a) participation in decision-making processed by all interested parties;
- (b) operation in accordance with the rule of law;
- (c) transparency in decision-making and other processes;
- (d) responsiveness to all stakeholders;
- (e) consensus oriented in the best interests of the group;
- (f) equity toward all stakeholders;
- (g) effectiveness and efficiency in the use of resources;
- (h) accountability to stakeholders and the public; and
- (i) broad and long-term strategic vision.<sup>36</sup>

From an Australian governmental perspective there are two examples of good governance principles that were considered relevant to the Garuwanga Project: Australian Public Service Commission “Building Better Governance” Guide<sup>37</sup> and the “Good Governance Guide” produced for Local Government in the state of Victoria.<sup>38</sup> In both examples much of the UNDP principles are included with some notable differences as made clear from the table below: Table 2.

## Indigenous Knowledge Governance: Developments from the Garuwanga Project

**Table 2: Comparison of Good Governance Principles**

Common Principles underpinning Good Governance  (UNDP, 1997)	Good Governance Guide for Local Government  (Municipal Association of Victoria et al 2012)	'Building Better Governance' Guide  (Australian Public Service Commission 2007)
Accountability	Accountability: Obligation to report, explain and be responsible for decisions and the consequences of such decisions.	Accountability — being answerable for decisions and having meaningful mechanisms in place to ensure the agency adheres to all applicable standards
Transparency	Transparency: Decision making processes should be clear and easy to understand.	Transparency/openness — having clear roles and responsibilities and clear procedures for making decisions and exercising power
		Integrity — acting impartially, ethically and in the interests of the agency, and not misusing information acquired through a position of trust
Rule of Law	Follows the Rule of Law: Decisions and actions are consistent with relevant legislation, regulations or policies.	
Responsiveness	Responsive: The organisation responds to needs of stakeholders 'while balancing competing interests in a timely, appropriate and responsive manner.'	
Equitable	Equitable and inclusive: Decisions are made taking into consideration the interests of all stakeholders and all stakeholders have an opportunity to participate in the process.	
Effectiveness & efficiency	Effective and efficient: Processes should be followed and decisions made in a manner that makes 'the best use of the available people, resources and time to ensure the best possible results.'	Efficiency — ensuring the best use of resources to further the aims of the organisation, with a commitment to evidence-based strategies for improvement
Participation	Participatory: Decision making processes should allow for participation by all parties that are interested in or affected by a decision.	Stewardship — using every opportunity to enhance the value of the public assets and institutions that have been entrusted to care
		Leadership — achieving an agency-wide commitment to good governance through leadership from the top.
Broad and long-term strategic vision		

What is interesting about the comparison in Table 2 is that the principles of good governance acknowledged by the Local Government groups closely reflect those espoused by the UNDP and are reflective of a grass-roots approach to governance. Meanwhile, the differences in the principles highlighted by the Australian Public Service Commission reflect a top-down approach to governance emphasising a paternalistic view of governance. Smith and Bauman note that internationally the concept of good governance has “become synonymous with western democratic, neo-liberal ideas of what is supposed to constitute ‘good’ governance”.<sup>39</sup> The term has tended to apply to the way in which an organisation complies with “regulations, financial accountability issues, and technical standards of measurement”.<sup>40</sup> Clearly further research was required in order to identify principles of good governance that would be acceptable for the establishment and operation of a competent authority.

To this analysis was added an exploration of recent research on Indigenous governance. As a guide for Indigenous communities and organisations, the Australian Indigenous Governance Institute established an online Indigenous Governance Toolkit.<sup>41</sup> With a focus on effective or legitimate governance, the toolkit provides resources on various aspects of governance, including: understanding governance; culture and governance; leadership; rules and policies; management and staff; nation building and development. This is important as “achieving effective and legitimate governance can be particularly challenging because it involves working across Indigenous and western ways of governing, and trying to negotiate the demands of both”.<sup>42</sup> The Toolkit references the significant research under the Indigenous Community Governance Project carried out by the Centre for Aboriginal Economic Policy Research at Australian National University. That project documented that Indigenous Australians across the country used similar culture-based principles to design their governing arrangements.<sup>43</sup>

Smith and Bauman point out that in the context of Indigenous governance:

*Governance ... operates in both formal and informal settings and in a range of contexts both within and across Indigenous groups, and in their interactions with governments and the private sector.*<sup>44</sup>

Finding a way for cultural practices to be part of governance strategies was shown to be important for Aboriginal and Torres Strait Islander people “to harness the strength and resilience of cultural roots in ways that are credible and workable today”.<sup>45</sup> In this context Smith and Bauman observe:

*At the same time, the intercultural authorising environments in which groups, communities and particularly organisations have to operate today are realities. For Aboriginal and Torres Strait Islander peoples, the challenge lies in how to achieve a balance in their governance arrangements between*

*interrelated cultural, social and economic priorities and the other forces of ‘western’ governance acting upon them. The important thing in making decisions about such issues is that it all takes time — time to talk, consult, and get feedback from people; time to experiment and learn from mistakes, and time to change and adapt as all societies do.*<sup>46</sup>

Specifically, the work of Hunt et al from the Centre for Aboriginal Economic Policy Research identified the following principles:

*networked governance models; nodal networks and gendered realms of leadership; governance systems arising out of locally dispersed regionalism and ‘bottom-up’ federalism; subsidiarity and mutual responsibility as the bases for clarification and distribution of roles, powers and decision making across social groups and networks; cultural geographies of governance; and an emphasis on internal relationships and shared connections as the foundation for determining the ‘self’ in self-governance, group membership and representation.*<sup>47</sup>

The culmination of these differing yet similar sets of governance principles led the Research Roundtable of the Garuwanga Project to consider formulating a set of governance principles that would assist in the identification and evaluation of the most appropriate legal structure for the Competent Authority. The principles build on those espoused in the Indigenous Governance Toolkit and provide the necessary criteria for developing the Competent Authority under the Garuwanga Project. The following principles were identified at the Garuwanga Research Roundtable meeting on 16 October 2018:

- Relationships/Networks
- Trust/Confidence
- Independence from government
- Community participation
- Guarantees/Confidentiality
- Transparency/Accountability
- Facilitation
- Advocacy
- Communication
- Reciprocity.

An explanation for each of these principles can be found in the Discussion Paper for the Garuwanga Project and is reproduced in the following box with endnotes omitted. The aim was to develop a set of culturally appropriate governance principles against which a variety of already existing governance structures could be evaluated in order to identify the most suitable structure for the Competent Authority. In so doing, these governance principles effectively define a model of governance that might be acceptable to Indigenous Australians more generally. As to whether a particular legal structure is more suitable to achieve such a governance model was the purpose of preparing a Discussion Paper and carrying out the focus group community consultations.

### **Box 1: Suggested Model of Governance, Garuwanga: Forming a Competent Authority to protect Indigenous knowledge – Discussion Paper<sup>48</sup>**

#### ***Relationships/Networks***

Relationships are critical to establishing group membership and determining who has authority to make decisions. A Competent Authority must recognise the different kinds of relationships and communities relevant to Aboriginal and Torres Strait Islander peoples including geographic communities, dispersed communities of identity and communities of interest. Key to this is establishing a framework for relationships with other organisations or institutions particularly within larger representative frameworks. A Competent Authority must value and recognise the “extensive networks and overlapping relationships, strong extended family ties, multiple ties to ‘country’ and valued cultural identities.”

#### ***Trust/Confidence***

Aboriginal and Torres Strait Islander communities must have confidence in the activities and decision-making processes of the Competent Authority. This includes incorporating customary decision-making processes into the operations of the Competent Authority.

#### ***Independence from government***

The Competent Authority should support decision making by Aboriginal and Torres Strait Islander peoples. This raises questions as to the independence of the Competent Authority from government. If a Competent Authority was established subject to legislation, consideration must be given to whether membership is appointed independently or determined by government, and whether the Competent Authority is an independent agency, autonomous body or a government department.

#### ***Community participation***

The Competent Authority must provide for participation in decision making processes by members of the relevant Aboriginal or Torres Strait Islander community, either directly or through representative organisations.

#### ***Guarantees/Confidentiality***

Information must be kept in confidence from third parties. This may involve restricting the sharing with or transfer of information to a group of people (for example, based on gender or other status).

#### ***Transparency/Accountability***

Decision-making processes must be understood and made clear to the public. The organisation must report to the public and to stakeholders on activities and decision-making processes. This includes accountability both to the government or public as well as to members of Aboriginal and Torres Strait Islander communities.

#### ***Facilitation***

Engaging in activities on behalf of, or in support of, interested stakeholders. In this case, the Competent Authority should engage in activities on behalf of Aboriginal and Torres Strait Islander communities.

#### ***Advocacy***

Engages in activities as an influencer in international, regional, national and/or local level. This may include attending conferences relevant to protection of traditional knowledge, engaging in lobbying activities with government, engaging with third party stakeholders including research institutions and industry.

#### ***Communication***

Engages in various communication activities including:

- education and capacity building with Aboriginal and Torres Strait Islander communities to raise awareness of rights and how to enforce them; and
- awareness raising activities to communicate to the public the importance of protecting traditional knowledge and obligations to comply with various requirements under international treaties.

#### ***Reciprocity***

Engages in practice of mutual recognition and exchange of rights and interests. Reciprocity refers to “shared responsibility and obligation [and] is based on ... diverse kinship networks” and “extends to the care of the land, animals and country and involve sharing benefits from the air, land and sea, redistribution of income, and sharing food and housing”.

The Garuwanga Research Roundtable also recognises the importance of a “grass-roots” approach in the care of traditional knowledge.

## DISCUSSION AND CONSULTATION

### A Discussion Paper

The Discussion Paper sets out the different steps taken by the Research Roundtable in carrying out the Garuwanga Project. It provides the key results of the Comparative Study and identifies the key features of available Australian legal structures. Using those key features, the Discussion Paper goes on to examine a range of examples of legal entities established for the benefit of Indigenous Australians. Commencing with incorporated entities, the Discussion Paper reviews the range of incorporated structures available under Australian law, such as: the proprietary company, public company limited by shares, public company limited by guarantee, incorporated associations, and Aboriginal and Torres Strait Islander Corporations also known as prescribed bodies corporate created for common law native title holders to hold or manage native title. The examination covers governance structure, membership, key legislation and winding up of the entity.

The Discussion Paper goes on to analyse registered co-operatives and independent statutory bodies. Differing forms of Aboriginal Land Councils in operation across Australia are examined, and then, after briefly exploring the role of the equitable construct of a trust, the key governance principles identified and developed by the Research Roundtable are outlined and applied to the Partner Organisations that form the case studies for the Garuwanga Project.<sup>49</sup>

All four organisations met the governance principles in their own way but all with respectful regard for Aboriginal law, culture and traditions. This was able to be achieved while three of the organisations were required to comply with the abstract constructs of incorporation under federal and state laws of Australia, despite their grounding in colonial-based law. A wide range of examples of legal entities established for the benefit of Aboriginal and Torres Strait Islander Peoples were reviewed in the Discussion Paper but a full analysis has yet to be conducted in the light of the governance principles. However, the case studies reported in the Discussion Paper provide encouraging results in this regard, emphasising that no matter the legal structure adopted under Australian law, the governance principles can still apply.

The Discussion Paper finished with a series of questions centred around the three project criteria for analysis of the various governance structures. During the course of the project those criteria were revised as follows:

- suitability to the domestic legal and regulatory context;
- expectations of the functions and powers of competent authority; and
- ensuring a Competent Authority reflects Aboriginal and Torres Strait Islander customary laws, and cultural protocols.

The discussion questions were developed to help determine what type of Competent Authority would suit the needs of Indigenous communities to protect Indigenous knowledge in Australia. The questions were designed to facilitate discussion for the engagement of Aboriginal and Torres Strait Islander Peoples in community consultations.

### B Consultations

Consultations and discussions took place with Aboriginal communities and organisations in urban, rural and remote locations including Broome and the West Kimberley in Western Australia, as well as Sydney and the Southern Highlands/South Coast in New South Wales. Accordingly, the limitation of the results of these consultations is that they may not reflect the views and opinions of Torres Strait Islander communities. Informed consent was obtained for all community consultations. Consent processes were carried out in compliance with University of Technology Sydney (“UTS”) ethics approval processes and principles. For these consultations, free, prior informed consent was sought, and obtained from all participants either in written form, or verbally as a group.

Under the criteria of ensuring a competent authority reflects Aboriginal and Torres Strait Islander customary laws, and cultural protocols, the following questions were utilised:

- What do you consider to be the most important features for a Competent Authority?
- What existing organisations do you think provide effective models for Aboriginal and Torres Strait Islander interests?
- What existing organisations do you think provide ineffective models for Aboriginal and Torres Strait Islander interests?
- How should local competent authorities (“LCAs”) be formed?
- Should all employees, officers and councillors be Aboriginal or Torres Strait Islander people?

While the responses to these questions have been analysed in a separate report, there was little deviation from the presumptions underpinning the earlier research which led to the development of the White Paper in 2014. In the process of developing the White Paper consultations were held with Aboriginal communities in north-western New South Wales, the Gamilaroi Peoples. Despite being in remote rural country, their viewpoints coincided with those expressed by the more urban based Aboriginal communities around Sydney and the South Coast of New South Wales. This would seem to indicate the impact of a shared past given that New South Wales was first to be settled by British colonists and hence the Aboriginal peoples of New South Wales were the first Indigenous communities in Australia to be impacted by colonisation and to be dispossessed of their lands and waters. Meanwhile, the First Peoples of the Kimberley in Western

Australia were one of the last to experience colonisation and have also taken much greater steps toward self-determination through the establishment of an independent Land Council, multiple native title land claims and establishment of a variety of cultural organisations.

When considering the expectations of the functions and powers of the Competent Authority, the participants in the community consultations were asked to consider:

- Should there be a single national competent authority (“NCA”)?
- Should a NCA carry out the duties of the NCA and the national focal point?

While there was overall recognition that a national body would be required for international reporting purposes under the *Nagoya Protocol*, discussions centred upon the need for local or regional control. This is in keeping with *Empowered Peoples Design Report*<sup>50</sup> which emphasises the importance of widely sharing powers and responsibilities “among individuals, families and communities at the local, subregional and regional levels”.<sup>51</sup> That Report further notes that current practices of “placing nearly all responsibility with central governments disempowers Indigenous people and impedes development”, and so to reverse this impact and provide the means for empowerment, governments must share or relinquish “certain powers and responsibilities and [support] Indigenous people with resources and capability building to assume these powers and responsibilities”.<sup>52</sup>

On the issue of the suitability of the structure and operation of a Competent Authority to Australian legal and regulatory contexts, the following questions were discussed:

- What form do you think the Competent Authority should take? (for example, an Aboriginal Corporation, statutory body, charitable trust, and how many tiers: local, regional, national?)
- How should decision-making within the Competent Authority operate taking into account that the Competent Authority needs to meet criteria under the *Nagoya Protocol*?
- Should the national registrars for men’s business and women’s business databases and registries be able to delegate authority to others in the Competent Authority?

Here again the responses to these questions have been analysed in a separate paper but the Discussion Paper does provide a variety of options for consideration. What is apparent is the importance of “cultural fit” in recognition that Indigenous communities across Australia are different with different needs, expectations and cultural protocols. The Australian Institute of Family Studies emphasised that, in order to facilitate trusting relationships, an organisation must:

*...work with existing Indigenous leaders and organisational structures established in the community;... seek feedback from both Indigenous peak bodies and community members.*<sup>53</sup>

Further, to strengthen governance capacity of Indigenous communities, Tsey et al suggest that “community ownership” is required for Indigenous empowerment to flourish and that:

*[o]rganisational capacity strengthening for good governance can take many forms. Governance capacity is greatly strengthened when Indigenous people create their own rules, policies, guidelines, procedures, codes and so forth, and design the local mechanisms to enforce those rules and hold their own leaders accountable ...*<sup>54</sup>

## OUTCOMES

### A Analysis of the Consultations

Transcripts were prepared from the recorded consultations and then the consultations and participants were de-identified in accordance with the ethics protocols in place. The analysis focussed on responses addressing any of the discussion questions relating to each of the evaluation criteria. Themes were developed through identifying common and unique perspectives, labelling these with keywords used by the participants as initial codes, reviewing the codes to identify potential themes followed by reviewing and refining the emerging themes. Emerging themes were tested against the data to confirm that key insights had been captured. In some instances, community views were articulated through direct comments. In other instances, attitudes were implied through direct responses on other issues and context. However, this coding approach was then superseded by an approach focusing more on interpretation of text, discourse and language, as this was found to be more suitable for the kinds of research data yielded by the consultations.

Four major themes with several sub-themes emerged from the analysis. The first major theme focussed on understanding what is Indigenous knowledge. That understanding can differ from one community to the next which reinforces that it is for Aboriginal and Torres Strait Islander Peoples themselves to define what they mean by their Indigenous knowledge.<sup>55</sup> Indigenous communities hold bodies of knowledge relating to the lands, and natural resources for which they are the traditional custodians. Indigenous Knowledge is intricately connected to, and permeates place, identity, being and cosmology.<sup>56</sup> There is no sharp separation between this knowledge, and all the other aspects of Indigenous peoples’ material and spiritual lives.<sup>57</sup>

The second major theme addressed the need for a single national competent authority and while it was considered desirable to avoid unnecessary duplications, allegiance to a local or regional authority was evident with the intention that such a local or regional body would engage with a national

body that has clearly defined and limited functions. Sub-themes that were addressed included the legal structure for such a national competent authority and the operations of the national competent authority. The consultations revealed the need for the national competent authority to have a clearly defined purpose and strong relationships with the community and other organisations. The need for the national competent authority to be led and run by Indigenous Australians was emphasised and is consistent with self-determination and Indigenous rights, as articulated, for example, in the *United Nations Declaration on the Rights of Indigenous Peoples*. The role of the individual in the community was considered as well as the need for the national competent authority to be independent from government. Meanwhile, it was also recognised that the national competent authority needs to be long lasting and securely funded and have a key role in capacity-building at both the community and individual organisational levels. The need for sound governance was made clear with endorsement of principles along the lines of the Garuwanga governance principles described above. The national competent authority needs to facilitate regional/local competent authority operations and have appropriate decision-making protocols.

The third major theme focussed on regional or local authorities. Communities consulted in this project favour the concept of subsidiarity with decision-making residing with regional bodies or the local community where possible. The traditional owners are the custodians with authority to speak for their country. Consequently, it must be these custodians who make decisions that affect that country. In this way, the form of the regional and/or local competent authority is for each community to decide and also raises the question of the scope of the community being served by the local or regional competent authority. This last point relates to the fact that often in urbanised communities there may be a mix of traditional owners and community from other Aboriginal nations. In many instances, the traditional owners may be in the minority. This calls for consideration of whether all Aboriginal people should have the right to participate in the access and benefit sharing arrangements and negotiations under the control of the local competent authority or whether only traditional owners should have that right. That then colours the attitudes to the following issues of who is part of the governance of the regional and/or local authority and how they are appointed to that role, and what will be the decision-making processes employed. The relationship between the regional/local authority and the national competent authority was visited again with participants in the consultations expressing a view that regional and/or local competent authorities should not be subordinate to a national competent authority but, rather, supported by the national competent authority.

The fourth theme considered the issue of the registrar in a competent authority. The registrar for the national

competent authority would have responsibility for the databases held by the authority and would likely have a role in dispute resolution, among other roles to be determined. In this project, the need for two registrars was identified in the White Paper: a female registrar to administer the database of women's knowledge, and a male registrar to administer the database of men's knowledge.<sup>58</sup> This proposal was responded to favourably overall with a proviso that different communities might have differing views. Further, one of the communities expressed concern about the potential of delegated authority and how the registrars would oversee the actions of their delegates if appointed.

There was an overarching theme that became apparent in the analysis of the four main themes and discussions during the Research Roundtable meetings in this regard. A "reconciling" between Indigenous and Western laws emerged in this project as an important consideration. This reconciliation between different legal systems lies at the heart of the ensuing discussion on options for a competent legal authority to control and regulate access to, and benefit sharing for Indigenous biodiversity and traditional knowledge:

*The issue of protecting traditional knowledge and genetic resources is a textbook example of a legal problem in a world of hybrid legal spaces where a single problem, act or actor is regulated by multiple legal regimes.*<sup>59</sup>

The text of the *Nagoya Protocol*, in particular Article 12(1), provides for the recognition of Indigenous community protocols and customary laws thereby encouraging Western and Indigenous laws to come together.

In the Garuwanga Project's considerations as to what form a competent authority might take, an important point is that it should be founded in Indigenous law, custom and epistemologies. As we have seen, one of the Project's research questions in the Discussion Paper and the consultations was around the idea that competent authorities should "reflect Aboriginal customary laws and cultural protocols". Former Aboriginal and Torres Strait Islander Social Justice Commissioner Tom Calma points out that Indigenous Australians are often governed by two systems of law – the Aboriginal customary law framework, and the Australian legal justice framework – so the challenge is to create an interface between the two justice systems so that one supports the other.<sup>60</sup> Further, it is important to acknowledge that the Australian legal system cannot exclusively support Indigenous justice in communities where customary law practices endure.<sup>61</sup>

### **B Models and Approaches for Competent Authorities**

The outcomes of the Garuwanga Project are many not the least of which is the development of a set of governance principles against which Indigenous knowledge governance systems could be benchmarked. What the analysis of the consultations has shown is the inadequacy of a single

governing authority to meet the needs of Australian Indigenous communities. This does not detract from the need to have a national body that meets Australia's obligations under the *Nagoya Protocol* once ratified, but how such a body is established and how it interacts with Indigenous Australia requires careful consideration. Accordingly, a suggested approach has emerged whereby a multi-tiered structure of competent authorities could be established. This recognises the need for a regional or local competent authority to ensure the associated communities have control over the authority's operations and thereby is truly representative of those communities. This includes the ability for those communities to determine the form and legal structure such a local or regional competent authority would take.

This leads to the question as to whether different "layers" of competent authority (national, regional, local) would have the same, or similar functions, or different ones that complement each other. In relation to the national competent authority, one consistent view was that such a peak body should operate only as a servicing body to the other bodies, not as a decision-making body. The national competent authority needs to facilitate for, not to govern over, regional/local competent authorities. This is an important view about relationality that again reflects an Indigenous worldview. This idea of "relationality" articulates a consciousness in Indigenous worldviews about the ways in which things – people, animals, plants and places – are interconnected and interdependent.<sup>62</sup> And so the need to determine the set of functions that each tier of competent authority has is an important element of how the tiers of competent authority interact and engage with each other.

In relation to regional or local competent authorities the consultations indicate:

- the form of the local competent authority is for each community to decide;
- the scope of community served will need to be negotiated for each local competent authority, taking into account the differing demographics between communities;
- who sits on the local authority and how they are appointed to that role will need to be negotiated for each local competent authority;
- the local competent authorities ought to be independent of the national competent authority and are not subordinate to it;
- local competent authorities should be supported by the national competent authority; and
- a grass roots approach to decision making is favoured by Indigenous communities so it is important that decisions relating to a community's knowledge are made by the community.

Meanwhile, the features of a national competent authority that have emerged from the Garuwanga Project include the following elements:

- a single body to perform the tasks of both national competent authority and national focal point;
- long lasting;
- independent from government;
- securely funded;
- Aboriginal and Torres Strait Islander controlled and managed as far as possible;
- sound governance in accordance with the Garuwanga principles;
- a clearly defined purpose and relationship to the community as well as to other organisations;
- serve to strengthen capacity for Aboriginal and Torres Strait Islander peoples;
- facilitate local competent authority operations; and
- have appropriate decision-making protocols.

While its legal structure is less important than its function and purpose, it is important to consider what structures might be feasible to achieve the above features of a national competent authority. The Discussion Paper provided numerous alternatives of legal structures and examples of existing organisations. The consultations did not yield a consensus view about what kind of legal structure should be developed for competent authorities but there was consensus that government agencies or authorities should be avoided. This would exclude organisations such as the Australian Institute of Aboriginal and Torres Strait Islander Studies ("AIATSIS") or a government company like the Australian Securities and Investments Commission ("ASIC"). But, as Janke suggested in 2009, "it could be a company limited by guarantee, a not for profit company. It must have the power to raise money and invest."<sup>63</sup> Janke went on to give the example of the National Indigenous Television Inc. ("NITV"). At the time, NITV was an independent legal entity relying on government funding to operate. However, in 2012 it was subsumed into the Special Broadcasting Service ("SBS"), yet another statutory body.

Meanwhile, in 2018, the Australia Council prepared a public Discussion Paper and commenced a series of consultations proposing a National Indigenous Arts and Cultural Authority ("NIACA"). Such an organisation would be established "to protect, maintain, strengthen and amplify the arts and cultures of Australia's First Nations peoples – through rights, economies, resilience, sovereignty."<sup>64</sup> The aim is to choose a legal structure that enables such a body to be established as a national not-for-profit organisation.<sup>65</sup> The NIACA Discussion Paper identified similar legal structures reviewed in the Garuwanga Project, namely: a statutory authority, a company limited by guarantee, an Aboriginal and Torres Strait Islander Corporation and a proprietary

company.<sup>66</sup> However, only companies limited by guarantee and Aboriginal and Torres Strait Islander Corporations can register for tax concessions with the Australian Charities and Not-for-profits Commission.<sup>67</sup>

As the Garuwanga Project Discussion Paper revealed, organisations capable of meeting the Garuwanga governance principles ranged from unincorporated to incorporated organisations. A potential model for the establishment of a national or even a regional competent authority might be a trust arrangement which has a charitable purpose, an Aboriginal and Torres Strait Islander Corporation as trustee, and beneficiaries being either regional competent authorities which have their own trust arrangements or, in the case of a regional competent authority, the Prescribed Bodies Corporate or other organisations of the communities in that region. While such cascading trust arrangements can be complicated, they offer a workable independence from government provided they are able to attract the necessary funding to operate.

## CONCLUSION

This article has reported on the governance models and approaches proposed by the Garuwanga Project for the establishment of a competent authority to protect Indigenous knowledge and culture in Australia while complying with the *Nagoya Protocol*. Through an extensive comparative study, detailed analysis of the range of legal structures available for the establishment of an independent competent authority under Australian law, and a series of focus group consultations across a range of Indigenous Australian communities, the Garuwanga Project has demonstrated the importance of Indigenous empowerment. Central to Indigenous empowerment is the embedding of culture and cultural practices as the bedrock of Indigenous governance. Cultural practices can have a central role in Indigenous governance by “harness[ing] the strength and resilience of cultural roots in ways that are credible and workable today”.<sup>68</sup> This is why it was important for the Garuwanga Project to consider the development of relevant governance principles against which potential models for a competent authority could be assessed as:

*[f]or Aboriginal and Torres Strait Islander peoples, the challenge lies in how to achieve a balance in their governance arrangements between interrelated cultural, social and economic priorities and the other forces of ‘western’ governance acting upon them.*<sup>69</sup>

In this way governance capacity is strengthened enabling communities to define their “own needs and then [design] and [control] the response”<sup>70</sup> and thereby achieve self-determination.

- 1 Professor & Director, Intellectual Property Program, Faculty of Law, University of Technology Sydney.
- 2 *Convention on Biological Diversity*, opened for signature 5 June 1992 and entered into force 29 December 1993.
- 3 WO/GA/26/6, WIPO General Assembly, Twenty-Sixth (12th Extraordinary) Session, Geneva, 25 September to 3 October 2000, Matters Concerning Intellectual Property and Genetic Resources, Traditional Knowledge and Folklore, 2.
- 4 *Environment Protection and Biological Conservation Act 1999* (Cth) section 301.
- 5 *Environment Protection and Biodiversity Conservation Regulations 2000* (Cth).
- 6 This flaw has been noted in the recent review of the Act and progress is being made toward formal recognition and protection of Indigenous knowledge associated with biological resources.
- 7 *Biological Resources Act 2006* (NT) section 29(1).
- 8 *Biological Resources Act 2006* (NT) section 29(2).
- 9 *Aboriginal Heritage Act 2006* (Vic) Part 5A.
- 10 *Aboriginal Heritage Act 2006* (Vic) section 79B(2).
- 11 Office of Environment and Heritage, *Draft Aboriginal Cultural Heritage Bill 2018* (NSW) <<https://www.environment.nsw.gov.au/research-and-publications/publications-search/draft-aboriginal-cultural-heritage-bill-2018>>.
- 12 UTS – Indigenous Knowledge Forum and North West Local Land Services, ‘Recognising and Protecting Aboriginal Knowledge Associated with Natural Resource Management’ (White Paper, Office of Environment and Heritage, Government of New South Wales, 2014) <<https://www.indigenousknowledgeforum.org/white-paper/>> (“White Paper”).
- 13 *Nagoya Protocol on Access to Genetic Resources and the Fair and Equitable Sharing of Benefits Arising from their Utilization to the Convention on Biological Resources* was adopted by the Conference of the Parties to the Convention on Biological Diversity at its tenth meeting on 29 October 2010 in Nagoya, Japan and entered into force on 12 October 2014 (“*Nagoya Protocol*”).
- 14 *Nagoya Protocol* article 13.2.
- 15 White Paper, 75.
- 16 See the definition of “Knowledge Resources” in proposed legislation provided in the White Paper.
- 17 Terri Janke, *Indigenous Knowledge: Issues for protection and management*, 29 March 2018, IP Australia <<https://www.ipaustralia.gov.au/about-us/news-and-community/news/indigenous-knowledge-issues-protection-and-management>>.
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- 21 National Congress of Australia’s First Peoples, 8.
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- 23 Generously funded through an Australian Research Council Linkage Grant (2016 - 2019) with the support of four Aboriginal community and private organisations and their Elders. For more information please go to <[www.indigenousknowledgeforum.org](http://www.indigenousknowledgeforum.org)>.
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- 26 *Nagoya Protocol* article 13.2.
- 27 *Nagoya Protocol* article 13.2.
- 28 *Nagoya Protocol* article 13.1.
- 29 *Nagoya Protocol* article 13.3.
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- 31 White Paper.
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- 61 The Integration of Customary Law into the Australian Legal System Speech by Mr Tom Calma.
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### APPENDIX: Garuwanga Project Research Roundtable Membership

Name	Organisation	Role
Uncle Gavin Andrews	Banyadjaminga Swaag Incorporated	Partner Investigator
Aunty Frances Bodkin	D'harawal Traditional Knowledgeholders and Descendants Circle	Partner Investigator
Dr Virginia Marshall	Triple BL Pty Ltd/ANU	Partner/Chief Investigator
Dr Anne Poelina	Madjulla Association	Partner Investigator
Professor Natalie Stoianoff	University of Technology Sydney	Lead Chief Investigator & Chair, Research Roundtable
Professor Fiona Martin	University of New South Wales	Chief Investigator
Professor Andrew Mowbray	University of Technology Sydney	Chief Investigator
Dr Michael Davis	University of Technology Sydney	Research Fellow
Dr Evana Wright	University of Technology Sydney	Former Research Fellow/ now Additional Investigation Team Member
Dr Ann Cahill	University of Technology Sydney	Former Research Fellow
Neva Collings	University of Technology Sydney	Garuwanga PhD Student
Paul Marshall	Triple BL Pty Ltd	Additional Investigation Team Member
Ian Perdrisat	Madjulla Association	Additional Investigation Team Member
Associate Professor Gawaian Bodkin-Andrews	University of Technology Sydney	Additional Investigation Team Member
Dr Marie Geissler	University of Wollongong	Additional Investigation Team Member
Associate Professor Alexandra George	University of New South Wales	Additional Investigation Team Member
Professor Bradford Morse	Thompson Rivers University	Additional Investigation Team Member
Associate Professor Daniel Robinson	University of New South Wales	Additional Investigation Team Member

# Retaining the Dam Wall: Does a Recent Case Suggest a Review of Australia's Pre-Grant Patent Oppositions?

Vanessa Farago-Diener<sup>1</sup> and John Lee<sup>2</sup>

## Introduction

A recent decision by Justice Beach of the Federal Court of Australia (“Federal Court”) in *SNF (Australia) Pty Ltd v BASF Australia Ltd* (2019) 140 IPR 276 (“*SNF v BASF* proceeding”)<sup>3</sup> highlights the potential for patent applicants to face significant costs and delay in obtaining grant when pre-grant oppositions spill over into appeals from the Australian Patent Office (“Patent Office”) to the Federal Court.

The decision of Beach J concerned two appeals (heard and determined together) from decisions of a delegate of the Commissioner of Patents in *SNF (Australia) Pty Ltd v Ciba Speciality Chemicals Water Treatments Ltd* [2016] APO 8 and [2016] APO 72 which concerned the patentability of BASF’s Australian Standard Patent Application Nos. 2004203785 (“785 Patent”) and 2013204568 (“568 Patent”).

At the conclusion of a 392-page judgment, Beach J’s ultimate finding was:<sup>4</sup>

*[1783] SNF has made out none of its grounds [of opposition] on the present appeals, namely, its grounds concerning lack of inventive step, secret use and lack of novelty. Accordingly, its appeals in each case will be dismissed with costs.*

However, in the concluding paragraph of the decision, Beach J made a final observation regarding the length, complexity and delays encountered in the proceedings and posed a number of questions for reflection:<sup>5</sup>

*[1784] Let me conclude with one final observation. The hearing of these appeals has not proceeded smoothly. The three weeks initially set aside for the hearing turned out to be inadequate. The hearing had to be adjourned over for a further week of evidence months later, and then further adjourned for several days of closing addresses. The substantial adjournments were necessary to accommodate the other significant commitments of counsel, witnesses and the Court. I make no criticism. It is what it is. But the sheer length, complexity and delays involved in these appeals does give cause to reflect on the following questions. Should appeals of this type be permitted to proceed as rehearings de novo allowing the parties to run any ground they like, whether raised before the delegate or not, and upon any evidence they choose, whether adduced or available to be adduced before the delegate or not? Or should they be permitted to proceed only upon the grounds and evidence led before the delegate with truly fresh evidence only being permitted in exceptional circumstances? Or should there be no appeal at all from the decision of the delegate, but only judicial review permitted demonstrating jurisdictional error? Or should there be an appeal for error of law only, and perhaps only with leave? Now these are policy questions, and legislative*

*amendment would be necessary. But on any view it is not sufficient to tinker with the problem by fiddling with the standard of proof, which provided no real solution to deal with the length and complexity of what unfolded before me, notwithstanding the case management techniques available. But perhaps a more robust approach can be taken.*

His Honour concluded that:<sup>6</sup>

*One solution may be to put the parties on a chess clock to limit a hearing of the present type to 5 days rather than 5 weeks. And instead of 20 volumes of double-sided material as the standard length of a court book, this could be severely confined. Further, perhaps it is time for appellate courts to show some guidance in permitting short form reasons.*

The concluding comments of Beach J raise the issue of whether it is time for further substantive changes to be made to the pre-grant opposition procedure in Australia, not only in respect of appeals to the Federal Court but the opposition process itself before the Patent Office.

## Background to the *SNF v BASF* proceeding

The patent dispute between SNF and BASF had been ongoing for more than a decade.

BASF is a German chemical company providing solutions across a range of industries, relevantly including mining. SNF is a French chemical company which competes with BASF. Both companies have global operations.

The relevant BASF patent family is directed to processes for treatment of mine tailings. Tailings, are the residual waste material left over from a mining operation after extraction of the relevant value, such as gold, zinc, iron ore, coal or alumina. The tailings are traditionally transported as a slurry and deposited into a tailings dam. Given the scale of mining operations, tailings dams can be very significant in terms of size (several square kilometres) and volume, sometimes constituting millions of cubic metres.

In the latter part of last century, there were significant environmental and commercial pressures on mining operators to minimise land use for disposal of waste materials,

# Retaining the Dam Wall: Does a Recent Case Suggest a Review of Australia's Pre-Grant Patent Oppositions?

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to consume significantly less water in mining operations and to rehabilitate the land more effectively. Further, there have been significant safety issues arising out of poorly managed tailings disposal, with a number of high profile cases where tailings dams have collapsed, with devastating effects including loss of life.

The commercial embodiment of the invention the subject of BASF's patents is known as Rheomax® Enhanced Tailings Disposal or "ETD".<sup>7</sup> The technology involves the addition of a chemical flocculant to a tailings stream using a particular methodology in order to ensure that upon deposition there is rapid release of clean water and the enhanced rigidification of the solid material. This results in significant improvement in water management and enhancement of land rehabilitation.

## Procedural history

It is important to understand the lengthy and complex procedural history of the present case.

- BASF's 785 Patent was opposed by SNF in October 2007. The opposition was subsequently stayed after SNF commenced revocation proceedings in the Federal Court in respect of the validity of five innovation patents which were filed as divisional applications from the 785 Patent. BASF cross-claimed for infringement. BASF's innovation patents were held to be valid by Kenny J and BASF succeeded in its cross-claim for infringement.<sup>8</sup>
- SNF appealed the decision of Kenny J to the Full Federal Court of Australia ("Full Federal Court"), where a majority dismissed the appeal.<sup>9</sup> SNF then sought special leave to appeal to the High Court, which was refused.<sup>10</sup>
- Subsequently, in April 2014, SNF filed an interlocutory application seeking to re-open the decision of Kenny J. The application was dismissed by Davies J.<sup>11</sup> SNF then sought leave to appeal the decision of Davies J, which was refused by the Full Federal Court.<sup>12</sup>
- The innovation patent case then moved to the quantum phase but was settled on the basis that SNF paid BASF compensation for infringement and legal costs. SNF then returned to its oppositions to the 785 and 568 standard patents.
- In both its oppositions before the Patent Office and its appeals to the Federal Court, SNF contended that the 785 Patent and 568 Patent were invalid for lack of novelty, lack of inventive step and that BASF had secretly used the invention before the priority date. As set out above, Beach J dismissed SNF's appeals finding that none of the grounds of opposition were made out.
- The 785 and 568 Patents were granted in May 2019, some 16 years after their priority date.

## Overview of pre-grant patent opposition procedure in Australia

Since the enactment of the first federal *Patents Act* in Australia in 1903, Australia has had in place a federal pre-grant patent opposition procedure.

During examination, the Patent Office reviews an application to assess that it meets the various criteria for grant of a patent including, novelty, inventive step, manner of manufacture and that the specification complies with s.40.<sup>13</sup> In examining a patent application, the Patent Office will search for and consider relevant prior art. However, the Patent Office has finite resources, is under time constraints and does not have ready access to independent experts, in some cases making it difficult for the Patent Office to assess what would be common general knowledge. Consequently, the extent of scrutiny of an application during examination in the Patent Office is necessarily more limited than it would face during an inter partes opposition.

Once a patent application has been examined, if any objections to patentability raised during the examination process have been overcome by submission or amendment, the Patent Office will advertise that the patent application has been accepted. Within a three-month period, any third party can then oppose the patent application proceeding to grant on one or more of the grounds set out in s.59 of the *Patents Act* 1990 (Cth) ("1990 Act"). The purpose of pre-grant patent oppositions, as observed by Black CJ, Merkel and Goldberg JJ in *Genetics Institute Inc v Kirin-Amgen Inc* (1999) 92 FCR 106 is:

*... to provide a swift and economical means of settling disputes that would otherwise need to be dealt with by the courts in more expensive and time consuming post-grant litigation; that is, to decrease the occasion for costly revocation proceedings by ensuring that bad patents do not proceed to grant.*<sup>14</sup>

Decisions from patent oppositions can be appealed to the Federal Court under s.60 of the 1990 Act. The appeal is a hearing de novo in which the Federal Court exercises its original jurisdiction.<sup>15</sup> Nevertheless, the findings made by a Delegate may "be given significant weight by the court because of the considerable experience and expertise that would have been brought to bear in making the decision".<sup>16</sup> Importantly, as was significant in these proceedings, the Court is not limited to considering the evidence which was before the Patent Office and may, and usually does, admit further evidence.<sup>17</sup> The Court can also consider additional grounds under s.59 of the 1990 Act, which were not raised in the opposition before the Patent Office,<sup>18</sup> as well as new prior art/acts. For example, in the present case, SNF relied on a new prior act not considered by the Patent Office in its contention that BASF's 785 and 568 Patents lacked novelty.

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It is important to note that if the outcome of an appeal to the Federal Court is that the patent should proceed to grant, that is not the final word on validity from an opponent's perspective. Any party wishing to challenge the patent still has the opportunity of commencing post-grant revocation proceedings in the original jurisdiction of the Federal Court.

## Reviews of the pre-grant opposition regime

Over the life of Australia's pre-grant opposition process, there have been numerous reviews and calls to amend or abolish the regime.

In 1984, following consultation with industry, the Industrial Property and Advisory Committee ("IPAC") recommended that pre-grant patent oppositions in Australia be abolished<sup>19</sup> ("1984 Report"). The 1984 Report also recommended that an ex-parte re-examination procedure on questions only of novelty and obviousness should be available after acceptance and grant of a patent.<sup>20</sup>

The 1984 Report noted that the rationale advanced for pre-grant patent oppositions was to ensure granted patents were as robust as possible, and that a hearing before the Patent Office is *"an inexpensive and effective adjunct to examination and search in ensuring that weak patents are not granted"*.<sup>21</sup>

However, the 1984 Report made the following observations:

- Oppositions can be used as a means for a competitor to delay the grant of a patent, with it not being unusual for oppositions to take five to eight years.<sup>22</sup>
- Cost implications of oppositions may be significant for a small inventor who has limited resources.<sup>23</sup>
- Opposition proceedings may have the effect of enabling competitors to "pirate" the invention and to compete with the inventor directly for the whole of the commercially useful life of the invention.<sup>24</sup>

The 1984 Report concluded that:<sup>25</sup>

*We can see no sufficient reason for retaining the present pre-grant opposition procedure if other effective means of challenging patents can be made available. We note that most other patent systems, including those of the US and EEC countries, do not permit pre-grant opposition.*

Having regard to the recommendation in the 1984 Report that ex-parte re-examination should be introduced, the proposal put forward by the authors of the 1984 Report was to extend the time period in which a third party could notify the Patent Office of matters affecting novelty and obviousness to up to three months after acceptance and at any time after grant.

Nevertheless, IPAC's recommendation was not adopted with the introduction of the 1990 Act which maintained the pre-grant opposition process.

In 1999, the issue of abolishment of pre-grant patent oppositions in Australia was again raised by the Advisory Council on Intellectual Property ("ACIP"). In looking at difficulties faced by Australian patent owners in being able to effectively enforce their rights, ACIP considered the issue of pre-grant versus post-grant opposition procedures ("1999 Report").

The 1999 Report identified a number of key factors as contributing to the uncertainty Australian patentees face in enforcing their patent rights, including that better resourced stake holders could abuse the system resulting in unfair outcomes for smaller parties.<sup>26</sup> While ACIP formed the opinion that opposition procedures needed to be streamlined<sup>27</sup> and supported replacing the pre-grant patent opposition procedure with a post-grant procedure,<sup>28</sup> with little industry support, the recommendation did not proceed.<sup>29</sup>

A decade later, after another consultation process, ACIP released a further report in January 2010 ("2010 Report")<sup>30</sup> which again addressed the pre-grant opposition procedure.

ACIP had obtained feedback on the following two key questions: whether a post-grant opposition system would offer greater benefits over the existing system; and whether such a system would help patent owners better enforce their patent rights.<sup>31</sup> Responses were divided.<sup>32</sup>

Ultimately, the 2010 Report found that there was insufficient justification for Australia to change to a post-grant opposition system.<sup>33</sup> The 2010 Report recommended that IP Australia continue to monitor and review the opposition processes both locally and abroad to identify whether there is any convincing reason for change from the pre-grant opposition process (recommendation 9).

ACIP noted the following in reaching this conclusion:<sup>34</sup>

- Concern that abolition of pre-grant opposition may convey the perception to first time patent applicants that the administrative process has ended with the grant of their patent, when in fact it still may be challenged before the Patent Office after grant.
- Sympathy for the argument that unmeritorious patents should not be granted, affecting the confidence that innovators, inventors and investors have in granted patents.
- The failure to address the perceived problems with the current regime, namely that while abolishing pre-grant oppositions could result in earlier grant of patent rights and ability to enforce, any opposition procedure would still result in delay.
- The potential impact on the balance of rights and interests between potential patentees and third parties exploiting technology in the same field.

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The 2010 Report noted that:<sup>35</sup>

*ACIP is therefore reluctant, on the basis of the information available to it, and the limited analysis carried out to date, to recommend such a change at this time. However, there is persuasive evidence that the pre-grant opposition process in Australia would benefit from a more detailed review.*

A very important reform step with wider implications for patent law in Australia commenced in 2013 with the introduction of the *Intellectual Property Laws Amendment (Raising the Bar) Act 2012 (Cth)* (“*Raising the Bar*”). The Explanatory Memorandum<sup>36</sup> to *Raising the Bar* stated:

*In order to meet its objective of supporting innovation, the patent system must strike a balance. It must provide sufficient protection to reward innovation, but not so much protection as to block future or follow-on innovation. Concerns have been raised that the thresholds set for the grant of a patent in Australia are too low, suppressing competition and discouraging follow-on innovation.*

In relation to pre-grant patent oppositions, the *Raising the Bar* regime introduced amendments which were clearly aimed at reinforcing the procedure, presumably in order to prevent unmeritorious patent applications proceeding to grant. The amendments included:

- Removing the requirement in s.7(3) of the 1990 Act that the prior art in considering inventive step had to be “ascertained, understood and regarded as relevant” by a skilled person in the art.<sup>37</sup>
- Lowering the standard of proof an opponent has to meet in order to succeed.
- Entrenching evidence deadlines to minimise delays in oppositions.<sup>38</sup>

Therefore *Raising the Bar*, one of the more far reaching and important reviews of patent law in Australia, resulted not only in the retention, but the reinforcement, of pre-grant oppositions as a means of testing patent applications prior to grant. An analysis by one commentator conducted in 2017<sup>39</sup> shows that these changes have made a significant difference, finding that the:

- average time required for parties to prepare and file all evidence relating to the opposition reduced from 803 days to just 250 days; and
- average duration of patent oppositions had been cut by nearly 50 percent.

## The position in other jurisdictions

The retention of a pre-grant patent opposition procedure in Australia diverges from the policy of a number of our important trading partners who have steadily shifted towards post-grant opposition.<sup>40</sup>

## **United Kingdom (“UK”) position**

Until the introduction of the 1977 Patents Act (“1977 Act”), pre-grant oppositions existed in the UK Patent Office. The 1977 Act introduced a post-grant patent opposition procedure before the UK Patent Office under which the Office could consider any ground of invalidity on which a patent application could be challenged.<sup>41</sup>

The principal effect of the 1977 Act was to draw UK patent law closer with its European trading partners, in accordance with the provisions of the *European Patent Convention* (“EPC”) which came into effect on 1 June 1978.

## **European Union (“EU”) position**

Article 99 of the EPC allows a third party to apply to revoke a European patent by filing an opposition with the European Patent Office (“EPO”) within nine months from grant of the patent.

The EPC specifically allows third parties to bring revocation proceedings before the EPO which, if successful, will result in the revocation of the European patent in toto in all the designated states. These revocation proceedings or “opposition proceedings” are dealt with by the opposition division of the EPO. Opposition proceedings may only be brought on the following grounds:

- (a) the subject matter of the patent is not patentable under the EPC;
- (b) the patent does not disclose the invention in a manner sufficiently clear and complete for it to be carried out by a person skilled in the art; and
- (c) the subject matter of the European patent extends beyond the content of the application as filed.

## **United States of America (“US”) position**

In 2011, the *Leahy-Smith America Invents Act* (“AIA”) of 16 September 2011 introduced a post-grant patent review procedure which provides for the review of the patentability of one or more claims of a patent on any ground that could be raised under § 282(b)(2) or (3), including novelty, inventive step, statutory subject matter, written description, enablement and definiteness.<sup>42</sup>

The post-grant review process begins with a third party filing a petition on or prior to the date that is nine months after the grant of the patent or issuance of a reissued patent. The patent owner may file a preliminary response to the petition. If the proceeding is instituted and not dismissed, a final determination will be issued.

## **Is a change to the Australian regime required?**

As set out above, the Australian pre-grant opposition regime has been the subject of extensive review and consideration over the past 30 plus years. None of the reviews has resulted in abolition or fundamental amendment to the regime.

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Based on analysis of the statistics, it is clear that the changes implemented over time to the pre-grant opposition procedure, particularly those implemented with *Raising the Bar*, have provided a more efficient and robust mechanism to determine the validity of patent applications prior to grant. Although the *Raising the Bar* amendments lowered the standard for an opponent to succeed in an opposition, there is no evidence that a greater number of oppositions have been implemented since its introduction.

In keeping with the retention of the pre-grant opposition regime notwithstanding numerous reviews, the authors consider on the whole it is preferable to a post-grant regime. This is because it enables third parties to challenge and either defeat entirely, or force amendments to confine the scope of, unmeritorious patent applications without facing the prospect of defending simultaneous infringement proceedings. Significantly, a large majority<sup>43</sup> of the oppositions that are implemented are either resolved between the parties or determined by the Patent Office without subsequent appeal to the Federal Court. This can be seen as compelling evidence of the success of the pre-grant regime. The ability of a patentee who succeeds in an opposition to claim compensation for infringement dating back prior to grant, mitigates to a large extent any delay in their ability to enforce their rights, particularly as interlocutory or preliminary injunctions are relatively rare.<sup>44</sup>

To date, reviews of Australia's opposition regime have for the most part focused on the merits of pre-grant versus post-grant regimes. Reviews have not tended to focus on the second stage of opposition disputes, namely appeals from decisions of the Commissioner of Patents to the Federal Court.

As the *SNF v BASF* proceeding demonstrates, a balancing act is required. On the one hand the process must enable a patent application to be subjected to a robust review before grant. On the other hand, the process should mitigate against excessively drawn out and costly proceedings resulting in undue deferral of grant.

The concluding comments of Beach J offer a number of potential options for consideration in respect of a Federal Court appeal.

*Should appeals of this type be permitted to proceed as rehearings de novo allowing the parties to run any ground they like, whether raised before the delegate or not, and upon any evidence they choose, whether adduced or available to be adduced before the delegate or not? Or should they be permitted to proceed only upon the grounds and evidence led before the delegate with truly fresh evidence only being permitted in exceptional circumstances?*

*Or should there be no appeal at all from the decision of the delegate, but only judicial review permitted demonstrating*

*jurisdictional error? Or should there be an appeal for error of law only, and perhaps only with leave?*

It is apparent that in the hearing de novo that took place in the *SNF v BASF* proceeding, the current Federal Court case management tools were unable to constrain the case advanced by the opponent SNF.<sup>45</sup> The opponent filed 22 affidavits from 13 different witnesses,<sup>46</sup> including a number of experts. A number of these affidavits and witnesses overlapped with SNF's oppositions in the Patent Office but a substantial volume of additional material and additional witnesses were relied on. In addition, SNF obtained extensive discovery during the course of the appeal<sup>47</sup> and issued production requests to BASF and subpoenas to third parties.<sup>48</sup> The appeals before Beach J were heard over the course of 21 days which, based on some analysis, is one of the longest patent appeals ever in Australia.<sup>49</sup>

Given the extensive and complex history of the suite of proceedings set out above, it was perhaps not surprising that SNF had significant leeway in relation to the way in which it prosecuted the appeals.

For a range of reasons, the authors consider that the current appeal regime should be maintained. Further, for the reasons that follow, it is considered that review by the Federal Court should not be confined to judicial review but should continue as hearings de novo, including the consideration of further evidence. These include that the opposition process before the Patent Office is necessarily limited in terms of procedural rigour. For example, there is very limited if any discovery or document production, the rules of evidence in terms of admissibility and form are not applied and there is rarely any opportunity to test evidence by way of cross-examination.

Given the potentially significant commercial implications of the grant of a patent in relation to a valuable area of commerce, as was clearly the case in the *SNF v BASF* proceeding, it is considered that an appeal from an opposition should be maintained as a hearing de novo with the ability to adduce new evidence. The grant of a patent obviously entitles a patentee to commence infringement proceedings against competitors and to seek potential injunctions, a right which should not be lightly conferred. Conversely, should the Patent Office refuse the grant of a patent application, following what is effectively an administrative proceeding, without the patent applicant having a right of appeal in the form of a hearing de novo, that could significantly undermine confidence in the patent regime with potential consequences for innovation in this country.

A final observation is that there is no right of appeal to the Full Federal Court from a first instance judgment on an appeal of an opposition. The unsuccessful party must obtain leave. This has the practical effect that a first instance judgment is often final, particularly if the opponent fails.

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Notwithstanding the unprecedented history of the *SNF v BASF* proceeding, it is notable SNF did not seek leave to appeal from Beach J's judgment.

As Beach J commented, in some cases there may be a place for more stringent case management and procedural restrictions to be implemented. It is considered that there are a number of procedural tools which can assist in constraining the scope and duration of appeals from oppositions in patent cases in appropriate circumstances. These include:

- the Federal Court's increasing willingness to allocate a date for final hearing at an early stage so that there is a fixed end point;
- the use of agreed statements of issue, reliance on exemplar patent claims and technology primers;
- the increasing use of expert "hot tubs" and joint expert reports to distil the key technical issues;
- the common practice of providing page limitations for written submissions, particularly in relation to interlocutory issues;
- the implementation of the *Federal Court Rules* 2011 (Cth) which revised the discovery regime such that a party must not apply for discovery unless it will "facilitate the just resolution of the proceedings as quickly, inexpensively and efficiently as possible";
- reliance on the overarching principles of sections 37M and 37N of the *Federal Court of Australia Act* 1976 (Cth) and the obligations they impose on parties and practitioners to co-operate with the Court and each other to assist in achieving the overarching purpose of civil practice and procedure and case management, by identifying the real issues in a dispute early, dealing with those issues efficiently and eliminating unnecessary "process driven" costs;<sup>50</sup> and
- the mechanisms outlined in the Federal Court's *Intellectual Property Practice Note (IP-1)* such as use of an agreed primer to explain the technical background to the invention claimed, use of agreed statements or tables delineating the scope of the validity dispute and that parties must only rely on prior art documents which after due consideration it considers "can properly be advanced as novelty-destroying disclosures".<sup>51</sup>

It is the authors' view that in appropriate cases, the Court could implement some of these tools quite stringently, particularly as against an opponent, as it must be kept in mind that an opponent has a further opportunity to challenge a patent by way of post-grant revocation. In keeping with the overall policy objective of pre-grant opposition, an opponent should be forced, whenever possible, to only put forward their best case.

Of course in a Federal Court appeal, there is an economic incentive for the parties to prosecute their case efficiently and without undue delay in the form of Australia's "loser pays" regime in relation to the recovery of legal costs. The usual costs order flowed in the *SNF v BASF* proceedings.

Beach J further stated:

*One solution may be to put the parties on a chess clock to limit a hearing of the present type to 5 days rather than 5 weeks. And instead of 20 volumes of double-sided material as the standard length of a court book, this could be severely confined. Further, perhaps it is time for appellate courts to show some guidance in permitting short form reasons.*

In relation to these additional comments by Beach J, it seems that in many cases the Federal Court case management protocols discussed above can be effectively implemented to achieve the desired outcomes. Clearly in the *SNF v BASF* proceeding, these objectives could not be achieved, not through any failure of case management, but simply because of the unique nature of the case brought by SNF. The history and context of the case put it at the extreme end of the spectrum of oppositions and the case did not lend itself readily to constrained case management.

### Conclusion

The *SNF v BASF* proceeding was unique in terms of its history, duration and scope. SNF, presumably motivated by significant commercial imperatives, implemented a very comprehensive opposition both before the Patent Office and subsequently on appeal. While the particular circumstances of the case required the Federal Court to hear very extensive evidence, sit for an extended period and issue very comprehensive and detailed reasons dealing with all SNF's arguments, we consider that the case itself does not suggest that a wholesale review of the patent opposition regime is warranted.

The significant history of review of the pre-grant opposition regime in Australia has not resulted in an alternative regime being implemented. This suggests that, although not perfect, the current system is in fact workable and meets the desired balance. In relation to appeals to the Federal Court, it appears from the data that all but the most extreme cases are being effectively case managed to avoid unnecessary blow outs in their scope, duration and cost. This is evidenced by the fact that the average length of an appeal hearing is only some six days,<sup>52</sup> which in the context of often highly technical subject matter, seems relatively reasonable.

For the exceptional cases, where the commercial context may prompt the parties to engage in "mega-litigation", the Federal Court can rely on appropriate costs orders to provide an economic disincentive and signal to litigants that they should bear in mind the provisions of s 37M of the *Federal Court of Australia Act* 1976 (Cth) in prosecuting their case.

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- 35 Advisory Council on Intellectual Property, *Post-Grant Patent Enforcement Strategies* (2010) 56.
- 36 Explanatory Memorandum, *Intellectual Property Laws Amendment (Raising the Bar) Bill 2011* (Cth).
- 37 Explanatory Memorandum, *Intellectual Property Laws Amendment (Raising the Bar) Bill 2011* (Cth), Schedule 1, Item 3.
- 38 Explanatory Statement, *Intellectual Property Legislation Amendment (Raising the Bar) Regulation 2013* (No. 1) (Cth), Schedule 3.
- 39 Mark Summerfield, *Reforms Cut Average Patent Opposition Delays by Two Years, But They Still Take Too Long* (12 June 2017) patentology <<https://blog.patentology.com.au/search?q=patent+office+deadlines>>.
- 40 The UK replaced pre-grant with post-grant opposition with the introduction of the Patents Act, 1977; China in 1992; Japan in 1996; Taiwan in 2004; US in 2011.
- 41 *Patents Act 1977* (UK) c. 37, s. 72.
- 42 A petitioner can argue any ground of invalidity under *United States Code* 35 USC § 282 (except best mode), including novelty, obviousness, statutory subject matter, written description, enablement, and definiteness.
- 43 <<https://dcc.com/patents/patent-opposition-appeals-to-the-federal-court/>>.
- 44 See *Patents Act 1990* (Cth) s.120.
- 45 In the *SNF v BASF* proceeding, there was a total of 30 affidavits adduced in evidence (22 by SNF) from 19 different witnesses (13 from SNF, see endnote below), the cross-examination of 14 lay witnesses and two expert witnesses, and a court book spanning 20 volumes double-sided. This was significantly more, on all fronts, than was before the Patent Office in opposition.
- 46 *SNF (Australia) Pty Limited v BASF Australia Ltd* (2019) 140 IPR 276, 309-12 [221]-[237].
- 47 See orders 2 and 4 of the Orders of 26 October 2016 in Federal Court proceeding No. VID211 of 2016.
- 48 See generally orders dated 9 November 2016, 16 November 2016, 30 November 2016, 7 December 2016, 1 August 2017, 23 August 2017 in Federal Court proceeding No. VID211 of 2016.
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# Making Sense of the “Best Method” Mess

Claire Gregg<sup>1</sup>

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The patent system is predicated on a bargain that exists between the patentee and the public, whereby the patentee provides a full disclosure of its invention in exchange for exclusive rights to exploit the invention for a limited duration (usually 20 years). Traditionally, this quid pro quo arrangement has been said to encompass an obligation on the part of the patentee to disclose the best method of performing the invention including, inter alia, by the Federal Court in *Pfizer Overseas Pharmaceutical v Eli Lilly & Co* [2005] FCAFC 224; 68 IPR 1 (“Pfizer”) at [374]:

*The requirement that an applicant disclose the best method known to the applicant of performing the invention safeguards against an applicant’s holding back with a view to getting the benefit of the patent monopoly without conferring on the public the full consideration for the grant of that monopoly.*

However, with the raising of the threshold for sufficiency of disclosure in Australia in recent years, an increasing number of jurisdictions abandoning best method as a ground for revocation, and the complete loss of patent rights that ensues from failure to disclose the best method, the questions arises: does it make sense to maintain “best method” in the current local and global environment?

## The statutory framework

Section 40(2)(aa) of the *Patents Act* 1990 (Cth) (the “*Patents Act*”), as amended by the *Intellectual Property Laws Amendment (Raising the Bar) Act* 2012 (Cth) (“*Raising the Bar*”), requires that “a complete specification must disclose the best method known to the applicant of performing the invention.” The best method must be disclosed at the complete specification filing date, as an amendment to introduce the best method at a later date is at serious risk of being refused on the basis that it extends beyond the scope of the complete specification as filed (i.e., added subject matter).<sup>2</sup>

Prior to *Raising the Bar*, the best method requirement was found together with the sufficiency requirement under s.40(2)(a) of the *Patents Act*, which stated that “a complete specification must describe the invention fully, including the best method known to the applicant of performing the invention.” Under the pre-*Raising the Bar* provision, it was also possible to amend a patent specification prior to grant to include the best method. However, whilst the statutory requirements for best method and sufficiency were linked under the pre-*Raising the Bar* provisions, the Explanatory Memorandum for the *Intellectual Property Laws Amendment (Raising the Bar) Bill* 2011 (Cth) confirmed that, operationally, the best method requirement was intended to remain unchanged under *Raising the Bar*.<sup>3</sup>

## Best method back in the spotlight

Best method received little judicial consideration in Australia until the Full Federal Court (the “Full Court”) decision in *Les Laboratoires Servier v Apotex Pty Ltd* [2016] FCAFC 27 (“*Servier*”). In *Servier*, the claimed invention was directed to the arginine salt of perindopril and the specification merely stated that the salt was “prepared according to a classical method of salification of organic chemistry.”<sup>4</sup> The Full Court held that the patentee had not disclosed the best method known to it of performing the invention because it had in fact used particular methods and parameters that “produced a guaranteed result”, whereas the broad, general method described in the specification left the skilled person to select from a large range of variables.<sup>5</sup>

The Full Court in *Servier* discussed the relevant principles for best method at length. In particular, the Full Court confirmed that there is a residual requirement in pre-*Raising the Bar* s.40(2)(a) to disclose the best method of performing the invention beyond the requirement for sufficiency (i.e., to describe the invention fully). Thus, despite the absence of a disclosure of the *best* method of performing the invention, the pre-*Raising the Bar* sufficiency requirement was found to be satisfied because the method disclosed in the specification nonetheless enabled a skilled person to make *something* falling within the scope of the claims “without new inventions or additions or prolonged study of matters presenting initial difficulty” in accordance with the *Kimberly-Clark* test.<sup>6</sup>

Since the somewhat controversial decision in *Servier*, best method has been a popular ground of attack before the courts and the Australian Patent Office (“APO”). The result has been an increasingly onerous, yet arguably obsolete best method requirement despite a global trend away from requiring patentees to disclose the best method of performing their invention. While there have been several decisions that

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consider best method, this article takes a closer look at just a few of these decisions to emerge since *Servier* that highlight some of the major pitfalls for applicants/patentees.

### Sandvik’s fate “sealed”

The patent at issue in *Sandvik Intellectual Property AB v Quarry Mining & Construction Equipment Pty Ltd* [2017] FCAFC 138 (“*Sandvik*”) was directed to the development of a drilling system for use in semi-automatic drilling rigs. The issue before the Full Court on appeal whether the complete specification disclosed the best method of performing the invention under pre-*Raising the Bar* s.40(2)(a) because it did not include drawings that were prepared before the complete specification filing date showing an improved sealing member for use with the drilling system.<sup>7</sup> Notably, the specification did not provide any indication that the sealing member was an important feature of the invention, nor did the claims specifically refer to the sealing member.

In evidence provided by one of the inventors at first instance, the design of an effective water seal was said to be “a real issue which needed to be overcome.”<sup>8</sup> The inventor described the seal as “the ultimate evolution of the seal” and as “a superior design.”<sup>9</sup> The primary judge held that the “the inventors themselves took the view that the particular water-sealing arrangement described above was critical to the efficacy and quality of the ultimate form of the invention” and thus, by omitting the drawings, the best method of performing the invention had not been disclosed.<sup>10</sup>

The patentee appealed the decision of the primary judge on the basis that the detailed characteristics of the sealing member did not relate to a method of performing the invention, and therefore the best method requirement did not extend to the sealing member. The patentee sought to rely on the Federal Court decision in *Firebelt Pty Ltd v Brambles Australia Ltd & Ors* [2000] FCA 1689 (“*Firebelt*”), in which a “lid opening device” was an essential feature of the claims but was disclosed only in very general terms in the specification. The Court in *Firebelt* held that the best method requirement was satisfied because the invention was “not of a particular type of lid opening device operating at any particular time” i.e., the lid opening device did not strictly relate to the invention.<sup>11</sup>

According to the Full Court in *Sandvik*, the appropriate starting point is to identify the invention described by the specification as a whole.<sup>12</sup> In doing so, it was apparent that despite the fact that the particular sealing member in question was not a feature of the claims, it was “necessary and important to perform the invention.”<sup>13</sup> In particular, the patentee had described two preferred embodiments under the heading “Best Modes for Carrying out the Invention” and had put forward a particular type of sealing member in the drawings of those preferred embodiments.<sup>14</sup>

However, these drawings were not of the best sealing member known to the patentee at the complete specification filing date. In this regard, the Full Court stated that:<sup>15</sup>

*... in circumstances where the specification purported to address the best method requirement by providing a detailed description of two preferred embodiments, it was incumbent on Sandvik to describe the best embodiment known to it.*

The circumstances were therefore not considered to be analogous to those in *Firebelt* because “the complete specification in *Firebelt* did not purport to describe a particular type of lid opening mechanism.”<sup>16</sup>

Ultimately, as the best form of the sealing member was not disclosed in the specification, the Full Court upheld the decision of the trial judge to revoke the patent on the ground of best method.

### What you don’t know *can* hurt you

In the APO decision of *Kineta, Inc.* [2017] APO 45 (“*Kineta*”), the patent application at issue related to compounds and methods for treating viral infections. In this case, the inventors had identified a lead compound via a high-throughput screening and designed several derivatives for synthesis and biological testing. The applicant had contracted an external provider, Life Chemicals Inc, to synthesise these derivatives, which were returned to the applicant for biological testing. Notably, the applicant did not provide any instructions to Life Chemicals on how to prepare the compounds, and Life Chemicals did not provide any details to the applicant of how the compounds were synthesised.

The applicant met with a rare best method objection during examination because the specification did not disclose *any* method for making or obtaining the compounds of the invention. Unable to overcome this objection during examination, the matter proceeded to a hearing on the papers. In the decision, the Deputy Commissioner distilled from the relevant case law a three-step test determining whether a specification discloses the best method of performing the invention:<sup>17</sup>

- (a) *What is the nature of the invention?*
- (b) *What method is described in the specification?*
- (c) *Was the applicant aware of a better method?*

In considering the nature of the invention, the Deputy Commissioner considered that the invention was not merely the molecular structure of the compounds designed by the inventors and drawn out in the specification. Rather, the nature of the invention lay in the compounds and the fact that they must be able to be made before they can be used:<sup>18</sup>

*... Until the applicant was in possession of the compounds, as distinct from merely conceiving their structure, it was not able to do the work to determine whether or not it had*

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*solved the problem. It is clear that the invention lies in the compounds and the fact that they can be made. In order for the public to have the full benefit of the invention they must be able to prepare the compounds and then use them for their beneficial properties ... [emphasis added]*

The applicant provided expert evidence from one of its employees, Dr Goldberg, that the specification, in combination with the common general knowledge (“CGK”) of a person skilled in the art, provided all of the information needed for the skilled person to make the claimed compounds.<sup>19</sup> However, while it was accepted that Dr Goldberg was indeed capable of preparing the compounds due to his particular expertise, the Deputy Commissioner was not satisfied that the ordinary skilled addressee would be able to do so upon reading the specification in light of the CGK.<sup>20</sup> For this reason, simply drawing out the structure of the compounds in the specification was not tantamount to a disclosure of a method of making them and, for analogous reasons, was not a clear enough and complete enough (sufficient) disclosure to enable a skilled person to carry out the claimed invention without undue burden or further invention.

The applicant also submitted that it had not withheld any information from the specification because it did not know how Life Chemicals had produced the compounds.<sup>21</sup> However, the applicant knew that the compounds could be purchased from Life Chemicals. As this information had not been included in the specification, it was held that the best method had not been disclosed because “the applicant has not disclosed that the only method known to it (and thus the best method known to it) was to purchase the compounds from Life Chemicals Inc.”<sup>22</sup>

### An unconventional approach

The decision in *Merial, Inc. v Bayer New Zealand Limited* [2018] APO 14 (“*Merial*”) concerned an opposition to the grant of a divisional patent application on several grounds, including best method. The invention related to an anthelmintic (antiparasitic) tablet formulation containing two active ingredients – a macrocyclic lactone (“ML”) and a levamisole salt (“LS”) – for the treatment of parasites in animals.

Stable aqueous formulations containing both ML and LS had not previously been achieved, and was a particular problem to be addressed by the invention.<sup>23</sup> According to evidence provided by one of the inventors, Mr Nanjan, “it was important that any useful composition which contains both [active agents] must separate the actives to ensure stability and effectiveness of the composition.”<sup>24</sup> Mr Nanjan noted that it took two to three years of research and development to devise a method of manufacturing a single tablet containing the incompatible actives. This method involved phase separation of the actives, avoided the need for a substantial drying step, and also avoided the excess use

of solvents to get the ML into solution before the addition of the LS.<sup>25</sup> However, the opponent submitted that no such method was disclosed in the specification.

The Delegate was satisfied that the specification provided an implicit disclosure of phase separation between the active agents.<sup>26</sup> However, while the specification included specific examples of tablet formulations according to the invention under the heading “Best mode for carrying out the invention”, there was little information provided in the examples as to how the tablets were prepared. The Delegate noted that the specification provided a “clear implication” in relation to the sequence of mixing the organic solvents and the active agents, and the types of organic solvents that could be used.<sup>27</sup> However, the specification did not disclose any further details in relation to the method of preparing the tablet formulations. In the absence of such a disclosure, the Delegate concluded that “a skilled person would understand that conventional tableting methods are used to make the tablet, and that all methods are equivalent.”<sup>28</sup>

Conventional methods for preparing tablet formulations involve a drying step, which substantially removes all of the solvents used in the preparation of the actives prior to tablet formation. However, according to Mr Nanjan, the high temperature drying step routinely used in conventional tableting methods should ideally be avoided so as not to disturb the phase separation between the active agents.<sup>29</sup> Mr Nanjan knew that the need for such a drying step could be avoided using a step-wise addition of a combination of solvents to dissolve the ML so as keep the total volume of solvent to a minimum.<sup>30</sup> The only drying step required was to remove the solvent carrier for one of the excipients used in the tablet. According to Mr Nanjan, this specific carrier was a low boiling point solvent that enabled a low temperature drying step to be used that would maintain the phase separation between the active agents.<sup>31</sup>

The applicant submitted that explicit disclosure of the drying step was not necessary because it could be inferred by the skilled person from reading the specification. However, the Delegate considered that because substantial removal of *all* of the organic solvent during the drying step was part of the conventional approach that formed part of the CGK, a skilled person would not understand the specification to be teaching “a drying step that removes solvents only to the extent where there was still sufficient solvents to maintain phase separation between the [active agents].”<sup>32</sup>

Thus, despite the fact that the specification was found to satisfy the s.40(1)(a) sufficiency requirement under *Raising the Bar*, and hence stable formulations according to the invention could be achieved across the full width of the claims following the teaching of the specification and the CGK without undue burden or further invention, the Delegate nonetheless found the entire application to be invalid for failure to disclose the best method.

### A heavy new burden for divisional patents

The Federal Court in *Dometic Australia Pty Ltd v Houghton Leisure Products Pty Ltd* [2018] FCA 1573 (“*Dometic*”) considered the issue of the relevant date for the assessment of best method of divisional patents. The assessment of best method involves an inquiry into the subjective knowledge of the patentee at a particular point in time.<sup>33</sup> As the filing date of a complete specification for a divisional application will typically differ from the filing date of its parent, the relevant date for the assessment of best method of divisional patents has long been a matter of debate.

Gummow J stated in *Rescare Ltd v Anaesthetic Supplies Pty Ltd* [1992] FCA 537 (“*Rescare*”) with reference to the best method requirement under the *Patents Act 1952* (Cth) that “the adequacy of the disclosure should be judged by reference to the time from which dated the monopoly granted the applicant in exchange for the disclosure”.<sup>34</sup> That is, according to Gummow J, the relevant date for the assessment of best method was the effective filing date of the patent. The Full Court in *Pfizer* at [379] further stated:

... Lest there be any doubt, we would make it clear that s 40(2)(a) requires an applicant for a patent to disclose in the **complete specification at the time of filing** it the best method of performing it known to the applicant at that time: cf *C Van Der Lely NV v Ruston's Engineering Co Ltd* [1993] RPC 45 at 56 and *Rediffusion Simulation Ltd v LinkMiles Ltd* [1993] FSR 369 at 405, which were decided on ss 4(3)(b) and 32(1)(h) of the *Patents Act 1949* (UK). [emphasis added]

The Court in *Dometic* relied on the passage at [379] above from *Pfizer* as “clarifying” the position in *Rescare* and supporting the proposition that the relevant date for assessing best method with respect to the divisional (innovation) patent at issue was the date of filing of the complete specification for the divisional application and not the effective filing date based on its ultimate parent application.<sup>35</sup> In addition, White J noted that s.40(2) of the Act is concerned with the content of a “complete specification”, which is defined in the Act as “a specification filed in respect of a complete patent application ...”. According to White J, this definition suggests that compliance with all of the s.40(2) grounds, including best method, is to be assessed with respect to the complete specification at the time of its filing.

Another interesting aspect of the *Dometic* decision as it concerns best method is whether knowledge of a better method of performing the invention developed by one of the inventors between the effective filing date of the patent and the actual filing date of the complete specification for the divisional application could be attributed to the patentee. Relevantly, between the effective filing date and the complete divisional specification filing date, the inventor has ceased to be an employee of the applicant of the original *Patent*

*Cooperation Treaty* (“PCT”)<sup>36</sup> application, and the PCT application had been assigned to the original applicant’s parent company, which subsequently filed the divisional application at issue.

According to White J, there is no general principle to suggest that the knowledge of an assignor of an invention is necessarily imputed to an assignee;<sup>37</sup> nor is a parent company imputed with the knowledge of its subsidiary merely by virtue of its corporate relationship.<sup>38</sup> Thus, although the Court was satisfied on the basis of the evidence that the inventor had in fact developed a better method of performing the invention and that this method had not been included in the divisional specification at filing, the best method requirement was found to be satisfied because knowledge of this improved method could not be imputed to the patentee in all the circumstances. Thus, unlike *Kineta*, the circumstances in *Dometic* were ultimately a lucky case of what the patentee didn’t know *couldn’t* hurt them.

### Is “best method” really what’s best?

#### *Perception is key*

The best method requirement specifically refers to the knowledge of the applicant, with the implication that, unlike the requirement for a sufficient (enabling) disclosure, the best method of performing the invention must be disclosed, either expressly or by inference, even if that method would be apparent to a person skilled in the art.<sup>39</sup> While the assessment of what is “best” is a question of fact as to the applicant’s actual knowledge (as opposed to their theoretical knowledge) at the relevant time,<sup>40</sup> disclosure of the best method depends on what the applicant perceives to be the best embodiment of the invention known to it at the relevant time.<sup>41</sup> As Bennett J stated in *Expo-Net Danmark A/S v Buono-Net Australia Pty Ltd (No 2)* [2011] FCA 710:<sup>42</sup>

... it must be established that there was a better method known to the applicant as at the date of filing of the patent than the one described in the specification. This is clearly a **subjective question**. [emphasis added]

The actual knowledge of the applicant at a particular point in time can be very difficult to prove in the absence of strong evidence. In many cases, such as those highlighted above, such evidence will come from an inventor, the knowledge of whom must then be assessed to determine whether it can be imputed to the applicant. The inherent difficulty in establishing the state of mind of the applicant in the absence of evidence is undoubtedly why the APO rarely raises best method objections during examination, except in rare cases like *Kineta* where there is clearly no method at all explicitly described in the specification.

In addition, there is no requirement that the best method be identified as such in the specification.<sup>43</sup> Therefore, where there are multiple methods disclosed in the specification there may

be nothing to indicate to the public which one is the “best”. The decisions in *Sandvik* and *Merial* might even serve as a cautionary tale against doing just that, with headings such as “Best Mode(s) for Carrying out the Invention” acting as a signpost that the applicant is purporting to address the best method requirement. Thus, whilst there is an imperative to disclose what the applicant perceives to be the best method of performing the invention, without a similar imperative to identify it as such there is arguably limited benefit to the public where there are multiple methods disclosed in the specification.

### *Timing is everything*

Inventions are often in their relative infancy at the complete specification filing date. A typical example of this is pharmaceutical patents, which are commonly filed at an early stage of research and development, possibly before a lead compound is even identified. In many cases, it is not uncommon for the best method of performing an invention to change over time as the applicant/patentee acquires additional know-how and experience that is necessary to exploit the invention effectively or optimally,<sup>44</sup> and as the invention proceeds towards commercialisation. Couple this with the prohibition on added subject matter (being that which can be directly derived by a skilled person upon reading the specification) under *Raising the Bar* preventing the specification from being amended to add or update the best method at a later date, and there is arguably limited value to the public in describing the best method in a patent specification when it is first filed.<sup>45</sup> In particular, the best method requirement had been said to:<sup>46</sup>

*... supplement the necessity for a full description by requiring the patentee to disclose additional information which, if not available to potential users of the invention, could place the patentee in a stronger competitive position even though no patent protection existed [i.e. when the patent ceases to be in force]. It is included to help ensure good faith on behalf of the patentee. [emphasis added]*

However, in areas of significant technological advancement, which is often the realm of patents, in many cases what was best 20 years earlier has often long been superseded or is obsolete by the time the public can reap its benefit.

To date, *Dometic* is the only decision to provide any guidance on the relevant date for the assessment of best method of divisional patents. However, prior to the *Dometic* decision being handed down, the APO appeared to embrace the practice of assessing the best method at the time of filing the complete specification for a divisional application following the *Kineta* decision. In particular, the prohibition on added subject matter under *Raising the Bar* meant that the applicant in *Kineta* could not amend the specification to include the best method. Instead, the applicant filed a divisional application supplemented to include the best method, which was ultimately granted by the APO since

the prohibition on added subject matter under s.102(1) of the *Patents Act* applies only to amendments, not information that is included in a divisional application at the time of filing.

However, there are a number of problems with requiring applicants to supplement their divisional application with a disclosure of any better method to arise since the effective filing date. First, this creates a risk of adding new information in the divisional specification, which could affect the priority date of any claims that rely on the added matter. Second, what happens if it is not the applicant that develops the improved method, but a third party (e.g., an alleged infringer)? Is the applicant obliged to include that method in their divisional specification if they are aware of it? Third, is an applicant/patentee that becomes aware of a better method while they have pending rights from which to file a divisional application then obliged to file a divisional that includes the improved method so as not to withhold that information from the public? Fourth, it places already granted divisional patents at serious risk of an invalidity challenge where evidence can be adduced that the patentee became aware of a better method of performing the invention during the relevant time.

Furthermore, the decision in *Dometic* does not take account of the fact that both *Rescare* and *Pfizer*, the primary decisions upon which White J based his judgement, were not concerned with divisional applications. Accordingly, it is not clear whether the term “complete specification filing date” as used in those decisions was intended to have a distinct meaning from the “effective filing date”, since these dates were one and the same for the patents at issue in both of those cases.

As mentioned above, Gummow J stated in *Rescare* at [76] that “the adequacy of the disclosure should be judged by reference to the time from which dated the monopoly granted the applicant in exchange for the disclosure”.<sup>47</sup> Paragraph [379] of *Pfizer*, which is referenced only in part in *Dometic*, appears to indicate agreement with Gummow J’s remarks in *Rescare*:

*Once it is accepted, however, that an applicant for a patent must disclose the best method known to the applicant at the date of filing, it is also not difficult to think, as Gummow J appears to have done and as we do, that disclosure must be made in the complete specification when it is filed. Lest there be any doubt, we would make it clear that s 40(2) (a) requires an applicant for a patent to disclose in the complete specification at the time of filing it the best method of performing it know to the applicant at that time ...*

Further, in contrast to White J’s suggestion that all s.40 grounds must be assessed relative to the complete specification at the time of its filing, the Full Court in *Pfizer* also stated at [375] (endorsed by the Full Court in *Servier* at [114]):

*The date as at which the best method known to the applicant is to be identified is conceptually distinct from the date by which the specification's full description of the invention must include a disclosure of it. The parties correctly proceeded on the basis that it is the best method known to the applicant as at the filing date that must be disclosed. In Rescare, Gummow J expressed the opinion (at 223) that this was so under s 40 of the 1952 Act, and s 40(2)(a) is to the same effect as s 40(1)(a) of the 1952 Act. [emphasis added]*

Furthermore, the Full Court previously considered the meaning of the term “the filing date of the complete specification” in the context of the Act as a whole in *Mont Adventure Equipment Pty Ltd v Phoenix Leisure Group Pty Ltd* [2009] FCAFC 84 (“*Mont Adventure*”) and concluded at [14]:

*The phrase “the filing date of the complete application” must be construed in the context of all of the provisions of the 1990 Act and the Regulations, so as to give a harmonious result achieving the apparent goal of the provisions. To construe the phrase as referring to the Parent Application and not to the Divisional Application achieves that result. The construction is reasonably open and is consistent with the structure of the 1990 Act and the Regulations as a whole, particularly in relation to the treatment of divisional applications and avoids anomalous or unreasonable results. [emphasis added]*

Thus, there is a reasonable argument that the decision in *Dometic* proffers a construction of the term “complete specification filing date” in relation to divisional applications that provides “anomalous or unreasonable results” and should be avoided. Unfortunately, the decision has not been appealed and divisional applicants/patentees are now left to deal with the aftermath.

### **Disclosure requirements**

It is apparent from *Servier* and the subsequent decisions on best method that the nature of the invention around which the claims are drawn (as determined from the specification as a whole), not just the claims themselves, is critical to determining what is “best” in the circumstances. This is consistent with the definition of the term “invention” endorsed by the High Court in *Kimberly-Clark Australia Pty Limited v Arico Trading International Pty Limited* [2001] HCA 8; (2001) 207 CLR 1, being the “the embodiment which is described, and around which the claims are drawn”.<sup>48</sup>

In *Servier*, both at first instance and on appeal, the court also referred to the “point” of the invention, and stated that “the patentee has an obligation to include aspects of the method of manufacture that are material to the advantages it is claimed the invention brings.”<sup>49</sup> In that case, the point of the invention was said to be the suitability of the perindopril

arginine for the storage of pharmaceutical compositions, which depended on the particular salt formation and the methodology of obtaining that salt formation.<sup>50</sup> The Full Court considered that “the reader of the Patent has been led to expect characteristics comparable to the stability features set out in the specification”<sup>51</sup> and that more importance should be placed on these characteristics “than might be the case where the claimed invention was a product for which these characteristics were irrelevant.”<sup>52</sup> Thus, if *Servier* was aware of a method that provided a form of the salt with such characteristics, it was incumbent upon it “to provide the best method for producing a form of perindopril arginine that would best fulfil the promises of the invention.”<sup>53</sup> Similarly, in *GlaxoSmithKline Consumer Healthcare Investments (Ireland) (No. 2) Limited v Apotex Pty Ltd* [2016] FCA 608 (“*GSK*”) it was stated at [844]:

*If the skilled addressee is left to make a choice as to what analytical agent to use, what commonly used method to use or what machinery to use or is left in doubt as to what a term means, the best method will not have been described if that choice or uncertainty affects the performance of that method.*

The patentee in *Sandvik* sought to rely on the reference to the “promise of the invention” in *Servier*, and submitted that it was not necessary to disclose the best sealing member known to it because the sealing member did not relate to the promised advantages of the invention.<sup>54</sup> However, the Full Court in *Sandvik* noted that the emphasis in *Servier* was on what was described in the specification as a whole and thus it is the specification as a whole (not just the promise of the invention) that must be considered in assessing whether it was incumbent on the patentee to describe the best form of the invention known to it.<sup>55</sup>

In both *Servier* and *Kineta*, it was also argued that the best method requirement was satisfied by identifying the essential integers of the product (e.g., the molecular structure or compound name). In both cases, the patentee/applicant sought to rely on the decision of the United Kingdom (“UK”) High Court of Justice (Chancery Division) in *Illinois Tool Works Inc v Autobars Co (Services) Ltd* [1974] RPC 337 (“*Illinois Tool Works*”), in which the claims at issue were directed to an article having a certain shape. In *Illinois Tool Works*, the Court found that the invention lay in the conception of the shape of the article and the patentee was not required to describe how the article was made; it was enough that the patentee had described the formation of the article having the required shape. Thus, in both *Servier* and *Kineta* it was argued that, as the relevant claims were to a product and not a process, the best method obligation was met by identifying the claimed compound(s) per se and details of the method of production was not required. The Full Court in *Servier* rejected this argument, stating:<sup>56</sup>

*The nature and extent of the disclosure required to satisfy the best method requirement will depend on the nature of*

*the invention itself. Accordingly, a distinction between products and processes that ignores the specific features of the invention claimed is unhelpful.* [emphasis added]

Further, as discussed above, the nature of the invention in *Kineta* was found to lie in both the compounds that the fact that they could be made. The Deputy Commissioner also stated that even if the claims were amended so that they were directed solely to the use of the compounds, rather than the compounds per se, the best method requirement would still not be satisfied.<sup>57</sup> Although it has been established that it is not necessary to disclose how starting materials for a process are to be obtained, this is only the situation when the starting material is not the invention.<sup>58</sup>

### ***Clear enough and complete enough, but only the best is good enough***

The advent of the new *Raising the Bar* requirement under s.40(2)(a) for a specification to provide a “clear enough and complete enough” disclosure of the invention across the full width of the claims raises a question as to the value of additionally disclosing the best method of performing the invention. Prior to the *Raising the Bar* reforms, the rationale for providing the best method of performing the invention was relatively clear. For example, in *Servier* the Full Court rationalised the residual requirement in pre-*Raising the Bar* s.40(2)(a) to disclose the best method beyond the requirement for sufficiency (i.e., to describe the invention fully) as follows:<sup>59</sup>

*The proposition underlying a separate and additional obligation on the part of the inventor filing a complete specification is that where an inventor in fact knows of a method at the time of filing the complete patent application, which has taken the methodology to a more satisfactory stage or provides more certainty so that the public may more quickly and easily utilise the invention for which a monopoly is granted, the inventor is under an obligation to disclose that method.* [emphasis added]

It was also stated in *Servier* that the requirement for best method helped to “relieve the skilled addressee of confronting blind alleys and pitfalls.”<sup>60</sup> Similarly, the Full Court in *CCOM Pty Ltd v Jiejing Pty Ltd* [1994] FCA 1168 (“*CCOM*”) endorsed a statement by Lord Moulton in *British United Shoe Machinery Co Ltd v A Fussell & Sons Ltd* that highlights an important distinction between sufficiency and best method:<sup>61</sup>

*... there was the danger of confining [the inventor] to a mere outline which gave delimitation, but did not tell the public the best way within those limits of performing his invention. The one duty required him to state his invention in its most general form, and the other duty required him to state it at its best and therefore in a very special form.*

However, both *Servier* and *CCOM* were decided under the pre-*Raising the Bar* legislation, under which the test for

sufficiency involved an enquiry into whether a specification provided sufficient disclosure to enable the skilled addressee to “produce something within each claim without new inventions or additions or prolonged study of matters presenting initial difficulty” (the *Kimberly-Clark* test).<sup>62</sup> The bar for sufficiency has since been raised significantly, requiring that a specification provide a “clear enough and complete enough” disclosure for an objective skilled person to carry out the claimed invention across its full scope without undue burden or the need for further invention.<sup>63</sup> This has, arguably, dispensed with the need to provide a subjective account of the best method known to the applicant at a particular point in time when the specification enables a skilled person to achieve each and every embodiment of the claimed invention at all times.

Notably, the Federal Court considered the pre-*Raising the Bar* best method and sufficiency requirements under s.40(2)(a) in *GSK* and stated at [842]:

*A patent will satisfy the best method requirement if the skilled addressee can arrive at the best method known to the patent applicant of performing the invention by some “routine” experimentation, but without ingenuity or undue experimentation ...*

Comparing the language used in *GSK* to the sufficiency requirement under s.40(2)(a) post-*Raising the Bar*, which requires that the specification provide a clear enough and complete enough disclosure for a skilled person to perform the invention across the full width of the claims without undue burden or further invention, the best method requirement appears largely redundant.

The *Raising the Bar* support requirement under s.40(3) also has a role to play in filling best method’s shoes. For example, where in *Sandvik* the patent was revoked for failure to disclose the best method in relation to a feature that was considered “necessary and important to perform the invention”,<sup>64</sup> a more appropriate way to deal with this issue might have been under s.40(3) on the basis that the claims lacked an essential feature of the invention.

Consideration of the applicant’s “best” knowledge was once considered paramount to the patentee fulfilling its obligations under the patent bargain.<sup>65</sup> However, it is no longer clear whether the patentee’s part of this quid pro quo arrangement is any longer embodied in the best method requirement, or whether providing the public with a sufficient (and supported) method of performing the invention across its full scope is, indeed, sufficient for the patentee to discharge its obligation under the patent bargain. It has even been argued in recent years that the purpose of the patent system has shifted away from the traditional trade off with the public towards promoting innovation and economic wellbeing,<sup>66</sup> thereby weakening any argument that seeks to rely on the patent bargain as a basis for retaining “best method”.

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In any case, where the post-*Raising the Bar* sufficiency requirement is met, a skilled person will be able to perform a claimed invention across its full scope even after the patent monopoly expires. In contrast, a skilled person carrying out the best method known to the applicant at the time of filing the complete specification once the patent has expired some 20 years later – the very time when the public is supposed to obtain the benefit of the patent under the traditional patent bargain – is unlikely to be performing what is the optimal method at that time.

### *The importance of harmonisation*

Best method originated in early UK case law, and was first incorporated into legislation in 1907 by virtue of it being a ground upon which a patent might previously have been repealed by *scire facias*.<sup>67</sup> The best method requirement was amended with the introduction of new wording into the *Patents Act* 1949 (UK) to clarify that the applicant is required to disclose the best method of performing the invention “for which he is entitled to claim protection”, suggesting that which is novel and inventive and therefore not readily apparent to the skilled person. However, the best method provision was abolished altogether in the *Patents Act* 1977 (UK) in an effort to harmonise UK law with the *European Patent Convention*,<sup>68</sup> which has never included a best method requirement.

Whilst harmonisation is not the primary consideration in whether legislation ought to be amended, the relevant law of other countries, particularly major trading partners, should be appropriately considered. Yet, despite Australia’s long-standing tradition of synchronisation with UK and European law, the best method requirement was first introduced into legislation in the *Patents Act* 1952 (Cth), notably without the qualification “for which he is entitled to claim protection” that was incorporated into the UK legislation in 1949, and which arguably limited the best method requirement to the invention defined in the claims as opposed to the specification as a whole. Even New Zealand (“NZ”), which is the only major trading partner of Australia to retain best method as a ground for revocation, includes the language “for which there is an entitlement to claim protection” to delimit the scope of the provision.<sup>69</sup>

In contrast, the broad language of the Australian statute places a significant burden on applicants to determine what exactly should be disclosed at the time of filing in order to satisfy the best method requirement. Indeed, it is likely that the outcome in *Sandvik*, which was found to be invalid for failure to disclose the best method in relation to a feature of the invention that was not present in the claims, would have been very different had a limitation similar to that of the *Patents Act* 1949 (UK) and the *Patents Act* 2013 (NZ) been included in the Australian legislation.

Even with the substantive changes to the legislation brought about under *Raising the Bar*, the purpose of which included

bringing Australia’s disclosure requirements in line with those of Europe and the UK,<sup>70</sup> the best method requirement was maintained in the Act. Harmonisation was clearly an important consideration when drafting the *Raising the Bar* legislation, particularly in relation to s.40, so it is somewhat surprising that best method was retained at this time. It seems likely that it was retained to retain accord with the United States of America (“US”) “best mode” requirement. However, the US no longer recognises best mode (method) as a ground for revocation under the *Leahy-Smith America Invents Act*,<sup>71</sup> due to continued difficulties with its application before the courts (although, it is still a matter of debate whether the US “best mode” requirement is enforceable, for example, under Title 18 of the US Code or the Inequitable Conduct Doctrine).<sup>72</sup>

Also, somewhat surprising is that, in deciding to retain the best method requirement, changes were not made to the Act with the *Raising the Bar* reforms to conform with the language of the TRIPS Agreement.<sup>73</sup> In particular, Article 29.1 of TRIPS states that:

*Members shall require that an applicant for a patent shall disclose the invention in a manner sufficiently clear and complete for the invention to be carried out by a person skilled in the art and may require the applicant to indicate the best mode for carrying out the invention known to the inventor at the filing date or, where priority is claimed, at the priority date of the application.* [emphasis added]

As evident from the language of Art. 29.1, sufficiency is a mandatory requirement under TRIPS, while best method remains optional, and very few jurisdictions that are a party to the TRIPS Agreement have elected to adopt a best method requirement. However, despite persisting with best method, Australia has also made no move to conform the language of the statute with TRIPS.

Article 29.1 of TRIPS aligns more closely with the US best mode requirement, which requires disclosure of the best mode (method) known to the inventor (rather than the applicant). This requirement is arguably narrower, or at least less onerous, than the current Australian requirement, because inventors cannot be companies (the knowledge of which can be difficult to ascertain) and cannot change over time (whereas ownership can be transferred, e.g., by assignment). The Federal Court in *Dometic*, for example, considered at length some of the issues associated with multiple changes of ownership on the knowledge requirement for best method under Australian law.

In addition, TRIPS states that the relevant date for assessing best method is “the filing date or, where priority is claimed, at the priority date of the application”. Such a limitation would likely have dispensed with the issues that arose in *Dometic* in relation to the relevant date for assessing best method. However, limiting the best method requirement to the

knowledge of the inventor at the priority date, as opposed to the knowledge of the applicant at the complete specification filing date, carries its own problems, such as potential disadvantage to the public. For example, in *Servier*, the Full Court referred to early UK case law, which established that if a better method of performing an invention was discovered between the date of filing a provisional and a complete specification, the applicant was bound to disclose that better method in the complete specification.<sup>74</sup> In doing so, the public gains the benefit of enabling it to “better to effectuate the thing for which the patent was obtained”<sup>75</sup> On the flip side, there is a risk that the priority claim may be jeopardised if the best method is included in the complete specification and not the priority application(s).

As the majority of Australian patent filings originate from outside Australia in jurisdictions that do not have best method as a ground for invalidity and/or revocation, and with the law in relation to best method in a constant state of flux, it is difficult if not impossible for local attorneys to convey to potential overseas applicants the necessity for drafting with Australia’s best method laws in mind.

### **Good faith? Bad luck**

Finally, a generally accepted rationale for the best method requirement is that it ensures good faith on the part of the patentee. This good faith obligation was articulated in *American Cyanamid Company v Ethicon Limited* [1979] RPC 215 (“*American Cyanamid*”) in which Graham J stated in relation to the UK *Patents Act* 1949:<sup>76</sup>

*The Act is intending to protect the public against a patentee who deliberately keeps to himself something novel and not previously published which he knows of or has found out gives the best results, with a view to getting the benefit of a monopoly without giving to the public the corresponding consideration of knowledge of the **best method** of performing the invention.*

This “good faith” obligation has also been acknowledged by Australian courts. In particular, the Full Federal Court in *Firebelt* echoed the sentiments of the High Court of Justice (Chancery Division) in *American Cyanamid* in relation to best method:<sup>77</sup>

*This requirement is to ensure good faith on the part of the patentee, and to protect the public against a patentee who deliberately keeps to himself something novel and not previously published which he knows of or has found out gives the best results, with a view to getting the benefit of monopoly without giving to the public the corresponding consideration of knowledge of the **best method** of performing the invention.*

A number of other authorities have also recognised this good faith obligation under Australian law.<sup>78</sup> In *Servier*, the patentee attempted to argue that a mere lack of “good faith” was not a ground for revocation and not the relevant

test for best method.<sup>79</sup> However, the Full Court in *Servier* considered that the authorities supported the principle that “although a patentee might not be explicitly required to act in good faith, principles of good faith underlie the best method requirement.”<sup>80</sup>

The US also recognises a good faith rationale for its “best mode” requirement, expressed by the US Court of Customs and Patent Appeals in *In Re Nelson* as follows:<sup>81</sup>

*... There always exists, on the part of some people, a selfish desire to obtain patent protection without making a full disclosure, which the law, in the public interest, must guard against. Hence section 112 calls for description in “full, clear, concise, and exact terms” and the “best mode” requirement does not permit an inventor to disclose only what he knows to be his second-best embodiment, retaining the best for himself.*

It is only recently, starting with *Servier*, that the APO and the courts have really begun to probe the level of disclosure required to satisfy the statutory best method requirement in Australia, and the threshold has been shown to be high. However, there are a swag of patents that were filed without having the benefit of the decisions discussed above, which nonetheless made a genuine effort to comply with the best method requirement in line with the good faith obligation, that are at serious risk of invalidation in the future for failure to disclose the best method.

### **Conclusion**

Recent decisions of the courts and the APO suggest that the best method requirement is not achieving the best outcome for applicants/patentees and offers limited benefit to the public. There is a reasonable argument to be made that sufficiency of disclosure is more beneficial than disclosure of the best method, and that a supplemental requirement to disclose the best method, which is often obsolete by the time a patent is either granted or expired, is overly cumbersome and not sufficiently beneficial to the public to warrant the harsh penalty of complete patent invalidity for a failure to disclose it.

Both the IP Committee of the Law Council of Australia and the Institute of Patent & Trade Mark Attorneys (“IPTA”) have previously filed submissions to IP Australia in an attempt to persuade it to repeal the best method requirement. More recently, these representative bodies have entered into discussions with IP Australia to try to mitigate what would be devastating retrospective effects of the *Dometic* decision on already granted divisional patents. However, there has yet to be any indication from IP Australia that “best method” is going anywhere any time soon. Therefore, the onus weighs heavily on patent attorneys and their clients to make the best of the “best method” mess.

## Making Sense of the “Best Method” Mess

- 1 Claire Gregg is a registered Trans-Tasman patent attorney in Australia and New Zealand. Her current practice is at Allens Patent & Trade Mark Attorneys in Sydney.
- 2 *Patents Act* 1990 (Cth) s.102(1).
- 3 Explanatory Memorandum, *Intellectual Property Laws Amendment (Raising the Bar) Bill* 2011 (“Explanatory Memorandum”) Item 8.
- 4 *Les Laboratoires Servier v Apotex Pty Ltd* [2016] FCAFC 27 (“*Servier*”) [9].
- 5 *Servier* [47].
- 6 *Kimberly-Clark Australia Pty Limited v Arico Trading International Pty Limited* [2001] HCA 8; (2001) 207 CLR 1 (“*Kimberly-Clark*”) [25].
- 7 *Sandvik Intellectual Property AB v Quarry Mining & Construction Equipment Pty Ltd* [2016] FCA 236 (“*Sandvik*”).
- 8 *Sandvik* [104].
- 9 *Sandvik* [223].
- 10 *Sandvik* [231].
- 11 *Firebelt Pty Ltd v Brambles Australia Ltd & Ors* [2000] FCA 1689 (“*Firebelt*”) [52].
- 12 *Sandvik* [117].
- 13 *Sandvik* [125].
- 14 *Sandvik* [123].
- 15 *Sandvik* [125].
- 16 *Sandvik* [126].
- 17 *Kineta, Inc.* [2017] APO 45 (“*Kineta*”) [29].
- 18 *Kineta* [32].
- 19 *Kineta* [17].
- 20 *Kineta* [16], [25].
- 21 *Kineta* [41].
- 22 *Kineta* [42].
- 23 *Kineta* [42].
- 24 *Kineta* [93].
- 25 *Kineta* [97]–[99].
- 26 *Kineta* [129].
- 27 *Kineta* [133]–[134].
- 28 *Kineta* [134].
- 29 *Kineta* [142].
- 30 *Kineta* [141].
- 31 *Kineta* [109].
- 32 *Kineta* [147].
- 33 *GlaxoSmithKline Consumer Healthcare Investments (Ireland) (No. 2) Limited v Apotex Pty Ltd* [2016] FCA 608 (“*GSK*”) [758].
- 34 *Rescare Ltd v Anaesthetic Supplies Pty Ltd* [1992] FCA 537 [76].
- 35 *Dometic* [229].
- 36 *Patent Cooperation Treaty*, opened for signature 19 June 1970, 1160 UNTS 231 (entered into force 24 January 1978).
- 37 *Dometic* [250].
- 38 *Dometic* [253].
- 39 *GSK* [842].
- 40 *Servier* [106].
- 41 C Bodkin, *Patent Law in Australia* (2nd ed, Thomson Reuters, 2014) [5270].
- 42 *Expo-Net Danmark A/S v Buono-Net Australia Pty Ltd (No 2)* [2011] FCA 710 (“*Expo-Net*”) [15].
- 43 *Pfizer* [374]; *Sandvik* [227]; *GSK* [758].
- 44 Australian Law Reform Commission, *Genes and Ingenuity: Gene patenting and human health* (ALRC Report 99) (2004) 26.63.
- 45 *Patents Act* 1990 (Cth), s.102(1); Explanatory Memorandum, *Intellectual Property Laws Amendment (Raising the Bar) Bill* 2011 (Cth) 61.
- 46 C Bodkin, *Patent Law in Australia* (Thomson Reuters, 2<sup>nd</sup> ed, 2014) [5720].
- 47 *Rescare* [76].
- 48 *Kimberly-Clark* [21]; citing Blanco White, *Patents for Inventions* (Stevens, 5th ed, 1983) § 1-201 n 33.
- 49 *Apotex Pty Ltd v Les Laboratoires Servier* [2013] FCA 1426 [180]; *Servier* [135].
- 50 *Servier* [133].
- 51 *Servier* [84].
- 52 *Servier* [133].
- 53 *Servier* [141].
- 54 *Sandvik* [92].
- 55 *Sandvik* [127].
- 56 *Servier* [106].
- 57 *Kineta* [45].
- 58 *Kineta* [45].
- 59 *Servier* [64].
- 60 *Servier* [134].
- 61 *CCOM Pty Ltd v Jiejing Pty Ltd* [1994] FCA 1168; (1994) 51 FCR 260 (“*CCOM*”) 277, citing Lord Moulton in *British United Shoe Machinery Co Ltd v A Fussell & Sons Ltd* (1908) 25 RPC 631, 650.
- 62 *Kimberly-Clark* [25]; citing Blanco White, *Patents for Inventions* (Stevens, 5th ed, 1983) §4-502.
- 63 *Patents Act* 1990 (Cth), s. 40(a); *CSR Building Products Limited v United States Gypsum Company* [2015] APO 72 [89] referring to Lord Walker in *Generics [UK] Ltd* [20]; *Novartis AG v Johnson & Johnson Medical Limited* [2010] EWCA Civ 1039 [74]; Explanatory Memorandum 47-48.
- 64 *Sandvik* [125].
- 65 See, e.g., *Pfizer* [374]; *Kineta* [44].
- 66 Exposure Draft of the *Intellectual Property Laws Amendment Bill (Productivity Commission Response Part 2 and Other Measures) Bill* 2018.
- 67 *Patents and Designs Act* 1907 (UK) s.25(2)(a).
- 68 *Convention on the Grant of European Patents as revised by the Act revising Article 63 EPC of 17 December 1991 and the Act revising the EPC of 29 November 2000*.
- 69 *Patents Act* 2013 (NZ) s.39(1)(b).
- 70 Explanatory Memorandum 46.
- 71 *Leaby-Smith America Invents Act*.
- 72 A T Robinson ‘The American Invents Act and the Best Mode Requirement: Where Do We Go From Here?’ (2012) 20(1) *University of Georgia Journal of Intellectual Property Law* 179.
- 73 *Marrakesh Agreement establishing the World Trade Organization*, opened for signature 15 April 1994, 1867 UNTS 3 (entered into force 1 January 1995) annex 1C (*Agreement on Trade Related Aspects of Intellectual Property Rights* (“TRIPS”).
- 74 *Servier* [66], citing: *Pneumatic Tyre Company Ltd v Leicester Pneumatic Tyre and Automatic Valve Company* (1899) 16 RPC 531, 541; *Crossley v Beverley* (1830) 1 WPC 112, 116-117 (“*Crossley*”); *Woodward v Sansum* (1887) 4 RPC 166, 175.
- 75 *Crossley*, 117.
- 76 *American Cyanamid Company v Ethicon Limited* [1979] RPC 215, 269.
- 77 *Firebelt* [48]; see also *Vidal Dyes Syndicate Ltd v Levinstein Ltd* (1912) 29 RPC 245, 265.
- 78 See, e.g., *Expo-Net* [18]; *Pfizer* [374], *CCOM* 277.
- 79 *Servier* [87].
- 80 *Servier* [108]; cited with approval in *Sandvik* [108].
- 81 280 F.2d 172, 184 (CCPA 1960).

# Aboriginal and Torres Strait Islander Peoples' Heritage: A Model for Protection Under the *Copyright Act* 1968 (Cth)

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\* Aboriginal and Torres Strait Islander<sup>2</sup> readers should be aware that this article contains links to websites that may use images of people who have since passed away.

## Introduction

This article examines the shortfalls of the *Copyright Act* 1968 (Cth) (“*Copyright Act*”) in recognising the unique features of Australia’s Aboriginal and Torres Strait Islander (“ATSI”) heritage and also aspects of existing legislation and enforcement structures, which may immediately be utilised to protect some forms of heritage.

The author proposes a model, which requires amendment of the *Copyright Act*, by inserting a new Part into the *Copyright Act*, to deal with the features of ATSI heritage not addressed by the current legislation. The model seeks to use, as far as possible, existing enforcement procedures, incorporating in them, features such as the expertise of elders and custodians as expert witnesses, to assist the Federal Court of Australia (the “Federal Court”) in its determinations.

## Background

The issue of how best to protect ATSI heritage has been the subject of detailed investigations, for over the last twenty years.<sup>3</sup> In addition, all Australian States and Territories have enacted legislation focusing on the protection of sacred sites, artefacts and sites and objects of archaeological significance.<sup>4</sup>

All efforts to protect elements of ATSI heritage are commendable, however, in the author’s opinion they do not address the critical aspect of the creation of ATSI heritage, such as its ownership, its duration and its enforcement. To this end, the author has examined the *Copyright Act* as a vehicle for protecting important features of ATSI heritage not presently recognised.

For example, the *Copyright Act* recognises an author (or joint authors) as being the creators of a work. That presents no problem when an ATSI artist creates an artistic work, however, many ATSI works are unable to identify an individual as the author because they have been passed down from generation to generation.

Taking this and other matters into consideration, the author has sought to address these unique elements by proposing a new Part in the copyright legislation and utilising the existing enforcement processes.

## Aims of this article

This article first considers the nature of ATSI heritage. Then, it identifies, with the aid of determined cases, the aspects of

ATSI heritage which fall inside and outside the scope of the protection afforded presently by the *Copyright Act*.

Bearing these matters in mind and taking into account the expressed concerns of ATSI peoples, the author proposes a model which utilises, as far as possible, existing processes.

## The nature of ATSI heritage

### *A definition*

Firstly, consideration should be given as to what constitutes “heritage”.

Relevantly, the United Nations Economic Council sought, pursuant to a decision of the Commission on Human Rights<sup>5</sup> and through the resolution of the Sub-Commission on the Prevention of Discrimination and Protection of Minorities,<sup>6</sup> a report on the protection of the heritage of Indigenous people from Mrs Erica-Irene Daes, United Nations Special Rapporteur.

In her final report, Daes considered that the “heritage” of Indigenous peoples is:

... comprised of all objects, sites and knowledge the nature or use of which has been transmitted from generation to generation, and which is regarded as pertaining to a particular people or its territory. The heritage of an indigenous people also includes objects, knowledge and literary or artistic works which may be created in the future based upon its heritage.<sup>7</sup>

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This was the definition initially adopted in the *Our Culture: Our Future Discussion Paper*<sup>8</sup> but altered in the final report to include all items of movable cultural property as defined by the United Nations Educational, Scientific and Cultural Organization (“UNESCO”).<sup>9</sup>

The definition of “heritage” proposed later in this article, differs from these definitions, by adding the element of being consistent with the best interests of the relevant community.

## **Aboriginality**

Legal historian, John McCorquodale, has reported that since the time of white settlement, governments have used 67 definitions to determine who is an Aboriginal person.<sup>10</sup>

In *Commonwealth v Tasmania*, the High Court of Australia considered the definition of an “Aborigine” for the purpose of s.51(xxvi) of the Constitution, in relation to laws with respect to “the people of any race for whom it is deemed necessary to make special laws”. Deane J applied a three-part test, stating:

*By ‘Australian Aboriginal’ I mean, in accordance with what I understand to be the conventional meaning of that term, a person of Aboriginal descent, albeit mixed, who identifies himself as such and who is recognised by the Aboriginal community as Aboriginal.*<sup>11</sup>

The Parliament of Australia recognises two definitions. Predominantly in legislation, an Aboriginal is defined as “a person who is a member of the Aboriginal race of Australia”. The second, defines an Aboriginal as someone “who is a member of the Aboriginal race of Australia, identifies as an Aboriginal and is accepted by the Aboriginal community as an Aboriginal”.<sup>12</sup>

In the author’s opinion, the definition as stated by Deane J is to be preferred, but still falls short for the purpose of ATSI heritage. A person may come within Deane J’s definition, yet act inconsistently with the best interests of the community, and possibly in the best interests of themselves. This article opines that it is fundamental that membership of itself to the Aboriginal race of Australia is not enough to receive the proposed benefits of extending copyright to ATSI heritage. The protection flows both from identification of a person as an Aboriginal person and using a copyright work and other subject matter in a manner consistent with the best interests of the ATSI community.

## **Literary, performing and artistic works**

It is clear that ATSI heritage is intimately connected to obligations to the community.<sup>13</sup>

Some expressions of ATSI heritage are already enforceable under the *Copyright Act*.<sup>14</sup> However, obligations imposed on authors as to how that heritage is to be used are beyond the present scope of the *Copyright Act*.

Literary works, like artistic works and performances, are traditionally the media through which knowledge is transmitted by the community, family or clan, to future generations:

*The traditional owners of heritage must be determined in accordance with indigenous peoples, own customs, laws and practices.*<sup>15</sup>

These expressions of heritage are often not mutually exclusive. An artistic work might often be accompanied by a written narrative seeking to impart the meaning behind the artistic work. For example, *Karrakanj*, the brown falcon, is an artistic work of Billy Yalawanga and is accompanied by a narrative imparting traditional knowledge about the fire bird.<sup>16</sup>

## **Languages**

Under the *United Nations Declaration of the Rights of Indigenous Peoples*, ATSI peoples have the right to develop, use and transmit ATSI heritage to future generations.<sup>17</sup>

ATSI languages are inextricably linked to literary works and oral transmission of stories and Indigenous traditional knowledge.<sup>18</sup> Therefore, without the inclusion of language as heritage, the means for transmission of historic traditional knowledge is likely to be broken.

According to the *National Indigenous Languages Survey Report 2005* (“NILS 2005 report”), at the time the Australian continent was colonised, approximately 250 different Indigenous languages existed, with the larger language groups each having up to 100 related dialects.<sup>19</sup> Colonisation came to represent the greatest single impact endangering the survival of Indigenous languages.<sup>20</sup>

The NILS 2005 report found that of the original 250 known Indigenous languages, there were 145 languages still being spoken and included a recommendation for a national survey of Indigenous language programs.<sup>21</sup>

In 2014, the results of a further survey were published (“NILS 2014 report”).<sup>22</sup> The NILS 2014 report identified 13 languages that could be considered strong and approximately 100 languages were described as severely or critically endangered.

The NILS 2014 report identified that the success of community-led language activities depended upon community members obtaining knowledge, funding and access to resources.<sup>23</sup>

## **Items of moveable and immovable cultural property**

These include burial artefacts, ancestral remains, human genetic material and cultural environment resources. It is not usually appropriate to sever elements included in the definition of “heritage”. However, the scope of this article

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does not extend to these aspects of heritage, save where copyright issues arise.<sup>24</sup>

Discrete legislation has sought to protect ATSI heritage sites. In 1965, the South Australian Government was the first to enact such legislation and all other States have since done so.<sup>25</sup> In New South Wales, Aboriginal sites are protected under Part 6 of the *National Parks and Wildlife Act 1974* (NSW). It is an offence to damage or destroy them or to collect artefacts without prior permission of the Director-General of the NSW Office of Environment and Heritage. The penalties for harming a protected site are up to an AU\$275,000 fine and one year's imprisonment for individuals and an AU\$1.1 million fine for corporations.<sup>26</sup>

The Commonwealth legislation describes its purpose as:

*... the preservation and protection from injury or desecration of areas and objects in Australia and in Australian waters, being areas and objects that are of particular significance to Aboriginals in accordance with Aboriginal tradition.*<sup>27</sup>

## Developments regarding Aboriginal heritage laws

On 1 August 2016, the *Aboriginal Heritage Amendment Act 2016* (Vic) amended the *Aboriginal Heritage Act 2006* (Vic) by introducing an extensive regime which includes reporting, registration and auditing requirements.<sup>28</sup> The new amendments provide for agreements titled "an Aboriginal intangible heritage agreement", which relates to registered Aboriginal intangible heritage made between any person or body and a registered Aboriginal party or native title holder or a traditional owner group.<sup>29</sup>

It is an offence for a person to knowingly use any registered Aboriginal intangible heritage for commercial purposes without the consent of the relevant registered Aboriginal party.<sup>30</sup> The penalty is approximately an AU\$280,000 fine for individuals and over an AU\$1.5 million fine for corporations.<sup>31</sup>

Similarly, the Senate Standing Committee on Environment and Communications is considering a reference in relation to the *Competition and Consumer Amendment (Prevention of Exploitation of Indigenous Cultural Expressions) Bill 2019* (Cth), which would amend the *Competition and Consumer Act 2010* (Cth) to make it an offence to supply or offer commercial goods to a consumer that include Indigenous cultural expression unless supplied by or in accordance with a recognised arrangement.<sup>32</sup>

The author considers that while all steps to protect ATSI heritage are positive and should be encouraged, ultimately, intellectual property ("IP") – specifically copyright – is the more appropriate medium to deal with the unique nature of ATSI heritage as it can incorporate intangible forms of expression together with material forms and can address works to be created in the future.

## Unique features of ATSI heritage

### *Collective ownership*

ATSI heritage is generally not "owned" by an individual. IP law however focusses on the "author", the "designer" or the "true and first inventor".<sup>33</sup> For ATSI heritage, each "particular group has ownership rights over particular inherited cultural heritage".<sup>34</sup> ATSI heritage is "owned" by the particular community to which the heritage relates and the caretakers or custodians who act in the best interests of that community:

*Although heritage is communal, there is usually an individual who can best be described as a custodian or caretaker of each song, story, name, medicine, sacred place and other aspect of a people's heritage. Such individual responsibilities should not be confused with ownership or property rights. Traditional custodians serve as trustees for the interests of the community as a whole and they enjoy their privileges and status in this respect for only so long as they continue to act in the best interests of the community.*<sup>35</sup> [emphasis added]

The Federal Court has recognised limitations upon an artist of ATSI descent. In *Milpururru v Indofurn Pty Ltd*,<sup>36</sup> von Doussa J noted that a group of ATSI peoples have the authority to determine whether a story and images may be used and the manner of such use.<sup>37</sup> His Honour identified that concepts of responsibility differ between Aboriginal law and the common law. For example, in a case where the traditional owners have given a particular artist permission to create a painting of the "Dreaming" (a word used to explain creation) and the artwork is later inappropriately reproduced by a third party, the artist will be responsible for the reproduction, regardless of whether the artist was aware of the unauthorised use.<sup>38</sup>

The evidence of the artist Ms Marika was that she considered herself to hold the image she created on trust for the Yolngu clan (the clan of the artist).<sup>39</sup> His Honour did observe that as legal owner, the Public Trustee, could have brought such a claim on behalf of beneficiaries of the estates of deceased artists, however no attempt was made along those lines.<sup>40</sup>

Aboriginal law requires traditional owners of heritage to take action to preserve the "Dreaming", and to punish those considered responsible for any breach.<sup>41</sup> However, where permission has been given by the traditional owners to create a picture of the Dreaming and that artwork is dealt with in a manner which the custodians consider inappropriate, the artist is held responsible for the breach.<sup>42</sup> It follows that it is expected that ATSI artists acknowledge this "proprietary" aspect of their work.<sup>43</sup>

### *Ideas v expression*

Copyright protects the expression not the idea behind the expression:

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*The requirement that a literary work be "original" is directed not to originality of ideas but to their expression.*<sup>44</sup>

Oral works are not protected by copyright, unless and until there is some form of fixation.<sup>45</sup> ATSI heritage however contains accumulated knowledge transmitted through generations. For ATSI peoples, the underlying knowledge is likely to be more significant than its expression.

Stories represented in ceremonies of deep significance are often secret or sacred. These stories may be further restricted to a few senior members of a clan, chosen according to age, descendants, gender, initiation, in accordance with aboriginal law and custom.<sup>46</sup>

In addition,

*... [the] artist will encode into the artwork secret parts of the Dreaming that will be recognised and understood only by those who are initiated into the relevant ceremonies, or at least have a close knowledge of the cultural significance of the story.*<sup>47</sup>

In this context, it has been expressed that both the custodian and the artist hold the "knowledge embodied in the work" on trust for the rest of the clan.<sup>48</sup> It is therefore a tool to educate the next generations as well as a work of visual appeal.<sup>49</sup>

## **Transmitting culture**

At an international level, the heritage of Indigenous peoples is characterised by transmission through the generations:

*The heritage of indigenous peoples is comprised of all objects, sites and knowledge the nature or use of which has been transmitted from generation to generation, and which is regarded as pertaining to a particular people or its territory*  
...<sup>50</sup>

The recommendation made in the 1995 Daes Report was that: Indigenous peoples' heritage should be learned by the means customarily employed by its traditional owners for teaching and that such rules and practices for the transmission of heritage and sharing of its use should be incorporated in the national legal system.<sup>51</sup>

The *Report of the Royal Commission into Aboriginal Deaths in Custody* acknowledged that ATSI heritage was a media for transmitting the legacy of knowledge and experience gained throughout generations often by oral transmission.<sup>52</sup>

The threat to this traditional method of educating future generations however, was recognised by Laurie Baymarrwangga (Gawany) Baymarrwana, the Senior Aboriginal Traditional Owner of the Malarra estate, in the Northern Territory ("NT") of Australia.

Identifying the deterioration among young people of the Yan-nhanu language, Baymarrwangga started a bilingual school at Murrunga, which was taken over by NT Education

in 1975.<sup>53</sup> Then, in 1994, Baymarrwangga commenced a project with fellow Yan-nhanu speakers and anthropologist Dr Bentley James, which culminated in January 2014, with the creation of a valuable education tool and resource, the *Yan-nhanu Atlas and Illustrated Dictionary*.<sup>54</sup> Dr James was of the opinion that Indigenous languages in Australia are extremely endangered because of the assimilationist powers of the settler state.<sup>55</sup>

This problem has also been recognised at an international level.<sup>56</sup>

In another NT example, Warlukurlangu Artists is one of the longest running and most successful Aboriginal-owned art centres in Central Australia, with a national and international profile. Transmitting culture faithfully has been an aim of the centre from its inception:

*The artists painted Jukurrpa (dreaming story), ensuring appropriate Warlpiri relationships of kirda (owners) and kurdugurlu (guardians) were followed and the images reflected the social and cultural obligations present in ceremonies and day-to-day life in the community.*<sup>57</sup>

## **Perpetuity**

The proposition that ATSI heritage should be perpetual is contrary to the fundamental rationale of IP regimes.<sup>58</sup> IP rights are granted for a limited duration, following which their subject matter enters the public domain.

Whether the rationale is an individual's inherent right to their creation or whether it is seen as a contract between the individual and the State,<sup>59</sup> the result is the same – once the period of the exclusivity ends, the IP subject matter enters the public domain.

It should be stated that IP rights are negative rights in that for a term, they exclude others from doing what has been reserved for the owner.<sup>60</sup>

ATSI heritage occupies a unique position. It has been handed down over thousands of years. It is artificial to now say that the owners of ATSI heritage have that right for the life of the author plus 70 years.

The Referendum in 1967, in which Australians voted overwhelmingly to amend the Constitution, to allow the Commonwealth to make laws for Aboriginal people and include them in the census, resulted in the deletion below from s.51(xxvi) of the Constitution.<sup>61</sup> It would therefore seem to be open to the Australian Government to make laws for the peace, order, and good government of the Commonwealth with respect to:

- ATSI peoples who are "people of any race, ~~other than the aboriginal race in any State~~, for whom it is deemed necessary to make special laws under s.51(xxvi) of the Constitution", and

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- copyrights under s.51(xviii) of the Constitution.

The limitation expressly stipulated in the definition of heritage formulated for this article is that the person creating, transmitting or using the heritage does so having regard to the traditional laws and customs with which it is associated. ATSI heritage rights therefore are not only about the form of expression but are constituted by the accompanying obligations attaching to the expression.

## **Self-determination**

Self-determination has been considered fundamental to the rights of ATSI peoples in relation to ATSI heritage.<sup>62</sup>

ATSI peoples, like Australians of other diverse cultural backgrounds, are entitled to maintain and develop their own culture and knowledge systems and forms of social organisation. Since 2013, legislation has been enacted to formally recognise ATSI peoples as being entitled to continue their culture, languages and heritage.<sup>63</sup>

This article proposes a model wherein ATSI experts may be involved in the enforcement of ATSI heritage and disputes as to custodianship.

One draft statute proposed in 1981 envisaged a very centralised structure, comprising of a Folklore Commissioner with wide powers and an Aboriginal Folklore Board to provide advice.<sup>64</sup> Indigenous peoples need to be recognised as “the primary guardians and interpreters of their cultures, arts and sciences, whether created in the past, or developed by them in the future”.<sup>65</sup>

Australian Indigenous art is considered amongst the oldest ongoing traditions of art in the world.<sup>66</sup> Any model recognising the unique position of ATSI heritage must accept this heritage cannot be considered without critical input from ATSI peoples.

## **The current copyright regime - shortcomings and advantages for ATSI heritage**

### **Relevant provisions and principles**

#### ***Ideas/expression***

As stated in the plurality reasons of French CJ, Crennan and Kiefel JJ in *IceTV Pty Limited v Nine Network Australia Pty Limited* (“*IceTV*”):

*Copyright does not protect facts or information. Copyright protects the particular form of expression of the information, namely the words, figures and symbols in which the pieces of information are expressed, and the selection and arrangement of that information ...*<sup>67</sup> [Citations not included]

#### ***Material form***

An idea should find its way into some tangible form.<sup>68</sup> An action for infringement of copyright includes unauthorised reproductions of a work in a material form.<sup>69</sup>

#### ***Originality and authorship***

The *Copyright Act* requires a work to be original.<sup>70</sup> In *IceTV*, French CJ, Crennan and Kiefel JJ saw identifiable human authorship as a critical issue.

*The “author of a literary work and the concept of “authorship” are central to the statutory protection given by copyright legislation, including the Act.*<sup>71</sup>

IP is generally about rewarding a person’s creativity by having the public tolerate a monopoly for a limited duration. In *IceTV*, their Honours affirmed the historical reward to the author as an encouragement for further advances in human endeavour.<sup>72</sup>

In *Telstra Corporation Limited v Phone Directories Company Pty Ltd* (“*Phone Directories*”), Keane CJ (as his Honour then was), referred to *IceTV* which explained that the concept of originality required that the literary work in question *originated* from the author and was not copied from another work.<sup>73</sup>

On the question of the identification of the author/s, his Honour made the following general observation:

*One may accept that identification by name of each and every author is not necessary in order to make out a claim that copyright subsists under s 32(2)(c): what is necessary, however, is that it be shown that the work in question originates from an individual author or authors.*<sup>74</sup>

The accurate identification of an author of ATSI heritage may in many cases not be possible at all. For example, the painting at Ubirr Rock in Kakadu National Park is a well-known artwork, however a single artist or group of artists is unidentifiable.<sup>75</sup>

The *Copyright Act* does provide for prima facie presumptions to be made in certain circumstances in relation to subsistence, ownership and authorship, unless the contrary is established.<sup>76</sup> Where the author is known but disputed, there does not appear to be any obstacle to seeking declaratory relief from the Federal Court, for example a dispute about authorship of the First Nation’s flag.<sup>77</sup>

It will be necessary to protect ATSI heritage however from challenges, such as the inability to identify an author.

#### ***Case studies***

There are examples where the copyright system has helped and hindered ATSI peoples protecting their heritage.

#### ***John Bulun Bulun***<sup>78</sup>

John Bulun Bulun, a Ganalbingu Aboriginal artist born in 1946 near the Arafura Swamp of Central Arnhem Land, was also a respected traditional doctor, songman and senior ceremonial manager. His paintings often described the annual visits over 300 years (from at least 1720 until

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1906) of Macassan traders to Arnhem Land shores to collect and process trepan (sea cucumber) which they sold to the Chinese.<sup>79</sup>

In 1987, a T-shirt manufacturer reproduced one of Bulun Bulun's paintings, known as *At the Waterhole*, on T-shirts without his permission. In the proceedings, it was claimed that the respondent imported and sold fabric that infringed Bulun Bulun's copyright. The T-shirts were sold by the manufacturers to two Darwin tourist shops.

This is said to be the first occasion in which an Aboriginal artist asserted a private right of ownership of artworks under copyright in a court proceeding, which appeared to some to elevate the private right of the artist over the community rights in traditional tribal imagery.<sup>80</sup>

One key issue was whether the works were original for the purposes of copyright protection under the *Copyright Act* as required by s.32(2). The question was whether the works were copies of other works already created. Colin Golvan (counsel for the applicant) notes:

*The key originality issue in the Bulun Bulun case was whether a contemporary depiction of ancient tribal imagery was entitled to be claimed as "original" for the purposes of copyright protection.*<sup>81</sup>

Relevantly, evidence was given by the curator of Aboriginal Art and Material Culture at the Northern Territory Museum of Arts and Sciences, Margaret West. The Museum had one of the largest collections of bark paintings in Australia including Bulun Bulun's *At the Waterhole*, painted in 1978.<sup>82</sup>

Ms West gave evidence that:

*While many bark paintings represent traditional designs, it nevertheless remains that particular artists have their own distinctive ways of expressing the traditional designs ...*<sup>83</sup>

Ms West then identified unique elements of the artist's work such as the unique depiction of magpie geese, long-necked turtle and water snake at waterholes.<sup>84</sup> The primary judge, von Doussa J, considered that Bulun Bulun was the author and that ideas for an artistic work did not entitle the originators of those ideas to claim joint authorship.<sup>85</sup>

Bulun Bulun himself gave evidence as to the significance of his work:

*Many of my paintings feature waterhole settings, and these are an important part of my Dreaming, and all the animals in these paintings are part of that Dreaming ...*

*The story is generally concerned with the travel of the long-necked turtle to Gamerdi, and by tradition I am allowed to paint [that part of the story]. According to tradition, the long-necked turtle continued its journey, and other artists paint the onward journey.*<sup>86</sup>

Although satisfied that the author Bulun Bulun did not copy the work, his Honour noted that copyright did not subsist otherwise than by virtue of the *Copyright Act*.<sup>87</sup>

Justice von Doussa also considered that evidence of the role of community law was admissible as a basis for the foundation of rights within the Australian legal system.<sup>88</sup>

However, after considering a number of publications and cases including *Milpururru*,<sup>89</sup> his Honour acknowledged the inadequacies of the *Copyright Act* in relation to the recognition of communal title.<sup>90</sup> Justice von Doussa considered Brennan J's comments in *Mabo v The State of Queensland [No.2]*<sup>91</sup> and said:

*The principle that ownership of land and ownership or artistic works are separate statutory and common law institutions is a fundamental principle of the Australian legal system which may well be characterised as "skeletal" and stand in the road of acceptance of the foreshadowed argument.*<sup>92</sup> [Citation not included]

Justice von Doussa concluded that customary Aboriginal law relating to group ownership of artistic works, survived the reception of the English common law in Australia in 1788, however, the codification of copyright law by statute prevented communal title being successfully asserted as part of the general law.<sup>93</sup> Some beneficial interest in the community was not through copyright but by a relationship, fiduciary in nature.<sup>94</sup>

### **Milpururru**

*Milpururru* has been considered by some as "the most comprehensive judgment involving copyright and Indigenous arts and culture".<sup>95</sup>

This case involved the unauthorised use and reproduction of eight artworks by eight Indigenous artists on 246 carpets made in Vietnam and imported into Australia without the artists' permission.<sup>96</sup> At the time of the hearing, three artists were alive, and five artists had passed away.

The artworks had been reproduced with the artists' authority in a calendar published by the Australian National Gallery. The artworks reflected creation stories of spiritual and sacred significance to the artists and their communities.

A number of issues, particularly shortcomings of the copyright legislation in its application to ATSI heritage, are exposed by this case.

### **Originality**

Justice von Doussa, the primary judge, considered the problem was whether the works in suit were original so as to attract copyright protection.<sup>97</sup>

The issue ultimately did not arise as the respondents admitted the subsistence of copyright in each of the artworks and

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ownership of the artists. Although the artworks were based on Dreaming themes, each artwork was one of intricate detail and complexity reflecting great skill and originality.<sup>98</sup>

## **Ownership**

Initially, the respondents put in issue the question of the applicants' entitlements to copyright ownership. His Honour noted:

*A further extraordinary tactical stance was taken by the respondents. From the outset they refused to admit the copyright ownership of the artists in their artworks. Only as the evidence unfolded at trial did the unreasonableness of this stance become fully apparent ... The refusal to admit copyright ownership added greatly to the applicants' costs of the trial as much work was involved in obtaining affidavit evidence to prove copyright ownership, particularly in the case of the deceased artists.*<sup>99</sup>

His Honour found infringement by importation of the copyright works. Counsel for the applicants informed the Court, that Aboriginal law and custom would treat each of the applicants in a case equally, however his Honour considered that the *Copyright Act* did not recognise the infringement of ownership rights of the kind which resided under Aboriginal law.<sup>100</sup>

## **Conclusions on deficiencies and advantages**

Unless there is recognition of the unique features of ATSI heritage in the *Copyright Act*, they will continue not to be recognised.

*Bulun Bulun* identified that copyright did not subsist otherwise than by virtue of the *Copyright Act*.<sup>101</sup> Further that the person who paints an image is the author. The fact that ideas for that image derive from traditional knowledge does not entitle the traditional owners to joint authorship of that image.

As a general observation, the codification of copyright law by statute prevented communal title being successfully asserted as part of the general law, although conduct whereby the author personally benefitted was inconsistent with the artist's fiduciary obligations to the community. Finally, the statutory remedies did not recognise the infringement of ownership rights which reside under ATSI law.

In relation to the identification of an "author", the National and State Libraries Australia ("NSLA") refer to the World Intellectual Property Organisation's categorisation of works produced by "authors unknown".<sup>102</sup>

There are also advantages identified. Copyright infringement of Indigenous works has been found: *Milpururru*. Also, compensatory loss includes compensation for hurt feelings and anger arising from the infringement: *Milpururru*.

Further, additional damages provide a mechanism for accommodating difficulties in apportioning compensatory loss involving applicants of different works and deter similar infringements: *Milpururru*. Despite the advantages, current copyright law is unable to deal with core characteristics of ATSI heritage, including community ownership, material form, perpetual duration and inability in certain cases to identify the author.<sup>103</sup>

## **Assessment and the proposed model**

### **Overview**

The author proposes a model directed to addressing a number of perceived deficiencies of the *Copyright Act* in its application to ATSI heritage, within the framework of the *Copyright Act*. An outline provides an overview of the proposed enforcement, registration and heritage elements.<sup>104</sup>

The author's definition of ATSI heritage is as follows:

The heritage of ATSI peoples is comprised of all their literary, performing and artistic works (including music, dance, song, ceremonies, symbols and designs, narratives and poetry), languages and spiritual knowledge PROVIDED ALWAYS that the use of such heritage is consistent with the cultural rights, obligations and duties of the custodian, caretaker or responsible community of the particular item of heritage, so that the actions in question conform to the best interests of the community as a whole.

The proviso is designed to protect against misuse by anyone, including ATSI peoples acting inconsistently with the responsibilities accompanying heritage.

### **ATSI concerns**

These have been identified after a thorough consultation process.<sup>105</sup> The proposed model recognises the current copyright legislation does not provide for ATSI heritage in non-material form, the perpetuity of works, the recognition of community or custodian ownership and the inability, in some cases, to identify an author.

This article does not however support separate sui generis legislation to address the deficiencies. The author considers that completely new laws and structures will limit the prospects of implementation. Secondly, the use of existing structures and laws will have an inclusive rather than exclusive effect on the Australian people.

The amendments to the *Copyright Act* are of course within the power of the Commonwealth.<sup>106</sup>

### **The model – a summary**

The author proposes the following:

- The insertion of a discrete part in the *Copyright Act*.

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- The creation of a unique right, the “heritage right” substantially defined as proposed herein.<sup>107</sup>
- Benefits shall attach to the heritage designation.
- The designation entitles the custodian/s or community to rights including ownership, perpetual duration, exclusive rights of exploitation and the recognition of community ownership<sup>108</sup> These rights may not be assigned.<sup>109</sup>
- The rights are defeasible so that a person claiming a better title to custodianship may apply to replace another custodial claimant.
- Like copyright, there will not be a grant of rights on registration. The rights will exist because the expression falls within the definition.
- The use of ATSI elders, acting as court experts under the existing *Federal Court Rules* 2011 (Cth) (“*Federal Court Rules*”), to give opinions on heritage status of the expression and custodial entitlement.<sup>110</sup>
- The introduction of a register administered by IP Australia whereby:
  - The custodian/s *may* apply for registration of the heritage at their option.
  - ATSI experts appointed by IP Australia opine on heritage status and/or the custodian’s entitlement to apply for registration.
  - There is an opposition process contesting entitlement or the status of heritage.
  - The expert opinion is in evidence in an opposition.
  - The register will act as a document of record but does not confer any rights associated with the heritage classification.
  - The register will have benefits but will not give any rights. It will represent a view on heritage status and/or standing of the applicant. It will also provide notice relevant to a defence of innocent infringement under s.115(3) of the *Copyright Act* and additional damages under s.115(4) of the *Copyright Act*.

IP Australia is already well familiar with oppositions and competing entitlement claims in patents, designs and trade marks. The authority has also considered the rights of ATSI peoples within the ambit of their jurisdiction.<sup>111</sup>

Under the proposed new part, the custodian or the community may enforce the heritage rights. Heritage will be enforceable simply because it is heritage. The custodian or the community may apply directly to the Court for relief regardless of the progress of any registration application. Following the filing of the application, a case management review might consider appointing an ATSI person as a Court

expert to opine on the standing of the applicant and the ATSI heritage.

The relief a Court could give may mirror the relief presently under the *Copyright Act*.<sup>112</sup>

## Considerations behind the model

### *Understanding ATSI heritage*

The author submits that heritage will always have a far deeper spiritual meaning for ATSI peoples than for others. Accordingly, the model places emphasis on the expertise of ATSI elders. Following on from the wide consultation which resulted in the *Our Culture Our Future Report*, there appears to have been a Government response which took the form of the *Copyright Amendment (Indigenous Communal Moral Rights) Bill* 2003 (“ICMR Bill”). A supplementary paper commissioned by IP Australia and the Department of Industry, Innovation and Science (“DIIS”) and produced by Terri Janke and Company noted that the ICMR Bill was criticised as being unfavourable and onerous for Indigenous communities. The ICMR Bill did not proceed to law.<sup>113</sup>

### **Features the proposed model seeks to address**

A number of issues are sought to be addressed as attaching to “heritage”.<sup>114</sup> These include the right to own and control ATSI heritage; to nominate what constitutes ATSI heritage; to be heard as experts as to what constitutes ATSI heritage; to be recognised as the primary guardians and interpreters of ATSI heritage. It also seeks to provide for protection of ATSI heritage as a community and thereby to authorise or refuse to authorise the commercial use of ATSI heritage.

### *Renovation v reconstruction*

There are two paths which may be taken toward the recognition and enforcement of the ATSI heritage as shown in the outline above.<sup>115</sup>

Firstly, the option to apply to IP Australia for entry on the register of the heritage.<sup>116</sup> This will be filed with IP Australia and involve an examination process. It is envisaged that the examiner/s may be an ATSI expert, who can provide the requisite knowledge and opinion.

Following acceptance of the heritage right application, the acceptance is advertised to establish whether there is any opponent to the registration and, failing opposition, entered upon the heritage register.<sup>117</sup>

Registration will not attract any rights of itself. It is likely to have evidentiary value and relevance to claims of innocent infringement but will not give the registrant any rights by reason of registration. Copyright in ATSI heritage will, as copyright does now, follow as a result of creation and within the guidelines in the new Part in the *Copyright Act* dealing specifically with ATSI heritage.

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In relation to the administration of the proposed ATSI register by IP Australia, the current Administrative Arrangements Order (“AAO”), dated 29 May 2019, identifies the *Copyright Act* as legislation administered by the Minister for Communications and the Arts (“DOCA”). IP Australia, which this article suggests is ideally suited to keep the ATSI register and determine oppositions to registration, deals with legislation, including the *Patents Act 1990* (Cth) and the *Trade Marks Act 1995* (Cth), which are administered by the Minister for DIIS.

There are, however, numerous examples of how legislation may be split between Ministers. It may take the form of an exception to the DOCA copyright administrative power,<sup>118</sup> or expressed in favour of DIIS, but limited to refer to specific Chapters or Parts in Acts.<sup>119</sup> The second path is the direct enforcement of the ATSI heritage right. ATSI heritage exists because it *is* heritage and not because it may appear in the proposed ATSI register. Accordingly, like copyright, it, which needs no registration, enforcement may occur upon filing an initiating process in accordance with the *Federal Court Rules*.

## ***The rights attaching to the heritage designation***

The rights attaching to ATSI heritage include the existing rights under the *Copyright Act* however, over and above these rights, the heritage right will not be limited to material form or fixed duration and will recognise communal ownership.

ATSI heritage rights set out in a discrete Part of the *Copyright Act* will recognise the unique aspects of ATSI cultural heritage.

The proviso addresses the circumstances where anyone, including the custodian or community, uses the heritage for purposes which do not conform to the best interests of the community as a whole. Any reform must recognise that ATSI heritage does not fall into the neat categories of western IP.<sup>120</sup>

It is “more appropriate and simpler to refer to the collective cultural heritage of each Indigenous people” so that “a song or story is not a commodity or a form of property but one of the manifestations of an ancient and continuing relationship between people and their territory”.<sup>121</sup>

Material form is therefore not essential – what is essential is that it forms part of ATSI peoples’ heritage.

It is noted and acknowledged, that the author’s proposed definition for the purpose of this article is too wide. It extends to knowledge concerning medicinal plants, genetic material and traditional medicines. This article is directed toward the arts and cultural expression rather than Indigenous ecological (biodiversity) knowledge.<sup>122</sup> Such a separation has been identified:

*Several commentators have noted that it might be more practical to separate arts and cultural expression from*

*Indigenous cultural knowledge about biodiversity and the environment.*<sup>123</sup>

IP Australia is presently conducting a review of the IP areas under its jurisdiction.<sup>124</sup>

The heritage will have a direct connection to ATSI peoples’ culture and heritage. It will not need not find expression in a material form but must have substantial consistency. The form of ATSI heritage has identifiable custodians and/or community owners who maintain its integrity and are required to educate and transmit the heritage to subsequent generations. Any of the heritage must be consistent with those duties and the heritage may only be enforced by the custodian/s or community owners.

## ***Custodian/s and communities***

Custodians and communities are required to act in accordance with the best interests of the community:

*The traditional custodians are empowered as caretakers in relation to the particular item of heritage only in so far as their actions conform to the best interests of the community as a whole.*<sup>125</sup>

The custodian or community representative arises in several contexts. The custodian or community may apply for registration of the heritage, act as an expert giving and opinion, prosecute an infringement of the heritage right and authorise use in the best interests of the community.

## ***Self-determination***

The right to self-determination includes the right and duty of ATSI peoples to maintain and develop their own cultures, knowledge systems and forms of social organisation.<sup>126</sup>

Self-determination is a critical aspect of the model because ATSI culture considers that non-Indigenous cultures do not comprehend the depth of ATSI heritage on an experiential level:

*It is a feature of the style of the artworks in question that the artist will encode into the artwork secret parts of the dreaming that will be recognised and understood only by those who are initiated into the relevant ceremonies, or at least have a close knowledge of the cultural significance of the story.*<sup>127</sup>

Elders may be appointed for their opinion. Firstly, in the registration process, an expert may be called upon for the following to identify whether the cultural expression is in fact “heritage” and/or provide an opinion on conflicting custodianship claims.

Secondly, the expert or an expert panel may act as a Court appointed expert/panel in enforcement or entitlement issues. The ATSI expertise will provide the Court with evidence on the validity of the heritage claimed or the identification of

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the proper party or parties to be identified as the rightful custodian/s. This mechanism exists and may be utilised by the Federal Court.<sup>128</sup>

An example of the assistance provided by such an expert was the involvement of Ms Marika, who was an artist involved in the *Milpurrurru* litigation. At the time of the relevant events, Ms Marika was heavily involved in community groups, mainly as a consultant for arts-related cross-cultural exchange and as an educator in Aboriginal culture.<sup>129</sup>

## **Community ownership of ATSI heritage**

The community bears the ultimate responsibility for maintaining the integrity of ATSI heritage. The consequences of its misuse may include being outcast from the community or being required to make a payment of money or in days past, spearing. If the use is an unauthorised use of heritage, then the party who is entitled to bring that action is the relevant community. In the case of ATSI heritage the issue of ownership goes beyond the person usually referred to as the “author”.<sup>130</sup>

## **The rights of ATSI heritage in perpetuity**

IP rights are for a fixed period as the grantee is given an exclusive period to exploit the subject of the IP right and thereafter it is open to the public. Generally, the party entitled to the IP right is given a period of monopoly during which time they (and their authorised users), may enjoy it exclusively but ultimately the rights are open for the public to use.

It would be incongruous to limit a heritage right to the life of the author and 70 years, when the original author may not even be identifiable, and the heritage has survived many thousands of years.

The reason that it is appropriate to provide a perpetual right for ATSI heritage, is that the rationale behind other IP rights does not apply. Heritage is linked, in the author’s proposed definition, to the ongoing “obligations and duties of the custodian, caretaker or responsible community ... so that the actions in question conform to the best interests of the community as a whole.” ATSI heritage cannot therefore fall into the public domain as the public is not charged with these obligations.

## **Inability to transfer ownership of heritage rights**

It follows that if heritage is concerned with a legacy for the descendants of original people, the rights of ownership cannot be assigned. Heritage has been handed down according to traditional law and there is no basis to argue that the heritage may be transferred by willing participants.

A licence of ATSI heritage presents a more complex situation. ATSI communities may have a desire to share some aspects of their knowledge or financially benefit from its use. In

such a case, the protocol will require transparency of the licence, an assurance that the community or custodian owns the ATSI heritage, a maximum term of three years inclusive of any option, so that works do not become monopolised and should have regard to the effects of the repeal of s.51(3) of the *Competition and Consumer Act 2010 (Cth)* by the *Treasury Laws Amendment (2018 Measures No. 5) Act 2019 (Cth)* Schedule 4.

There should also be a control over the way the ATSI heritage is used and regular accounting.

## **Material form not essential**

The definition of ATSI heritage should transcend the requirement for a material form. The inseparability of the expression from the custodial obligations provides, in the author’s view, justification for the relaxation of rule as to material form.

Material form does inform the test of “substantial part” for infringement purposes, however, the author expects that many expressions of ATSI heritage have crystallised over many years.

## **Substantial part**

The requirement for substantial part<sup>131</sup> did not appear to be an impediment in *Milpurrurru* where his Honour found no difficulty in finding a substantial part had been taken:

*Applying these principles to the snake carpet, I am in no doubt that it constitutes a reproduction of a substantial part of the artwork. There are striking similarities on a visual comparison of the artwork with the carpet. While the Dreaming of the Witiitj is often told in Aboriginal artwork, the particular depiction of the tail and the rarrk used in this artwork is original and distinctive. There is, in any view, a substantial use of that part of the artwork in the carpet.*<sup>132</sup>

In relation to musical works, the principles have been applied along the same lines, namely, objective similarity.<sup>133</sup>

## **Moral rights**

The article considers that the mechanisms in place presently in relation to moral rights in Part IX of the *Copyright Act* form a sound basis for the addition of a category in relation to the custodian/community. This takes in account the deficiency of the *Copyright Act* (in relation to ATSI heritage), to focus on the identified “creators” of the copyright material.<sup>134</sup>

Applicable to ATSI heritage, these could take the following forms:

- Division 2AA – Right of attribution of custodian/s and the community.
- Division 3AA – Right not to have custodianship or community ownership of a work falsely attributed.

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- Division 4AA – Right of integrity of custodian/community of a work to prevent unauthorised and derogatory treatment of heritage.

Consequently, a failure to recognise the custodian, or falsely recognise a person/s as custodians or deal with the heritage in a manner infringing the custodian or community's right of integrity in the heritage, may sound in additional damages to discourage such conduct.<sup>135</sup>

## Heritage held in libraries, museums and universities

Access to archives is important to ATSI peoples<sup>136</sup> and is a matter of great concern to ATSI communities. In its *National Position Statement for Aboriginal and Torres Strait Islander Library Services and Collections* (2014), NSLA included a commitment to the following:

- The right of ATSI peoples to be informed about collections that exist relating to their heritage.
- The right of ATSI peoples to determine use and access to ATSI heritage.
- The inclusion of ATSI peoples in decision making processes, at all levels across the library and information sector in relation to ATSI heritage.<sup>137</sup>

The issue of access to or retrieval of ATSI heritage held by these institutions is beyond the scope of this article. However, the NSLA position is not inconsistent with the proposal raised herein.

## Conclusion

As a general observation, there have been a number of attempts to address the issue of the misuse of ATSI heritage for commercial gain.<sup>138</sup> These approach the issue from the very practical position of protecting sacred sites and artefacts and from the perspective of consumer law, respectively. The gravamen of the issue of protecting ATSI heritage, is firstly to accept the product of ATSI creative endeavour cannot be fully understood by non-ATSI peoples but must be respected and acknowledged. This article has recommended that there is no need to wipe the slate clean and start again to address protection of ATSI heritage.

The more inclusive and uniting approach recommended in this article is to endorse the features of the *Copyright Act* which may be utilised such as enforcement procedures, relief and moral rights, whilst at the same time introducing a dedicated Part, which deals with the unique aspects and exists in respect of ATSI heritage, separately from the current copyright laws. These issues include duration, authorship and originality, all of which are problematic when the current laws are applied to ATSI heritage.

- 1 Barrister, Queensland.
- 2 The description of this country's first peoples is not itself without some difference of opinion. See Michael Frankel & Company and Terri Janke, *Our Culture: Our Future Report – Report on Australian Indigenous Cultural and Intellectual Property Rights* (1998) [1.2.2] 6 <<http://www.terrijanke.com.au/our-culture-our-future>> (“*Our Culture: Our Future Report*”). This report was prepared for the Australian Institute of Aboriginal and Torres Strait Islander Studies (“AIATSIS”) and the Aboriginal and Torres Strait Islander Commission (“ATSIC”).
- 3 *Our Culture: Our Future Report; The Competition and Consumer Amendment (Prevention of Exploitation of Indigenous Cultural Expressions) Bill 2019*; IP Australia *Protection of Indigenous Knowledge in the Intellectual Property System* (Consultation Paper, September 2018) <<https://www.ipaustralia.gov.au/about-us/public-consultations/indigenous-knowledge-consultations>>.
- 4 These include: the *Aboriginal Cultural Heritage Act 2003* (Qld); *Torres Strait Islander Cultural Heritage Act 2003* (Qld); *National Parks and Wildlife Amendment (Aboriginal Ownership) Act 1996* (NSW); *Aboriginal Sacred Sites Act 1989* (NT); *Aboriginal Heritage Act 1988* (SA); *Aboriginal Relics Act 1975* (Tas); *Aboriginal Heritage Act 2006* (Vic); *Aboriginal Heritage Act 1972* (WA); *Heritage Act 2004* (ACT); and the *Heritage Objects Act 1991* (ACT).
- 5 Decision 1994/105.
- 6 Resolution 1993/44.
- 7 Erica Irene Daes, *Final Report on the Protection of the Heritage of Indigenous Peoples* (United Nations Document E/CN.4/Sub.2/1995/26) Annex Guideline 11 (“*1995 Daes Report*”).
- 8 *Our Culture: Our Future Report* [1.2] 7.
- 9 *Our Culture: Our Future Report* [1.6] 11. The term “cultural property” is defined in Article 1 of the *Convention on the Means of Prohibiting and Preventing the Illicit Import, Export and Transfer of Ownership of Cultural Property 1970*: opened for signature 14 November 1970 <<http://www.unesco.org/new/en/culture/themes/illicit-trafficking-of-cultural-property/1970-convention/text-of-the-convention/>>.
- 10 Australian Law Reform Commission, *Essentially Yours: The Protection of Human Genetic Information in Australia* (Report 96, 2003) (“ALRC Report 96”) chapter 36 ‘Kinship and identity’ [36.11] referring to Commonwealth of Australia, *Royal Commission into Aboriginal Deaths in Custody* (National Report, 1991) [11.12.5].
- 11 *Commonwealth v Tasmania* (1983) 158 CLR 1, 274 per Deane J.
- 12 Available at <[https://www.aph.gov.au/About\\_Parliament/Parliamentary\\_Departments/Parliamentary\\_Library/Publications\\_Archive/CIB/cib0203/03Cib10](https://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/Publications_Archive/CIB/cib0203/03Cib10)>.
- 13 *Our Culture: Our Future Report* [1.3.5] 8.
- 14 *Copyright Act* s.115(1).
- 15 *Human Rights of Indigenous Peoples* (Report of the seminar on the draft principles and guidelines for the protection of the heritage of indigenous people: Chairperson-Rapporteur Mrs Erica-Irene Daes, 28 February – 1 March 2000) E/CN.4/Sub.2/2000/26, Guideline 14.
- 16 Available at <<https://www.facebook.com/Ethnoornithology/posts/its-not-just-people-who-light-fires-says-aboriginal-artist-billy-yalawanga-from-c/969346463119317/>>.
- 17 *United Nations Declaration on the Rights of Indigenous Peoples* art. 13(1) <<https://www.humanrights.gov.au/publications/un-declaration-rights-indigenous-peoples-1>>.
- 18 *Community, identity, wellbeing: the report of the Second National Indigenous Languages Survey* (the “NILS 2014 report”) XI.
- 19 *National Indigenous Languages Survey Report 2005*, 3 <<https://aiatsis.gov.au/publications/products/national-indigenous-languages-survey-report-2005>>.
- 20 M. Walsh and C. Yallop (eds), *Languages and Their Status in Aboriginal Australia*, (Aboriginal Studies Press, 2005) chapter 1, 2.
- 21 *NILS 2005 report* 68; table 6.5.79.
- 22 Available at AIATSIS <[https://aiatsis.gov.au/sites/default/files/products/report\\_research\\_outputs/2014-report-of-the-2nd-national-indigenous-languages-survey.pdf](https://aiatsis.gov.au/sites/default/files/products/report_research_outputs/2014-report-of-the-2nd-national-indigenous-languages-survey.pdf)>.
- 23 *NILS 2014 report* 20.
- 24 *Our Culture: Our Future Report*, 11 referring to J C Weiner, ‘Protection of Folklore: A Political and Legal Challenge’ (1987)18 *International Review of Industrial Property and Copyright* 67.

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- 25 *Aboriginal and Historical Relics Preservation Act 1965* (SA); *Aboriginal Sacred Sites Act 1989* (NT); *Aboriginal Relics Preservation Act 1967* (Qld); *Aboriginal Relics Act 1975* (Tas); *Archaeological and Aboriginal Relics Preservation Act 1972* (Vic); *Aboriginal Heritage Act 1972* (WA).
- 26 *National Parks and Wildlife Act 1974* (NSW) s. 86(1).
- 27 *Aboriginal and Torres Strait Islander Heritage Protection Act 1984* (Cth) (the "ATSHP Act") s.4.
- 28 *Aboriginal Heritage Amendment Act 2016* (Vic) ("AHA Act") s.14.
- 29 *AHA Act* s.79D.
- 30 *AHA Act* s.79G.
- 31 Penalty units are set and calculated in the *Monetary Units Act 2004* (Vic). One penalty unit was AU\$155.46 from 1 July 2016 to 30 June 2017. Under s.79G the penalties are 1800 penalty units and 10,000 penalty units for individuals and corporations respectively.
- 32 Available at <[https://www.aph.gov.au/Parliamentary\\_Business/Committees/Senate/Environment\\_and\\_Communications/IndigCulturalExpression](https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Environment_and_Communications/IndigCulturalExpression)>.
- 33 *Davies Shephard Pty Ltd v Stack* (2001) 51 IPR 513 [14].
- 34 *The Culture: Our Future Report* [1.3.3] 8.
- 35 *The 1993 Daes Study*, [29] 9; *Our Culture: Our Future Report* [1.3.4] 8.
- 36 *Milpururru v Indofurn Pty Ltd* (1994) 30 IPR 209 ("Milpururru").
- 37 *Milpururru* 214.
- 38 *Milpururru* 214.
- 39 *Milpururru* 215.
- 40 *Milpururru* 244.
- 41 *Milpururru* 214.
- 42 *Milpururru* 215.
- 43 *Milpururru* 215.
- 44 *Milwell Pty Ltd v Olympic Amusements Pty Ltd* [1999] FCA 63 referring to *University of London Press Ltd v University Tutorial Press Ltd* [1916] 2 Ch 602, 608 to 610.
- 45 James Lahore, *Copyright and Designs* (2004) LexisNexis loose-leaf commentary [2050].
- 46 *Milpururru* 214.
- 47 *Milpururru* 215.
- 48 The custodian: *Our Culture: Our Future Report* 8; the artist: *Milpururru* 215 lines 20 – 25.
- 49 United Nations Commission on Human Rights Sub-Commission on Prevention of Discrimination and Protection of Minorities Working Group on Indigenous Populations 14<sup>th</sup> Session 29 July – 2 August 1996 Document: 96-12980 [35].
- 50 *The 1995 Daes Report Annex Guidelines* [11].
- 51 *The 1995 Daes Report Annex Guidelines* [14].
- 52 *Our Culture: Our Future Report* [1.4] 9.
- 53 Inaugural Australian National University Alumni lecture, Charles Darwin University Darwin Alumni Reception.
- 54 Available at <<https://drbentleyjames.wordpress.com/>>.
- 55 Available at <<https://drbentleyjames.wordpress.com/2016/03/31/thank-you/#respond>>.
- 56 *The 1993 Daes Study* [170] 40.
- 57 Available at <<https://warlu.com/about/history/>>.
- 58 Excepting trade marks which may be renewed.
- 59 James Lahore, *The Legal Rationale of the Patent System* (Speech delivered at the Industrial Property Advisory Committee Seminar, Healesville, Victoria, Australia, 7 November 1980).
- 60 *JT International SA v Commonwealth of Australia* [2012] HCA 43 per French CJ [36].
- 61 Available at <[https://www.aph.gov.au/About\\_Parliament/Parliamentary\\_Departments/Parliamentary\\_Library/FlagPost/2017/May/The\\_1967\\_Referendum](https://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/FlagPost/2017/May/The_1967_Referendum)>.
- 62 *Our Culture: Our Future Report*, Executive Summary, XX.
- 63 *Aboriginal and Torres Strait Islander Peoples Recognition Act 2013* (Cth) s.3.
- 64 *Our Culture: Our Future Report* 188.
- 65 *Our Culture: Our Future Report*, Executive Summary, XXI.
- 66 Available at <<https://www.abc.net.au/science/articles/2014/10/09/4102916.htm>>.
- 67 *IceTV Pty Limited v Nine Network Australia Pty Limited* [2009] HCA 14 [28].
- 68 *Telstra Corporation Limited v Phone Directories Company Pty Ltd* [2010] FCAFC 149 ("Phone Directories") [72] per Keane CJ (as his Honour then was).
- 69 *Copyright Act* s.31(1)(a) as to literary, dramatic or musical works and s.31(1)(b) as to artistic works.
- 70 *Copyright Act* s.32(1) and s.32(2).
- 71 *IceTV* [22] per French CJ, Crennan and Kiefel JJ.
- 72 *IceTV* [24] and [25] per French CJ, Crennan and Kiefel JJ
- 73 *Phone Directories* [73] per Keane CJ.
- 74 *Phone Directories* [57].
- 75 *Our Culture: Our Future Report* 53.
- 76 *Copyright Act* s.126A as to subsistence; s.126B as to ownership and s.127 as to authorship.
- 77 *Thomas v Brown* (1997) 37 IPR 207.
- 78 *Bulun Bulun and Another v R & T Textiles Pty Ltd and Another* (1998) 41 IPR 513 ("Bulun Bulun")
- 79 A directory of Aboriginal artists is available at <<http://news.aboriginalartdirectory.com/2010/05/death-of-john-bulun-bulun.php>>.
- 80 Colin Golvan, "The Protection of "At The Waterhole" by John Bulun – Aboriginal art and the recognition of private and communal rights", *Law Articles and Essays* <[www.colingolvan.com.au/](http://www.colingolvan.com.au/)> ("Golvan"). See also Colin Golvan, 'Aboriginal Art and Copyright: The case for Johnny Bulun Bulun' (1989) 10 *European and Intellectual Property Review* 346.
- 81 Golvan 7.
- 82 Golvan 3.
- 83 Golvan 3.
- 84 Golvan 7.
- 85 *Bulun Bulun* 525.
- 86 Board of Studies NSW, *Protecting Australian Indigenous Art: ownership, copyright and marketing issues for NSW schools* (2006) <<https://ab-ed.nesa.nsw.edu.au/files/protecting-australian-indigenous-art.pdf>>.
- 87 *Bulun Bulun* 525.
- 88 *Bulun Bulun* 517.
- 89 *Milpururru and Others v Indofurn Pty Ltd and Others* (1994) 30 IPR 209 ("Milpururru")
- 90 *Bulun Bulun* 515.
- 91 *Mabo v The State of Queensland [No.2]* (1992) 175 CLR 1.
- 92 *Bulun Bulun* 524.
- 93 *Bulun Bulun* 524.
- 94 *Bulun Bulun* 529-530.
- 95 *Our Culture: Our Future Report* 62.
- 96 *Milpururru*.
- 97 *Milpururru* 216.
- 98 *Milpururru* 216.
- 99 *Milpururru* 224.
- 100 *Milpururru* 239.
- 101 *Copyright Act* s.8; *Bulun Bulun* 525.
- 102 The submission by the NSLA to the *Finding the Way* Issues Paper (16 October 2014) refers to NSLA, *Position Statement on Indigenous Intellectual Property and Ownership* (2010) which in turn refers to: Molly Torsen and Jane Anderson, *Intellectual Property and the Safeguarding of Traditional Cultures: Legal Issues and Practical Options for Museums, Libraries and Archives* (WIPO paper, 2010) 15 <<https://www.wipo.int/publications/en/details.jsp?id=235&cplang=EN>>.
- 103 It is noted that these cases were determined before the amendments to the *Copyright Act* were introduced by the *Copyright Amendment (Moral Rights) Act 2000* (Cth).
- 104 *Aboriginal and Torres Strait Islander Peoples' Cultural Property and Copyright Project*, 87, available at D Eliades, *Aboriginal and Torres Strait Islander Peoples' Cultural Property and Copyright Project* (2016) 87 <<https://deliades.com.au/copyright/>>.
- 105 *Our Culture: Our Future Report*, Executive Summary, XX and XXI.
- 106 *The Commonwealth of Australia Constitution Act* s.51 (xviii) ("the Constitution").

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- 107 *Our Culture: Our Future Report*, Executive Summary, XX and XXI [2].
- 108 *Our Culture: Our Future Report*, Executive Summary, XX and XXI [5], [6] and [13].
- 109 *Our Culture: Our Future Report*, Executive Summary, XXXVI.
- 110 *Federal Court Rules* 2011 (Cth) r. 23.01. *Our Culture: Our Future Report*, Executive Summary, XX and XXI [4].
- 111 IP Australia, *Protection of Indigenous Knowledge in the Intellectual Property System* (Consultation Paper September 2018) <<https://www.ipaustralia.gov.au/about-us/public-consultations/indigenous-knowledge-consultations>>.
- 112 *Copyright Act* s.115(2).
- 113 Terry Janke and Co., *Legal Protection of Indigenous Knowledge in Australia* (2018) 10 <[https://www.ipaustralia.gov.au/sites/default/files/supp\\_paper\\_1\\_legal\\_protection\\_in\\_australia\\_28mar2018.pdf](https://www.ipaustralia.gov.au/sites/default/files/supp_paper_1_legal_protection_in_australia_28mar2018.pdf)>.
- 114 *Our Culture: Our Future Report*, Executive Summary Chapter Four, XX.
- 115 D Eliades, *Aboriginal and Torres Strait Islander Peoples' Cultural Property and Copyright Project* (2016), 87 <<https://deliades.com.au/copyright/>>.
- 116 IP Australia is identified as the preferred body as it has a process which it administers which is already in use and reflects principles of natural justice. An aim of this article is to utilise existing structures and processes where possible.
- 117 This article does not propose that the process is under any particular Registrar or the Commissioner. It is likely that a distinct Registrar role be created ideally which will come under an existing Registrar's auspices. However, the article intends that mechanisms in place are intended to be utilised noting that where possible an examiner or examiners who are Aboriginals or Torres Strait Islanders be trained in conjunction with the use of the expert.
- 118 For example, the AAO Part 2 identifies the *Native Title Act* 1993 (Cth) as being legislation administered by the Attorney "except to the extent administered by the Minister for Indigenous Australians".
- 119 For example, the Minister for Home Affairs administers the *Customs Act* 1901 (Cth) ("*Customs Act*"), other than Part XVb and XVC and the Minister for the DIIS administers the *Customs Act*, Parts XVb and XVC and section 9, insofar as that section relates to the administration of those Parts or the *Customs Tariff (Anti-Dumping) Act* 1975 (Cth).
- 120 M Davis, *Indigenous Peoples and Intellectual Property Rights* (1996-97 Research Paper 20) <[https://www.aph.gov.au/About\\_Parliament/Parliamentary\\_Departments/Parliamentary\\_Library/pubs/rp/RP9697/97rp20](https://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/pubs/rp/RP9697/97rp20)>.
- 121 *Our Culture: Our Future Report* 2 referring to the 1993 *Daes' study* [22].
- 122 *Our Culture: Our Future Report*, Executive Summary Chapter Eighteen, XXXVI.
- 123 *Our Culture: Our Future Report* 185.
- 124 IP Australia, *Protection of Indigenous Knowledge in the Intellectual Property System: Consultation Paper* (September 2018) <<https://www.ipaustralia.gov.au/about-us/public-consultations/indigenous-knowledge-consultation>>.
- 125 *Our Culture: Our Future Report* 8.
- 126 United Nations, *Draft Declaration on the Protection of the Rights of Indigenous Peoples* and the Indigenous Reference Groups *Draft Principles and Guidelines for the Protection of Indigenous Cultural and Intellectual Property* referred to in *Our Culture: Our Future Report* 47 <<https://www.un.org/development/desa/indigenouspeoples/declaration-on-the-rights-of-indigenous-peoples.html>>.
- 127 *Milpurruru* 30 IPR 209 215.
- 128 *Federal Court Rules* 2011 (Cth) part 23 division 23.1 rule 23.01.
- 129 *Milpurruru* 30 IPR 209, 213.
- 130 *Milpurruru* 30 IPR 209, 215.
- 131 *Copyright Act* s.14.
- 132 *Milpurruru* 30 IPR 209, 228.
- 133 *EMI Songs Australia Pty Limited v Larrikin Music Publishing Pty Limited* (2011) 90 IPR 50, 62.
- 134 Excepting therefrom, broadcasting rights.
- 135 *Copyright Act* s.115(4)(b)(ia).
- 136 *Our Culture: Our Future* [3.10.2] 32.
- 137 The Position Statement is available at <<https://www.nsla.org.au/publication/national-position-statement-aboriginal-and-torres-strait-islander-library-services-and>>.
- 138 *Aboriginal Heritage Amendment Act* 2016 (Vic) and *Competition and Consumer Amendment (Prevention of Exploitation of Indigenous Cultural Expressions) Bill* 2019 (Cth).

# Intellectual Property and Competition Law – Nothing Special?

The Honourable Robert French AC<sup>1</sup>

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What follows are some general reflections upon the interaction between intellectual property law and competition law and policy. The question “Nothing special?” asks whether, in that context, there is anything about intellectual property that marks it off from other kinds of property rights.

A list of the species of intellectual property provides little guidance to the specialty question. Although treated as belonging to the one genus, the species are the rather disparate products of particular histories. In his 2002 Clarendon Lectures, Professor William Cornish offered the following formulation:

*“Intellectual property” is today a general title for patents, copyright, trade marks, design rights, trade secrets and so forth.*

The *Convention Establishing the World Intellectual Property Organization* (“WIPO”) defines the genus as including rights relating to:

- literary, artistic and scientific works;
- performances of performing artists, phonograms and broadcasts;
- inventions in all fields of human endeavour;
- scientific discoveries;
- industrial designs;
- trade marks, service marks and commercial names and designations;
- protection against unfair competition; and
- all other rights resulting from intellectual activity in the industrial, scientific, literary or artistic fields.<sup>2</sup>

As a general proposition the commercial uses of any property rights including their sale, hire, licensing or any other arrangements are subject to the constraints imposed by the general law of which competition law is a part. Intellectual property rights, absent special provisions, are subject to the same general law. There is a particular focus, when considering the application of competition law to intellectual property, on the statutory rights of patents, copyright, trade marks, designs and analogous creations because of their character in varying degrees as limited monopoly rights. That character can generate tensions with the policy and objectives of competition law. In relation to patents, WIPO stated, in 2016:

*There is a close link between patent rights and competition, which, in simple terms, can be characterised by two factors:*

*on the one hand, patent laws aimed to prevent the copying or imitation of patented goods and thus complement competition policies in that they contribute to a fair market behaviour. On the other hand competition laws may limit patent rights in that patent holders may be barred from abusing their rights. In sum, experience shows that too high or too low protection of both patents and competition may lead to trade distortions. A balance has thus to be found between competition policy and patent rights and this balance must achieve the goal of preventing abuses of patent rights, without annulling the reward provided for by the patent system when appropriately used.<sup>3</sup>*

The need for “balance” was reflected in a briefing note prepared in August 2016 by the Secretariat of the United Nations Conference on Trade and Development (“UNCTAD”) in which it said:

*The ultimate goal of both intellectual property and competition policy is to enhance economic growth and consumer welfare. However, the exercise of intellectual property rights under certain circumstances may raise competition-related concerns. Therefore, innovation and the protection of competition in the market require a balanced approach.<sup>4</sup>*

The Secretariat pointed to a number of intellectual property rights practices including a range of terms and conditions associated with the licensing of patent rights, refusal to licence, the insertion of intellectual property rights in technical standards and standardisation and patent pools creating a barrier to entry to a relevant market. In the pharmaceuticals industry, agreements between brand name drug manufacturers and generic drug producers designed to delay the introduction of lower cost generic drugs effectively extend the protection granted to the original producers delaying competition and causing harm to consumers. Competition concerns may also arise out of non-cash patents settlements and mergers and acquisitions with an intellectual property rights dimension. These examples, taken from the UNCTAD Secretariat briefing note, are indicative of the range of ways, albeit focussed on patents, in which intellectual property rights may be exercised so as to infringe competition laws. However, the exercise of rights should be distinguished from their content. There may be competition

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policy concerns about the content of intellectual property rights and whether they strike an appropriate balance with the objectives of competition policy.

Ultimately, striking a balance between the various forms of exclusivity and/or monopoly conferred upon rights owners and the objectives of competition policy is a matter for legislatures and will be reflected in statutes. In their interpretation and application the identification of purpose, where there is a balance reflecting a political compromise between contending interests, may not be trivial. Yet such statutes are inherently purposive.

At a very general level, it can be said that intellectual property rights serve public policies related to the encouragement of innovation and creativity and, to that extent are consistent with the high level purposes of competition policy. Their general purpose, and linkage to competition policy, was enunciated by Francis Gurry in his acceptance speech on appointment as Director General of WIPO in 2008:

*... intellectual property is not an end in itself. It is an instrumentality for achieving certain public policies, most notably, through patents, designs and copyright, the stimulation and diffusion of innovation and creativity on which we have become so dependent and, through trade marks, geographical indications and unfair competition law, the establishment of order in the market and the countering of those enemies of markets and consumers: uncertainty, confusion and fraud.*<sup>5</sup>

Intellectual property law is designed to create incentives. It is not a protection of just desserts even though anti-piracy messages can sometimes convey that impression.

In Australia, intellectual property statutes are not about doing justice to inventors, authors or creators. In *Victoria Park Racing and Recreation Grounds Co Ltd v Taylor*,<sup>6</sup> quoted in *Campomar Sociedad Limitada v Nike International Ltd* (“*Campomar*”),<sup>7</sup> Dixon J said that courts of equity have not:

*... thrown the protection of an injunction around all the intangible elements of value, that is, value in exchange, which may flow from the exercise by an individual of his powers or resources whether in the organization of a business or undertaking or the use of ingenuity, knowledge, skill or labour. This is sufficiently evidenced by the history of the law of copyright and by the fact that the exclusive right to invention, trade marks, designs, trade name and reputation are dealt with in English law as special heads of protected interests and not under a wide generalization.*<sup>8</sup>

Intellectual property statutes serve public economic purposes. Sometimes even those purposes are lost in the shadows of the contending interests which the statutes seek to recognise. In discussing the *Trade Marks Act 1955* (Cth) in *Campomar*, their Honours characterised Australian trade marks law as having “manifested from time to time a varying

accommodation of commercial and the consuming public’s interests.”<sup>9</sup> The relevant interests include those of consumers in recognising a trade mark as a badge of origin of goods or services and avoiding deception or confusion as to that origin. To the extent that trade marks legislation supports those interests, it supports competition policy. The trader’s interest lies in the protection of goodwill through the creation of a statutory property right and in turning that property to valuable account by licensing or assignment. Their Honours said:

*For present purposes, it is significant that the balancing of all these interests has been struck differently between one statute and the next as markets and trade methods and practices have changed.*<sup>10</sup>

In *Stevens v Kabushiki Kaisha Sony Computer Entertainment*<sup>11</sup> the High Court of Australia reflected upon the difficulties of interpreting a statute which gave effect to a deal rather than implementing a clear purpose. In the joint judgment of Gleeson CJ, Gummow, Hayne and Heydon JJ, their Honours referred to the well-established requirement that an Act be construed according to its underlying purpose or object.<sup>12</sup> However, they found little in the way of useful indicators of the purpose of the provisions of the *Copyright Act 1968* (Cth) (“*Copyright Act*”) relevant to the terms “technological protection measure” and “circumvention device”. The extrinsic materials gave no clear indication of how the Bill for the amending legislation, which introduced the relevant provision, took the final form that it did. Their Honours said:

*Indeed, the very range of the extrinsic materials, with shifting and contradictory positions taken by a range of interest holders in the legislative outcome, suggests that the legislative purpose was to express an inarticulate (or at least not publicly disclosed) compromise.*<sup>13</sup>

Where the scope and duration of a limited monopoly reflects the organising powers of rights holders and their influence on legislators, the public purposes of encouraging innovation and creativity, may be obscured. Worse they may be obscured in a way that is seen to be in tension with the principles underlying competition law and policy. There is a question, posed by Bohannon and Hovenkamp, among others, whether intellectual property law has struck a balance too far in favour of rights holders as against rights users:

*The classic public choice paradigm clearly favors IP rights holders: they are fewer in number, have individually greater stakes, and typically have interests that are much more homogeneous. On the other side, the users of IP rights tend to be more numerous and heterogeneous. As a result, rights holders are much better organized than IP users and communicate their wishes to Congress much more effectively.*<sup>14</sup>

Competition law in Australia is of general application to anti-competitive conduct involving the use of intellectual property rights. So applied, it does not, on the face of it, detract from the content of the rights conferred by intellectual property statutes. Rather it is directed to their use. A recent example could be seen in *Australian Competition and Consumer Commission v Pfizer Australia Pty Ltd.*<sup>15</sup> There is also an intellectual property-specific compulsory licensing mechanism. It provides a remedy, in the case of facts against restrictions on access to their licensed use. Provision for compulsory licensing appears in s.133 of the *Patents Act 1990* (Cth) (“*Patents Act*”). The conditions upon which the court may grant an application for a compulsory licence are its satisfaction of each of the following:

- (i) the applicant has tried for a reasonable period, but without success, to obtain from the patentee an authorisation to work the invention on reasonable terms and conditions;
- (ii) the reasonable requirements of the public with access to the patent that the invention had not been satisfied; and
- (iii) the patentee has given no satisfactory reason for failing to exploit the patent.

Alternatively, a licence may be granted if the patentee has contravened or is contravening Pt.IV of the *Competition and Consumer Act 2010* (Cth) (“*Competition and Consumer Act*”) or an application law (as defined in s.150A of that Act) in connection with the patent. There is also a compulsory licensing mechanism under the *Copyright Act*. There is a resemblance between the compulsory licensing regime in the *Patents Act* and the third-party access regime in relation to essential facilities under the *Competition and Consumer Act*.

Under European competition law, a refusal to licence intellectual property rights may be treated as anti-competitive by analogy with a refusal to deal. The UNCTAD Secretariat observes that refusal is considered abusive where access is indispensable and refusal to licence prevents the emergence of a new product for which there is a consumer demand. Examples of such approaches exist in other jurisdictions.

There was until recently, under Australian law, a specific exemption for statutory intellectual property rights provided by s.51(3) of the *Competition and Consumer Act*. The section was little litigated during its lifetime although it was briefly discussed in *Transfield Pty Ltd v Arlo International Limited*.<sup>16</sup> It effectively exempted the holders of patents, registered designs, copyright or electronic layout rights under the *Circuit Layouts Act 1989* (Cth) from the application of the Act to conditions of any licence or assignment of the relevant intellectual property right. It also applied to certain provisions in contracts, arrangements or understandings in relation to trade marks.

The Harper Panel Competition Policy Review published in 2015 recommended the removal of the exemption (save for the application of per se cartel prohibitions to intellectual property licensees). The Productivity Commission in its 2016 Report recommended the repeal of the provision generally. The Government accepted that recommendation and on 18 February 2019 the Parliament enacted the *Treasury Laws Amendment (2018 Measures No. 5) Act 2018* (Cth), which repeals the provision.

Statutory criteria for the creation of intellectual property rights do not in terms import constraints derived from competition policy. That does not preclude an interpretive approach which may have regard to the consequences of an expansive construction. In the case of patents, the criterion of an “invention” – “manner of new manufacture” was held in *D’Arcy v Myriad Genetics*<sup>17</sup> not to apply to a patent claiming an isolated nucleic acid sequence – by reference, among other things, to the potentially chilling effect on research and innovation in the area covered by the claim. The plurality judgment in that case held that when a new class of claim for a patent involves a significant new application or extension of the concept of “manner of manufacture” factors connected directly or indirectly to the purpose of the *Patents Act* may assume importance. They include:

- whether the invention as claimed, if patentable under s.18(1)(a) could give rise to a large new field of monopoly protection with potentially negative effects on innovation; and
- whether the invention as claimed, if patentable under s.18(1)(a) could, because of the content of the claims, have a chilling effect on activities beyond those formally the subject of the exclusive rights granted to the patentee.

In relation to the general application of competition law to intellectual property rights there is a large question, namely, whether competition policy is adapted to engage with the new economy (so-called) and the emergence of new technologies conferring new kinds of market power. In the information age, the control of information and its flow and distribution and selective access, it is appropriate to think of competition policy as applicable to the use of informational power in markets for information – not just upon the prices which are paid by consumers for goods and services. To what extent informational power is capable of affecting important societal freedoms, including constitutional values, its impact on the consumer’s knowledge of the choices available to him or her and knowledge about consumers by those who direct or “nudge” their world views and choices.<sup>18</sup> Competition policy should be applicable to the use of informational power in markets for information and not just upon the prices paid by consumers for goods and services. Information power is capable of affecting societal freedoms and impacting on

the consumers' knowledge of the choices available to him or her and knowledge about consumers by those who direct or "nudge" their world views and choices. In the field of intellectual property rights generally, competition law cannot afford to look at markets through too narrow an economic focus.

Competition policy and intellectual property policy will no doubt be challenged to adapt to the rapid emergence of technologies generating novel kinds of market power. The "balance" between the economic incentives created by intellectual property statutes and the economic purposes of competition policy will require frequent review.

- 1 Former Chief Justice of the High Court of Australia. This report is adapted from a presentation given at the 32nd Intellectual Property Society of Australia and New Zealand Annual Conference in Queenstown, New Zealand on 9 September 2018.
- 2 Convention Establishing the World Intellectual Property Organization, signed 14 July 1967 and as amended on 28 September 1979, 828 UNTS 3 (entered into force 26 April 1970) Art 2.
- 3 World Intellectual Property Organization, 'Competition and Patents' (2016) <[www.wipo.int/patent-law/en/developments/competition.html](http://www.wipo.int/patent-law/en/developments/competition.html)>.
- 4 United Nations Conference on Trade and Development, 'Examining the Interface between the Objectives of Competition Policy and Intellectual Property – Note by the UNCTAD Secretariat', 17 August 2016.
- 5 Francis Gurry, 'Acceptance Speech' (delivered to the WIPO General Assembly, Geneva, 22 September 2008).
- 6 (1937) 58 CLR 479.
- 7 (2000) 202 CLR 45.
- 8 (2000) 202 CLR 45, 54 [4] quoting *Victoria Park Racing and Recreation Grounds Go Ltd v Taylor* (1937) 58 CLR 479, 509.
- 9 (2000) 202 CLR 45, 65 [42].
- 10 (2000) 202 CLR 45, 68 [49].
- 11 (2005) 224 CLR 193.
- 12 *Acts Interpretation Act* 1901 (Cth) s.15AA.
- 13 (2005) 224 CLR 193, 207–8 [32] (Gleeson CJ, Gummow, Hayne and Heydon JJ).
- 14 Christina Bohannon and Herbert Hovenkamp, *Creation without Restraint: Promoting Liberty and Rivalry in Innovation* (Oxford, 2012) 47.
- 15 (2018) 356 ALR 582.
- 16 (1980) 144 CLR 83.
- 17 (2015) 258 CLR 334.
- 18 Tuomas Mylly, 'Intellectual Property and Competition Law in the Information Society', in Christophe Geiger (ed), *Constructing European Intellectual Property: Achievements and New Perspectives* (Edward Elgar, 2013) 94.

# Where There's a Hit, There's a Writ

Shaun Miller<sup>1</sup>

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## Introduction

In 1824, the English writer Charles Caleb Colton famously said that “Imitation is the sincerest form of flattery”. Oscar Wilde extended that quote to state “Imitation is the sincerest form of flattery that mediocrity can pay to greatness”. However, Colton and Wilde both failed to alert the would-be “flatterers” that there are legal impediments in engaging in acts of imitation.

The creation of commercially successful books, films, music works and art works in popular culture has a tendency to elicit legal action from individuals and businesses making a claim of copyright infringement and other legal claims.

This can be summed up with the colloquial mantra: “Where there's a hit, there's a writ.”

Much turns on the specific facts of each particular case and the judge's perception of those facts viewed mainly through the rubric of copyright law but also through the common law tort of passing off, the statutory provisions regarding misleading and deceptive conduct, and the doctrine of confidentiality.

This report will reveal that in many cases, the aggrieved claimant has no lawful basis to claim breach of copyright. Often these claimants are misguided, opportunistic or, worse still, deceitful in their attempts to seek damages and an account of profits (and sometimes an injunction) in relation to books, film, music works and art works. However, in other cases, the legal claims are successful.

The examples of cases in this report are from Australia, the United States of America (“US”), the United Kingdom (“UK”), New Zealand and France. The examples are obviously not an exhaustive list. The purpose of providing these examples is to give the reader a general indication and understanding of various “hits” generating “writs” and the way the law has dealt with these.

## Principles of copyright law

The basic principle behind copyright protection is that an author (or artist, musician, playwright or filmmaker) has the exclusive right to exploit their work through reproduction and/or public dissemination, without others being allowed to copy that creative output. When the word “copyright” is boiled down, it accords the owner of copyright the “right” to make “copies” of their work or other subject matter; the corollary of that right is the right to prevent third parties from making unauthorised copies of their work or other subject matter.

The aim of copyright law is to encourage creators to create their works and other subject matter by giving them the economic incentive to make money out of controlling the reproductions of such works and other subject matter. This is one of the main catalysts for the creation of “cultural capital” in society.

Pursuant to the *Copyright Act 1968* (Cth), copyright protects (a) “works”, being literary, artistic, dramatic and musical works<sup>2</sup> and (b) “subject matter other than works”, being cinematograph films, sound recordings, television and sound broadcasts, and published editions of works.<sup>3</sup>

In order for copyright to subsist in a work or subject matter other than works, the following must exist.

First, the work or other subject matter must be encompassed in a material form (television and sound broadcasts are the one exception to this requirement of fixation in a material form).<sup>4</sup>

Second, the work or other subject matter must be original. When assessing whether the copyright material is original, creative merit is not the determining factor.<sup>5</sup> In order to be original, it simply means that the work or other subject matter has not been copied from a previous work or other subject matter, as any such copying would infringe the first copyright owner's “right” to make “copies”.

Third, in the case of works, there is an implicit requirement that the work originated from an author. The author must be an individual (or a group of two or more individuals in the case of co-authorship). A work created by a computer, with no identifiable human author, is not protected by copyright in Australia.<sup>6</sup> A work created by an animal is also not protected by copyright.<sup>7</sup>

In order for an alleged infringer to be judged to have breached copyright, the copied element must be deemed to be “substantial”. “Substantiality” does not relate to the duration of the element that is copied. Instead, it relates to when the element that has been copied is an important, essential or distinctive part of the work or other subject matter that has allegedly been copied.

This means, for example, that the unauthorised reproduction of only a few seconds of archival film footage, or the copying of only a fraction of an entire painting or photograph, can be deemed by a court to be a substantial copy once the essential element is recognisable.

The relatively low threshold set for what is deemed to be a substantial copy is particularly pronounced in the case of the unauthorised reproduction of music and sound recordings, where again the copying of only a few seconds of a music work or sound recording will be deemed to be substantial once there is an essential recognisable element that is reproduced. Popular music is relatively limited in nature – there are only 12 notes in a chromatic octave and most popular music bands consist of the standard guitar, bass, drums and verse-chorus-verse format of the composed songs. By its very nature, many hit tunes sound like previously released works.

One of the key concepts of Australian copyright law is that protections are not given to ideas or information, but rather, only the form in which the idea or information is expressed. The principle established in *Donoghue v Allied Newspapers*<sup>8</sup> has been referred to as the idea-expression dichotomy, and has been accepted and applied by the courts since the decision.

The idea-expression dichotomy means that infringement of copyright will not occur for works or other subject matter that have a basis in the same ideas in its creation if the way in which the work or other subject is expressed has not been copied.

What needs to be emphasised is that there is no copyright in broad brush themes or ideas. Even if an idea is expressed in a particular manner in a material form, that will not prevent third parties from being inspired by that idea to create their own original copyright works or other subject matter. For example, numerous films have been made over many decades which have a central theme of a menacing creature invading an urban space. Think *Godzilla*, *King Kong*, *Jaws* and *Jurassic Park*, to name a few. Each of these films had their own particular plot, sequence of events, characters and dialogue; there was sufficient and requisite originality to enable copyright to subsist in each of these films.

So-called “unconscious copying” is no defence to a claim of copyright infringement. However, if a work or other subject matter is created truly independently yet is substantially the same as a previously created work or other subject matter, then, by definition, there cannot have been any “copying” of the previously created work or other subject matter. In that case, it is legally permissible for copyright to subsist in the newly created work or other subject alongside copyright continuing to subsist in what was created previously. This means that ownership of copyright material does not strictly create monopoly rights.

In light of the above, the examples of “where there's a hit, there's a writ” can now be reviewed.

### Books

#### *The Da Vinci Code*

In 2006, Dan Brown, author of the best-selling novel *The Da Vinci Code* (which was published in 2003) was the subject of a copyright infringement claim. Michael Baigent and Richard Leigh sued publishers Random House claiming that Brown's book “appropriated the architecture” of their book, *The Holy Blood And The Holy Grail*, which was published in 1982 by the same publishing house.

Baigent and Leigh claimed that the central theme of their book was copied in *The Da Vinci Code*. They claimed that Brown had “hijacked” and “exploited” their book. Broadly speaking, the theme in question is the controversial idea that Jesus Christ married Mary Magdalene and conceived a family, the descendants of which are living today.

In its defence, Random House argued that Baigent and Leigh were seeking to monopolise broad ideas about Jesus Christ's life and lineage which were too general to be protected by copyright law. Random House submitted that ideas of a general nature should be available for any reader to use.

While giving evidence, Mr Brown told the court that he had read Baigent and Leigh's book but he insisted that it was just one of many he had used as part of his research and the ideas in Baigent and Leigh's book were not new anyway. Interestingly, one character in *The Da Vinci Code* has a name that is an anagram of Baigent and Leigh, and Brown refers to their book in the narrative.

In his ruling, Mr Justice Peter Smith of the England and Wales High Court (Chancery Division) said the claimants' version of their book's central theme had been designed retrospectively to help their case:

*If there is a Central Theme it is the one adverted to by Mr Leigh namely the merger of the Merovingian bloodline with the Royal Bloodline of Mary Magdalene. As such it is self evident in my view that is an idea which is of a too general level of an abstraction to be capable of protection.<sup>9</sup>*

#### *Harry Potter and the Goblet of Fire*

In 2004 the estate of the late author Adrian Jacobs claimed *Harry Potter and the Goblet of Fire* which was published in 2000 plagiarised parts of his book *The Adventures of Willy the Wizard No 1 Livid Land*.

It was alleged that JK Rowling had copied elements of Jacobs' 1987 book, among them a wizard contest and the notion of wizards travelling on trains. Rowling insisted that she had not seen Jacobs' book until the claim was launched in 2004.

US federal judge Shira Scheindlin ruled that the case against Rowling's US publisher Scholastic failed because "... a reading of the two works unequivocally confirms that they are distinctly different in both substance and style, and ultimately engender very different visceral responses from their readers." The judge ruled that: "The contrast between the total concept and feel of the works is so stark that any serious comparison of the two strains credulity."<sup>10</sup>

A contemporaneous case by Jacobs' estate against Rowling's UK publisher Bloomsbury also failed. This was because the UK Court of Appeal ordered the estate to pay security for costs. Because no payment was made to the Court, the case was dismissed.

There has been a string of other claims against Rowling and her publishers since the first Harry Potter book was published, none of which has succeeded.<sup>11</sup>

### Films

#### *The Piano*

In 2000, there was speculation that Jane Campion had based the screenplay for her film *The Piano* on Jane Mander's 1920 book *The Story of a New Zealand River*. This speculation was triggered by an entry in the *Oxford Companion to Australian Film* ("OCTAF") published by Oxford University Press.<sup>12</sup>

Campion denied the veracity of the allegation in the *OCTAF* and threatened legal action if a correction and apology were not given.

In a letter to the *New Zealand Weekend Herald*, Campion stated that she had been aware of Mander's book, but any issues concerning it were dealt with as part of the process of reviewing and confirming copyright title before the *Piano* was financed. Campion said that the legal agent for the copyright owner of Mander's book confirmed that it had no claims involving the book, screenplay or film.

In a book on *The Piano*, Waikato University screen studies lecturer Ann Hardy said the plagiarism claims did not seem all that plausible. While the two books drew on similar material, Hardy said that Mander's book by comparison was "rambling and unfocused".

Hardy said it seemed likely Campion was influenced by Mander's book, but it would be one of among about 20 books the director said had influenced her.

#### *Finding Nemo*

In 2004, a French author failed in his claim that Disney copied one of his characters in *Finding Nemo*. Franck le Calvez alleged that *Finding Nemo's* title character, a clownfish called Nemo, was copied from the title character of his children's book *Pierrot The Clown Fish*, and would therefore cause confusion amongst the public.

Le Calvez's book, about a fish looking for his family, was published in 2002. However, Disney asserted that the studio had devised the character of Nemo by 2000.

Disney argued that a clown fish is orange and has three stripes so everything is already there in nature. The French judge agreed adding that although both fish have big smiles and three stripes down the side, their resemblance was unlikely to confuse people.

In 2005, in a related action, a French court ruled that the character Nemo had existed before Pierrot and that Le Calvez even knew of the Disney character when he created his own. The court ruled that *Finding Nemo* could be seen in France by mid-2002 through internet sites and in film previews available on video cassettes for other Disney films released from September 2002 onwards.

Le Calvez's claim of copyright infringement was therefore dismissed.

#### *Strange Bedfellows*

In 2007, the producers of the film *Strange Bedfellows* brought legal action against Universal Pictures' Adam Sandler film *I Now Pronounce You Chuck & Larry*, claiming there were more than 100 script similarities between the two films.

*Strange Bedfellows* (which starred Paul Hogan and Michael Caton) and Sandler's film were both comedies which centred on two heterosexual men – part-time fire fighters – who pretend to be a gay couple in order to claim a financial benefit.

Universal Pictures rejected the claim stating *I Now Pronounce You Chuck & Larry* was in development at Universal several years before *Strange Bedfellows* was theatrically released in Australia and, in any event, the two films were substantially different.

In order to breach copyright, the alleged infringer must have had the opportunity to copy the allegedly infringed work. As noted above, if two very similar (or even identical) works are developed and created independently of each other, then copyright will subsist independently in each work. Copyright does not, per se, create monopoly rights.

What makes this matter interesting is that Caton was reported as saying he had given a copy of *Strange Bedfellows* to American comic Rob Schneider. Caton and Schneider worked together on another Hollywood comedy, *The Animal*, which has Sandler as executive producer. The opportunity for copying was asserted.

Ultimately, the Australian producers of *Strange Bedfellows* withdrew their legal action against Universal after the studio provided an early draft of the script that proved its movie was created independently – this indicated that each

film was developed simultaneously and independently and, therefore, there had been no breach of copyright.

### ***The Shape of Water***

In 2018, US judge Percy Anderson dismissed a lawsuit alleging that *The Shape of Water* (the winner of that year's Academy Award for best picture) infringed the copyright of a 1969 play *Let Me Hear You Whisper*, written by playwright Paul Zindel.

Judge Anderson opined that:

*Although the play and the film share the basic premise of an employee at a scientific facility deciding to free a creature that is subjected to scientific experiments, that concept is too general to be protected ... There are some minor similarities in the two works' expressive choices, such as the fact that the main character is a janitorial worker, that the test subject is of interest for military purposes, and that the escape plan involves the use of a laundry cart. However, the similarities generally end there.*<sup>13</sup>

Director Guillermo Del Toro insisted that he had never heard of the play before the allegations of plagiarism were made.

### **Music and sound recordings**

#### ***My Sweet Lord***

George Harrison released *My Sweet Lord* in 1971. He was sued by a band called The Chiffons who alleged that the key part of Harrison's song was "copied" from their 1963 hit *He's So Fine*. Harrison had to pay substantial damages even though it was found that he had only "unintentionally copied" the earlier song.<sup>14</sup>

#### ***Down Under***

In the Australian case of *EMI Songs Australia Pty Ltd v Larrikin Music Publishing Pty Ltd*<sup>15</sup> it was held that the flute riff in Men at Work's song *Down Under* reproduced two bars of the old song *Kookaburra Sits in the Old Gum Tree* (the latter having been composed by Marion Sinclair in 1934 for a competition conducted by the Girl Guides). This similarity between the works was held not to be a coincidence as there was a causal connection between the works.

Justice Jacobson in the Federal Court of Australia held:

*There are limited features of similarity between Kookaburra and Down Under in terms of key, harmony, tempo and rhythm. Kookaburra was written in a major key. The relevant bars in the Impugned Recordings appear as part of an overall work in a minor key. The harmony in Kookaburra arises both from its character as a round, and the implied harmonies suggested by casting its melody in a specific key. The versions of Down Under in the Impugned Recordings have a highly distinctive harmony, arising from the voice of Mr Hay, singing very different lyrics, and the*

*mix of instruments. While, as a result, the bars in question in the Impugned Recordings may, in some sense, sound different from Kookaburra, the melody is nevertheless clearly recognisable.*<sup>16</sup>

In the *Down Under* case, it is interesting to note that the similarity between the two works only came to light as a result of a question asked on the ABC television musical panel quiz show *Spicks and Specks* in 2007. However, it was not relevant that the similarity had gone unnoticed for over 20 years: "the question is one of objective similarity. The aural resemblance need not be resounding or obvious".<sup>17</sup>

#### ***Blurred Lines***

In 2015, a US federal jury ruled that Robin Thicke and Pharrell Williams' 2013 smash hit *Blurred Lines* had infringed the copyright of Marvin Gaye's 1977 song *Got to Give it Up*.<sup>18</sup> This case added a new element into what constitutes a breach of copyright law. The judgement was determined primarily on the similarity of the styles of the two songs (described as the "feel" and "vibe") rather than any similarity in melody, harmony, rhythm or lyrics.

#### ***Dark Horse***

A most recent example that addressed the issue of who owns copyright in a melody was determined in 2019. In California, a jury decided that Katy Perry's song *Dark Horse* had plagiarised the beat of *Joyful Noise*, a track by Flame, a Christian rapper. The case zeroed in on the beats that underpin each song, rather than on the lyrics, the part Perry herself was responsible for.

Perry's lawyers had argued the beat and the instrumental line at issue were too basic to be copyrighted and that that she and her co-writers had never heard of *Joyful Noise* because they don't listen to Christian rap. Perry's lawyer Christine Lepera said during closing arguments:

*They're trying to own basic building blocks of music, the alphabet of music that should be available to everyone.*<sup>19</sup>

But the nine-person jury sided with the rapper, rejecting Perry's arguments.

### **Artistic works**

#### ***Tattoo artist S. Victor Whitmill***

In 2011, a Missouri-based tattoo artist S. Victor Whitmill brought legal action against Warner Bros. over a tattoo on actor Ed Helms' face which featured in the film *The Hangover Part II*, which Whitmill claimed infringed his copyright in a tattoo that he had created for boxer Mike Tyson.

A tattoo is an artistic work protected by copyright. Whitmill sought a preliminary injunction on the theatrical release of the blockbuster comedy sequel because it prominently featured the tattoo without permission. US District Court Judge Catherine D Perry denied the request for a preliminary injunction.

## Where There's a Hit, There's a Writ

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In subsequent court filings, Warners said that it planned to digitally alter the tattoo for the home video version of the film if the case did not settle quickly.

The case was settled before judgement was delivered.

### Other avenues of law that can be applied in cases of “where there’s a hit, there’s a writ”

There are other avenues of law that can be invoked by individuals or businesses in order to claim that a “hit” has been plagiarised by the hit-maker. The main alternative avenues are the tort of passing off, the statutory provisions relating to misleading and deceptive conduct and the doctrine of confidentiality.

#### Passing off

The tort of passing off applies where there is a representation that a person’s goods or services are those of someone else. To establish passing off, the plaintiff must prove a misrepresentation made by a trader in the course of trade to prospective customers or consumers that is intended to injure the plaintiff’s business or goodwill and that caused actual damage to the plaintiff.

A well-known person or creator/licensee of a character may restrain a trader from misrepresenting their connection with or approval of that trader’s business, even if that trader is operating in an entirely different commercial field.<sup>20</sup>

#### *Crocodile Dundee*

This principle was reflected in the case of Paul Hogan’s eponymous character from *Crocodile Dundee* being misappropriated in a television advertisement for Grosby Leatherz shoes. The Full Court of the Federal Court of Australia held that those watching the advertisement would have been deceived into inferring that Hogan had given his approval for the use of the Crocodile Dundee characters and images pursuant to a sponsorship arrangement with the defendant, when in fact no such arrangement existed.<sup>21</sup>

#### *Duff Beer*

A similar finding was made in the Duff Beer case, in which the producers of the popular television series *The Simpsons* successfully sued to prevent the marketing of a beer under that name.<sup>22</sup>

#### Misleading and deceptive conduct

Section 18 of the Australian Consumer Law<sup>23</sup> proscribes a range of practices detrimental to the interests of consumers and reads as follows:

*(1) A person must not, in trade or commerce, engage in conduct that is misleading or deceptive or is likely to mislead or deceive.*

Generally speaking, this statutory provision is usually invoked simultaneously with the adducing of the common

law tort of passing off. This is because they both usually encompass the same elements when the misappropriation of business reputation is concerned, namely whether the plaintiff has a distinctive reputation in the relevant subject matter; and whether the relevant public have been deceived by the defendant’s conduct.

#### Confidentiality

The equitable doctrine of breach of confidence seeks to protect confidential information provided by one party to another in circumstances which impose an obligation not to disclose that information or to use it for unauthorised purposes.<sup>24</sup>

#### *To Make A Million*

In *Talbot v General Television Corp Pty Ltd*<sup>25</sup> the Supreme Court of Victoria found that Channel 9 had breached the equitable duty of confidence that it owed to Mr Talbot, who had met with and submitted to Channel 9 a written program submission and pilot for a show about the development and effect of a millionaire’s riches, namely *To Make A Million*. The Court held that Talbot had developed his concept to the stage where it was capable of being a confidential communication, and as such it was protectable as it was “rightly regarded as the property” of Talbot.

#### Conclusion

It is apparent that in the cases of books and film that are “hits”, the “writs” generated claiming a breach of the law are often unsuccessful.

This is to be contrasted with cases involving music works that are “hits”, where the “writs” generated are more likely to succeed, mainly often due to unconscious copying and the more limited nature of popular music.

What is clear is that certain individuals and businesses will continue to want to capitalise on works and other subject matter that are “hits” by issuing “writs”, notwithstanding the often spurious and sometimes sinister motivations behind this.

The best advice for the creators of these “hits” who are issued “writs” was provided by Bob Marley when he sang:

*Get up, stand up; stand up for your rights. Get up, stand up; don't give up the fight.*<sup>26</sup>

And there is no shortage of lawyers to assist in that endeavour!

## Where There's a Hit, There's a Writ

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- 1 Principal of Shaun Miller Lawyers, Senior Fellow at the University of Melbourne within the Faculty of Fine Arts and Music. I wish to thank Fiona Rotstein, Co-Editor of *Intellectual Property Forum*, for her comments and guidance in relation to earlier drafts of this report and for her general encouragement, all of which went beyond the call of her usual duties as Co-Editor. Any errors, of course, remain my own.
- 2 *Copyright Act* 1968 (Cth) s.32.
- 3 *Copyright Act* 1968 (Cth) Part IV.
- 4 *Copyright Act* 1968 (Cth) s.91. *Donoghue v Allied Newspapers* [1938] Ch 106.
- 5 *University of London Press Ltd v University Tutorial Press Ltd* [1916] 2 Ch 607; *Sands & McDougall Pty Ltd v Robinson* (1917) 23 CLR 49.
- 6 *Telstra Corporation Limited v Phone Directories Company Pty Ltd* [2010] FCAFC 149.
- 7 *Naruto v Slater*, no. 16-15469, 9th Circuit, Order (11 August 2017).
- 8 [1938] Ch 106.
- 9 *Michael Baigent and Richard Leigh v The Random House Group Limited* [2006] EWHC 719 [254]. This decision was affirmed on appeal by the England and Wales Court of Appeal: *Michael Baigent and Richard Leigh v The Random House Group Limited* [2007] EWCA Civ 247.
- 10 Harry Potter plagiarism case dismissed' (7 January 2011), *BBC News* <<https://www.bbc.com/news/entertainment-arts-12134288>>.
- 11 Examples of these include (a) In 1999, American author Nancy Kathleen Stouffer alleged copyright and trade mark infringement by Rowling of her 1984 works *The Legend of Rah and the Muggles* and *Larry Potter and His Best Friend Lilly*; and (b) in 2005, Warner Bros. were in a dispute with the Canadian folk band the Wyrld Sisters for the rights to use their name in the film version of *Harry Potter and the Goblet of Fire*.
- 12 See Robert Macklin, 'Shadows over an Oscar', *Panorama, The Canberra Times* (Canberra), 25 March 2000, 12.
- 13 *David Zindel v. Fox Searchlight Pictures, Inc., et al*, US District Court Central District Of California (2018).
- 14 *Bright Tunes Music v. Harrisongs Music* 420 F. Supp. 177 (SDNY 1976).
- 15 (2011) 90 IPR 50.
- 16 (2011) 90 IPR 50 [90].
- 17 (2011) 90 IPR 50 [86].
- 18 See Roisin O'Connor, 'Blurred Lines final verdict: Robin Thicke and Pharrell Williams to pay \$5m to Marvin Gaye family' (13 December 2018) *Independent* <<https://www.independent.co.uk/arts-entertainment/music/news/blurred-lines-final-verdict-copyright-case-court-robin-thicke-pharrell-marvin-gaye-payout-a8681381.html>>.
- 19 See 'Katy Perry's Dark Horse was copied from a Christian rap song: jury' (30 July 2019) *News Corp Australia Network* <<https://www.news.com.au/entertainment/music/katy-perrys-dark-horse-was-copied-from-a-christian-rap-song-jury/news-story/cdd5ed4cdf9d63465eb3ac7091c6d07a>>.
- 20 *Henderson v Radio Corp Pty Ltd* (1960) 60 SR (NSW) 57.
- 21 *Pacific Dunlop Ltd v Hogan* (1989) 14 IPR 398.
- 22 *Twentieth Century Fox Film Corp v South Australian Brewing Co. Ltd* (1996) 34 IPR 225
- 23 Schedule 2 to the *Competition and Consumer Act* 2010 (Cth).
- 24 *Coco v Clark (Engineers) Ltd* [1969] RPC 41 at 47 per Megarry J.
- 25 [1980] VR 224.
- 26 *Get Up, Stand Up*, Bob Marley and the Wailers, 1973.

# Book Review

Dr Charlie Day<sup>1</sup>

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## *Capitalism Without Capital: The Rise of the Intangible Economy*

by Jonathan Haskel and Stian Westlake

[Princeton University Press 2018 pp 288]

In my first professional job as a freshly minted graduate student, I worked for a consultancy that specialised in helping to optimise the operation of production lines in the manufacturing sector. My job was to spend long hours on the factory floor making precise observations of what was happening, and then use a structured problem solving method to correct the most serious deficiencies. Towards the end of each assignment I would typically present my findings to the plant manager, a man (yes, it was always a man) who typically had several decades worth of experience in the relevant sector. It was invariably a revealing conversation, and a formative experience for me so early in my career. Why?

Well, plant managers typically have crazy work days, confronted at every turn by unexpected developments and demands for quick decisions. To survive in such a world, they must have a strong working model in their head of how their plant works: if you change input X, it will result in a particular change in output Y. But in many plants, the managers' mental models have not been updated for several years, even though reality on the factory floor tends to evolve constantly. As a result, the way they *think* their factory is working is not necessarily the way it really does – changing input X may well affect output Y, but not in the way you think, and in addition you will see side-effect Z. The business model of the consulting firm I worked for was built largely on the exploitation of that disconnect.

I was transported back to those days as I read Jonathan Haskel and Stian Westlake's excellent recent book, *Capitalism without Capital: The Rise of the Intangible Economy*. Its central thesis is that many of us are thinking about capitalism with an outdated model in our heads – one in which investing in “capital” means investing in physical assets, that generate income in predictable ways and which lose value over time in a steady process we call depreciation. Increasingly, Haskel and Westlake argue, our economy is becoming dominated by investment in *intangible* assets, which have very different properties compared with their tangible cousins. This book is an engaging exploration of the important consequences that flow from adjusting your mental model in this way.

But what are “intangibles”? The authors introduce the concept with a tour of a modern gym. The weights machines, barbells and mirrors (the “tangible assets”) all look about the same in 2017 as they did in 1977. But today's gym, and its business model, is underpinned by a number of less tangible assets,

including branded workouts, staff trained in specific fitness techniques, and carefully curated music lists providing the motivational backdrop. These are the “intangible assets” the authors are most interested in, and encompass such modern commonplaces as software, patents, designs and specialised staff training.

Having pointed to the ubiquity of intangible assets in the modern economy, the authors turn to the special properties of intangibles. And true to the typical form of a modern business book, they have a helpful mnemonic of the four “S” framework to capture the special features of intangibles:

- **Scalability** – intangible assets have the capacity to be replicated many times over at minimal incremental cost – think of the Angry Birds app that, once written, can be downloaded billions of times, or the Starbucks operating manual which, once written, can underpin the rollout of thousands of stores around the world with minimal modification.
- **Sunkness** – intangible assets such as brands (and the trust that they embody) frequently have value to their creators that cannot easily be transferred to others, or recovered in another form.
- **Spillovers** – intangible assets such as designs can have impacts well beyond their creators, which the authors illustrate by the original iPhone's success, in short order, in reshaping what the entire industry thought of as the appropriate form factor for a smartphone.
- **Synergies** – intangible assets are often even more valuable when used together, such as the bundle of

intangibles (including branding, design and end-user training) that have given the Epipen a particularly strong market position in treating anaphylaxis.

To the readers of this review (who are presumably well versed in matters of intellectual property (“IP”)) the importance of intangibles will undoubtedly not come as a surprise. However, what Haskel and Westlake have done particularly well in this book is to integrate IP as one of a broader class of intangible assets, and show how their unique properties should force us to think about the economy in different ways. The second part of the book uses this framework to discuss the implications in the context of several contemporary challenges, including the concern around secular stagnation, the rise of inequality, the need for renewed infrastructure and the challenges faced by a financial system that has primarily evolved to support investment in tangible assets. Whilst at times the reader feels that they might be stretching the framework almost beyond its limits, the authors are careful to note in their conclusion that they are conscious of the limitations of the explanatory power of intangibles. To this reader at least they largely succeed in their goal of highlighting in new ways how intangibles could play a greater role than previously imagined.

On the specific topic of IP, Haskel and Westlake skate over some of the details of the challenges in their penultimate chapter, where they note:

*We would expect an economy increasingly dependent on intangibles to put a premium on good intellectual property frameworks. But working out what “good” looks like in intellectual property is very hard.*

They do call for an emphasis on *clarity* in IP rights, without taking a side on whether the rights themselves should be stronger or weaker. They also suggest that we will need deep and sophisticated markets for IP rights, in addition to well established social norms around privacy and data use. The current vigorous activity in Australia around data rights suggests we are making progress on the latter front at least.

By the end of the book it is hard not to have a very different perspective on many of the economic and social debates of our time. The only niggling uncertainty for this reader remains the issue of measurement. Despite the best efforts of national statisticians at the country level, and corporate accountants at the firm level, the authors are quite frank in acknowledging the shortcomings of current measures of intangible assets – almost by definition they are harder to pin down. Whilst the authors note that the situation is steadily improving, the increased precision that could make some of their speculative observations more specific still feels some distance in the future.

Overall, this is a very readable book which challenges many of the mental models we unconsciously use to think about the economy. Notwithstanding the measurement challenges

noted above, it is clear that intangibles are driving an increasing share of all modern economies, and understanding them can help us all navigate what can sometimes seem a confusing future landscape. There is a reason why Bill Gates – a man who knows a thing or two about intangible assets himself – called this book “brilliant”.

1 CEO, Innovation and Science Australia.

# Book Review

Benjamin Hopper<sup>1</sup>

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*Research Handbook on Patent Law and Theory: Second Edition*  
edited by Toshiko Takenaka

[Edward Elgar 2019 pp.512]

The *Research Handbook on Patent Law and Theory: Second Edition* edited by Toshiko Takenaka comprises 18 chapters, divided into five parts: foundation; examination procedure; patent enforcement; current issues; and examination procedure addition. Contrary to the expectation that may be raised by the book's title, the focus of the book is on patent law and procedure, with relatively little attention paid to patent theory. The chapters primarily consist of surveys of patent and related laws pertaining to specific issues or geographical regions. Much of the material is thought-provoking and useful, but some of the material would have benefitted from more in-depth analysis. A notable absence from the lengthy book is an introductory chapter providing an overview of the chapters and how they relate to one another. As it is, readers are left to work out these matters for themselves. The book's chapters are primarily concerned with the patent laws of the Global North (including United States of America ("US"), United Kingdom ("UK") and Europe). The book would have also benefitted from a more balanced consideration of the patent laws of both the Global North and the Global South.

Chapter 1, "History of the Patent System" by John Adams, is largely a recital of a 1986 article, penned by Adams and Gwen Averley. The focus of the chapter is the 1778 UK case of *Liardet v Johnson* and a more appropriate title for Chapter 1 would be the title of that article with an additional description, "The Patent Specification: the role of *Liardet v Johnson* [with some notes on other historical developments pertaining to patent law]". Overall, Chapter 1 is much less a history of the patent system, and much more an appraisal of the importance of *Liardet v Johnson*, with some sketches of other developments in patent systems.

Chapter 2, "International treaties and patent law harmonization: today and beyond" by Tomoko Miyamoto, provides a chronological overview of major international patent treaties. Parts of the chapter are based on a 2005 article, "International Patent Law Harmonization – A Search for the Right Balance" by Philippe Baechtold and Miyamoto. While the chapter provides a handy overview of the history of international patent treaties (the *Paris Convention*, *Patent Cooperation Treaty*, draft *Patent Harmonization Treaty*, *Patent Law Treaty*, the *Agreement on Trade Related Aspects of Intellectual Property Rights* ("TRIPS") and draft *Substantive Patent Law Treaty*),<sup>2</sup> it could have usefully ended with a synthesis of what international treaties currently include and leave out.

Chapter 3, "Patents and policies for innovations and entrepreneurship" by Ove Granstrand, adds some interesting insights into patent theory and policy. This includes Granstrand's description of two, newer, more holistic approaches to patent theory, namely: (i) patents as joint incentives to both exploration and exploitation through integrated innovation and diffusion processes, including incentives to trade and financing; and (ii) patents as a mode of coordination or governance similar (but not equivalent) to the role of property rights in tangibles. Both approaches obviously entail aspects of existing patent theories (e.g., incentive theory and prospect theory). Unfortunately, citations are not given in relation to these approaches. The lion's share of the somewhat meandering chapter is taken up with Granstrand's description of a Swedish study on how small firms can be stimulated, including through patent policy. One omission from the chapter that is focussed on patent economics is studies of the history of this subject which show that the post-1980s era is not the first "pro-patent era", e.g., *The Great Leveler: Capitalism and Competition in the Court of Law* (2016) by Brett Christophers.

Chapter 4, "Trilateral cooperation evolving into global cooperation" by Shinjiro Ono, provides a useful précis of historical and recent developments at the "Trilateral Offices" (United States Patent and Trademark Office, Japanese Patent

Office and European Patent Office (“EPO”)) and the “IP5” (the Trilateral Offices plus the State Intellectual Property Office (now called the National Intellectual Property Administration of China) and the Korean Intellectual Property Office). Incidentally, the chapter is a reminder how an excessive focus on administrative efficiency at the international level may lead to undue attention being paid to national patent issues and underplay the legitimate concerns of the Global South.

Chapter 5, “Patenting software-related inventions in Europe” by Stefan Schohe, Christian Appelt and Heinz Goddar, begins with an overview of legal developments on the patentability of software-related inventions in the EPO, Germany and the UK. The discussion would have been aided by illustrative examples of patentable and non-patentable inventions. The authors go on to make the salient point that legal developments are correlated with economic and political developments, e.g., at the time of the new internet economy, there was a strong urge to liberally grant patent protection to software-related inventions. Then follows a helpful description of current practice at the EPO, Germany and the UK in relation to different types of software-related inventions. In a comparison, the authors note a common problem remains in all European jurisdictions, namely, articulating legal criteria on patentable subject matter that provides the jurisdiction with legal certainty. The authors conclude that an outstanding problem is the relevance of non-technical features to the issue of inventive step.

In Chapter 6, “Patenting inventions in medical sciences”, Jan Krauss provides an overview of patent validity requirements (eligibility, novelty, inventive step, etc.) for medical inventions (e.g., new compounds, processes and methods of treatment) in Europe and the US, with a focus on Europe. The chapter would have benefitted from a synthesis that highlights the key differences between the two jurisdictions. It contains the insight that a key issue for medical inventions is the closeness of the subject matter to nature. One question the chapter provoked in my mind is: is a medical invention “copied” from nature (e.g., a synthetic version of a molecule existing in nature) patent eligible and, if not, is this on the ground of patent eligibility/subject matter or of novelty or some other ground?

Chapter 7, “The Lilly written description requirement [“Lilly”]: a doctrinal ‘wild card’ of uncertain effect” by Christopher Holman, presents a fascinating discussion of the enablement and written description requirements in the US, particularly in relation to biotechnology patents. Under the former, the patent must enable the person of ordinary skill in the art to make the claimed invention. Under the latter, the patent must demonstrate that the inventor had possession of the claimed invention as at the priority date. *Lilly* represents a vague *tertium quid* – a quasi “super-enablement” requirement applied almost exclusively to biotechnology inventions that the patent must precisely

describe a molecule’s physical or structural characteristics, seeming to require a “nucleotide-by-nucleotide recitation of chemical structure”. Holman convincingly argues that this requirement is out of touch with the scientific reality of biotechnology inventions.

Chapter 8, “Claim construction under US and German Patent Acts: wording used in the claims and the invention disclosed in the specification” by Toshiko Takenaka and Christof Karl, considers the all-important topic of claim construction through a comparative analysis of US and German approaches. It makes the ultimately unpersuasive argument that, instead of focussing on the wording of the specification as a whole, “courts must determine an optimal scope of a claim through policy analysis”. This is unpersuasive because it would introduce unnecessary subjectivity into the determination of patent scope and undermine legal certainty. The discussion would have greatly benefitted from illustrative examples, e.g., a comparison of the construction of equivalent patents litigated in both the US and Germany.

What protection should be afforded to patentees in respect of people making spare parts for use in connection with patentees’ inventions? That is the subject of matter of the interesting, short Chapter 9, “The scope of patent protection for spare parts and its extension through other tools of intellectual property” by Horst-Peter Götting and Sven Hetmank. The chapter discusses cases from Germany, the UK and the US. These illustrate that the line between permissible repair and impermissible reconstruction (or “making”) of the patented article can be difficult to discern. It also considers other laws for protecting patentees in relation to spare parts sold by others (e.g., copyright and unfair competition). However, at times, it is unclear how these other laws achieve this function (e.g., the chapter discusses *International News Service v Associated Press*,<sup>3</sup> but it is unclear how this case applies to spare parts).

Chapter 10, “Patent enforcement in Germany” by Tilman Müller-Stoy, summarises patent enforcement procedures in Germany, providing a handy reference on: (i) jurisdiction and venue; (ii) standing; (iii) procedural rules and evidence; (iv) claims for inspection (like preliminary discovery); (v) bifurcation (in Germany, infringement and validity are decided in separate proceedings); (vi) preliminary (or interlocutory) injunctions and permanent injunctions; (vii) damages; (viii) procedures unique to Germany (e.g., Torpedo proceedings – these allow a defendant to file an application for a non-infringement declaration in a European country outside Germany, causing any infringement action in Germany to be suspended pending the outcome of the foreign non-infringement declaration application); and (ix) costs.

In Chapter 11, “The theory and practice of patent damages in Japan and the US: explaining the differences that remain”, Christoph Rademacher compares Japanese with US patent

damages jurisprudence in an effort to understand whether or not Japanese patent damages really are “too low”. Although Rademacher’s conclusion does not answer this question, the chapter provides a useful comparison of the legal and practical differences between the US and Japan. It looks at the key reasons for the higher damages awarded in the US. A reason for the difference not emphasised by Rademacher in the conclusion may be the availability of punitive damages in the US for wilful infringement, which are not available in Japan. It would have been helpful if the chapter had included data on the extent to which such damages account for the difference.

The insightful Chapter 12, “Resolving patent disputes in a global economy” by Rochelle Dreyfuss, begins by noting, “[a]lthough the *practice* of patented technologies is now international, patent law and patent *rights* remain territorial”. It outlines the ways patent litigants have sought (mostly unsuccessfully) to deal with this problem, namely, extraterritorial application of local law, consolidation of worldwide claims into one proceeding and private agreements. The chapter then outlines potential resolution mechanisms, namely, deep harmonisation of patent laws and an agreement on a procedural framework for coordinating multinational litigation and judgment recognition. The conclusion suggests that the latter may be the most realistic way forward.

After noting the increase in specialised patent courts around the world, Chapter 13, “Specialized IP courts: the Unified Patent Court (UPC)” by Stefan Luginbuehl and Dieter Stauder, provides a brief history of the discussions leading to the *Agreement on a UPC*. It then gives a detailed outline of substantive and procedural aspects of the UPC, including the UPC as an international organisation and its jurisdiction; the substantive patent law that the UPC will apply; court fees; and costs. The chapter concludes by noting the uncertainty hanging over the UPC arising from Germany’s outstanding ratification and Brexit.

Chapter 14, “Pharmaceutical patents” by John Thomas, is primarily concerned with providing a history, explanation and criticism of the *Hatch–Waxman Act*, introduced in the US in 1984 in an attempt to reconcile the competing interests of innovator and generic pharmaceutical companies. The Act sets up a regime under which: (i) holders of an approved New Drug Application (“NDA”) must list patents relevant to that NDA; (ii) applicants for generic versions of the NDA must file one of four certificate types in relation to any listed patents, including one that the listed patent/s is/are invalid or not infringed by the marketing of the generic version; (iii) the first generic to file such a certificate and successfully challenge the listed patent/s obtains a 180-day exclusive marketing period for its generic product; and (iv) patentees are not required to commence litigation in response to generic version applications. Thomas’s main conclusion is that “the legislature cannot always encourage

specific private actors to work toward public goals”. This is because private parties will act in their own interests and not in the interests of the public, as may be the case with reverse payment settlements.

In a thoughtful Chapter 15, “Patent litigation reform in the United States”, Greg Reilly considers the various patent litigation reforms proposed to deal with perceived abuses of the patent system in the US. Reilly persuasively argues that many of the perceived problems of patent litigation have more to do with substantive patent law than patent litigation, noting “[a] patent litigation complaint is meritorious if it represents a good faith position under the substantive law and is nonmeritorious if not”. This means that a number of proposed reforms (including raising pleading requirements, shifting fees, and restricting discovery) may not achieve reformers’ goals and may have unintended negative consequences. Reilly argues for “staged litigation”, in which liability and damages are split. As this is already the approach to patent litigation in other jurisdictions (including Australia), the chapter would have benefitted from some comparative analysis.

In Chapter 16, “Design patent–utility patent intersection”, Xuan-Thao Nguyen considers the overlap between design and utility patents under US law. Nguyen somewhat overemphasises the importance of designs in today’s marketplace, but makes the good point that US design patent law’s confused borrowings from utility patent law should be rectified. The key argument is that it is the design that sells the product, and this is especially true of complex technology products where the consumer relies on design to infer function. Accordingly, Nguyen argues, apportionment should not be used to calculate damages in design infringement cases. Rather, the current “total profit” rule should be retained (i.e., the disgorgement of total profits made from design infringement). However, the example used of smartphones works against Nguyen’s argument. This is because, where the product is multifunctional, as with a smartphone, design becomes only one factor important to the consumer’s purchase decision. Other *functional* factors are equally, if not more, important, e.g., memory, wi-fi connectivity, camera, etc.. Nguyen concludes with a discussion of trade dress (or get-up) protection, which can supplement design protection. A notable omission from this discussion is the overlap with copyright law.

In Chapter 17, “Current controversies concerning patent rights and public health in a world of international norms”, Cynthia Ho asks, “can patent rights be reconciled with public health?”. Ho does not present a specific solution to this question. However, she does provide a good summary of the well-traversed controversy raised by the patent law requirements imposed on members of the World Trade Organization by TRIPS. In the process, Ho makes some excellent points, e.g., in relation to the concerns raised by TRIPS-plus free trade agreements (imposing higher patent

law standards on Global South countries in return for market access) and the possibility that patent owners will turn to international investment agreements to seek financial compensation when they fail to obtain desired patent and data exclusivity rights. While the picture painted is of increasingly limited options for the development and sale of generic pharmaceutical products in the Global South, Ho offers some hope in her canvassing of options to better calibrate the balance between patents rights (the incentive dimension) and public health (the access dimension). One promising option is an international research and development treaty to increase public financing of innovation by nation-states.

In Chapter 18, “A comparative approach to the inventive step”, Amy Landers argues that the pliable inventive step doctrine provides TRIPS signatories with hitherto underutilised flexibility to adjust their patent laws to meet their policy goals. The bulk of the chapter is taken up with supporting this claim through a discussion of differences and mutations in the inventive step doctrine in different jurisdictions. The first part focuses mainly on Anglophone countries of the Global North but also makes reference to Japan and Europe. The second part focuses on India, Singapore and South Africa. In contrast to the preceding Chapter 17 that outlines some of the very real risks faced by countries that adjust domestic patent law in a TRIPS-compliant fashion to increase access (e.g., the risk of pharmaceutical companies not marketing drugs in the country), Chapter 18 concludes that the inventive step doctrine is “ideally suited” for developing countries wishing to adjust patent laws to suit national needs.

Overall, the *Research Handbook on Patent Law and Theory: Second Edition* covers a broad range of topics in the patent space, primarily focussed on patent issues relevant to the Global North. A number of the chapters will serve as ready references for patent practitioners, such as chapters 2 (international patent treaties), 10 (patent enforcement in Germany) and 13 (the UPC). Other chapters will serve as more academic forays into current patent issues, such as chapters 3 (patents and innovation), 6 (patenting medical inventions) and 17 (patents and public health). Still other chapters could have benefitted from deeper analysis. The book will primarily be of interest to patent practitioners, patent scholars and those working in patent policy. It is hoped that the above review will help guide interested persons to chapters of especial relevance to them.

- 1 Benjamin Hopper is a PhD Candidate and Teaching Fellow at Melbourne Law School.
- 2 *Paris Convention for the Protection of Industrial Property*, opened for signature 14 July 1967, 828 UNTS 305 (entered into force 26 April 1970); *Patent Cooperation Treaty*, opened for signature 19 June 1970, 1160 UNTS 231 (entered into force 24 January 1978); Standing Committee on the Law of Patents of the World Intellectual Property Organization, *Draft Treaty Supplementing the Paris Convention as Far as Patents Are Concerned*, 4<sup>th</sup> session, Doc No. SCP/4/3 (6 to 10 November 2000); *Patent Law Treaty*, opened for signature 1 June 2000, 2340 UNTS 3 (entered into force 28 April 2005); *Marrakesh Agreement establishing the World Trade Organization*, opened for signature 15 April 1994, 1867 UNTS 3 (entered into force 1 January 1995) annex 1C (“*Agreement on Trade Related Aspects of Intellectual Property Rights*”); Standing Committee on the Law of Patents of the World Intellectual Property Organization, *Draft Substantive Patent Law Treaty*, 10<sup>th</sup> session, Doc No. SCP/10/2 (10 to 14 May 2004).
- 3 248 US 215 (1918).



# 33rd IPSANZ Annual Conference

6-8 September 2019



S O F I T E L  
NOOSA PACIFIC



This year's conference is being held at the Sofitel Noosa Pacific Resort, Noosa Heads, Queensland.

## CONFERENCE PROGRAM

### Friday, 6 September 2019

2:30 - 6:30pm

#### Early Registration

4:00 - 5:00pm

#### Pre-conference Session

##### An update on the IP jurisdiction of the Federal Circuit Court of Australia

**The Hon. Judge Julia Baird**, Federal Circuit Court, Sydney

**Susan O'Connor**, National Judicial Registrar of the Federal Circuit Court, Sydney

Chairperson: **Caroline Ryan**, Special Counsel, King & Wood Mallesons, Melbourne

6:00 - 8:00pm

#### Welcome Drinks

### Saturday, 7 September 2019

8:30 - 9:00am

#### Registration

9:00 - 10:15am

#### Session 1 – International Session

##### Insights into the world after Brexit and the implications for Intellectual Property

**Stephen Jones**, Immediate Past President of the Chartered Institute of Patent Attorneys (UK), IP Consultant and Lecturer, London

Chairperson: **Gillian Woon**, Special Counsel, Baker McKenzie, Sydney

10:15 - 10:45am

#### Morning Tea

10:45 – 12:15pm

#### Session 2 – Trade Marks Session

##### Current issues in trade marks – a practical approach

*Survey evidence: wasted opportunity or waste of time?*

**Ed Heerey QC**, Barrister, Nigel Bowen Chambers, Sydney

*Trade mark ownership and control*

**Kellie Stonier**, Principal, Griffith Hack, Brisbane

*Same same but different: key differences between New Zealand and Australian trade mark practice*

**Sheana Wheeldon**, Barrister, Quay Chambers, Auckland

Chairperson: **Nadia Braad**, Senior Associate, MinterEllison, Brisbane

12:15 - 1:30pm

**Lunch**

1:30 - 3:00pm

**Session 3 – Copyright Session**

**Political sound bites: Eminem Esque developments in copyright infringement of musical works**

**Richard Lancaster SC**, Barrister, 5 St James Hall, Sydney

**Garry Williams**, Barrister, Richmond Chambers, Auckland

**Jan Hellriegel**, Songwriter, Music Publisher and Licensing Expert, Auckland

Chairperson: Cate Nagy, Partner, King & Wood Mallesons, Sydney

3:00 - 3:30pm

**Afternoon Tea**

3:30 - 4:45pm

**Session 4 – Patent Session**

**Manner of Manufacture – Does Myriad Encompass the space between a ROKT and a hard place**

**David Shavin QC**, Barrister, Victorian Bar

**Alexia Mayer**, Senior Associate, James & Wells, Christchurch

Chairperson: Natalie Shoolman, Special Counsel, Clayton Utz, Sydney

6:30pm

**President's Dinner**

**Sunday, 8 September 2019**

9:30 – 10:30am

**Session 5 – Judge's Session**

**The myth and the monopoly: what does the claim define?**

**The Hon. Justice Stephen Burley**, Federal Court of Australia, Sydney

Chairperson: Helen Rofe QC, Barrister, Victorian Bar

10:30–11:00am

**Morning Tea**

11:00–12:30pm

**Session 6 – "AI and IP"**

**IP rights in the age of robots**

**Frances Drummond**, Partner, Norton Rose Fulbright, Sydney

**Professor Dan Hunter**, Swinburne University of Technology, Melbourne

**Dilan Thampapillai**, Senior Lecturer, Australian National University, Canberra

Chairperson: Victoria Bell, Special Counsel, Baker McKenzie, Sydney

12:30 – 2:00pm

**Lunch and Close**

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# Current developments - Australia

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## IP AUSTRALIA

**Martin Friedgut and Roseanne Mannion**  
Spruson & Ferguson

### **IP Australia's *Corporate Plan 2019-2020***

IP Australia has released its *Corporate Plan 2019-2020*. It outlines the actions IP Australia will take over the next four years to deliver on its “Strategic Roadmap to 2030” and focuses on its three strategic objectives of operational excellence, service excellence and value add.

Its priorities include a fee review to examine how official fees drive the quality of intellectual property (“IP”) applications, benchmarking of those fees with the global marketplace and how the fees align with the Productivity Commission’s inquiry into Australia’s Intellectual Property Arrangements. A “Capability Framework” will be implemented to define the capability of staff and job roles within IP Australia with enhanced opportunities for staff to better collaborate across the organisation using technology solutions. Continuous improvements to the services and processes will be made so that that IP Australia reliably meets customer expectations.

Its “Service Excellence” objective focuses on high performing customer services that supports IP Australia’s core business. It is committed to delivering digital IP services that are modern, effective and efficient with a focus on modernising its information and communications technology platforms to better support customers. A key component of this is the “Transactional Digital Services” program where digital assets can be utilised by customers and the software industry to create innovative and cutting-edge customer offerings. Investigations will be made into a modernised plant breeder rights systems platform to provide an adequate and effective legal IP framework for these IP rights.

In 2019-2020 there will be an expansion of the “IP Data Platform” so that the best IP data from across the globe is made available to IP offices and the IP community. It will also involve a review program of the Australian designs system where customer and stakeholder consultation will inform the development of research activities into the system and how it might be improved. The classification of Australian originating applications using the Cooperative Patent Classification (“CPC”) scheme will commence including the development of tools and structured databases which will include a CPC search capability. A workplan to progress initiatives to promote the cultural integrity and economic potential of Indigenous knowledge will be developed together with consultations on these initiatives.

The full *Corporate Plan 2019-2020* is available from IP Australia’s website.

### **Designs**

“Australian Design Search” for searching Australian designs has been launched which replaces the “Australian Designs Data Searching” tool. Combining Compumark’s image search, advanced machine learning and the latest capabilities in design searching, it has been designed to be simple and easy to use. Its features include the ability to search using images, numbers or keywords with customisable reporting and exporting which allows users to easily track and share their results.

### **Patents**

#### ***“AusPat” is being updated***

IP Australia is updating the backend system of AusPat’s underlying search engine as part of an ongoing program of work to modernise and transform service delivery.

After this update the access and search user interface for AusPat remains the same, and there is no change to the underlying data. However, there will be a few differences to how searching is performed. Information on these changes is available in the AusPat user guide and “Help” area of the AusPat website after the changes take place.

## CASES

**Peter Heerey AM QC, Tom Cordiner QC & Alan Nash<sup>1</sup>**  
Barristers

In this edition we consider a case involving an invention that senses things after one conceives, a case in which SENSIS is taken without leave, a dispute involving a product that leaves you senseless (wine) and a respondent that might have taken leave of its senses (in taking on the Hells Angels).

***Sensis Pty Ltd v Senses Direct Mail and Fulfillment Pty Ltd***

**[2019] FCA 719**

**(24 May 2019)**

*Trade marks – infringement – defences – use of a mark for which the alleged infringer would have obtained registration – date at which assessment of registrability is to be made*

Sensis Pty Ltd (“Sensis”) owns the SENSIS trade marks registered in respect of the following services in class 35:

*advertising services; marketing, merchandising, retail and wholesale distribution services (excluding transport); business advisory services; business planning and analysis*

*services; collection, preparation, compilation, storage, processing, retrieval and provision of business information; and business information services*

and the following services in class 42:

*data security services; extraction and retrieval of information and data mining by means of computer networks*

Senses Direct Mail and Fulfillment Pty Ltd (“SDM”) carries on a direct mail service using the brand SENSES DIRECT and associated device. In 2016, SDM applied to register the mark and device in respect of “marketing services and business marketing consulting” in class 35. The applications are not yet accepted.

Sensis sued SDM for infringement of its registered SENSIS trade marks. While SDM accepted that it used its marks in relation to the registered services, in particular, “advertising services” and “marketing ... distribution services (excluding transport)”, it denied infringement on the basis that: (a) the marks were not deceptively similar; and (b) the defence under section 122(1)(fa) of the *Trade Marks Act 1995* (Cth) (the “Act”) would apply, namely that SDM was using a mark for which it would obtain registration if it were to apply for registration. SDM also cross-claimed for removal of certain services from the SENSIS registrations by reason of non-use.

Justice Davies found that the marks were deceptively similar. An interesting question then arose as to whether the section 122(1)(fa) defence was to be assessed at the time SDM’s infringing conduct commenced, the date on which its defence was filed or the date of the hearing. That is, at what date would SDM need to have been able to obtain registration for the defence to apply?

The factual questions under the defence were whether: (a) SDM had engaged in honest concurrent use of the SENSES DIRECT mark at the relevant date (necessarily required to overcome the section 44 objection to registration of SDM’s mark); and (b) whether, because of the reputation of the SENSIS marks at the relevant date, use of the SENSES DIRECT mark would be likely to cause confusion for the purposes of section 60 of the Act.

SDM contended that the Full Court in *Anchorage Capital Partners Pty Ltd v ACPA Pty Ltd* (2018) 259 FCR 514 (“*Anchorage*”) at [210]–[217] was wrong to conclude, in obiter, that section 122(1)(fa) is concerned with the state of affairs in existence as at the date the alleged infringing conduct occurs. SDM contended that the correct date for assessment of section 122(1)(fa) was either the date on which the infringer actually filed a trade mark application or, alternatively, the date upon which it filed its defence relying on the section 122(1)(fa) defence or at trial.

SDM observed that for section 122(1)(fa) to be determined at the date of first use of the impugned mark would be nonsensical because the infringer could not rely on honest

concurrent use under section 44(3)(a) to overcome a section 44 objection to hypothetical registration of the impugned mark. Next SDM observed that, where the Act intended to import a temporal requirement, it did so expressly, and it did not do so in section 122(a)(fa). Next SDM contended that the Full Court’s reasoning in *Anchorage* was unsound in seeking to demarcate the defences in sections 122(1)(e), 122(1)(fa) and 124 when overlap between those defences is unavoidable and not problematic. Another argument raised by SDM was that, given each use by a respondent of a trade mark is a discrete infringement, it would be an odd outcome that the defence could apply to late uses but not the first use of the mark. SDM also referred to the legislative history of the defence.

In short, Justice Davies was far from convinced. Her Honour pointed out that the language in section 122(1)(fa) “if the person were to apply for [the impugned mark]” requires the hypothesis of an application for registration, not an actual application. Therefore, the time at which an actual application is made has no bearing on the defence. The date of hearing was also readily discounted because “the defence must be available to the respondent on the facts and evidence at the time it is raised, without which the defence must fail”. Furthermore, section 122(1)(e), which provides a defence where the infringer is exercising a right existing under the Act (i.e. using a registered trade mark), was considered to provide important context, as it is concerned with the state of affairs existing at the time of the alleged infringement. Conformably, her Honour held that the defence under section 122(1)(fa) should be directed to the same time. Furthermore, given section 122(1)(fa) is concerned with providing a defence to section 120(1), her Honour found it readily apparent that the defence is concerned with the state of affairs in existence at the date of the alleged infringing conduct.

Finally, her Honour found that the submission that in order to give section 44(3)(a) (honest concurrent use) any meaningful operation, section 122(1)(fa) must be assessed at a later date than the respondent’s first use of its mark, was a “bootstraps argument” as it assumes *Anchorage* was wrong. To be fair, it is not clear how this is a bootstraps argument. Indeed, Her Honour accepted that the defence must fail because SDM “cannot show honest concurrent use for the purposes of s 44(3)(a) because its first use of its mark constituted infringing use”. Her Honour concluded: “However, the question of construction [of section 122(1)(fa)] is not resolved by whether s 44(3)(a) is available to be relied on by the respondent as a defence to this particular infringement claim.”

The authors note that it is difficult to envisage a circumstance where the prior user defence under section 124 is not available and the section 122(1)(fa) could be. To explain: where there is no prior user defence, the registered mark the respondent is said to infringe will necessarily be substantially identical or

deceptively similar to the impugned mark and hold an earlier priority date than the hypothetical application date for the impugned mark. Therefore, the registered mark would stand in the way of registration of the impugned mark by reason of section 44. If the relevant date for testing section 122(1)(fa) is the date of first infringing use of the mark, section 44(3)(a) could only work where the impugned mark had first been used before the priority date of the registered trade mark – in which case section 124 would apply, rendering section 122(1)(fa) potentially otiose.

Her Honour then considered, if she were wrong about the date at which the section 122(1)(fa) defence was to be assessed, whether SDM had engaged in honest concurrent use of its mark from the date that it filed its application for the SENSES DIRECT trade mark, some three years after it started using them.

Sensis was said to carry on a business of “direct marketing and data processing” in Australia but may be remembered by many as responsible for the *Yellow Pages*, *White Pages*, *Whereis* and *CitySearch* directories. However, while SDM’s general manager, Mr Mina, was aware of the brand Sensis when he was developing the brand SENSES DIRECT, not only did he not know of the connection between Sensis and those directories, but the Sensis name did not appear as a result of any of the Google and ASIC searches that he conducted at the time of developing his brands and when he sought to register his brands, the examiner did not raise the SENSIS marks as a concern. Accordingly, her Honour accepted that Mr Mina’s searches were conducted with diligence and reasonable care and that he had therefore adopted the SENSES DIRECT marks honestly. Furthermore, while her Honour found that the potential for real confusion between the marks should have been apparent to Mr Mina because SDM’s customers from time to time referred to it as SENSIS DIRECT or just SENSIS, her Honour concluded that this did not mean that SDM’s use of its marks ceased to be honest.

Nevertheless, her Honour pointed out that section 44(3)(a) is a discretionary provision and it was also necessary to:

*take into account the extent of the respondent’s use of its marks, the degree of confusion likely to ensue between the marks in question and the relative inconvenience to each of the parties if registration was to occur.*

Put shortly, in doing so, her Honour found that SDM would not have obtained registration of its marks because the discretion would not have been applied in its favour.

It was not therefore necessary for her Honour to consider whether SDM’s hypothetical trade mark application for SENSES DIRECT would fail by reason of section 60 and the reputation of the SENSIS marks. Nevertheless, her Honour considered the issue. First, her Honour rejected SDM’s contention that Justice Kenny in *McCormick &*

*Company Inc v McCormick* (2000) 51 IPR 102 was wrong to hold that a finding of honest concurrent use under section 44(3)(a) of the Act did not overcome a finding that use of the mark would cause confusion under section 60 of the Act. Next her Honour considered whether Sensis’ reputation in the SENSIS mark extended beyond Sensis’ directory services and whether, because of that reputation, use of the SENSES DIRECT mark would be likely to cause confusion. Her Honour did not accept that the reputation extended beyond directories and certainly not into advertising and marketing services more generally. Therefore, section 60 would not have applied.

On the non-use application, Justice Davies found that the SENSIS mark had been used in the non-use period and so the application failed. Even if wrong about that, her Honour concluded that she would have applied the discretion in section 101(3) of the Act to refuse to cancel the SENSIS trade mark registrations in respect of the services in issue.

Therefore, SDM was found to have infringed the SENSIS registered marks.

### ***Sequenom, Inc. v Ariosa Diagnostics, Inc.***

[2019] FCA 1011

(27 June 2019)

*Patents – invalidity – discovery of naturally occurring phenomenon – claims for methods of applying that discovery – whether method of manufacture – whether inventive step*

The applicant (Sequenom) is the patentee of an invention consisting of a method for “non-invasive prenatal diagnosis” (“NIPD”). The respondents (collectively Ariosa) are the providers or Australian licensees of a “non-invasive prenatal diagnosis test” marketed as the “Harmony test”. Sequenom alleged that Ariosa infringed a number of the claims of the patent in suit, and Ariosa cross-claimed with the usual suite of grounds for revocation. For the reasons discussed below, Sequenom was successful in respect of its infringement claims for all but one of the patent claims, in respect of which Ariosa was successful in making out a lack of fair basis.

The patent in suit claims a priority date of 4 March 1997. As at that date, various screening techniques had been developed to diagnose the likelihood that an unborn fetus might have, for example, a genetic disorder (such as Down syndrome) or have a particular sex (and so be at risk for certain sex-linked disorders). Many of these techniques are “invasive” in the sense that they require a direct sample of DNA be taken from the fetus. These techniques posed a risk to the mother and the pregnancy. Further, the standard test at the time could only be administered after the first trimester and was only 50 percent accurate. Although work had started on a test that could be administered during the first trimester, it also was less than 100 percent accurate and could yield false positives.

As at the priority date, the potential for NIPD had been recognised, following the discovery that whole fetal cells

could be found in maternal blood. The analysis of fetal DNA present in such cells would allow diagnosis of fetal conditions without risk to the fetus or mother. Accordingly, research was focused on detecting and isolating fetal cells among the cellular component of maternal blood, being the white blood cells, red blood cells and platelets. The challenge at the priority date was separating fetal cells from the vastly more numerous maternal cells in a maternal blood sample, and verifying that isolated cells were actually fetal cells.

At the time, the remaining “cell free” component of maternal blood, called “plasma”, or if certain clotting factors had been removed, “serum”, routinely was discarded as a waste product. One of the inventors named in the patent in suit discovered, however, that “cell free” fetal DNA (“cffDNA”) was detectable in maternal plasma/serum samples and at higher levels than had been observed for fetal cells in maternal blood.

The method described in the claim 1 of the patent is said to exploit this previously unknown property of a maternal plasma/serum sample for NIPD by providing for:

*A detection method performed on a maternal serum or plasma sample from a pregnant female, which method comprises detecting the presence of a nucleic acid of foetal origin in the sample.*

The bulk of the remaining claims are dependent claims that elaborate on claim 1 by specifying additional steps to isolate greater amounts of fetal DNA, the use of particular detection techniques, and adding a focus on the presence of Y chromosomes for the purposes of determining the sex of the fetus. The patent also includes independent claims, notably claim 26 for:

*A method of performing a prenatal diagnosis on a maternal blood sample, which method comprises obtaining a non-cellular fraction of the blood sample and performing nucleic acid analysis on the fraction.*

The patent also gave five examples of how the invention could be applied but “which did not in any way limit the scope of the invention”. These included analyses of fetal DNA to determine sex, detect certain genetic or chromosomal abnormalities, and to identify potential pre-eclampsia in a pregnant woman.

On Ariosa’s revocation cross-claim, the threshold issue was whether the application of a naturally occurring phenomenon (namely the presence of usefully detectable amounts of fetal DNA in maternal plasma/serum samples) amounted to a method of manufacture. Previously, claims to isolated DNA or a naturally occurring gene were considered to be outside the “established boundaries of what is patentable”, such that “other considerations come into play”: *D’Arcy v Myriad Genetics Inc* (2015) 258 CLR 334 (“*Myriad*”) at [28]. In *Myriad*, the claims in question failed as they sought, in effect, a monopoly over the use of long-accepted methods

to isolate a naturally occurring gene; the presence or absence of the gene was a matter of chance, and not an “artificially created state of affairs”. In the present case, however, Justice Beach noted that the relevant claims were *method* claims, and in particular:

*... a method by which the discovery of the existence of cffDNA can be put to practical use.* [emphasis added]

In other words, the invention claimed a monopoly over certain *uses* of a naturally occurring phenomenon, rather than the information comprised in the phenomenon itself, and was analogous to a claim for a previously unknown method of treatment using a known product. Prima facie the relevant claims therefore fell within the established concept of “method of manufacture” as set out in *National Research Development Corporation v Commissioner of Patents* (1959) 102 CLR 252 and affirmed in *Myriad*.

His Honour noted at [493] that:

*A claimed process that results in a new and useful effect, so that the new result is an artificially created state of affairs providing economic utility, may be considered a manner of manufacture in the vast majority of cases.*

The presence of cffDNA cannot be detected without human action; that detection therefore results in “an artificially created state of affairs discernible by an observer”. Further, the invention was of obvious economic significance and achieved a significant advantage over the existing state of affairs at the priority date. His Honour concluded that the invention was clearly patentable.

On the question of inventive step and obviousness, Ariosa relied upon a 1995 paper describing an investigation in changes in concentration in extracellular DNA in maternal blood. There were some obstacles to that paper being considered part of the prior art base, however. It was published in an obscure Russian language journal (although an English abstract was later published and indexed in medical literature databases), there was no evidence that journal was peer-reviewed, and the paper contained internal inconsistencies. Further, a hypothetical skilled addressee would have trouble accessing the paper: finding the English language abstract would require using “peculiar search terms”, and the full paper would then need to be sourced (from “an unspecified library”) and translated. Finally, the purpose of the investigation described in the paper was not to test for the presence of extracellular DNA of a *fetus*, as opposed to the pregnant mother (and the paper did not suggest that fetal DNA was detectable). The expert evidence of actual cffDNA researchers showed that none of them had encountered the paper at the priority date, and others could not even find the paper when conducting more recent, targeted searches for literature on fetal DNA. His Honour also concluded that a person skilled in the art who did manage to access the paper would not have considered it to

be relevant or useful, nor would they have been directly led to follow a course that would have resulted in them trying to detect cfDNA in maternal plasma/serum (bearing in mind that at the priority date, the skilled person would not have had a reasonable expectation of success). Accordingly, Ariosa's attack on inventive step failed.

Ariosa's attack on the grounds of inutility, false suggestion and lack of sufficiency similarly were unsuccessful. As to the latter, his Honour concluded at [1016] that "the Patent provides sufficient information to enable a skilled person to produce something within each of the relevant claims without new inventions or additions, or prolonged study of matters presenting additional difficulty." And although it did appear that certain of the specific applications of the invention in claim 1 might not have been feasible at the priority date in light of the state of technology at the time, the relevant claims were not pressed, and a "person skilled in the art could perform something falling within the scope of each of the relevant claims in any event."

Only claim 26 fell foul of Ariosa's attack on internal fair basis. In contrast to claim 1 and its dependent claims, the use of the phrase "prenatal diagnosis" in claim 26 went beyond the detection method invention described in the body of the specification. The other claims otherwise were held to be supported adequately by references in the specification.

With Ariosa's cross-claim for revocation being almost entirely unsuccessful, Sequenom's infringement claims were relatively straightforward (at least to those with an intimate understanding of the science involved!).

### **And in other news:**

- A McLaren winemaker successfully has made out claims of trade mark infringement in respect of its registered mark VITOLO for wines, and *Australian Consumer Law* ("ACL") claims for misleading and deceptive conduct. The first respondent, Vito Mitolo & Son Pty Ltd had produced wines bearing the name "V. Mitolo and Son" and also operated in McLaren Vale; the second and third respondents were relatives of the owner of the applicant. Notably, the section 120 defence of good faith use of one's own name was unsuccessful; even though the exclusion of "Pty Ltd" and replacement of an ampersand with "and" were permissible, abbreviating "Vito" to "V." was not (and good faith use was not made out in any event). On the question of remedies, among other things the applicant obtained an injunction couched in terms that "restrained" the respondents "from infringing" its trade mark, but could not persuade the Court to grant a similarly general injunction tracking the language of the ACL. While an injunction generally protecting a party's statutory monopoly is available in Australia for intellectual property rights, High Court authority dictates that the conduct giving rise to the

breach or contravention should be specified in an injunction under the ACL. The applicant also sought delivery up or destruction of infringing articles (many of which were bottles of wine), but Justice Besanko instead gave the respondents the ability to "irreversibly obliterate" the word MITOLO and related terms from the respondents' products. *Mitolo Wines Aust Pty Ltd v Vito Mitolo & Son Pty Ltd* [2019] FCA 902; *Mitolo Wines Aust Pty Ltd v Vito Mitolo & Son Pty Ltd (No 2)* [2019] FCA 1140

- The respondent, Redbubble, operates a website that allows artists (or even people simply appropriating others' work) to upload images and designs, and allows consumers to order products like T-shirts or mugs bearing those images. Among the images were three containing what were said to be copyright works and registered trade marks of the Hells Angels Motorcycle Club. Although the applicants were unsuccessful on their copyright infringement claims, the trade mark infringement claims were made out in respect of those three images. In crafting the appropriate relief, Justice Greenwood took the opposite approach to Justice Besanko in the *Mitolo* decision above, and declined to grant an injunction couched in terms of the statutory monopoly conveyed in respect of trade marks

His Honour observed:

*The applicant, having established infringement of the relevant trade marks in relation to particular examples of conduct, is entitled to orders framed in terms of the conduct. If there are either now, or later, examples of further use of particular subject matter which is said to infringe the rights of the applicant, the applicant would need to make that contention good, if it is, or remains, in controversy. Granting an injunction in terms of the statutory language will never avoid the controversy itself: Hells Angels Motorcycle Corporation (Australia) Pty Limited v Redbubble Limited* [2019] FCA 815. [emphasis added]

1. Where any of us was involved in a case reported and the matter is still running, or potentially so, the other correspondents have taken the role of reporting that case.

**Mattia Pagani, Michelle Cooper, Chris Carter & Miriam Zanker**  
Davies Collison Cave, Sydney

### ***Watson v Commissioner of Patents*** [2019] FCA 1015

In this decision, Justice Rares of the Federal Court ruled that a process of creating an intellectual property ("IP") right, with specific steps for engaging and remunerating an IP professional, was not a manner of manufacture and was therefore ineligible for patent protection.

### **Background**

Mr Dale Watson, the appellant, was the inventor and applicant of Australian innovation patent 2017101681. The patent, titled “A method of innovation”, proposed a new approach for creating and drawing benefit from an IP right, such as a patent or a trade mark. Claim 1 of the patent read as follows:

*A method of innovation comprising the steps of an organisation engaging with an innovation services provider to innovate, said organisation disclosing aspects of the organisation to said innovation services provider and specifying a financial return to said innovation services provider for said innovation, wherein said innovation services provider describes or defines or describes and defines said innovation as a corresponding IP right prior to its disclosure to said organisation and the amount of said financial return is determined, at least partially, from the value or benefit or advantage of any sort or any other consideration or value of any kind to said organisation of said IP right.*

An example embodiment described in the patent specification is a manufacturing business that engages an innovator to improve the efficiency of its manufacturing facility. The innovator redesigns elements of the manufacturing facility and applies for a patent in respect of the new design. Finally, the two parties form an agreement whereby the manufacturing business can make use of the new design, while the innovator is paid a portion of the return that the new design generates for the manufacturing business.

During examination of the patent, the invention was found to be novel and to involve an innovative step. The examiner, however, objected to the invention defining a manner of manufacture. At a subsequent hearing before a delegate of the Commissioner of Patents, the examiner’s objection was upheld. In the delegate’s view, the invention was nothing more than a business scheme. This prompted Mr Watson to appeal to the Federal Court.

### **The appellant’s submissions**

Mr Watson called upon the seminal decision of *National Research Development Corporation v Commissioner of Patents* [1959] HCA 67, which found that a method was a manner of manufacture because it resulted in an artificially created state of affairs of economic significance.

According to Mr Watson, his invention also resulted in an artificially created state of affairs, this being the IP right, a form of property, produced as part of the method. Interestingly, Mr Watson argued that for the particular case in which the IP right produced was a patent, the method would, by definition, result in the creation of a manner of manufacture.

Moreover, Mr Watson explained that the product produced by his method was economically significant because it would allow businesses to defer the expenses associated with IP protection until after the IP right had been created.

### **The Court’s decision**

Justice Rares noted the “chilling effect” that the patent, if enforceable, would have on innovation in general and on the engagement of IP professionals. In doing so, his Honour observed the precedent set by the High Court majority in *D’Arcy v Myriad Genetics Inc* [2015] HCA 35 to consider the societal implications that a new class of invention would have if patented.

The main issue here was that the method claimed would have to be followed to completion before a person could know whether their initial engagement of the IP professional fell within the patent’s monopoly due to inherent uncertainties in the method as claimed.

First was the uncertainty that the method would produce an IP right, since the innovator might be unable to fulfill his contractual obligation to create the IP right. In the words of Justice Rares:

*As Mr Watson acknowledged during the course of argument, one would not know, until the innovator had performed the assignment, whether or not any IP right could or would be created.*

Second was the uncertainty that the IP right, once created, would be of value to the organisation. That is, the outcome of the method was “entirely dependent on the actions and volition of two persons, the innovator and the organisation”.

The uncertainty in the outcome of the method and the chilling effect on the IP profession if the method were to be patented led to his Honour’s decision that the invention was not a manner of manufacture. The appeal was dismissed.

### ***Trident Seafoods Corporation v Trident Foods Pty Ltd* [2019] FCAFC 100**

This decision of the Full Federal Court reviewed requirements for authorised use within the meaning of the *Trade Marks Act* 1995 (Cth) (“the Act”) s.8. In issue was use of a trade mark by a parent company where a wholly owned subsidiary was the owner of the trade mark registrations. The Court held that this use was authorised as the companies operated with a unity of purpose indicated by the companies having the same directors at all relevant times.

Also reviewed on appeal was the exercise of the Registrar’s discretion under s.44(3)(b) (in the context of conflicting prior marks) and s.101(3) of the Act (in the context of removal actions), and the scope of the goods covered by the claims for “fish”.

### **Background facts**

Trident Foods Pty Ltd is the owner of two trade mark registrations for the word TRIDENT. Both marks are registered for goods in class 29. The first mark was registered in 1973 in respect of “Fish and fish products” and the second in 1983 for “Meat, fish, poultry and game, including

sardines, mackerel, pilchards, crab, oysters, mussels, and prawns; meat extracts, preserved, dried and cooked fruits and vegetables, jellies, jams, eggs, preservatives and pickles”. The TRIDENT trade mark has been used on a wide variety of products for more than 40 years and is closely connected with goods that have Asian flavours and ingredients. It is the market leader in respect of sweet chilli sauce, dates and coconut cream.

In about 2000, Trident Foods was acquired by Manassen Foods Australia Pty Ltd. Trident Foods is a wholly owned subsidiary of Manassen. The two companies have common directors, a common registered address and common principal place of business, and are part of a corporate group with a common ultimate holding company. Since shortly after the acquisition, all sales of TRIDENT branded products were undertaken by Manassen, although Trident Foods remained the owner of the registrations.

In 2014, Trident Seafoods Corporation applied to have Trident Foods’ registrations for TRIDENT removed from the Trade Marks Register for non-use. The registrations were obstructing an application filed by Trident Seafoods for its stylised TRIDENT SEAFOODS mark specifying “Seafood; processed seafood; edible oils; edible fish oils; nutritional oils for food purposes; edible oils and edible fish oils for use as ingredients in foods and beverages.”

Following the filing of the non-use applications, Trident Foods filed a further application for the word mark TRIDENT specifying “Coconut oil; Cooked meals consisting principally of fish; Edible oils; Fish products; Fish paste; Fish (not live); Food products made of fish; Food made from fish; Pastes containing fish; Tinned fish” in class 29 and “Fish sauce (condiments); Flavourings made from fish” in class 30”. Trident Seafoods opposed the registration of this application.

### **Prior decisions**

In the non-use removal application before the Trade Marks Office, the delegate of the Registrar was unable to determine that the trade marks had been used for the relevant goods during the relevant non-use period. On appeal before the Federal Court, the primary judge found there had been use of the marks on some, but not all, of the relevant goods during the relevant non-use period. However, the primary judge held that the use, which was by Manassen, was not authorised by Trident Foods. In both instances, although the requisite use of the trade mark in the non-use period was not established, Trident Seafoods was unsuccessful in having Trident Foods’ registrations removed on account of the exercise of the Registrar’s discretion under s.101(3) of the Act to allow the marks to remain on the Register.

In the opposition before the Trade Marks Office, the delegate of the Registrar found that the Trident Seafood application was a prior conflicting mark, but applied the Registrar’s

discretion under s.44(3)(b) of the Act to allow acceptance “because of other circumstances, it is proper to do so”, given the long history of use of the mark on various foods. On appeal before the Federal Court, the primary judge considered it a precondition for the exercise of the Registrar’s discretion under s.44(3)(b) of the Act for there to be use or intended use of the trade mark, or authorisation or intended authorisation of such use, by the applicant as at the priority date. As it was held that use made was not by or authorised by the owner, the discretion was not applied.

### **Use of trade mark under control of registered owner**

In considering the issue of authorised use, the primary judge determined that the corporate relationship between Trident Foods and Manassen did not place Trident Foods in a relationship of control over Manassen. The commonality of directors did not, without more, permit a finding that Trident Foods exercised control over Manassen. No evidence of any particular conduct by Trident Foods that amounted to actual control of the use of the TRIDENT mark was found. It was therefore held that Trident Foods merely acquiesced to Manassen’s use of the TRIDENT mark and did not authorise it.

The key consideration for the Full Federal Court in considering the issue of authorised use was not whether one company controlled the other, but whether Trident Foods, even though a wholly owned subsidiary of Manassen, had control over Manassen’s use of the trade marks. The Full Federal Court held that it did, taking into consideration that at all relevant times the two companies had the same directors. It was inferred that the two companies operated with a unity of purpose. No evidence of any particular conduct that amounted to actual control was required as, given the corporate relationship, the commonality of directors and the shared processes between the companies, no such conduct would have been required. As stated at paragraph 45 of the Court’s judgment:

*As directors of Trident Foods, the directors had obligations to ensure the maintenance of the value of the marks. To that end Trident Foods necessarily controlled Manassen’s use of the marks by reason of the simple fact that it owned the marks and its directors, who were also Manassen’s directors, must have had one common purpose, being to maximise sales and to enhance the value of the brand.*

Statements on packaging that the TRIDENT trade mark is a registered trade mark of Trident Foods were also held to support the inference of control by Trident Foods of the use of the marks it owns.

### **Registrar’s discretion**

The Full Federal Court also gave consideration to arguments on the exercise of the Registrar’s discretion under ss.101(3) and 44(3)(b) of the Act.

Trident Seafoods appealed the application of the Registrar’s discretion under s.101(3) of the Act but did not establish

any grounds to show that the primary judge had applied it erroneously.

Trident Foods appealed the primary judge's decision not to apply the Registrar's discretion under s.44(3)(b) of the Act to allow the opposed mark to proceed to registration. The Full Federal Court held that the discretion under s.44(3)(b) of the Act is to be referenced to the circumstances as they exist at the time the discretion is exercised rather than as at the priority date of the application, which is the same as the application of the discretion under s.101(3) of the Act.

Various factors supported the exercise of the discretion under s.44(3)(b), including a written licence agreement entered into after the filing of pending Trident Foods application that established Trident Foods' intention that Manassen be an authorised user of the trade mark registrations.

### **Scope of specified goods**

In considering whether goods used in the relevant non-use period were within the scope of the goods covered by Trident Foods' registrations, the primary judge determined that a soup product labelled as "Tom Yum Goong Flavour Thai Noodle Soup" was not identified by its name as a fish product.

The Full Federal Court found, however, that "Goong" means prawn in Thai. As "fish" was found to include crustaceans such as prawns, and the Thai word for "prawn" appears on the name of the product, this product was within the scope of the goods covered and use of this product was evidence of use of the TRIDENT mark during the relevant non-use period.

### **Outcome**

For the reasons set out above, the Full Federal Court held that Trident Foods' registrations should not be removed from the Register on the basis that the ground of non-use had not been established. Use by the parent company Manassen of marks registered in the name of its wholly owned subsidiary Trident Foods was authorised use within the meaning of s.8 of the Act as the companies, having the same directors, had a unity of purpose with respect to the registered trade marks.

Similarly, the Full Federal Court held that, as use of the TRIDENT word mark by Manassen was authorised by Trident Foods, the fresh application for that mark in the name of Trident Foods should be accepted for registration as the Registrar should exercise her discretion under s.44(3)(b) of the Act, due to other circumstances that existed at the time the discretion was exercised.

### **Dr Dimitrios Eliades**

Barrister<sup>2</sup>

### ***Key Logic Pty Ltd v Blue Groper Investments Pty Ltd (No 3)* [2019] FCA 926 (20 June 2019)**

In his Honour's reasons, Justice Derrington was considering the question of whether a lump sum order should be made

in respect of costs. The primary reasons for judgment in the proceeding were delivered: *Key Logic Pty Ltd v Blue Groper Pty Ltd* (2019) 139 IPR 140 ("the primary reasons").

The parties could not agree on the costs orders reflective of the primary reasons and subsequently costs orders were made with reasons being delivered: *Key Logic Pty Ltd v Blue Groper Investments Pty Ltd* [2019] FCA 275 ("the costs reasons").

The applicants sought a lump sum in respect of costs, however the parties could not agree as to whether that process was appropriate in the circumstances and his Honour directed written submissions to be filed in respect of that issue and the parties were content not to have a formal hearing but to have the issue determined by his Honour on the papers.

His Honour referred to the power to award a party costs in a specified sum pursuant to the *Federal Court of Australia Act* 1976 (Cth) s.43(3)(d), which is recognised in the *Federal Court Rules* 2011 (Cth) r.40.02(b) and is the subject of the *Central Practice Note: National Court Framework and Case Management (CPN-1)* Item 17.1. Derrington J, referring to the decision in *Beach Petroleum NL v Johnson (No. 2)* (1995) 57 FCR 119, 120, identified that it is beyond doubt that the purpose of the rule was to avoid the expense, delay and aggravation arising from taxation.

The respondents however, referred to several earlier authorities to support the proposition that the applicant should show some reason why a lump sum costs order regime should be ordered.

His Honour considered that it was appropriate that a lump sum assessment of the costs orders should be made. In this regard, his Honour considered several matters compelling. Firstly, the conduct of the parties, particularly the respondents, in the litigation. In the primary reasons, his Honour made observations regarding the respondents' vigorous denial of the applicants' ownership and copyright in several photographs, whereas at trial these were conceded without explanation.

Secondly, it was necessary for the applicants to bring the action, notwithstanding the quantum involved would not have been great. There was therefore nothing in the nature of the action which might disqualify the applicant from obtaining an order for a lump sum assessment.

Finally, there was no prejudice to the respondents in making an order for a lump sum order for costs. Justice Derrington considered it appropriate that the assessment and any further directions to the parties, in relation to the filing of material in respect of the assessment, if any, be left to the discretion of the District Registrar.

<sup>2</sup> Barrister, Queensland.

# Current Developments – New Zealand

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Andrew Brown QC

Auckland

Correspondent for New Zealand

## Case law developments

*Burden & Ors v ESR Group (NZ) Limited & Anor*

High Court of New Zealand, Venning J

14 June, 3 July 2019

[2019] NZHC 1546

*Copyright – remedies – at earlier trial judgment given on secondary infringement – whether fair and convenient to amend statement of claim to allow claim of primary infringement at remedies hearing – issuing copies to the public – plaintiffs also bringing second proceeding for primary infringement – defendants’ strike out application – whether abuse of process – right to access justice for primary claim – s.27 New Zealand Bill of Rights Act 1990; ss.9, 16, 31 Copyright Act 1994 (New Zealand).*

This case deals with the interesting issue as to the scope of a remedies hearing following a successful liability trial. English practice in intellectual property cases (particularly patent and copyright matters) is allow the successful plaintiff to add different infringing items or even a new cause of action at the remedies phase if it is fair and convenient to do so. Efficient use of court resources is also a key consideration.

The plaintiffs had issued a second set of proceedings (covering the same additional causes of action for which amendment to the original claim was sought). The decision deals with an unsuccessful strike out application by the defendants and examines the principles applying to a strike out in such circumstances.

### **Facts:**

In 2014 (the “2014 proceedings”) the plaintiffs successfully bought a copyright infringement claim against the first defendant ESR in respect of its actions in importing items of furniture from Vietnam and selling these in New Zealand. At first instance Duffy J issued declarations, an injunction restraining ESR from further importing, selling or dealing with the infringing products, an order for delivery up and a direction for filing affidavit evidence as to the extent of importation. The judge reserved issues relating to damages or an account of profits.

ESR appealed and the plaintiffs cross appealed. The Court of Appeal allowed the plaintiffs’ cross appeal as to the ownership of the copyright works and consequently their qualification to sue in New Zealand. The Court of Appeal also allowed the appeal in part. The Court accepted that while the High Court was correct to find that ESR was liable for secondary

infringement, it was only liable for importation and sale of goods after dates in August and September 2014 (when it was put on notice).

In 2018 the plaintiffs’ solicitors commenced a separate set of proceedings (the 2018 proceedings) in which they alleged both *primary and secondary infringement* by ESR and its director. The proceedings also claimed against ESR for breach of the *Fair Trading Act* 1986 (New Zealand) (“*Fair Trading Act*”).

### *Strike out application of 2018 proceedings by defendants*

The defendants to the 2018 proceedings sought to strike out the 2018 proceedings on the basis of *res judicata*, abuse of process and insufficient particulars to establish a cause of action. The plaintiffs accepted that the *Fair Trading Act* cause of action should not be pursued and that, having succeeded in the secondary infringement claims in the 2014 proceedings, these should be struck out. Argument focused on striking out of the claim for primary infringement i.e. issuing infringing copies to the public.

### *Amendment application in respect of 2014 proceedings by plaintiffs*

At the same time the plaintiffs sought leave to amend their claim against ESR in the 2014 proceedings to allege (as part of the adjourned remedies claim) a new cause of action alleging *primary infringement*. This primary infringement was the issuing to the public of infringing copies of the furniture from May 2013.

The proposed amendment application also included *further infringing items* that had not been expressly pleaded in the 2014 proceedings. ESR accepted that a number of these items had shape similarity in material aspects to the plaintiffs’ copyright works.

The plaintiffs relied on authorities in United Kingdom intellectual property cases where, at the remedies phase, the court will often permit the plaintiff to extend the inquiry as to damages or account of profits to new causes of action (and different infringing copies) if it is fair and convenient to do so. The plaintiffs further claimed that it was consistent with the overriding objective of the *High Court Rules* (r.1.2) to secure the just, speedy and inexpensive determination of the proceeding to permit the amendment at this stage.

**Held**, refusing the amendment to the 2014 proceedings but also refusing the defendants’ strike out application of the 2018 proceedings.

### *The amendment application*

- (i) The scope of the proceedings before Duffy J was a claim for secondary infringement and there was no

claim for primary infringement [34]. The wording of the injunction granted was consistent with the pleading of secondary infringement – not of primary infringement which was not pleaded in the 2014 proceedings [35].

- (ii) There was good reason to distinguish between permitting an amendment to enable all possible infringements that might follow from the initial liability phase and amendments which seek to plead and raise a separate basis for liability. The first should be permitted, the second should not. There was no finding in the 2014 proceedings that ESR had committed primary infringement [36]. It was quite a different issue to suggest that a fresh cause of action requiring proof of different elements should be permitted [37]. It was open to amend the pleadings at the inquiry as to damages stage to encompass the additional items of furniture as particulars; it was not open to plead and establish a separate and distinct cause of action for primary infringement given the issues that such a cause of action can give rise to [44].

*Unilin Beheer BV v Berry Floor NV* [2007] EWCA Civ 364; *AP Racing Ltd v Alcon Components Ltd* [2016] EWHC 815 (Ch), [2016] FSR28; *Nokia Corporation v Liu* [2009] FCAFC 138, (2009) 179 FCR 422; and *Fabio Perini SPA v LPC Group PLC* [2012] EWHC 911 (Ch) referred to; *Jeans West Corporation (NZ) Limited v G-Star Raw CV* [2015] NZCA 14 distinguished.

- (iii) ESR would be unfairly prejudiced at this stage of the 2014 proceedings by having to face a new cause of action at the inquiry as to damages phase [51].
- (iv) As to the extent of evidence required, while the evidence might be limited to proving primary infringement, issues might arise on the subject of “issue to the public” under s.9 [52].
- (v) The consideration of efficient use of judicial resources was neutral. If the plaintiffs succeeded in opposing the strike out (as they did), there would be two separate hearings, but the focus of the first hearing on damages arising from the 2014 proceedings should be relatively straight forward [53].
- (vi) Leave to amend the 2014 proceedings to cover primary infringement was declined but granted so as to represent the Court of Appeal findings as to the ownership of copyright and to include secondary infringement in relation to the additional items of furniture identified in the schedules to the proposed amended claim (with one exception) [54].

### *The 2018 proceedings*

- (vii) It was wrong to hold that because a matter could have been raised in earlier proceedings, it was necessarily abusive to raise it in later proceedings. That was too dogmatic an approach. What was required was a broad merits-based judgment. The issue was whether in all the circumstances the plaintiffs’ claim is an abuse [67].

*Johnson v Gore Wood & Co* [2000] UKHL 65; 2001 1 All ER 481 at 498 – 499 applied.

- (viii) It would not be an abuse of process to permit the plaintiffs to pursue ESR with a claim for primary infringement [70]. The issue of primary infringement was not before this Court or the Court of Appeal in the 2014 proceedings. While there may have been information available to the plaintiffs and their advisers which should have put them on notice that such a claim might be available, the focus of the pleading in those 2014 proceedings was on the ownership of the copyright and then on the importation and secondary infringement. It would be draconian to prevent the plaintiffs from pursuing a claim for primary infringement merely on the basis that they failed to seek leave to amend their pleadings in the 2014 proceedings to add a claim of primary infringement [71].
- (ix) To deny the plaintiffs the right to pursue a claim for primary infringement in the circumstances of the case would be to deny them their right under s.27 *New Zealand Bill of Rights Act* 1990 to access the Court to have that claim heard [72].
- (x) ESR was not able to satisfy the Court that the proposed claim for primary infringement was legally untenable. The test for strike out was different for the test on the application for leave to amend pleadings.

### ***NZ Fintech Limited t/a Moola v Creditcorp Financial Solutions Pty Limited t/a Wallet Wizard***

High Court of New Zealand, Gault J

15 March, 2 April 2019

[2019] NZHC 654

*Trade mark infringement – Google Adword – whether use ‘as a trade mark’ – no visibility of trade mark bid on for Google Adword – passing off – s.9 Fair Trading Act 1986 (New Zealand) – s.89 Trade Marks Act 2002 (New Zealand)*

#### ***Facts:***

The plaintiff was a digital consumer finance company that provided short-term loans. It had used the trade mark MOOLA since 2013 and provided its lending services through its website. Subsequent to commencing business, it registered the trade mark MOOLA.

The defendant was an Australian company which commenced business in New Zealand in September 2015 as WALLET WIZARD, operating through its website. Potential customers could apply online for loans. In September 2015 the defendant commenced purchasing Moola as a Google Adword. The plaintiff alleged that this conduct amounted to misleading or deceptive conduct or passing off. The defendant denied this. The plaintiff claimed that the defendant appeared to stop the practice of bidding on Google Adwords for Moola (something denied by the defendant) but that it again began purchasing Moola in or about August 2018.

The plaintiff issued proceedings in November 2018 seeking an interlocutory injunction and alleging trade mark infringement, passing off and a breach of s.9 of the *Fair Trading Act*.

**Held**, refusing an interlocutory injunction:

### *Trade mark infringement*

- (i) The plaintiff had not established a serious question to be tried as to trade mark infringement [52].
- (ii) As to trade mark infringement under s.89(1)(a), it was common ground at least in relation to one of the defendants' purchased Adwords that the defendant had used in the course of trade an Adword identical with the MOOLA registered trade mark [28]. The key issue was whether purchase of Google Adwords constituted *use as a trade mark* as required by s.89(2). Here (as in other cases) there was no evidence that the internet users seeing a Google Adword ever see the use of the key word "Moola" [43]. There was a conflict of evidence as to whether a sufficient number of consumers undertaking a Google search for "Moola" would perceive Wallet Wizard's purchase of the Adword "Moola" when they saw an Ad search result returning the Wallet Wizard website [49]. A central issue here was whether the use could be "taken" at all for the purpose of s.89(2) given the hidden nature of the Google Adword [50].
- (iii) The Court could not rule out the possibility that evidence at trial could show that a significant number of normally informed or reasonably attentive internet users would understand Adwords sufficiently to know or understand that when they searched "Moola" on Google, and saw an Adword result that the word "Moola" has been purchased by the defendant [51].

*InterCity Group (NZ) v Nakedbus NZ Limited* [2014] NZHC 124; *Mainland Products Limited v Bonlac Foods (NZ) Limited* [1998] 3 NZLR 341; *Tasman Insulation New Zealand Limited v Knauf Insulation Limited* [2015] NZCA 602; *Veda Advantage Limited v Malouf Group Enterprises Pty Limited* [2016] FCA 255; (2016) 241 FCR 161 referred to.

- (iv) Considering the matter by reference to the function of a trade mark, while visibility may not always be essential, the fact that the purchaser of a Google Adword is not using the trade mark as a badge of origin for its own goods and services but rather to place its comparative or competitive offering in the search results indicated that there was no use as a trade mark. Taking that approach, evidence as to consumer understanding would make no difference [52].

### *Passing off; breach of Fair Trading Act*

- (v) No serious question had been demonstrated on the passing off or *Fair Trading Act* causes of action. The plaintiff's own evidence that consumers understood the essential features of Google Adwords indicated that a purchase of a trade-marked Adword (without use of the trade mark in the resulting advertisement) did not involve a representation which would lead or be likely to lead members of the public to believe that the services it offered were those of the plaintiff [55].

### *Balance of convenience and overall justice*

- (vi) The relative strength of the parties was a relevant factor in the balance of convenience where it can be appropriately ascertained. Here the relative strength of the parties' case weighed against interim relief [70].
- (vii) The fact that the plaintiff had also bid on the defendant's trade mark WALLET WIZARD during the period when the Court accepted that the plaintiff was not aware that the defendant was purchasing its "Moola" Adword showed that the plaintiff was engaging in the very conduct it complained about in a manner that went further than a legitimate reaction. This weighed against interim relief [73].

# Current Developments – Asia

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## CHINA & HONG KONG

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#### ***New Amendments to China’s Trade Mark Law***

On 23 April 2019, China’s National People’s Congress announced the fourth revision to the *PRC Trade Mark Law*,<sup>1</sup> changes which come into effect on 1 November 2019. The amendments to six clauses are clearly aimed at curbing bad faith piracy in China, including via the introduction of an explicit bad faith ground to be used in oppositions and invalidations, increased compensation and penalties in bad faith-impacted cases, as well as sanctions against trade mark agencies which handle bad faith applications.

To date, one root cause of China’s piracy problem is that its trade mark system primarily operates on a first-to-file, rather than a first-to-use, basis. This facilitates two scenarios commonly encountered by foreign brand owners in China: (1) pre-emptive filing of third-party marks for subsequent bad faith use; and (2) large-scale hoarding of marks that are not intended to be used but are rather for the purpose of being resold.

The current *PRC Trade Mark Law* contains a number of provisions which allude generally to bad faith applications, but in practice, those provisions function more like guiding principles and do not grant explicit legal grounds for removing bad faith applications from the trade mark register. Moreover, these existing provisions have not been applied consistently by administrative authorities and courts in overturning bad faith applications.

In the absence of clear or sufficient legislative grounds to prevent and remove the large number of marks already sitting on the register that are likely to have been filed in bad faith, the 2019 revisions aim to make it easier to remove marks already approved or registered, as well as pre-empt and deter bad faith applications in the first place.

Addition of an explicit bad faith ground

#### ***Existing provisions***

Among the existing provisions of the *PRC Trade Mark Law* relating to bad faith and piracy, there are two which arguably impose a de facto “intent to use” and good faith requirements on applicants.

Article 4 provides that:

*Any natural person, legal person or other organisation that needs to obtain the exclusive right to use a trade mark for its*

*goods or services during production and business operations shall apply for trade mark registration with the PRC Trade Mark Office.*

In the past, this provision has been argued to imply an “intent to use” requirement on trade mark applicants. However, the Trade Mark Office (“TMO”), Review Board and courts have interpreted this provision inconsistently and only occasionally relied on it to reject bad faith applications by large-scale pirates or warehousemen.

In turn, Article 7 provides that:

*The principle of good faith shall be upheld in the application for trade mark registration and in the use of trade marks.*

This provision, added during the 2014 amendment of the *PRC Trade Mark Law*, appears to provide a basis for challenging applications on bad faith grounds and it has been used to reject such applications, but again, its application has been inconsistent. By and large, it has proven to be more of an “assisting” provision to other grounds for challenging bad faith filings. On its own, its practical utility is limited.

#### ***Revised provisions: bad faith as grounds for rejection***

The 2019 revision now adds to Article 4 an explicit ground for rejection:

*An application for registration of a trade mark that is filed in bad faith and not intended for use shall be rejected.*

This is a welcome revision for brand owners previously frustrated with the lack of certainty or consistency offered by existing provisions. The new clause lays the foundation for the rejection of bad faith filings which Articles 4 and 7 had long promised but rarely delivered.

One concern that has been raised is whether purely defensive filings by legitimate brand owners, a common practice in China to prevent pirate filings, could be targeted for the lack of intent of use. However, the inclusion of a simultaneous requirement that the mark in question also has been filed “bad faith” confirms that the provision is targeted at trade mark pirates, not at legitimate brand owners filing defensive marks.

As well, on 24 April 2019, the Beijing Higher People’s Court (“People’s Court”) issued non-legally binding *Guidelines for the Trial of Trade Mark Rights Granting and Verification Cases*<sup>2</sup> which attempt to characterise Article 4 bad faith. The concept covers applications for trade marks, of either one or multiple entities, which are identical or similar to marks enjoying a certain degree of fame, or have relatively strong distinctive features. It also includes marks which are the

commercial logos of another, or marks which are the names of well-known places, scenic spots or buildings.

In each of the specified cases, the circumstances must be “serious”. Additionally, such circumstances encompass pirates who have filed applications for large numbers of trade marks without justifiable reason. Regarding intent to use, if the applicant claims to have a true intent to use but fails to provide relevant evidence demonstrating the same, the application will not be supported.

Interestingly, on 12 February 2019, China’s National Intellectual Property Administration (“CNIPA”) published a draft for consultation entitled *Several Provisions for Regulating the Registration of Trade Marks*.<sup>3</sup> That document, which may never formally issue, provides further clues on how bad faith applications are likely to be assessed. The provisions set out eight circumstances in which trade mark applications may be deemed abnormal, including the following:

- applications for marks which are used by others and have a certain influence;
- applications where the applicant knows or should have known of the existence of another’s prior rights;
- repeated filings;
- a large volume of filings in a short period of time;
- applications without genuine intent to use or actual need to obtain exclusive rights;
- any other acts which violate the principles of honesty and good faith or disrupt the market order; and
- helping others or trade mark agencies to file any of the above abnormal applications.

In addition, under the provisions, applicants for abnormal applications would be required to submit relevant evidence and an explanation to support that the application is legitimate, otherwise their mark would be rejected. The provisions also provide for the creation of what is, effectively, a “blacklist” of bad faith applicants that would be published on CNIPA’s website. Those pirates would be subject to social credit penalties in China’s social credit system, currently in its trial phase. These provisions were open to public comment until 14 March 2019 and are yet to be implemented.

One apparent shortfall of Article 4 is whether these grounds will be available for use against trade mark applications made in bad faith but *with* an intent to use, which could arguably encompass use in bad faith, such as an intent to manufacture copycat products bearing the true owner’s mark. While the overall nature of the provision arguably suggests that “use” should be in good faith and should not encompass bad faith counterfeiting activities, it remains to be seen how the provision will be implemented in practice. Hopefully, trade mark authorities and courts adopt an interpretation

consistent with the overall spirit of the provision. They could, however, end up adopting a narrow interpretation of these provisions, allowing evidence of bad faith use to slip through the cracks. If that occurs, and where the pirate is using the mark in commerce, the brand owner will likely be forced to rely on other provisions in addition to those included in Article 4 to overcome the filing.

The scenario of bad faith use is clearly anticipated, however, given that another revision to the law provides for destruction of counterfeit goods and tools upon the request of a brand owner in a trade mark dispute at the People’s Court (discussed further below under “Increased Penalties and Compensation for Brand Owners”).

### ***Revised provisions: bad faith as a ground for opposition and invalidation***

The revised Article 4 is also added as an explicit ground for oppositions and invalidations to the existing grounds in Articles 33 and 44, respectively. This removes any uncertainty about the intention of Article 4. It provides grounds both for rejection by authorities, as well as removal by prior rights holders or other interested parties.

### ***Further accountability on trade mark agencies***

The scale of piracy in China calls into question the responsibility of trade mark agencies to verify the good faith of the instructions they receive from clients. At the very least, where clients are obvious trade mark warehousemen, or the applied for mark is well known, it is a bit galling for involved trade mark agencies to be permitted to ignore their clients’ bad faith. Clearly, many trade mark agencies appear to be fully aware of their clients’ misconduct and to be actively assisting the bad faith applicant in executing their schemes. Some even appear to be utilising their professional knowledge to directly engage in filing of bad faith trade mark applications for their own “use”, where they are clearly hoping to be approached by foreign brand owners to sell the marks for a hefty profit.

### ***Existing provisions related to trade mark agencies***

Article 19 already imposes certain obligations on trade mark agencies, including a general obligation to uphold the principle of good faith.

Article 19.3 specifically provides that a trade mark agency should refuse instructions if it “knows or should have known” that an applied for trade mark violates Articles 15 and 32 of the *PRC Trade Mark Law*. Article 15 prohibits bad faith applications by representatives or those with a prior business relationship to the applicant, while Article 32 prohibits applications which infringe another person’s “prior rights” (e.g. copyright, designs) or trade marks which have achieved a certain degree of fame.

Article 19.4 targets rogue trade mark agencies, prohibiting trade mark agencies from filing for trade marks other than those entrusted to such trade marks.

Article 68 stipulates that trade mark agencies found in violation of Article 19.3 or 19.4 may face civil and criminal liability.

### ***Revised provisions: accountability for representing bad faith applicants without an intent to use***

The revised law expands the scope of Article 19.3 to include marks that violate the provisions of Article 4:

*Where a trade mark agency knows or ought to know that the applicant's applied-for trade mark falls under the circumstances prescribed by Articles 4, 15 and 32 of this Law, it should not accept instructions.*

By virtue of the existing sanctions in Article 68 for contravening Article 19.3, this revision now renders trade mark agencies directly accountable, not only in the specific scenarios provided for by Articles 15 and 32, but more generally, for representing clients who file in bad faith and without intent to use.

### ***Revised provisions: civil and criminal penalties for Article 4 violations by trade mark agencies***

In addition to Articles 19.3 and 19.4, Article 68 now incorporates violations committed by trade mark agencies under Article 4 as a ground for civil fines, correction orders and criminal liability. This means trade mark agencies will not only be held accountable for the marks they file on behalf of clients, but also for any bad faith filings they file on their own behalf.

### ***Revised provisions: rogue filings by trade mark agencies as a ground for opposition and invalidation***

A further amendment to Articles 33 and 34 incorporates Article 19.4, prohibiting trade mark agencies from filing for trade marks other than those entrusted to such trade marks, as grounds for opposition and invalidation.

This amendment is aimed at agencies that exploit their industry knowledge to file for third-party marks with the intent of selling them to the legitimate brand owner. However, it is unclear how effective the provisions will be if they are sought to be evaded by trade mark agencies filing in the name of a proxy.

Increased penalties and compensation for brand owners

### ***Revised provisions: administrative and court penalties for bad faith filings and litigation***

For the first time, bad faith filers are explicitly subject to sanctions. An additional clause is added to Article 68 which provides:

*Where applications for trade mark registration are filed in bad faith, administrative penalties such as warnings and fines shall be imposed depending on the circumstances; and if a trade mark lawsuit is filed in bad faith, the People's Court shall impose penalties according to law.*

Article 68 in its current form solely relates to sanctions against trade mark agencies but as the amendment does not specify trade mark agencies in particular, there has been some confusion whether it also applies to bad faith applicants too. Officials from CNIPA have informally offered conflicting interpretations in this regard, with a few confirming that the provision applies to all bad faith filers, and not just trade mark agencies, but others indicating precisely the opposite. We expect revisions to the *Implementing Rules of the Trade mark Law* (“*Implementing Rules*”) will provide further clarification in this regard.

The targeting of malicious trade mark litigation, i.e., litigation brought against the real brand owner by the pirate, is another welcome revision, as brand owners increasingly find themselves the victims of large compensation demands for licensing or transfer of a pirated mark in order to prevent threatened litigation.

### ***Revised provisions: increased statutory damages ceiling and punitive damages***

The revisions also increase the maximum level of compensation that brand owners can secure in civil proceedings. In cases of bad faith infringement and where the circumstances are deemed “serious”, Article 63 has been amended to allow Chinese courts to award punitive damages up to five times (increased from three times under the earlier law) the amount of damages determined by one of the prescribed calculation methods: actual loss, profits or royalties.

Where the damages calculation by the above methods is difficult to determine, the law imposes a “statutory ceiling” on damages, which has been increased from RMB\$3 million to RMB\$5 million.

### ***Revised provisions: destruction of counterfeits at request of brand owner in court dispute***

The new law also introduces a provision for brand owners to request the destruction of counterfeit goods, materials and tools, or under special circumstances, to seek the materials and tools being prohibited from entering commercial channels. This follows a similar, but less comprehensive, provision in Article 60 where disputes are handled by the Administrative Department for Industry and Commerce.

Two new clauses added to Article 63 state:

*The People's Court that tries a trade mark dispute case shall, at the request of the right holder, order destruction of goods on which a registered trade mark is falsely used, except*

*under special circumstances; order destruction of materials and tools primarily used for the manufacture of such goods without compensation; or under special circumstances, order prohibition of the said materials and tools from entering commercial channels without compensation.*

*Goods on which a registered trade mark is falsely used may not enter commercial channels merely after removal of the counterfeit registered trade mark.*

On its face, this clause seems to be a step forward by granting brand owners legal grounds in civil disputes to have counterfeit goods, as well as moulds and machinery used in their manufacture, destroyed. On the other hand, this right existed before, only it was implicit and did not have associated restrictions. The revision now appears to impose a requirement on brand owners to specifically request destruction of the goods. It also suggests that in “special circumstances”, the Court may allow the materials and tools to be used for non-commercial use.

Another proviso is that the tools will need to be shown to be “predominantly” used for the manufacture of counterfeits. Infringers will no doubt try to use this limitation to argue otherwise.

Therefore, it remains to be seen how the provision will be effectively implemented to adequately protect the rights of brand owners.

### Conclusion

The above provisions make headway in strengthening protection for intellectual property (“IP”) owners in China, and in some cases, arguably go well beyond similar standards of protection found in other countries. This is positive, as it shows that the scale of the measures adopted by China are proportionate to the overwhelming scale of the problem. However, the revisions were introduced very, very suddenly and were not subject to any real public consultation beforehand. This is apparently meant to be seen as a show of China’s commitment to IP protection in support of efforts to conclude an agreement with the United States of America over trade issues. Given this, corresponding revisions to the *Implementing Rules* are eagerly awaited for the provision of further clarification on the ambiguities outlined in this update.

- 1 《中华人民共和国商标法(2019修正)》 [Trade Mark Law of the People’s Republic of China (2019 Amendments)] (People’s Republic of China) National People’s Congress, 23 April 2019.
- 2 《关于规范商标申请注册行为的若干规定(征求意见稿)》 [Several Provisions for Regulating the Registration of Trade Marks (Consultation Draft)] China National Intellectual Property Office, 12 February 2019.
- 3 《北京市高级人民法院 商标授权确权行政案件审理指南》 [Beijing Higher People’s Court Guidelines for the Trial of Trade Mark Right Granting and Verification Cases] Beijing Higher People’s Court Intellectual Property Division, 24 April 2019.

## JAPAN

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### Japan Design Law Changes for a Modern Digital Economy

#### Introduction

Japan promulgated several new provisions to its design law on 17 May 2019 and they are scheduled to come into effect in 2020 or within one year from the date of promulgation. The changes are to ensure that owners are able to protect their design rights and strengthen owners’ registered design rights in a modern digital economy.

#### Expanded scope of protected designs - graphic images

Under the current design law, only graphic images which are recorded or displayed on articles (e.g., computers or smartphones) are considered registrable designs. Under the new law, the scope of what constitutes a registrable design is expanded to include graphic images which are not:

- recorded on articles but provided via computer networks; or
- displayed or shown on articles, such as images which are displayed on roads or walls (see below).



Fig. 1 – Source: Japan Patent Office

However, graphic images which are unrelated to the function of, for example, machines, apparatuses and devices (e.g., computer wallpapers or video games or movie images) cannot be registered.

On filing a design application, applicants must specify how the graphic image will be used.

The protection afforded to graphic images which are registered as designs will cover:

- “creating, using, providing graphic images of registered designs via communication networks, etc.”; and

- “assigning, leasing, importing and exporting, etc., of (a) storage media bearing graphic images data and/or (b) machines, apparatus, devices etc. incorporating graphic images data”.

### **Interior and exterior building designs**

Under the current design law, designs of real estate or immovable property (e.g., land or buildings) cannot be registered.

Under the new law, registrable designs include exterior and interior building designs. Interior building designs include shop, restaurant and office interior designs, among others (see below). The protection afforded to registered exterior and interior building designs covers the building’s construction, use, assignment and lease.



Fig. 2 – Source: Japan Patent Office

This new feature of design protection will appeal to owners considering filing design registrations for their novel trade dress covering store, retail or restaurant interiors and the 25-year term protection for such successful design registrations will be very attractive.

### **Improved related design system**

Under the current design law, an applicant can file an application for a design (i.e., a related design) which is similar to its prior applied-for or registered design (i.e., the principal design) before the principal design’s publication in the Official Design Gazette. Design applications are generally published eight months after the application date.

Under the new law, applicants can file applications for related designs for 10 years from the principal design’s application or priority date. This means that the period in which applications for related designs can be filed will be

extended.

In addition, under the new law, applicants can file applications for designs which are similar only to their related designs in order to protect variant designs more effectively.

### **Increased duration of design rights**

Under the current design law, the duration of a design right is 20 years from the registration date. Under the new law, this will be extended to 25 years from the application date.

### **Applications for multiple designs**

Under the current design law, an application must be filed for each design. Applicants cannot file one application for two or more designs.

However, under the new law, applicants can file one application for multiple designs. According to the February 2019 report of the Design Subcommittee of the Ministry of Economy, Trade and Industry (“METI”) Industrial Structure Council IP Committee, the number of designs which can be covered by one application will be limited (as is the case for international applications under the *Hague Agreement Concerning the International Registration of Industrial Designs* 1925). However, there may be no requirements for including multiple designs in one application.

### **Indirect infringement**

Under the current design law, if a third party manufactures or imports the main components of a finished product for which a design right exists, such manufacturing or importing will not constitute design infringement because the protection of the design right cannot be extended to individual components.

Under the new law, a third party’s manufacturing or import of such a component may be deemed indirect infringement under certain conditions (see below example). This will enable registered designs for finished products to be protected more effectively.

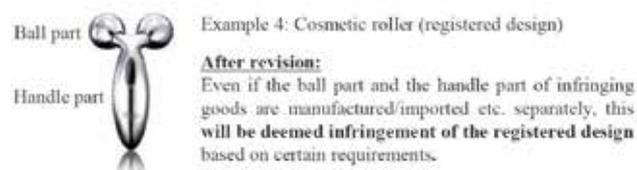


Fig. 3 – Source: Japan Patent Office

### **Introduction of Locarno Classification**

In accordance with the current Japanese design law, the article of an application for design registration must correspond to an article in the classes of articles prescribed by an ordinance of the METI. After the revision, the Locarno Classification established by the *Locarno Agreement* 1968 will be introduced.

### **Conclusion**

The statutory changes to Japan's design law are to ensure that owners are able to protect their design rights in a modern digital economy and also strengthen owners' registered design rights with a lengthened registration term and broader infringement rights. These changes are a part of the increasing pro-owner trend in Japan's design and other intellectual property laws and usher in an exciting, new era for industrial designs in Japan.

1 Any questions about this update should be e-mailed to John A. Tessensohn at jtessensohn@shupat.gr.jp. This update reflects only the personal views of the author and should not be attributed to the author's firm or to any of its present or future clients.

## SINGAPORE

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### ***Burberry Ltd v Megastar Shipping Pte Ltd and Another*** Appeal [2019] SGCA 1

The appellants are trade mark proprietors of luxury brands Burberry and Louis Vuitton. The respondent, Megastar Shipping Pte Ltd, is a freight forwarder providing transshipment services in Singapore.

The present dispute arose as counterfeit goods infringing the appellants' trade marks were shipped from China to Singapore in sealed containers with the respondent named as the local consignee. The goods were to be transhipped from Singapore to Indonesia but were seized by Singapore Customs before the goods left Singapore.

The appellants, along with three other trade mark proprietors, claimed that the respondent was liable for trade mark infringement under s.27(1) of the *Trade Marks Act* (Cap 332, 2005 Rev Ed) ("*TMA*"). However, the Singapore High Court dismissed the trade mark proprietors' claims and the appellants appealed.

In this appeal, the central issue was whether a freight forwarder would be liable for trade mark infringement as an importer and/or "would be" exporter of the goods.

### ***Trade mark infringement for goods in transit***

Under s.27(1) of the *TMA*, a person infringes a registered trade mark if, without the consent of the trade mark proprietor, he uses in the course of trade a sign which is identical with the trade mark for identical goods or services for which the trade mark is registered. S.27(4)(c) of the *TMA* further states that a person uses a sign if he "imports or exports goods under the sign".

A question arose as to whether the *TMA* regulates goods in transit for the purposes of infringement.

After examining the context and structure of the *TMA*, the Singapore Court of Appeal ("CA") found that the infringement provision under s.27 of the *TMA* includes goods in transit. In the CA's view, there was nothing in the *TMA* to suggest that trade mark protection under the *TMA* is limited to those who intended to market their trade marked products in Singapore. Goods in transit in Singapore would therefore fall within the definitions of "import" and "export" under s.27(4)(c) of the *TMA*.

On the issue of whether a "would be" exporter would be liable under the *TMA*, the CA agreed with the High Court that a mere intention to export is generally insufficient to

constitute export under the *TMA*, provided that the intention remains a mere state of mind without any accompanying actions. Where there are accompanying actions which are clearly directed at fulfilling the intention to export, or clear evidence that exporting would take place, a trade mark proprietor could apply for a quia timet injunction on the basis that there is a threatened infringement of its trade marks by way of exporting.

### ***Liability for import and export***

Who is to bear the liability for the import and export of infringing goods under the *TMA*?

The CA held that whether a person is the importer or exporter of the goods is a question of fact. This depends on the level of involvement of the person and whether his involvement was needed for the goods to be brought into Singapore. In determining the level of involvement, it is not determinative that the person is identified as the importer or exporter in shipping documents or is treated as such by the *Customs Act* (Cap 70, 2004 Rev Ed) (“*Customs Act*”), as there are different purposes and considerations behind the *Customs Act* and the *TMA*.

The key determining factor of liability is whether the person had the intention to import or export goods under the signs with knowledge or reason to believe that there was a sign. Therefore, if a freight forwarder knowingly caused or facilitated counterfeit goods to be brought into Singapore, it should be held liable for infringement.

In the present case, the CA found that although the respondent facilitated the physical act of importing the goods, it did not “use” the infringing signs as it was not even aware and had no reason to believe that they were on the goods it was transshipping. Accordingly, the respondent was not liable for trade mark infringement.

### ***Strict liability in trade mark infringement?***

The appellants sought to counter this by arguing that innocent infringement is not a defence to trade mark infringement, and that the mental state of the alleged infringer is entirely irrelevant. The CA clarified that this principle applies when a defendant intends to use the sign but maintains that it *does not know that the sign was infringing*. This is different from the present situation where the respondent *did not even know that a sign was applied or present on the goods*. If a person intends to use a sign, he must first know or have reason to believe that there is a sign, but in this case there was no evidence that the respondent knew or had reason to believe there were signs on the goods. The documents given to the respondent merely indicated household goods and other seemingly innocuous generic merchandise. There was no reason to suspect that the goods were counterfeit luxury goods.

The CA also took the opportunity to clarify that the knowledge and intention of freight forwarders are assessed separately at the time of import and the time of export. This means that even if the freight forwarders did not know or have any reason to believe that they were importing infringing goods, if events transpired during the goods’ transit in Singapore that put them on notice that their goods might be infringing but they nevertheless choose to export the goods, they run the risk of being liable for trade mark infringement.

### ***Comment***

This case is significant as it clarifies the role and liability of freight forwarders who are honest commercial persons tangentially involved in the movement of counterfeit goods and who are wholly unaware of the existence of any infringing sign. It also introduces a mental element of “knowing” or “having reason to believe”, which is likely to increase the burden of proof to be discharged by trade mark proprietors in infringement proceedings.

While this decision offers more protection to freight forwarders, trade mark proprietors can still take advantage of the *Intellectual Property (Border Enforcement) Act* which was recently amended in 2018. The Act allows trade mark proprietors to obtain more information from freight forwarders which will facilitate the tracing of the counterfeit goods to its source, aiding proprietors in commencing infringement proceedings against the relevant parties.

***Sunseap Group Pte Ltd and Others v Sun Electric Pte Ltd***  
[2019] 1 SLR 645 [2019] SGCA 4

### ***Factual background***

The plaintiffs in the suit, Sun Electric Pte Ltd (“SE”), brought patent infringement proceedings against the defendants, Sunseap Group Pte Ltd and others (“SG”), alleging that eight out of 12 claims in SE’s patent were infringed. Unsurprisingly, SG’s defence was that the patent was invalid and it filed a counterclaim for revocation of all 12 claims in the patent.

In response, SE mounted a procedural challenge to SG’s defence and counterclaim and applied to strike out the counterclaim. SE argued, inter alia, that the Singapore High Court did not have jurisdiction to hear patent revocation proceedings by way of counterclaim. Thus, if SG wanted to revoke SE’s patent, it had to commence a separate action with the Intellectual Property Office of Singapore (“IPOS”), which maintains the patent registry.

The Assistant Registrar (“AR”) of the High Court ruled in favour of SE. On appeal, the High Court judge reversed the judgment. On further appeal, the Singapore Court of Appeal (“CA”) reinstated the AR’s decision at first instance and ruled in favour of SE.

**Main decision: revocation proceedings at first instance via counterclaim in High Court is proper**

The issue of law before the courts was framed as follows: can patent revocation proceedings be properly brought before the High Court at first instance, by way of counterclaim in infringement proceedings?

The CA ruled that such revocation proceedings were proper. Its analysis was simple and based on the provisions of the *Patents Act* (Cap 221, 2005 Rev Ed) (“*PA*”). S.67(1) read with s.2(1) of the *PA* provides that the High Court has jurisdiction to hear patent infringement proceedings.

S.67(1): Proceedings for infringement of patent
Subject to this Part, civil proceedings may be brought in the court by the proprietor of a patent in respect of any act alleged to infringe the patent...

S.2(1): Interpretation
In this Act, unless the context otherwise requires – “court” means the High Court...

S.82(1)(a) of the *PA* further provides that in patent infringement proceedings, the defendant can put in issue the validity of a patent by way of defence or counterclaim.

S.82(1)(a): Proceedings in which validity of patent may be put in issue
Subject to this section, the validity of a patent may be put in issue – by way of defence, in proceedings for infringement of the patent under s.67 or proceedings under s.76 for infringement of rights conferred by the publication of an application...

S.91(1) read with s.80(1) of the *PA* then grants the High Court the power to revoke a patent once it is found to be invalid.

S.91(1): General powers of court
The court may, for the purpose of determining any question in the exercise of its original or appellate jurisdiction under this Act, make any order or exercise any other power which the Registrar could have made or exercised for the purpose of determining that question.

S.80(1): Power to revoke patents on application
Subject to the provisions of this Act, the Registrar may, on the application of any person, by order revoke a patent for an invention on (but only on) any of the following grounds...

Thus, contrary to SG’s arguments, a defendant in patent infringement proceedings can bring revocation proceedings at the High Court and does not need to commence a separate action at IPOS.

The High Court’s power to revoke a patent is subject to the following principles:

1. If the plaintiff has *asserted all claims in the patent* against the defendant and the defendant successfully shows that all the asserted patent claims are invalid, then the High Court should revoke the patent.
2. If the plaintiff has *asserted all independent claims in the patent* against the defendant and the defendant successfully shows that all the asserted independent claims are invalid, then the High Court should revoke the patent. In such a case, the CA held that where all the independent claims in a patent are found to be invalid, all of its dependent claims must necessarily also fall away because the dependent claims referred to the independent claim and incorporated all of its features.

If there are independent claims the validity of which has not been impugned and which can be maintained without the invalid claims, the High Court should not revoke the patent. The defendant would be entitled to a declaration of invalidity in relation to those asserted independent claims if it succeeds in its defence in the infringement proceedings.

**Outside of infringement proceedings, the High Court cannot hear patent revocation proceedings at first instance**

The CA held that s.82(2) and s.82(1) of the *PA* have expressly excluded the High Court’s jurisdiction to hear patent revocation proceedings when they are brought independent of infringement proceedings.

Instead, such jurisdiction is reserved for the Registrar of IPOS, per s.82(1)(d) and s.82(2) of the *PA*.

**In rem jurisdiction is not required to revoke a patent**

The CA also explained its disagreement with the High Court judgment. The High Court judge had held that a court had to be vested with in rem jurisdiction to revoke a patent. This was because a granted patent is a right in rem, enforceable against the public at large. Since the *Supreme Court of Judicature Act* (Cap 322, 2007 Rev Ed), which sets out the powers of inter alia the Singapore High Court, only granted the High Court in personam jurisdiction and unlimited subject matter jurisdiction, the High Court lacked the requisite in rem jurisdiction to hear patent revocation proceedings.

The CA disagreed that an express grant of in rem jurisdiction was required for courts to hear revocation proceedings. Instead, the CA clarified that an in rem judgment can arise from an in personam action, giving the example of a divorce decree which determines the status of parties. In any event, the Court’s exercise of in rem jurisdiction is generally viewed as being limited to its admiralty jurisdiction.

### ***Comment***

This case has raised significant concerns amongst some of the intellectual property community. This is due to the CA's statement that once an independent claim is found invalid, every subsidiary dependent claim "must necessarily fall away". This appears to be fundamentally inconsistent with current patent claim interpretation. By nature, a dependent claim is narrower and more restrictive in scope compared to the independent claim on which it depends, and therefore it should not necessarily follow that it will fall away if the independent claim is revoked. The dependent claim could still survive, provided it meets the patentability requirements.

If the CA's statement is followed, dependent claims become wholly redundant and inventors would suddenly find the scope of their patents severely reduced. It will be interesting to see whether this statement will be followed and whether there will be further clarifications on this issue.

On a positive note, this case has clarified the ambit of the High Court's jurisdiction in hearing patent revocation proceedings. It is now clear that the current wording of the *PA* only confers jurisdiction on the High Court to hear patent revocation proceedings at first instance where brought by way of defence and counterclaim in infringement proceedings, but not as standalone actions. This gap however looks set to be plugged. *The Intellectual Property (Dispute Resolution) Bill* (Bill No. 17/2019), which was read for the first time in the Singapore Parliament on 8 July 2019, seeks amongst other matters, to amend section 80 of the *PA*, so as to confer the High Court with concurrent jurisdiction to revoke patents brought by way of a standalone application. Parties may then choose whether to commence standalone revocation proceedings in IPOS, or the High Court.

# Current Developments – Europe

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## EUROPEAN UNION

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**“Prove it or lose it” – two recent decisions on EU trade marks showcase the quality of evidence trade mark users need to provide to prove genuine use and acquired distinctiveness of their trade marks**

***Supermac’s (Holdings) Ltd v McDonald’s International Property Company, Ltd. EUIPO Cancellation Division Cancellation No. 14 788 and Adidas AG v European Union Intellectual Property Office (T-307/17)***

### Introduction

Two very recent decisions provide some clarity regarding the evidence trade mark holders need to provide to prove genuine use and acquired distinctiveness in relation to their European Union (“EU”) trade marks. The *EU Trade Mark Regulation*<sup>1</sup> prescribes that an inherently undistinctive sign may become registrable where the mark “has become distinctive in relation to the goods or services for which registration is requested as a consequence of the use which has been made of it.”<sup>2</sup> In addition, an EU trade mark may be subject to revocation if it has not been put to genuine use for more than five years within the territory of the EU.<sup>3</sup> Both of these scenarios require the holder to provide evidence as to whether the sign has acquired distinctiveness or that it has been genuinely used. The two decisions discussed herein were decided this year and relate to two widely known “brands” – McDonald’s legendary burger, the Big Mac, and the famous three stripes by Adidas AG (“Adidas”).

The first decision relates to a revocation request of the word mark BIG MAC by the Irish fast food chain Supermac’s. In January this year, the Cancellation Division of the European Union Intellectual Property Office (“EUIPO”) revoked McDonald’s registration for the word mark BIG MAC and Supermac’s victory has been compared to David’s victory against Goliath.<sup>4</sup> In the second decision, the General Court of the EU which hears appeals from the EUIPO dismissed an action brought by Adidas against the EUIPO’s decision to annul its figurative mark consisting of three symmetrical stripes. Both cases showcase what evidence needs to be produced to prove genuine use and acquired distinctiveness. One common trait can already be revealed at this point: trade mark owners cannot simply rely on the fame and reputation of their marks.

### Big Mac decision

#### **Background**

The Big Mac is one of McDonald’s flagship products and has been available in its United States of America (“US”) restaurants since the late 1960s. The word mark BIG MAC (EU trade mark number 62 638) was registered for classes 29, 30 and 42 of the *Nice Classification*<sup>5</sup> on 22 December 1998 by the Office for the Harmonization for the Internal Market (“OHIM”)<sup>6</sup> as a Community Trade Mark.<sup>7</sup> Supermac’s is an Irish fast food chain which started its operation in 1978 in the West Ireland county of Galway. It now has more than 100 restaurant within the Republic of Ireland and Northern Ireland and is planning to expand across Britain and continental Europe.<sup>8</sup> On 11 April 2017, Supermac’s filed an application for revocation of the word mark BIG MAC pursuant to Article 58(1)(a) of the *EU Trade Mark Regulation* based on the lack of genuine use for a continuous period of five years. McDonald’s responded to the application by submitting evidence of use of the mark BIG MAC on advertising and the packaging of products within several EU Member States. This decision is part of a series of litigation between both parties. Very recently, the Cancellation Division of the EUIPO partially cancelled McDonald’s EU Trade Mark for the word mark ‘Mc’.<sup>9</sup>

#### **The decision**

The Cancellation Division of the EUIPO reiterated the case law on genuine use. Such use would exist:

*where the mark is used in accordance with its essential function, which is to guarantee the identity of the origin of the goods or services for which it is registered, in order to create or preserve an outlet for those goods or services.*<sup>10</sup>

Such genuine use must be actual use of the registered goods or services and cannot be based on mere token use for the purpose of maintaining the trade mark registration.<sup>11</sup> The Cancellation Division of the EUIPO highlighted that the assessment of genuine use would include “all the facts and circumstances relevant to establishing whether commercial exploitation of the mark is real, particularly whether such use is viewed as warranted in the economic sector concerned to maintain or create a market share for the goods or services protected by the mark”.<sup>12</sup> Importantly, the query whether the mark had been used genuinely did not entail an assessment of commercial success or review of the economic strategy of an undertaking nor was “it intended to restrict trade-mark protection to the case where large-scale commercial use has been made of the marks.”<sup>13</sup>

After establishing that the proprietor of the EU trade mark had the burden of proof of genuine use for the five-year period preceding the revocation request, the Cancellation Division of the EUIPO considered the evidence submitted which was:

- three affidavits signed by representatives of McDonald's companies in Germany, France and the United Kingdom claiming significant sales figures of the Big Mac within the relevant period between 2011 and 2016;
- brochures and printouts of advertising posters showing Big Mac sandwiches and its packaging;
- printouts of the various McDonald's websites comprising top level domain names from EU Member states (e.g. <[www.mcdonalds.de](http://www.mcdonalds.de)>, <[www.mcdonald.se](http://www.mcdonald.se)>, etc.) depicting, inter alia, the Big Mac sandwich; and
- a printout of the English Wikipedia page on the Big Mac.

While being a permissible way in establishing genuine use, the Cancellation Division of the EUIPO found that statements drawn up by the interested parties themselves or their employees would generally be given less weight than independent evidence. This is because the perceptions of a party involved in a dispute may be more or less affected by its personal interests in the matter. With regard to the extent of use, the Cancellation Division of the EUIPO found that “all the relevant facts and circumstances must be taken into account, including the nature of the relevant goods or services and the characteristics of the market concerned, the territorial extent of use, its commercial volume, duration and frequency.”<sup>14</sup> These factors would entail a degree of interdependence, meaning that a low level of commercial or limited territorial use may be offset through an extensive use of the mark or the duration of use.

With regard to the evidence submitted in the form of internet print offs, the Cancellation Division of the EUIPO found that these may establish genuine use. It would, however, not suffice to provide this through the mere presence of the trade mark on a website but would need to show “the place, time and extent of use.”<sup>15</sup> Such evidence could be records of internet traffic as to how many times a website has been visited and used to order goods or services by a certain amount of people within the relevant period and territory. The Cancellation Division of the EUIPO however, found, that such evidence had not been submitted by McDonald's. The submission of the brochures showing the word mark did not provide information as to how these were circulated and whether they led to purchases. The print offs from the websites did not show how to purchase the produce. Even if this would be possible there was no evidence on how many orders have been made. Hence, a causal link between the websites and the sandwiches sold by McDonalds could not

be established. With regard to the submission of a printout of the English Wikipedia website, the Cancellation Division of the EUIPO held that this “cannot be considered as a reliable source of information, as they can be amended by Wikipedia's users.”<sup>16</sup> Rather, this could only become relevant in conjunction with “other pieces of independent concrete evidence.”<sup>17</sup>

Based on the evidence submitted, the Cancellation Division of the EUIPO concluded that McDonald's had not proven genuine use of the word mark BIG MAC within the relevant period. According to its findings, there was “no confirmation of any commercial transactions, either online, or via brick-and-mortar operations.”<sup>18</sup> Nor did McDonald's provide concrete evidence how long the products had been offered on the websites, nor was there any data as to actual sales. In relation to the services for which BIG MAC had been registered, the Cancellation Division of the EUIPO stated that “there is no single piece of evidence that refers to any of the registered services being offered under the EUTM.”<sup>19</sup> The decision is currently being appealed.

### ***Adidas AG v EUIPO (Case T-307/17)***

#### ***Background***

This case upheld the decision of the Second Board of Appeal of the EUIPO (“the Board”) in case R 1515/2016-2 to annul the registration of Adidas' mark (see below). The original proceeding was based on an application for declaration of invalidity by the Belgian company, Shoe Branding Europe BVBA.



The mark consisted of “three parallel equidistant stripes of identical width, applied on the product in any direction” and was registered on 21 May 2014 under the number 12442166 for goods in class 25 of the *Nice Classification*. Shoe Branding Europe BVBA filed its application for declaration of invalidity pursuant to Article 52(1)(a), 7(1)(b) of *Regulation No 207/2009* (now Article 59(1)(a), 7(1)(b) of *Regulation 2017/1001*). The Cancellation Division of the EUIPO found that the mark was devoid of any inherent or acquired distinctive character. Adidas appealed against the decision but only maintained that plea with regard to

acquired distinctiveness. The Board dismissed the appeal since Adidas failed to prove that the mark had acquired distinctiveness.

### *The decision*

Adidas' plea was based on two points: first, that the Board wrongly dismissed various items of evidence. In its decision, the Board held that the evidence submitted would relate to other signs rather than the mark at issue. Second, that the Board erred in holding that acquired distinctive character through its use within the EU.

The General Court (Ninth Chamber, Extended Composition) (the "Court") first discussed the submission by Adidas that the Board wrongly dismissed various items of evidence. Adidas' action before the Court was particularly based on two points: the misinterpretation of the sign and the misapplication of the "law of permissible variations" by the Board. Regarding the former, Adidas argued that the Board wrongly concluded that the mark would be an ordinary figurative mark rather than a pattern mark. This interpretation would limit the subject matter of protection to what is actually registered. This would mean that "[o]nce a trade mark is registered, the proprietor is not entitled to a broader protection than that afforded by that graphic representation."<sup>20</sup> Pattern marks, on the other hand (such as the Burberry tartan) can be reproduced in various ways depending on the specific goods to which they are applied and can be advantageous for proving genuine use as variations of the registered mark. The Court, however, adopted the Board's view that the mark itself was registered as a figurative mark. The Court also noted that the Board interpreted the mark as follows:

*It consists of three vertical, parallel, thin black stripes against a white background, whose height is approximately five times the width. The characteristics which it manifests are relatively few in number, consisting of the ratio of height to width (approximately 5:1), the equidistant white space between the black stripes, and the fact that the stripes are parallel.*<sup>21</sup>

Hence, the Court concluded that the "interpretation of the mark at issue closely corresponds to the graphic representation on the basis of which that mark has been registered."<sup>22</sup> The Court rebutted Adidas' interpretation of the *Apple* judgement whereby marks may be registered without indicating their scale or proportions.<sup>23</sup> The Court held that this decision would only state that a design may be registered as a trade mark even without an "indication of the size and proportions of the object which it represents."<sup>24</sup> This decision would, however, not mean that a mark could be registered without defining the proportions of the sign itself. In addition, the description of the mark in question would not provide any information that the mark would be "composed of a series of regularly repetitive elements",<sup>25</sup> i.e. a pattern mark.

The Court discussed the second point of the first plea, the alleged misapplication of the law of permissible variations, at some length. Adidas submitted that, according to that law, the use of a mark in a form differing in elements which do not alter the distinctive character of that mark in the form under which it was registered is also considered as use of that mark.<sup>26</sup> Adidas added that the concept of "use" in relation to acquired distinctiveness pursuant to Article 7(3) *EU Trade Mark Regulation* would be the same as within genuine use pursuant to Article 18(1) *EU Trade Mark Regulation*. In some cases, genuine use can be proven through use of the mark in different forms than the registered mark. Applying these considerations in the context of acquired distinctiveness would broaden the possible uses of certain variations of the registered mark to be considered as use of the mark in question. The Court agreed with Adidas and held that use in context with acquired distinctiveness "must be interpreted as referring not only to use of the mark in the form in which it was submitted for registration and, where relevant, registered, but also to the use of the trade mark in forms which differ from that form solely by insignificant variations and that are able, therefore, to be regarded as broadly equivalent to that form."<sup>27</sup> The Court, however, held that the Board followed this guideline in its decision so the action could not be based on such an omission.<sup>28</sup>

The Court then discussed the alleged misapplication of the law of permissible variations. In this regard, Adidas particularly opposed the following interpretative yardsticks applied by the Board:

- (i) where a trade mark is extremely simple, even a slight difference could lead to a significant alteration to the characteristics of the mark as it had been registered;
- (ii) use of the mark at issue in the form where the colour scheme is reversed necessarily alters the distinctive character of that mark;
- (iii) some of the evidence showed a sign with two instead of three stripes; and
- (iv) the use of sloping stripes altered the distinctive character of that mark.<sup>29</sup>

Adidas challenged this interpretation in relation to the following pieces of evidence in the form of photographs from promotional materials or catalogues (see below) which the Board dismissed since "the vast majority of the evidence produced by the applicant did not relate to the mark at issue itself, but to other signs which differed from that mark significantly."<sup>30</sup>



The Court sided with the Board which “dismissed those images on the ground that they were related to signs other than the mark at issue.”<sup>31</sup> It held, inter alia, that “where a trade mark is extremely simple, even minor alterations to that mark may constitute significant changes, so that the amended form may not be regarded as broadly equivalent to the mark as registered.”<sup>32</sup> Adidas’ second and final plea related to the claim that the Board had wrongly concluded that it had not provided evidence that the mark had acquired distinctive character resulting from use in the EU. It added that it had provided a vast amount of evidence of intensive use of the “mark with three parallel equidistant stripes” throughout the territory of the EU. This evidence ought to “be assessed globally, regardless of the colour and length of the stripes shown and whether or not they are sloping.”<sup>33</sup> The Court, however, discarded this statement right from the outset:

*[I]n order to demonstrate that the mark at issue has acquired distinctive character, the applicant cannot rely on all of the evidence which shows a mark consisting of three parallel equidistant stripes. Indeed, it follows from the answer to the first part of the plea in law that the relevant evidence is only that which shows the mark at issue in its registered form or, failing that, in forms which are broadly equivalent, which excludes forms of use where the colour scheme is reversed or which fail to respect the other essential characteristics of the mark at issue.<sup>34</sup>*

The Court then reiterated the case law on how acquired distinctiveness is assessed by outlining the elements set out in the *Windsurfing Chiemsee* decision by the Court of Justice. These are: the market share held by the mark; how intensive, geographically widespread and long-standing use of the mark has been; the amount invested by the undertaking in promoting the mark; the proportion of the relevant class of persons who, because of the mark, identify goods as originating from a particular undertaking; and statements from chambers of commerce and industry or other trade and professional associations.<sup>35</sup>

The Court then analysed the evidence provided by Adidas which were i) the images which were part of the first plea above; (ii) figures relating to the applicant’s turnover as

well as its marketing and advertising expenses; (iii) market surveys and; (iv) other evidence.<sup>36</sup>

All of these pieces of evidence were, however, dismissed by the Court. In its opinion, the images would relate “to signs which were not broadly equivalent to the registered form of the mark at issue”<sup>37</sup> and, therefore, could not be taken into consideration. The figures of turnover and advertising costs were also irrelevant since they did not make a link between these numbers and the mark at issue.<sup>38</sup> They would rather relate to the entire business of Adidas, including all its goods and marks.<sup>39</sup> The market surveys were rightly discarded by the Board since some of them would not concern the mark at issue and would be irrelevant. Five of the 23 submitted market surveys which were conducted in Germany, Estonia, Spain, France and Romania were held to relate to the use of the mark in its registered form and to measure the perception of the mark by the relevant public in these countries. The Court, however, questioned the methodology of these surveys.<sup>40</sup> The other 18 market surveys were held to be carried out in relation to signs which were not broadly equivalent to the registered form of the mark at issue. While some signs consisted of two, three or four parallel stripes in different lengths, colour combinations and thickness and were applied to a shoe, others showed two or three white stripes affixed to black clothing.<sup>41</sup> The remaining evidence consisted of decisions of national courts or press cuttings. The Court also dismissed these and held that the cited decision by national courts would not relate to “forms of use that may be regarded as equivalent to the registered form of the mark at issue.”<sup>42</sup>

The Court also scrutinised whether the evidence would cover use of the mark in question within the territory of the EU as a prerequisite of acquired distinctiveness for an EU trade mark. It would, however, be “unreasonable to require proof of such acquisition for each individual Member State.”<sup>43</sup> Adidas argued that it could provide different types of evidence in order to prove acquired distinctiveness of its mark. However, the Court found that the only relevant pieces of evidence were the above-mentioned five surveys, albeit their questionable methodology. But even where these were considered to be relevant, they would not extend to the Member States not covered by the surveys and all remaining pieces of submitted evidence were held to be irrelevant. Consequently, the Court dismissed Adidas’ action.

### Comment

Both marks which were subject of the discussed decisions are undoubtedly famous. The Big Mac is not only known as one of McDonald’s staples around the globe, it has also reached a cultural status as the “side kick” to the “Royale with cheese” in the infamous dialogue between Samuel L. Jackson’s and John Travolta’s characters in Quentin Tarantino’s film *Pulp Fiction*.<sup>44</sup> Adidas, who for a time marketed itself as “the brand with the 3 stripes” (which itself is a registered trade mark)<sup>45</sup>

is similarly known around the globe – not just the sporting world, but it has transcended to be an iconic fashion and cultural item (e.g. the song *My Adidas* by the hip hop group Run-DMC).<sup>46</sup>

Both decisions outline quite nicely that trade mark owners of undoubtedly famous marks cannot rely solely on this fame when trying to prove acquired distinctiveness or genuine use. Both decisions urge them, and more importantly their representatives, to be more thorough when providing evidence in this regard. Two points stand out as interesting further discussion points: first, trade mark owners should look more closely at which goods or services their marks are registered. This can be seen in relation to the Big Mac decision where McDonald’s provided no evidence of services in relation to the mark. Additionally, the decisions could have highlighted the treatment of “well-known” facts more and how these should be treated in litigation. But it appears, that both the Board and the Court in the discussed decisions wanted to have solid evidence as to use of the particular marks. To this end, they provide good and useful information of how such evidence ought to be provided.

- 1 Regulation (EU) 2017/1001 of the European Parliament and of the Council of 14 June 2017 on the European Union trade mark, [2017] OJ L 154/1 (“EU Trade Mark Regulation”).
- 2 EU Trade Mark Regulation article 7(3).
- 3 EU Trade Mark Regulation, articles 18, 58(1)(a).
- 4 Gordon Deegan and Louise Kelly, ‘Tasty result for Supermac’s with ‘David and Goliath’ Big Mac win’, *Irish Independent* (online), 29 January 2019 <<https://www.independent.ie/irish-news/tasty-result-for-supermacs-with-david-and-goliath-big-mac-win-37716672.html>>.
- 5 *Nice Agreement Concerning the International Classification of Goods and Services for the Purposes of the Registration of Marks*.
- 6 Note that the EU trade mark system has undergone a substantive overhaul which brought large amendments to the *EU Trade Mark Regulation*. The OHIM has been renamed the EUIPO: see Regulation (EU) 2015/2424 of the European Parliament and of the Council of 16 December 2015, amending Council Regulation (EC) No 207/2009 on the Community trade mark and Commission Regulation (EC) No 2868/95 implementing Council Regulation (EC) No 40/94 on the Community trade mark, and repealing Commission Regulation (EC) No 2869/95 on the fees payable to the Office for Harmonization in the Internal Market (*Trade Marks and Designs*) [2015] OJ, L 341/21, recital 2.
- 7 Community Trade Marks have been renamed as EU Trade Marks: see Regulation (EU) 2015/2424 of the European Parliament and of the Council of 16 December 2015, amending Council Regulation (EC) No 207/2009 on the Community trade mark and Commission Regulation (EC) No 2868/95 implementing Council Regulation (EC) No 40/94 on the Community trade mark, and repealing Commission Regulation (EC) No 2869/95 on the fees payable to the Office for Harmonization in the Internal Market (*Trade Marks and Designs*) [2015] OJ, L 341/21, recital 2.
- 8 Rory Carroll, ‘McDonald’s loses Big Mac trademark after legal battle with Irish chain’, *The Guardian* (online), 15 January 2019 <<https://www.theguardian.com/business/2019/jan/15/mcdonalds-loses-big-mac-trademark-legal-battle-supermacs>>.



### FRANCE

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Correspondents for France

***The parody exception to copyright favorably applied by the French Supreme Court***

On 22 May 2019, the First Civil Chamber of the French *Cour de Cassation* (Supreme Court) put an end to a long trial involving a French sculptor and the publisher of the weekly magazine *Le Point*. The sculptor argued that depiction of the French emblem, Marianne, on the cover of the magazine *Le Point* could not constitute an exception to the monopoly granted by European Union (“EU”) copyright laws.

The emblematic sculpture was indeed used in a political context where it was shown drowning in water, together with the French economy. One of the key issues of the case was to determine whether a political message could benefit from the parody exception as harmonised under EU laws.

The Court of Appeal ruled in favor of the publisher by stating that the representation of the sculpture could not lead to a confusion with the original work and that its use was intended to be humoristic, irrespective of the more serious tone of the magazine.

This decision was also the opportunity for the highest French court ruling on copyright matters to implement the recent *Deckmyn v Vandersteen* (“*Deckmyn*”) ruling (C-201/13) from the Court of Justice of the European Union (“CJEU”), rendered on 3 September 2014.

The *Deckmyn* case indeed constitutes a landmark ruling at the European level regarding the parody exception provided under Article 5(3)(k) of the *Directive 2001/29/EC of the European Parliament and of the Council of 22 May 2001 on the harmonisation of certain aspects of copyright and related rights in the information society* (the “*InfoSoc Directive*”). Article 5(3)(k) provides, as part of the exceptions and limitations to the copyright monopoly, that:

*Member States may provide for exceptions or limitations to the rights provided for in Articles 2 and 3 [authors’ note: reproduction right and right of communication to the public of works and right of making available to the public other subject-matter] in the following cases: use for the purpose of caricature, parody or pastiche.*

In its ruling, the CJEU considered that the concept of parody is an autonomous concept of EU law and then provided its definition. It resulted from the Court’s reasoning that a parody shall “evoke an existing work, while being noticeably different from it” and “constitute an expression of humor of mocking”.

The Court further added that the parody should not necessarily be or constitute an original work on its own.

In light of these criteria, it appears that both conditions laid down by the *Deckmyn* case could have been applied differently by the Court of Appeal and this was the sculptor’s main argument in his appeal proceedings before the Supreme Court.

The Supreme Court rejected the sculptor’s appeal and confirmed the Court of Appeal decision by stating that the Marianne sculpture was only a partial reproduction of the original work with an addition of specific elements not generating a confusion with the original work, which fulfilled the first criteria of the *Deckmyn* ruling.

As to the existence of humoristic use of the work, the Court of Appeal considered that the partial reproduction of the Marianne sculpture drowning in water “constituted a humoristic metaphor of the alleged drowning of the French Republic, aimed at illustrating the content of the article, irrespective of the serious tone of the latter”.

The Supreme Court therefore considered that the Court of Appeal judge rightfully considered that the parody was constituted and that there was no disproportionate harm to the legitimate interest of the author.

This case gives, once again, the opportunity to demonstrate that even though exceptions to copyright, especially under French law, are often narrowly interpreted, the finality of the exception, being to protect the freedom of expression, can also help to support a broader interpretation.

The same is all the more important that such interpretation appears to be perfectly in line with the *Deckmyn* ruling from the CJEU and therefore ensures that freedom of expression, and to criticise, being one of the main freedoms in Europe, remains protected irrespective of the interest of the authors.

***CJEU’s Grand Chamber issues three decisions on the interplay between copyright and fundamental rights***

Ten years ago, in its *Infopaq International A/S v Danske Dagblades Forening* decision (C-5/08), the CJEU set a new course for the development and construction of EU copyright law, granting EU judges the ability to rule on the originality of a piece of work – despite the lack of harmonised concept of originality in the *Infosoc Directive*. Subsequent case law over the past 10 years has refined the definition of “originality”, submitting that originality requires the making of “free and creative choices”, that the work must carry the “personal touch” of the author, and that “significant labour and skill” are not enough.

Another key aspect of the development and construction of EU copyright law lies in the interplay between copyright law and fundamental rights, as protected (notably) by the *Charter of Fundamental Rights of the European Union* and

(to some extent before the CJEU), the *Convention for the Protection of Human Rights and Fundamental Freedoms*.

On 29 July 2019, the Grand Chamber of the CJEU (composed of 15 judges) issued three keenly awaited copyright judgments in this area, namely (i) *Funke Medien NRW GmbH v Federal Republic of Germany* (“*Funke Medien*”), C-469/17, (ii) *Spiegel Online GmbH v Volker Beck* (“*Spiegel Online*”), C-516/17 and (iii) *Pelham GmbH, Moses Pelham, Martin Haas v Ralf Hütter, Florian Schneider-Esleben* (“*Pelham*”), C-476/17. Since these decisions were not available at the time this update was written, the following is based on the official CJEU press release.

In *Funke Medien*, the German Federal Court asked the CJEU whether fundamental rights can be directly invoked to prevent enforcement of copyright (and if copyright protection can be trumped by the need to safeguard freedom of the press and freedom of information). The CJEU responded that, provided the work at stake is protected by copyright (in this case, the work at stake was a military status report):

*freedom of information and freedom of the press are not capable of justifying, beyond the exceptions or limitations provided for in the Copyright Directive, a derogation from copyright, in particular, from the author’s exclusive rights of reproduction and of communication to the public.*

In this case, while freedom of information and freedom of the press did not directly impact the copyright protecting the military status report, it stems from the decision that, based on the way in which *Funke Medien* published the military status report on the internet, such use may be covered by the exception concerning current events reporting provided in the Copyright Directive.

In *Spiegel Online*, a German politician (Volker Beck) authored in 1988 a work about “sexual acts of adults with children”. His publisher apparently edited the manuscript without the author’s consent and the resulting publication was, according to the author, a distortion of his views. Volker Beck argued successfully that this would amount to copyright infringement. In this matter, the CJEU ruled that the use of a protected work for the purposes of reporting current events does not, in principle, require a prior request for authorisation, stating that:

*the protection of intellectual property rights is not absolute and that it is necessary, where appropriate, to take into account the fact that the nature of the ‘speech’ or information at issue is of particular importance, notably in political discourse and discourse concerning matters of the public interest ... as regards the possibility for the Member States to allow the use of protected works in connection with the reporting of current events (to the extent justified by the informatory purpose and as long as the source, including the author’s name, is indicated, unless this turns out to be*

*impossible) ... in applying such an exception or limitation, the Member States cannot subject the exception or limitation to a requirement for the author’s prior consent.*

The CJEU further specified the legal requirements applicable to the concept of quotations, namely that (i) “it is not necessary that the quoted work be inextricably integrated, by way of insertions or reproductions in footnotes, into the subject matter citing it ... such quotations may also be made by including a hyperlink to the quoted work” and (ii) it “applies only if the quotation in question relates to a work which has already been lawfully made available to the public”.

In the *Pelham* case, the question referred to the CJEU concerned the issue of whether sampling (i.e. the taking of the sounds fixed in a phonogram in order to incorporate them into a new phonogram that contains a new work) requires a license from the relevant phonogram producer. The CJEU ruled that unauthorised, non-transformative sampling may infringe a phonogram producer’s rights. In substance, the Court considered that the reproduction by a user of a sound sample, even if very short, taken from a phonogram must, in principle, be regarded as a reproduction “in part” of that phonogram so that such a reproduction falls within the exclusive right granted to the phonogram producer. Importantly, the CJEU ruled that:

*where a user, in exercising the freedom of the arts, takes a sound sample from a phonogram in order to embody it, in a modified form unrecognisable to the ear in another phonogram, that is not a “reproduction”.*

Interestingly, the judges specified that ruling differently would:

*run counter, in particular, to the requirement to strike a fair balance between, on the one hand, the interests of the holders of copyright and related rights in the protection of their intellectual property rights guaranteed by the Charter and, on the other hand, the protection of the interests and fundamental rights of users of protected subject matter, which are covered by the freedom of the arts, also enshrined in the Charter, as well as the public interest.*

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1 This contribution reflects the personal views of the authors and should not be attributed to the authors’ firm or to any of its present and future clients.

### GERMANY

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#### **Federal Court of Justice clarifies criteria in determining the protected subject matter of a registered design**

##### **Federal Court of Justice, decisions dated 20 December 2018, I ZB 25/18 and I ZB 26/18**

The Federal Court of Justice recently rendered its judgment in two parallel lawsuits concerning registered designs on consumer products (i.e. head gear and eye wear products). Both cases rested on the validity of the designs in question.

Under the *German Act on the Legal Protection of Designs* (*Designgesetz*, “*Design Act*”), a registered design is invalid if the appearance of the product as shown in the design’s figures does not actually constitute a design within the meaning of the law. This can be an issue where multiple figures are submitted to the design register and such figures are unclear, contradictory to some extent, or can be interpreted in different ways.

In each of the decided cases, the plaintiff filed a nullity action against a registered design, arguing that the design lacked identifiable subject matter. Both designs included multiple figures of sport accessories (sport glasses and helmets, respectively) which showed the product in different variations. Both the German Patent and Trademark Office and the Federal Patent Court dismissed the nullity actions, explaining that the different figures in each design application constituted different representations of one single product, thereby providing identifiable subject matter. After the Federal Patent Court had granted leave to appeal its decisions, the plaintiff moved on to the Federal Court of Justice for a final judgement on the issue.

#### **Background**

A design right grants an exclusive right to a specific aesthetic appearance of a product. It provides an incentive to innovate on the shape and form of products, allowing the right-holder to exclude others from manufacturing or selling products with a similar appearance.

Section 1 of the *Design Act* provides:

*For the purposes of this Act,*

1. “*design*” means the two-dimensional or three-dimensional appearance of the whole or a part of one product resulting from the features of, in particular, the lines, contours, colours, shape, texture or materials of the product itself or its ornamentation;

2. “*product*” means any industrial or handicraft item, including packaging, get-up, graphic symbols, typographic

*typefaces and parts intended to be assembled into a complex product, but excluding computer programs; [...]*

The rights granted by a registered design necessitate sufficient clarity of the design’s protected subject matter. Competitors can only avoid infringing a design and innovate on their own, if there is some degree of certainty as to whether a specific appearance of a product falls within the scope of a registered design or not.

To provide certainty on what is supposed to be protected, German (as well as EU) design law requires that one application for a registered design pertains to only one product as illustrated by the figures included in the design application. If an applicant wishes to protect different varieties of a product, be it in shape or colour, a so-called “multiple application” can be filed where several designs for several products may be put together in one application. One incentive is that the applicant pays lower fees for each design in a multiple application compared to individual applications.

A claim for invalidity of a registered design may thus rely on section 33 of the *Design Act*, which stipulates, inter alia:

(1) *A registered design shall be invalid if*

1. *the appearance of the product does not constitute a design within the meaning of section 1 no. 1*

*[...]*

Therefore, in determining whether a registered design is valid or not, due consideration must be paid to whether the figures included in a design application actually show the appearance of one product “resulting from the features of, in particular, the lines, contours, colours, shape, texture or materials of the product itself or its ornamentation”.

#### **Problematic designs**

Individual design applications often include several figures which show different iterations of what appears to be one and the same product. This can lead to questions of whether all figures actually show the same (“one”) product as the protected subject matter of the design, or different products, which in turn would render the registered design invalid.

It might be problematic if the design application consists of contradicting figures – i.e. when the figures show the same shape of a product, but include different colourisations or greyscale shadings. It might also be problematic if the design application contains figures, which show only what seems to be part of the whole product, but not the whole product itself, either because the figure in question is a simple magnification of the product or because a part of the product is shown detached from the whole. Designs often also show very similar representations of a product, but with small differences or changes in details between the figures provided. In each of these cases, the question arises of what is actually protected by the design.

### *Previous case law*

The Federal Court of Justice has handed down several important judgements on these issues.

In the 2001 “Sitz-Liegemöbel” (“sofa bed”) case, the Court had to determine the scope of protection of a registered design which included pictures of a sofa bed in different varieties (Federal Court of Justice, judgement dated 15 February 2001, I ZR 333/98). Two of those pictures are shown below:

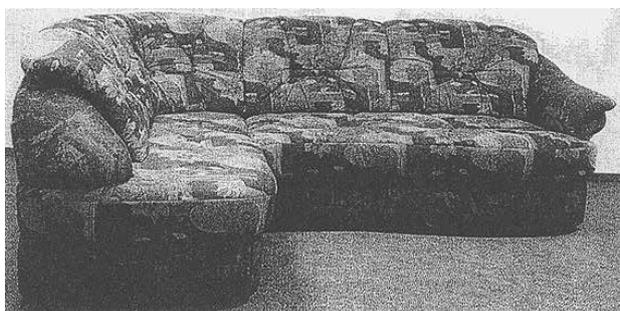


Figure 1



Figure 2

The Court noted that, legally, all figures included in a design application are representations of one and the same appearance of a product. Since there were several differences between the products depicted in the photographs, such differences would therefore have to be disregarded in determining the design’s protected subject matter. The Court reasoned that to consider all shown features in their entirety would inadmissibly extend the scope of protection of one registered design towards several distinct appearances of a product. This has been dubbed the “overlap approach”, where the protected subject matter of a design is comprised of all features on which the different graphical representations “overlap”, i.e. which they have in common.

In the 2012 “Weinkaraffe” (“wine decanter”) case, the Federal Court of Justice once again had to determine the protected subject matter of a registered design (Federal Court of Justice, judgement dated 8 March 2012, I ZR 124/10). In the case, a registered design included several figures of a wine decanter from different perspectives, showing the decanter with and without a wooden base:

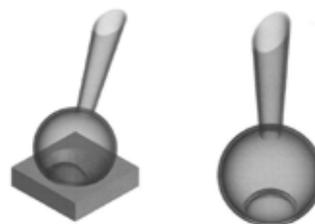


Figure 3

One of the questions presented to the Court was whether the design protected the appearance of the wine decanter by itself or whether the protected subject matter was a combination of both the decanter and the wooden base.

The Court once again explained that different depictions of a product cannot lead to an extension of the scope of protection. If differences between the figures included in a design application lead to unclarity as to the design’s protected subject matter, then the subject matter must be determined by interpreting the figures. The Court concluded that the design protected only the combination of the decanter and the base, not the appearance of the decanter by itself.

### *Present cases*

In the two recent cases, the Court had to decide once again on the issue of protected subject matter, as both cases involved a design which included several different varieties of a product.

One of the two designs in question involved different representations of a sport helmet, two of which are shown below:



Figure 4



Figure 5

The other design in question concerned sport glasses for skiing or biathlons, including several figures showing the glasses in different variants in terms of colour contrasts on the goggles and the headband:



Figure 6



Figure 7

For both designs, the plaintiff argued invalidity because the differences among the graphical representations of the products did not show a design within the meaning of section 1 of the *Designs Act*. Both the German Patent and Trademark Office and the Federal Patent Court dismissed this argument, stating, inter alia, that there was significant overlap between the different products shown and that the protected subject matter could thus be clearly determined.

### **Decision**

The Federal Patent Court overturned the decisions of the previous instances and abandoned its “overlap approach” as developed in the “sofa bed” decision. The Court argued that while it may be possible to determine a common set of features of a specific product’s appearance based on different depictions of that product and thus to determine a single subject matter of a design, that subject matter is in itself not actually depicted in the design application, but rather remains in the imagination of the person contemplating the design. Therefore, the application does not depict “one product” as required by section 1 no. 1 of the *Designs Act*. It is thus rendered invalid pursuant to section 33 of the *Designs Act*.

However, the Court did not reject its approach taken in the “wine decanter” decision in that figures included in a design application can still be interpreted if there is uncertainty as to what is actually protected. The design is still valid, as long as such interpretation leads to a result that is actually shown in the figures, e.g. the wine decanter with a wooden base. In the present two cases with sports equipment, the appearance

of a product which would show the “overlap” between the figures without the differences is not actually shown in the register. Therefore, the designs are invalid.

### **Conclusion**

Previous case law led to considerable uncertainty as to the protected subject matter of registered designs in Germany. Problems arose in particular where design applications included contradicting figures which showed different varieties of a product’s appearance. The Federal Court of Justice has now made clear that a registered design where the registrant included such pictures can be considered invalid.

This decision has considerable merit, as it produces greater legal certainty on the one hand, and does not in fact reduce design protection on the other, as applicants always have the comparatively cheap option of simply filing a multiple application, protecting all varieties of their product’s appearance as separate designs.

The decision does however create the necessity for all holders of registered design rights to review their design portfolio as well as their design protection strategy. In particular, applicants who want to protect different versions of their design should consider filing multiple applications in the future.

### UNITED KINGDOM

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**“Being so many different sizes in a day is very confusing”.  
The doctrine of equivalents and numerical ranges, a  
brief journey down the rabbit hole**

#### **Introduction**

Advising a client about the scope of a patent claim in England and Wales can seem like an Adventure in Wonderland, certainly there is much talk of cats and there may be a trial at some point. But while the hare might order a patent attorney drafting a claim to “say what she means”, as advisers we must try to become the caterpillar and get used to this strange world of equivalents.

In *Actavis UK Limited v Eli Lilly and Company* [2017] UKSC 48 (“*Actavis*”), Lord Neuberger said (at [54]):

*... a problem of infringement is best approached by addressing two issues, each of which is to be considered through the eyes of the notional addressee of the patent in suit, ie the person skilled in the relevant art. Those issues are: (i) does the variant infringe any of the claims as a matter of normal interpretation; and, if not, (ii) does the variant nonetheless infringe because it varies from the invention in a way or ways which is or are immaterial? If the answer to either issue is “yes”, there is an infringement; otherwise, there is not.*

Moderating the University College London Institute of Brand and Innovation Law (“UCLIBIL”) event in November 2017 titled “K = Na. Is the genie out of the bottle?”, that followed the Supreme Court decision in *Actavis*, Professor Sir Robin Jacob QC asked the panel the following question, submitted by a patent attorney: “Do claims that contain numerical limits restrict the extent of protection, or under the doctrine of equivalents, do they now cover anything that works?” Lord Neuberger, sitting on the panel, commented that he was “attracted by the point” that, where a party had specifically defined numerical limits, this should be a clear enough limitation that they didn’t intend the scope of the claims to go outside these limits. Since then, applying the doctrine of equivalents, at least one judge has made the opposite finding.

#### **Pre-Actavis case law on numerical ranges**

In *Smith & Nephew Plc v Convatec Technologies Inc* [2012] EWCA Civ 1638 (“*Smith & Nephew Plc*”), the Court of Appeal found infringement of a process claim which used an agent in a particular concentration. In that case, a claimed range of “between 1 and 25%” was held to cover the range from 0.5 to 25.5% and the Court held that the context

required that the claim be interpreted to the extent that anything that rounded to the specified range on a whole numbers approach would be infringed. In the judgment, Christopher Clarke LJ commented that “figures, no less than words, may take their meaning from the context in which they are used”. Setting aside the question of whether the Court’s finding that the skilled person would have adopted a whole numbers approach is correct, it makes sense in practical terms that there will be a margin of error that the skilled person would consider acceptable and that margin of error will depend on the circumstances.

On the other hand, the extent of that margin of error must be carefully scrutinised, in order to balance the fair protection afforded to the patentee with legal certainty for third parties. The need to achieve this careful balance is specifically envisaged in Article 1 of the *Protocol on the Interpretation of Article 69 European Patent Convention* (“EPC”). Article 69 EPC explains that:

*(1) The extent of the protection conferred by a European patent or a European patent application shall be determined by the claims. Nevertheless, the description and drawings shall be used to interpret the claims.*

It may have seemed that arguments on equivalents would be hard to sustain in a numerical ranges context, if the scope of the claim has been very specifically defined. On the other hand, the word “about” seems not to indicate a particularly high level of precision in the definition of a numerical range. Its meaning was considered in another pre-equivalents era case, *Napp Pharmaceutical Holdings Limited v Dr Reddy’s Laboratories (UK) Limited and Sandoz Limited* [2016] EWHC 1517 (Pat), where “about 10%” meant  $\geq 9.5\%$  and  $\leq 10.5\%$ . There, Arnold J decided that “about” means “a small degree of permitted imprecision over and above that implied by the usual rounding convention”.

#### **Actavis v Eli Lilly, enter the white rabbit**

In the immediate aftermath of the *Actavis* decision, it was thought that the reference to first applying a “normal” interpretation of the claim before going on to consider equivalents was a reference to the literal interpretation of the claim. Under this approach, numerical limits would presumably have first been interpreted very narrowly before going on to consider equivalents.

However, in subsequent cases the Patents Court and Court of Appeal have applied a purposive construction to the normal interpretation of a claim (see *Icescape Limited v Ice-World International BV & Others* [2018] EWCA Civ 2219 (“*Icescape*”). This approach means that any term (word, number or numerical range) must first be interpreted purposively and then equivalents will be considered. Equivalents will be assessed by a reformulated version of the *Improver Corporation v Remington Consumer Products*

*Ltd* [1990] FSR 181 or “Protocol” questions which were previously used to determine the correct construction on a purposive basis. In parenthesis, this leaves some considerable doubt about how one now assesses the meaning of claims based on purposive construction, but that is a matter for another day.

In any event, one comes to the reformulated questions which are set out below and provide guidance as to whether a variant infringes because it varies from the wording of the claim in ways which are immaterial:

1. *Notwithstanding that it is not within the literal meaning [author note: for which interpolate purposive construction, following Icescape] of the relevant claim(s) of the patent, does the variant achieve substantially the same result in substantially the same way as the invention, i.e. the inventive concept revealed by the patent?*
2. *Would it be obvious to the person skilled in the art, reading the patent at the priority date, but knowing that the variant achieves substantially the same result as the invention, that it does so in substantially the same way as the invention?*
3. *Would such a reader of the patent have concluded that the patentee nonetheless intended that strict compliance with the literal meaning of the relevant claim(s) of the patent was an essential requirement of the invention?*

In the new age of equivalents, *Jushi Group Co Ltd v OCV Intellectual Capital LLC* [2018] EWCA Civ 1416 (“*Jushi*”) might appear an oddly narrow construction of a claim including a numerical range. However, unfortunately no arguments were presented on equivalents and the Court of Appeal decision does not discuss *Actavis*. Nonetheless, the decision does provide guidance on the general approach to construction of claims with numerical limits and is worth musing over briefly.

*Jushi* was an action for revocation of a patent which claimed a fibre glass composition. The ratio of two components of the fibre glass was stated to be  $\leq 2$ . The ratio stated in a piece of prior art (“*Neely*”) was 2.14 and the patent compared the favourable properties of the claimed composition with those described in *Neely*. The Court rejected the argument that, based on using whole number rounding, the ratio in *Neely* would fall within the  $\leq 2$  ratio specified in the claim and anticipate the patent. The Court found an apparent intention of the patentee to contrast the invention with the disclosure in *Neely* and the claim was interpreted by the Court of Appeal as being “exact, and not meant to be broadened by whole number rounding”.

Perhaps this provides guidance on the circumstances where the scope of a claim will not be expanded by arguments about equivalents, since the Court found the patentee had not intended the scope of the claim be broadened. It might also be argued that the discussion of the comparative benefits

over *Neely* described in the patent showed strict compliance was necessary in order to obtain those benefits. Indeed, Lord Sumption provided his view at the UCL IBIL panel discussion that the issue of numerical limitations would be considered by the Court in the context of question three of the *Actavis* questions.

So, then, onto a case where infringement of a claim with a numerical limitation by equivalence was in fact considered, albeit obiter.

### ***Regen Lab SA v Estar Medical Limited & Others* [2019] EWHC 63 (“*Regen*”)**

*Regen* was a case about a patent for the production of a substance called platelet rich plasma (“PRP”). This substance is obtained by centrifugation of whole blood and extraction of a top layer. Medium density gels that arrange themselves between the denser red blood cells and a middle layer called the “buffy coat” can be used to aid separation. The inventive concept of the patent, or what the judge, HHJ Hacon, referred to as the “clever bit” was removing half of the platelet poor top layer and re-suspending the remaining plasma and buffy coat to produce PRP.

The claimed method also specified the use of 0.10 M sodium citrate and a thixotropic gel, or polyethylene terephthalate separator tube containing a highly thixotropic gel formed by a polymer mixture and anhydrous sodium citrate at 3.5 mg/mL. One of the central areas of argument on equivalents, was whether use of a 0.136 M sodium citrate would infringe the patent. The judge also decided in this case that where multiple integers of a claim are not infringed on a normal construction of the claim, it is only relevant to consider whether the process as a whole is equivalent, rather than considering each of the equivalents separately.

It was argued by the defendants that where the accused product or process falls outside the scope of a numerical claim on a normal construction, the skilled person would have understood that strict compliance was essential. HHJ Hacon noted that the law on the approach to claims containing numerical limits is no different from other claims (see *Smith & Nephew Plc* and *Jushi*). HHJ Hacon therefore disagreed with the defendants’ argument, as to do otherwise would put claims with numerical ranges in a special category.

Notwithstanding the recent Court of Appeal decision in *Icescape*, HHJ Hacon also remained of the view that the “normal” construction of a claim may now be narrower than under *Kirin-Amgen Inc v Hoechst Marion Roussel Ltd* [2005] RPC 9. Therefore, if the defendants were right that the skilled person would understand that strict compliance with the specified numerical limits were required, the effect of *Actavis* would be to narrow numerical claims and this would run contrary to the intention underlying the Supreme Court’s judgment.

The judge provided a noteworthy comment on the choice of the claim language in the numerical limit. HHJ Hacon thought that while the patentee's choice of 0.10M in the claim language (rather than 0.1M) was relevant to the normal interpretation of the claim, it was not relevant to the question of equivalents. This is an interesting decision as it might have been thought that the specificity with which the numerical limit is defined could indicate strict compliance was necessary. After all, the numbers must have been specified for some reason and a high degree of precision might have been thought to indicate that there is little leeway for diverging from the claim language. However, the judge seems to have focussed on the part the integer had to play in the inventive concept of the patent (i.e., none).

HHJ Hacon also considered *Société Technique de Pulverisation Step v Emson Europe Ltd* [1993] RPC 513 ("*Step v Emson*"), which was relied on by the defendants. *Step v Emson* is authority for the proposition that purposive claim construction does not mean that an integer can be struck out if it does not appear to make any difference to the inventive concept of a claim. Hoffmann LJ found in *Step v Emson* that the integer may have some other purpose buried in the prior art. Even if this purpose is not discernible, the patentee may have had some reason for introducing it. The defendants argued that this principle remained good law and it meant that 0.10 M could not be read to cover a concentration of 0.136 M sodium citrate. HHJ Hacon found that the molarity of the sodium citrate was not essential to the inventive concept, as there was not a sufficiently clear indication in the specification or the common general knowledge ("CGK") that the skilled person intended strict compliance was required.

### **Conclusion and outlook**

Article 2 of the Protocol says:

*For the purpose of determining the extent of protection conferred by a European patent, due account shall be taken of any element which is equivalent to an element specified in the claims.*

Intuitively, it seems hard to grasp the idea that one number can be equivalent to another. The decision in *Regen* now seems to suggest that the doctrine of equivalents extends beyond considering whether an element is equivalent to the element specified in the claims. Instead, regardless of whether the elements are themselves equivalent, it seems sufficient that the alleged infringement overall does the same job, the "same job" being the clever bit of the patent.

In equivalents cases, context is key. So are there any practice points to be taken away from these decisions? At the time of writing, since *Actavis*, the doctrine of equivalents has been considered in nine cases (although only one decision on equivalence can be considered ratio). Infringement by an equivalent was found in *Icescape* on appeal and in six first

instance judgments. It appears that the bar for answering "yes" to question three of the new Protocol questions was placed highly in *Regen* and this seems to have held true in other equivalents cases.

If the patentee is perceived to differentiate itself clearly from the prior art, as in *Jushi*, this might indicate that there are grounds for deciding that strict compliance with a numerical integer is required. There may also be an indication in the common general knowledge that strict compliance was intended. On this basis, as is often said about patent infringement in England and Wales, expert evidence will be key to making good on arguments based on the CGK and this could be another area where expert evidence will come into focus.

Finally, at the UCL IBIL event referred to above, Judge Meier-Beck of the Bundesgerichtshof (the German Supreme Court) indicated that the doctrine of equivalents has a narrow role in claims with numerical ranges in Germany; and Judge Kalden, Senior Judge at the Hague Court of Appeal commented that, as a general rule, in the Netherlands it is difficult to sustain arguments about infringement by equivalence on numerical limitations, although there are exceptions. The approach to numerical ranges in *Regen*, if widely adopted, might therefore signal another area for possible diverging decisions in *EPC* countries.

# Current Developments – North America

## CANADA

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#### Pampered Chef not a Cakewalk for a Major Canadian Retailer

A recent case decided by the Federal Court of Canada (the “Court”), *Loblaws Inc. v Columbia Insurance Company, The Pampered Chef, Ltd., and Pampered Chef – Canada Corp.*, 2019 FC 961, demonstrates that when the degree of resemblance of trade marks at issue in an infringement action is not strong, the evidence regarding the other relevant factors relating to confusion must be significant. The impact of each factor will vary on a case-by-case basis, so it is best to put forward the strongest evidence in support of each factor.

The plaintiff, Loblaws Inc., is a subsidiary of Loblaw Companies Limited (“LCL”) which is a large, national retailer of food, pharmacy and other products and services that meet household needs. LCL offers its goods and services under a number of retail brands, including “Loblaws”, “Shoppers Drug Mart”, “Provigo” and “Atlantic Superstore”. LCL developed the house brands “President’s Choice” and “PC” which have been used for decades in association with many of its retail products and services. Loblaws Inc. owns the following registered and unregistered marks that are relevant to this litigation (the “PC Marks”):

- (1) the word mark PC, registered in relation to (1) food and kitchenware products and (2) the operation of a reward incentive program for points which can be redeemed for various products (the “PC Word Mark”);

- (2) the  design mark, registered in relation to (1) food and kitchenware products and (2) the following services: cooking school services, applications for digital electronic devices and mobile phones for viewing recipes and nutritional information, and the operation of a reward incentive program for points (the “PC Script Mark”); and

- (3) the  common law mark used in relation to various goods and services including housewares (the “PC Circle Mark”).

Columbia Insurance Company licenses the use of certain marks to the other defendants which are retailers of

housewares including kitchen tools, and which employ a direct marketing or multi-level marketing business model that uses in-home cooking and catalogue parties, attended both in person and online. The defendants are collectively referred to as the “Pampered Chef” in the reasons for judgment and in this contribution.

The Pampered Chef has used the trade mark “Pampered Chef” in Canada for a number of years in association with the sale of housewares. In 2015 and 2016, Columbia filed trade mark applications in Canada for the following marks, all of which include an element that the defendants refer to as the “Happy Spoon”:

1.  (the “Happy Spoon Mark”);
2.  (the “Long Form Mark”);
3. ; and
4. 

The latter two marks, both of which employ the Happy Spoon design between the letters “P” and “C”, have been referred to as the “Short Form Marks”. Columbia’s applications for the Happy Spoon Mark and the Long Form Mark were granted by the Canadian Trademarks Office in 2018, but Loblaws Inc. opposed the applications for the Short Form Marks.

Pampered Chef has sold, distributed and advertised housewares in Canada using the Short Form Marks since 2016. It also operates an incentive rewards program called “PC Dollars”. These activities gave rise to the Court action in which Loblaws Inc. asserted that the Short Form Marks were identical or confusingly similar to the PC Marks and that PC Dollars was identical to the PC Word Mark.

Pampered Chef took the position that none of its marks were identical to those of Loblaws Inc. and there was no likelihood of confusion between the Short Form Marks and the PC Marks. It denied liability under any of the causes of action asserted and counterclaimed seeking a declaration that the PC Word Mark is invalid and should be struck from the Trademarks Register on the basis that it is not distinctive of Loblaws Inc.

With respect to the alleged trade mark infringement under section 20 of the Canadian *Trademarks Act* 1985 (the “Act”), the plaintiff would have to establish that:

- (i) it has a valid registered trade mark;
- (ii) that the defendant has sold, distributed, or advertised goods or services in association with a trade mark; and
- (iii) that the defendant's trade mark is confusingly similar to the plaintiff's and was used without permission.

The Court considered the relevant test, whether:

*a prospective purchaser will be led to the mistaken inference ... that the wares or services associated with those trademarks are manufactured, sold, leased, hired or performed by the same person, whether or not the wares or services are of the same general class.*

In making its assessment, the Court considered each of the relevant factors listed in section 6(5) of the Act:

- (i) the degree of resemblance between the marks;
- (ii) the inherent and acquired distinctiveness of the marks;
- (iii) the nature of the goods, services or business of each party;
- (iv) the length of time the marks have been in use;
- (v) the nature of the trade; and
- (vi) the surrounding circumstances.

The Court noted that, as indicated by the Supreme Court of Canada in *Masterpiece Inc. v Alavida Lifestyles Inc.*, 2011 SCC 27:

*the confusion analysis should start with the degree of resemblance between the marks ... as this is the factor that is often likely to have the greatest impact. If the marks do not resemble one another, it is unlikely that even a strong finding on the remaining factors would lead to a likelihood of confusion.*

Conversely, where there is a strong resemblance between the marks at issue, it has to be considered whether any of the other factors reduce the likelihood of confusion to the point that confusion was not likely to occur.

The Court assessed the degree of resemblance and concluded that "Pampered Chef's mark bears some resemblance to the PC Word Mark but that the degree of resemblance is not particularly strong". The factors assessed in relation to (ii), (iii) and (iv) listed above – distinctiveness of the marks; nature of the goods, services or business; and length of time in use – favoured Loblaws Inc. but the focus of the judgment in this case was on the factors in (v) and (vi) – the nature of the trade and the surrounding circumstances.

This highlights the fact that the plaintiff's strongest possible evidence should be advanced in support of each factor as they are not equally weighted and may vary in importance on a case-by-case basis.

The judgment notes that the parties devoted considerable attention to this factor at trial, with Pampered Chef taking the position that the parties' trade channels differed and Loblaws Inc. taking the position that the fact that the two parties target the same consumers indicates that there is some overlap in the trade channels.

The evidence demonstrated that there was significant use of Pampered Chef's name and Long Form Mark in its trade channels, in combination with the Short Form Marks, that would reduce the likelihood of confusion.

The Court held that it:

*... did not regard the evidence as supporting a conclusion that customers may believe that "President's Choice or "PC" products are available through direct sales or multi-level marketing channels. Loblaws sells through a traditional retail sales channel, albeit through a number of different banners ...*

The Court also held that the factor relating to the nature of the trade is a "compelling factor, strongly favouring Pampered Chef".

Similarly, in considering the surrounding circumstances of this case, the Court found the lack of evidence of actual confusion to be "very probative of the issue of the likelihood of confusion" and therefore a second factor in favour of Pampered Chef.

The Court's analysis in this case confirms that the impact of each of the factors to be considered in assessing whether there is a likelihood of confusion between trade marks in an infringement action must be determined on a case by case basis. Although the confusion analysis should start with an assessment of the degree of resemblance of the marks in issue, in this case, given the Court's conclusion that "Pampered Chef's mark bears some resemblance to the PC Word Mark but that the degree of resemblance is not particularly strong", the most compelling factors were the differences in the trade channels and the lack of evidence of actual confusion.

## UNITED STATES OF AMERICA

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#### Appeals Court Finds No State Sovereign Immunity and Expands the Reach of Time-Bar for Inter Partes Review of Patents

Patents owned by states are not immune from administrative validity challenges at the United States (“US”) Patent and Trademark Office, and real party-in-interest or privity relationships that arise after the filing of a Petition for Inter Partes Review (“IPR”) can trigger the time-bar provisions of § 315(b),<sup>1</sup> according to a pair of recent decisions from the Court of Appeals for the Federal Circuit.<sup>2</sup>

Patent owners, including state university technology transfer offices, often pursue damages for patent infringement. Patents owned by sovereigns, such as states and Native American tribes, would be more valuable if they were immune from administrative challenges known as IPR. They are now not immune, unless the Supreme Court reverses the holding in *Regents of the University of Minnesota*.

The Court held that IPR proceedings, unlike Article III proceedings, are brought by the US Government, with the help of third parties, in the case of IPR.<sup>3</sup> Sovereign immunity does not apply in proceedings brought by the Government.<sup>4</sup> The Court however left open the possibility that states might still enjoy sovereign immunity from other administrative proceedings, but found the University had consented to the Patent Office’s jurisdiction by applying for a patent.<sup>5</sup> Therefore, states and tribes may still enjoy sovereign immunity in other contexts to be determined in the future.

Finally, the Court offered unusual “additional views” in a separate opinion. These views focused on the fact that states did not have “physical possession” of patents.<sup>6</sup> The Court analogised proceedings involving patent rights to an in rem proceeding from which there is no state sovereign immunity. The decision could implicate other areas of administrative practice involving state-owned enterprises or property.

In a separate opinion issued on the same day,<sup>7</sup> the Court expanded the reach of the time-bar provision of § 315(b).<sup>8</sup> The statute in question bars granting a petition for IPR where the filing of the petition occurs more than one year after the date a complaint for infringing the challenged patent was served.<sup>9</sup> The statute applies not only if the party actually filing the petition was so served, but is also triggered if a “real party in interest” or “privity” of the petitioner was served more than a year ago.

The facts before the Court were that at the time the petition for IPR was filed, the petitioner – ON Semiconductor – had entered into an agreement to merge with a third-party who had been served with a complaint for infringing the patent being challenged more than one year prior to the filing date of the petition. However, at the time the petition was filed, the merger had not closed. Subsequently, and four days

before the Patent Trial and Appeal Board issued its decision on whether to institute a review of the challenged patent, the merger closed. Thus, the issue presented was whether the time-bar provision of § 315(b) was triggered only when there was a real party-in-interest or privity of the petitioner served with a complaint for infringing the challenged patent more than one year prior to the actual filing date of the petition, or whether the time-bar could be triggered by a real party-in-interest or privity relationship formed only after the filing date of the petition, but before institution of an IPR.

The Court held that because the time-bar’s focus was to preclude institution, not filing, privity and real party-in-interest relationships that arise after filing but before institution are fair-game when analysing whether the time-bar applies.<sup>10</sup> The Court justified its statutory interpretation by noting that Congress adopted the use and meaning of the common-law terms “real party-in-interest” and “privity” in the statutory provision. Noting that common-law preclusion cases suggest that preclusion can apply based on privity arising after a complaint is filed, the Court reasoned that the common-law application of the notion of privity supported their position that privity relationships arising after an IPR is filed, but before the date of institution, should be considered in the § 315(b) time-bar analysis.<sup>11</sup>

The decision by the Federal Circuit will likely have the greatest impact on those seeking to challenge the validity of patents using IPR, who now must be mindful not only of privity and real party-in-interest relationships as of the filing date of their petitions, but should also carefully monitor the activities and relationships that the petitioner may have planned in the future, or may subsequently form.

1 35 U.S.C. § 315(b).

2 *Regents of the University of Minnesota v LSI Corporation*, appeal no. 2018-1559 (Fed. Cir. 14 June 2019).

3 *Federal Maritime Commission v South Carolina State Ports Authority*, 535 U.S. 743, 760, 765 [2002].

4 *Regents of the University of Minnesota v LSI Corporation*, appeal no. 2018-1559 (Fed. Cir. 14 June 2019) at 24.

5 *Regents of the University of Minnesota v LSI Corporation*, appeal no. 2018-1559 (Fed. Cir. 14 June 2019) at 26–27 (FN20) (“... even if state sovereign immunity might in some circumstances bar administrative proceedings involving states, this would not bar the USPTO’s reconsideration of a prior patent grant because a state impliedly consents to such proceedings when it applies for, or otherwise obtains ownership of, a patent that is ‘a creature of statute law’ and granted ‘subject to potential cancellation in [an] executive proceeding.’”) (Internal quotations omitted).

6 *Regents of the University of Minnesota v LSI Corporation*, appeal no. 2018-1559 (Fed. Cir. 14 June 2019) at 26–27, additional views at 6.

7 *Power Integrations, Inc. v Semiconductor Components Industries LLC, d/b/a, ON Semiconductor*, appeal no. 2018-1607 (Fed. Cir. 14 June 2019).

8 35 U.S.C. § 315(b): “An inter partes review may not be instituted if the petition requesting the proceeding is filed more than one year after the date on which the petitioner, real party in interest, or privity of the petitioner is served with a complaint alleging infringement of the patent.”

9 35 U.S.C. § 315(b).

10 *Power Integrations, Inc. v Semiconductor Components Industries LLC, d/b/a, ON Semiconductor*, appeal no. 2018-1607 (Fed. Cir. 14 June 2019) at 14.

11 *Power Integrations, Inc. v Semiconductor Components Industries LLC, d/b/a, ON Semiconductor*, appeal no. 2018-1607 (Fed. Cir. 14 June 2019) at 17.

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