

Intellectual Property Forum

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Co-Editors
Fiona Phillips
Fiona Rotstein



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Intellectual Property Forum

The Journal of The Intellectual Property Society of Australia and New Zealand Inc ABN 056 252 558

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Fiona Rotstein

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32nd IPSANZ Annual Conference

7-9 September 2018

The 32nd Annual Conference of the Intellectual Property Society of Australia and New Zealand Inc. is scheduled to be hosted at the Hilton Queenstown Resort and Spa, New Zealand over the weekend 7- 9 September 2018.

Friday

3:30 pm – 6:30 pm Early Registration
6:00 pm – 8:00 pm President's Welcome - Cocktail Evening

Saturday

8:45 am – 9:15 am Registration
9:15 am – 4:15 pm Conference Sessions
6:30 pm – 10:30 pm President's Dinner

Sunday

9:00 am – 12:15 pm Conference Sessions
12:15 pm – 2:00 pm Lunch
2:00 pm Close

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Editorial – Fiona Rotstein and Fiona Phillips



Photo by James Grant

Fiona Rotstein
Co-Editor



Photo by Claus Hüttemann

Fiona Phillips
Co-Editor

This issue of *Intellectual Property Forum* contains a diverse array of topics that relate to IP in Australia and New Zealand as well as internationally. We feature three articles that provide interesting analyses on issues relating to patent infringement, patent protection, and copyright and competition and consumer law. We also have three reports on various issues relevant to IP law and practice and a range of updates from our regular contributors which keep us abreast of the latest, important developments in the world of IP.

We begin with a profile of Bernadette Jew, an expert on technology and digital law who has worked in both Australia and New Zealand. In an interview with barrister Anna Spies, Bernadette Jew discusses her experiences advising on artificial intelligence, blockchain and shared ledgers and offers many interesting insights on the future challenges in IP law. She also reflects on the differences between acting as a legal adviser and as a commercial consultant, in addition to the biggest changes she has observed during her legal career regarding innovation in the corporate world and the advancement of women professionally.

Next, we are pleased to publish an article by James Lawrence that considers patent infringement in the United Kingdom (“UK”) and Australia following the recent decision by the UK Supreme Court in *Actavis UK Limited v Eli Lilly & Co* (“*Actavis*”). James Lawrence argues that *Actavis* demonstrates a more amenable attitude to patent equivalents in the context of infringement. He thoughtfully explores why the *Actavis* decision indicates an important move away from earlier UK

authority and examines the bearing it may have on future Australian case law.

From international and Australian patent law, we move to a report by Dr Dimitrios Eliades on the response by the Australian Government to the recommendations in the Productivity Commission’s Final Report on its *Inquiry into Australia’s Intellectual Property Arrangements* (the “Productivity Commission’s Final Report”). The Productivity Commission’s 12-month inquiry was wide-ranging and took into consideration a plethora of issues relating to copyright, patents, trade marks, Australian competition and consumer law, plant breeder’s rights, as well as IP policy, publicly funded research and the introduction of a specialist IP list in the Federal Circuit Court. Dr Dimitrios Eliades’ report summarises the Government’s responses to the Productivity Commission’s recommendations and conveniently provides an update on their implementation.

Dr Dimitrios Eliades’ report neatly segues to the next two articles featured. Patrick Conrick considers the seminal

Australian patent case regarding a “manner of manufacture”, *National Research Development Corporation v Commissioner of Patents* (“NRDC”), in light of various Australian case law developments as well as the Government’s response to the Productivity Commission’s Final Report. In Patrick Conrick’s extensive examination of the relevant issues, he also canvasses various decisions applicable to principles of inherent patentability from the United States of America (“USA”) and the UK. His article recommends a thorough reading of *NRDC* to emphasise what he believes are misconceptions of that decision, so that the range of patentable subject matter in Australia is not unduly limited.

The final article by Jessica McNamara discusses the vexed issue of geoblocking technology and its circumvention in Australia. Jessica McNamara canvasses the recommendations for reform noted by the Australian Government in light of both the Productivity Commission’s Final Report and the House of Representatives’ Standing Committee on Infrastructure and Communications’ 2013 report titled *At What Cost? IT Pricing and the Australia Tax*. She skilfully analyses the issues that could arise from implementing the recommendations, particularly in relation to IP, as well as exploring other issues that should be further considered by the Australian Government. In addition, she explores the methods used in the USA and Europe to respond to geoblocking technology.

We then feature two more reports of interest to IP practitioners and academics. One report by Fiona Rotstein is a book review of *The Research Handbook on Intellectual Property and Creative Industries* edited by Abbe E.L. Brown and Charlotte Waelde. Fiona Rotstein discusses how the *Research Handbook* is an impressive collection of essays written by a range of international contributors from a number of different disciplines on the relationship, both positive and negative, between IP and the creative industries. The next report is by Fiona Phillips on the recent *26th Annual Fordham Intellectual Property Law and Policy Conference* in New York which she attended. According to Fiona Phillips, Fordham is unique for bringing together judges, policy makers, practitioners, academics and members of industry from across the IP spectrum to “Learn, Debate and Have Fun” (as per the Conference’s tag line). We then round out the issue with seven updates from our regular contributors on current developments in IP across Australia, New Zealand, Asia and Europe.

As outlined in the previous issue’s Editorial, we view our Co-Editorship as a timely opportunity to consider how the *Forum* can be updated to reflect the rapidly evolving legal landscape. With that in mind, we are currently undertaking a review of the content and layout of the Journal. We encourage you to share your ideas by emailing us at editors@ipsanz.com.au. As always, we welcome the feedback and contributions of our readers and IPSANZ members.



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In Conversation with Bernadette Jew

Anna Spies¹

Bernadette Jew is an expert on technology and digital law who has worked in both Australia and New Zealand. In an interview with barrister Anna Spies, Bernadette Jew discusses her experiences advising on artificial intelligence, blockchain and shared ledgers and offers many interesting insights on the future challenges in IP law. She also reflects on the differences between acting as a legal adviser and as a commercial consultant, in addition to the biggest changes she has observed during her legal career regarding innovation in the corporate world and the advancement of women professionally.



Bernadette Jew

Photo by Tina Sun

Q: Let's start at the beginning. What initially drew you to study law?

A: Law was really a journey of discovery for me. I have always had a hankering to do law, but I did not know exactly why that was until I started law. When I was at school, I thought about being a lawyer, but my uncle told me that I was not "tough enough" for it. Instead, I went to university and did a piano performance degree. After I graduated, I had operations on my feet, which meant that it was physically impossible for me to keep performing. At that time, I again thought about doing law and spoke with a few people about this. However, I thought that every lawyer that I met was really boring. So instead of law, I did an accounting degree and specialised in tax, and then worked as a tax consultant at Deloitte. After about three years, I finally did a law degree, initially intending to work in tax. But my career evolved from there and I now specialise in technology law.

Q: Looking back then to your initial impression that law was boring, what has changed?

A: When I started working in corporate law, I discovered the intellectual challenge of law. I found it really interesting to get my head around corporate and commercial concepts. When I then applied those skills in the technology environment, I was in seventh heaven. I found that I could use those commercial and corporate concepts to create something entirely new. As technology evolved, the law needed to evolve in response, and I was creating new legal structures that enabled this to happen.

Q: Is there any symbiosis between your love of music and your practice of intellectual property and technology law?

A: Definitely. Both involve creativity. Intellectual property and technology law are not as formalistic and are more creative than other areas of law. As a lawyer, you need to understand the business, project or technology objectives and then use the law to achieve those objectives. Developing creative solutions to enable innovation and responding to evolving technologies is what most interests me about intellectual property law.

Q: You have done a lot of work on blockchain and shared ledgers and there is certainly a lot of talk at the moment about blockchain. What are your thoughts: is blockchain overhyped or the way of the future? How do you see blockchain and intellectual property interacting?

A: Blockchain is definitely the way of the future. The obstacles to the use of blockchain are not in the technology itself, but in the people around it, who need to learn to work differently in a collaborative way, with new types of governance. Lawyers are generally good at working within governance structures that are already in place, but are not as good at responding to new opportunities and new platforms.

In terms of intellectual property, blockchain will provide some fantastic solutions for managing intellectual property rights. Blockchain provides a way of recording information that is dynamic and changing over time, and records that information in a way that is traceable and transparent, and therefore is trustworthy. Blockchain could be used to tag intellectual property ownership or other rights, and allow for a more complex mix and division of those rights, including micro-rights. Using the blockchain, it becomes possible to use automated processing to

manage a complex range of intellectual property rights – with transparent and auditable tracking of those entitlements. As a result, the blockchain could lead to rightsholders being able to more easily monetise their intellectual property.

Q: What do you see as some of the emerging intellectual property issues in the area of artificial intelligence (“AI”)?

A: AI is definitely an area in which intellectual property issues are emerging. In an AI contract, a vendor and a client work together to train the machine to think a certain way. The vendor supplies the technology and programming. There is also a huge investment of time and effort by the client or user to train the machine to understand the questions and provide the “best fit” answers as fast as possible. The question that emerges is who should receive the benefit of that learning or know-how, which is incredibly valuable? Should the vendor, who provided the technology, receive the ongoing benefits from that automated intelligence? Can the vendor use that learning to earn revenues from other clients? Or should the client, who invested significant time and effort and shared their business intelligence with the vendor, be entitled to receive some of that benefit? This scenario does not easily fit into traditional categories of intellectual property, and is usually dealt with by contractual arrangements. At the moment, the vendor commonly insists on ownership of any learning produced in the course of the AI project. However, I anticipate a clash of claims in relation to ownership of the machine learnings in the future.

Q: You are the founder and Director of InnovArt Consulting, which was established in 2017 “to drive the successful implementation of digital strategies for corporates, government and start-ups” – tell me about that.

A: Essentially, I work as a translator between the technology, legal and commercial teams. InnovArt largely focuses around providing consulting services in relation to the cloud. The way that companies contract, work and buy technology in the cloud is different to the old legacy environments. I work on developing new and simple ways of contracting in the cloud environment. One of the biggest challenges in cloud computing from a legal perspective is creating entirely new legal frameworks that allow for the flexibility required for cloud computing, but also provide for an appropriate level of certainty and a way of managing risk and security issues. In considering the new issues around risk and security, you need to make sure that you do not lock out new opportunities.

Q: What is the biggest difference that you have found between acting as a legal advisor and as a commercial consultant?

A: I find that because I am not wearing a legal hat, I have entirely different conversations with the technology and commercial teams. Since they have not put me into a legal “box”, they let me get closer to what they are doing and this provides me with far greater exposure to the problems that they are facing. I then act as the translator between them and the legal team in creating new approaches to solve their problems. The legal solution becomes the output of the technological and commercial problems we are trying to solve.

Q: Before InnovArt Consulting, you were at Gilbert + Tobin for 21 years. Throughout this time, you must have seen a lot of change. What are some of the biggest changes that you have observed?

A: The biggest change that I have observed is that innovation is now seen as an attribute in the corporate world, rather than an adverse risk. When I started working as a lawyer in Australia in 1997, innovation was seen as reckless and inappropriate in a corporate environment. People would ask “why would you risk anything on innovation?” By contrast, now, if a company is not innovating, this is likely to adversely impact on its share price. This has translated into my own project work, in terms of my involvement in some really interesting, innovative corporate projects.

Another big change that I have observed is in the pace of law, and in particular, the pace of transactions. In 1997, a large technology transaction might take one to two years to complete. Now, the same type of transaction would be completed within two to three months maximum.

A further change is that an interdisciplinary approach to law is much more entrenched. You see legal firms taking on opportunities to partner with other disciplines to create value for clients, such as by bringing on a valuation firm or a consulting company. This can also be seen in that the big four accounting firms now each have their own legal practices.

The next big change that I think will happen will be the way that fees are charged by lawyers, and we have already seen some change in that regard. There is a lot of pressure to move away from time-based billing, which is becoming just one of many billing models, rather than the only model.

Q: Over the time that you have worked as a lawyer, what changes have you seen in terms of the advancement of women professionally?

A: When I first started working as a lawyer, the only women who were considered for partnership were women who behaved like men. I have seen a movement away from that type of thinking. In my personal experience, I have seen what Elizabeth Broderick refers to as the importance of male champions of change. The first partner at Gilbert + Tobin to work part time for family reasons was a male partner. Our male colleagues have an important role in changing the culture in workplaces.

Q: You were admitted to practice in New Zealand as well as in New South Wales. Did you find it easy to balance a cross-jurisdictional practice?

A: I did my law degree in New Zealand and worked in banking law and corporate law there, then I came to Australia to Gilbert + Tobin. When I first started working in Australia, I still did some New Zealand work. It was completely manageable to work in both jurisdictions. There are many areas of law that are easily transportable across jurisdictions. However, there are a number of regulatory obstacles (in my view, far too many), being the various rules and regulations and administrative processes for legal practice. It was because of these obstacles that I ended up giving up my New Zealand practising certificate.

Q: Looking into your crystal ball, where do you think the future challenges in intellectual property lie?

A: One of the biggest challenges that I see now, which will continue to be a challenge, is the need to identify the key strategic intellectual property that needs to be protected. Increasingly, for example, a lot of enterprise solutions are being built using open source material. In that environment, it takes a lot of foresight and depth of understanding to know what parts of the company's intellectual property need to be protected and treated as a competitive advantage.

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

A: I would like to see the Government using the "sandbox" approach to intellectual property law and regulation, which has been successfully used in other areas such as fintech. The "sandbox" approach allows an organisation to experiment in a certain area – taking advantage of regulatory exemptions, but working within certain parameters. This allows the organisation and the

regulatory authorities to identify whether the project or product will produce tangible benefits, to understand the practical obstacles, and to identify what the appropriate regulations will need to be.

Q: How do you relax, when you can?

A: I relax with classical music, dance, fine arts, and really anything to do with the arts. Using the internet, I can now keep track of the latest new and interesting work that is being done by composers and other new artists in other parts of the world, rather than waiting a number of years for their work to filter down to Australia. I am really interested in contemporary music, written by today's composers. For those young composers, it is almost unaffordable to have their music performed and heard in concert halls. That is why online mediums such as YouTube are so amazing. In many cases, it is the only way for young, up and coming artists to find a worldwide audience.

¹ Anna Spies is a barrister.

Patent infringement post-*Actavis v Eli Lilly*: the treatment of equivalents in the United Kingdom and in Australia

James Lawrence¹

Introduction

The relatively recent decision of the United Kingdom (“UK”) Supreme Court in *Actavis UK Limited v Eli Lilly & Co* (“*Actavis*”)² embraces a more receptive approach to equivalents (i.e. something which does not read literally onto the claim) in the context of patent infringement. It represents a significant shift away from earlier authority and casts the infringement net more broadly than before. This article explores that decision and considers the impact that it may have on future Australian case law.

A short history of patent claims and their construction

The starting point in an assessment of infringement of a patent is claim construction. It is necessary to construe the claim in order to form a judgment as to the scope of protection, although, as this article will explore, claim construction and scope of protection are two very distinct concepts in patent law.

The first incarnation of patents as we know them today arose from the *Statute of Monopolies* 1623. Some 250 years passed before the inclusion of claims in a patent became a legal requirement. By 1883, we first see a requirement that a complete specification must end with “a distinct statement of the invention claimed”.³ A similar provision existed in the original Australian *Patents Act* 1903.⁴

During the “pre-claims” period, courts had little choice but to attempt to deduce the kernel of the invention having regard to the whole of the specification. That is, courts had to interpret the entire document and identify the inventive concept. That approach continued even after the introduction of claims in the late 19th century, not least because claims were not at that time drafted in the relatively clear, methodical way as they are now. At this time, the issue of “literal” versus “contextual” construction did not arise because there were no true claims in patents of this time. A contextual analysis was the only option.

It was in this context that we see the first use of the term “pith and marrow” used to describe the *substance of the invention* in the context of infringement. That term was first coined by Lord Cairns in *Clark v Adie*.⁵ It is important to bear in mind the context that gave rise to this doctrine; namely, one in which either no claims existed at all, or at best, primitive claims were starting to be included at the end of patent specifications.

The relevance of the “pith and marrow” doctrine declined over time in the UK. Lord Diplock’s speech in *Beecham v Bristol Laboratories* (“*Beecham*”)⁶ explained the limitations of the doctrine:

The increasing particularity with which the claims are drafted and multiplied in modern specifications may have reduced the scope of application of the doctrine of pith and marrow, but I am unable to accept the argument advanced by Bristol that this has made the doctrine obsolete... Directed as it is against colourable evasion of a patent it is not in my view confined to mechanical inventions or to claims for new combinations of integers, but in appropriate cases, though they may be rare, is applicable to claims for new products...

In Australia, the “pith and marrow” concept has been applied from time to time although, again, its relevance in recent decades has declined significantly. In this regard, the High Court of Australia in *Radiation v Galliers*⁷ per Dixon J said the following:

On a question of infringement, the issue is not whether the words of the claim can be applied with verbal accuracy or felicity to the article or device alleged to infringe. It is whether the substantial idea disclosed by the specification and made the subject of a definite claim has been taken and embodied in the infringing thing ...

and then explained an important limitation to the approach:

Sometimes a claim, particularly a claim for a combination, is expressly confined to a particular form of construction or the like, and in such a case it is useless for the patentee to complain that his idea of what he calls his “principle” has been applied in a different construction or has been expressed by means of a mechanical equivalent of some element which his claims make of the essence of his monopoly.

By the 1970s, there was still very much a contextual interpretation of the claims, both in Australia and the UK, although the independence and importance of the claims in delineating the scope of the patentee’s monopoly was slowly growing.

The limitation on the application of the “pith and marrow” doctrine in both Australia and the UK in the early-to-mid 20th century is perhaps unsurprising given that the “pith and

marrow” concept was born in a time when patents generally had no claims. Application of that principle to a context when patents do have claims (and indeed, where claim drafting had become an art) is not, in at least some respects, without difficulty. For this reason, the “pith and marrow” concept is nowadays, to a large extent, a relic of a past era.

Catnic

The decision of the House of Lords in *Catnic Components Ltd v Hill & Smith Ltd* (“*Catnic*”)⁸ is the first of a trilogy of cases that together have defined claim construction and infringement in both the UK and Australia for the past 30 years. Decided only a few years after the *Beecham* decision discussed above, *Catnic* is said to be the birth of “purposive construction” when determining the scope of patent protection. The House of Lords in *Catnic* held that there were not two types of infringement: “literal” infringement and “pith and marrow” infringement. Rather, there is only one type: “infringement”. For infringement, a patent claim must be given a “purposive construction” rather than a “purely literal” one.

The patent at the centre of *Catnic* claimed a galvanised steel lintel which included “a rigid support member extending vertically” from another feature. The defendant’s lintel was not precisely vertical but was inclined at a slight angle to the vertical, being six degrees in one module and eight degrees in the case of another module. The question here was, of course, whether or not an offset of six or eight degrees from vertical, could be regarded as being “vertical” within the meaning of the claim.

The heart of Lord Diplock’s well-known speech is as follows:

A patent specification should be given a purposive construction rather than a purely literal one derived from applying to it the kind of meticulous verbal analysis in which lawyers are too often tempted by their training to indulge. The question in each case is: whether persons with practical knowledge and experience of the kind of work in which the invention was intended to be used, would understand that strict compliance with a particular descriptive word or phrase appearing in a claim was intended by the patentee to be an essential requirement of the invention so that any variant would fall outside the monopoly claimed, even though it could have no material effect upon the way the invention worked.

The question, of course, does not arise where the variant would in fact have a material effect upon the way the invention worked. Nor does it arise unless at the date of publication of the specification it would be obvious to the informed reader that this was so. Where it is not obvious, in the light of then existing knowledge, the reader is entitled to assume that the patentee thought at the time of the specification that he had good reason for limiting his monopoly so strictly and had intended to do so, even though subsequent work by him or

*others in the field of the invention might show the limitation to have been unnecessary. It is to be answered in the negative only when it would be apparent to any reader skilled in the art that a particular descriptive word or phrase used in a claim cannot have been intended by a patentee, who was also skilled in the art, to exclude minor variants which, to the knowledge of both him and the readers to whom the patent was addressed, could have no material effect upon the way in which the invention worked.*⁹

Applying the logic above, the House of Lords in *Catnic* found that a skilled addressee would have understood “vertical” to mean merely “vertical enough so as to work”. Hence, purposively construed, “extending vertically” includes “extending 6 to 8 degrees off the vertical.” Accordingly, there was a finding of infringement.

As Sir Hugh Laddie subsequently stated (in the context of *Kirin-Amgen Inc v Hoechst Marion Roussel Ltd* (“*Kirin-Amgen*”),¹⁰ which will be discussed below):

*The House of Lords [in Kirin-Amgen] was correct to say that Catnic was an example of the contextual approach to construing claims, but at best in this respect it represented little more than a restatement of the old law together with the use of the expression “purposive construction”.*¹¹

As Gummow J also indicated in *Nicaró Holdings*¹² (albeit in the context of novelty rather than infringement), *Catnic* did not propound a novel principle; there referring to the Full Court of the Federal Court of Australia in *Populin v HB Nominees*, which said:

*The essential features of the product or process for which it [i.e. the specification] claims a monopoly are to be determined not as a matter of abstract uninformed construction but by a common-sense assessment of what the words used convey in the context of then-existing published knowledge.*¹³ (Emphasis added).

To the extent that the underlined portion of the above passage from *Populin* is not directed at the invention *per se*, it may be at odds with the now current UK approach (and perhaps even the Australian approach) to construction in the context of infringement. Hence, it is not the essential features of the product or process (being an embodiment of the claim) that are relevant but rather the essential features of the claimed invention. This is discussed further below, particularly in the context of *Actavis*.¹⁴

It is clear, however, that *Catnic* did not stand for any ground-breaking principle under either the law of the UK or Australia, although it may be that *Catnic*’s legacy is the importance placed on the role of the hypothetical skilled addressee. Post-*Catnic*, the scope of protection for any given claim is objectively assessed. Namely, what does the notional skilled addressee understand the patentee to be claiming having regard to the precise language used in the claim?

Improver

Hoffman J, then sitting as a trial judge in the Patents Court, embraced the principles set out in Lord Diplock's speech from *Catnic*, in *Improver Corporation v Remington Consumer Products Limited* ("*Improver*"),¹⁵ in which he formulated the eponymous "*Improver*" questions. These questions are no more than a convenient working summary of the matters raised in Lord Diplock's *Catnic* speech.

In that case the plaintiff, *Improver*, held a patent for a depilatory device (i.e. a hair remover) which included as a key integer a "curved helical spring". A preferred embodiment of *Improver*'s patent was the well-known product "*Epilady*". The spring had gaps between its coils which opened and closed as the spring rotated and, in doing so, was able to grab and remove the unwanted hair. The alleged infringing device, produced by Remington, operated on a similar principle, however in the place of a rotating helical spring, a rubber rod with slits was used.

The *Improver* questions, as they subsequently became known, were expressed by Hoffman J as follows:

1. *Does the variant have a material effect upon the way the invention works? If yes, the variant is outside the claim. If no -*
2. *Would this (i.e. that the variant had no material effect) have been obvious at the date of publication of the patent to a reader skilled in the art? If no, the variant is outside the claim. If yes -*
3. *Would the reader skilled in the art nevertheless have understood from the language of the claim that the patentee intended that strict compliance with the primary meaning was an essential requirement of the invention? If yes, the variant is outside the claim.*¹⁶

Importantly (as will be discussed below), the chapeau to the *Improver* questions commences with the words:

If the issue was whether a feature embodied in an alleged infringement which fell outside the primary, literal or acontextual meaning of a descriptive word or phrase in the claim...was nevertheless within its language as properly interpreted, the court should ask itself the following three questions...¹⁷ (Emphasis added).

In the context of Remington's alleged infringing device, Hoffman J answered the first question in the negative and the second question in the affirmative. In terms of the third question, Hoffman J found that the reader skilled in the art would consider "helical spring" to mean precisely that. In other words, the "slitted rubber rod" could not on any view fall within the meaning of "helical spring":

*This is not a case like *Catnic* in which the angle of the support member can be regarded as an approximation to the vertical. The rubber rod is not an approximation to a*

*helical spring. It is a different thing which can in limited circumstances work in the same way. Nor can the spring be regarded as "inessential" or the change from metal spring to rubber rod as a minor variant.*¹⁸

Unlike *Catnic*, *Improver* was decided in a post-European Patent Convention ("*EPC*") world. Article 69 of the *EPC* provides that "[t]he extent of the protection conferred by a European patent...shall be determined by the claims". That article was supplemented by the *Protocol on the Interpretation of Article 69* ("*Protocol*") which was agreed in 1973 and amended in 2000. While not relevant for the purposes of Australian law, it is important to note that the *Protocol* attempts to achieve a balance between the two extremes of strict, literal claim interpretation and an interpretation where the claims are mere guidelines as to the scope of the monopoly.

Despite being decided in this context, the *Improver* questions (and the *Kirin-Amgen* analysis which follows) have been affirmed and applied in Australia in numerous cases, as discussed below. To the extent that the *Protocol* has steered the courts of the UK toward a particular conclusion, this does not generally appear to have concerned those Australian courts that have applied the *Improver* questions.¹⁹

Kirin-Amgen

The final case in the trilogy of cases that have, until now, defined claim construction in an infringement context is *Kirin-Amgen*. This case concerned a patent relating to the production of erythropoietin ("*EPO*"), a protein that increases the body's production of red blood cells. This claimed method of artificially producing *EPO* for use as a drug was said to be particularly useful for the treatment of disorders such as anaemia. The patent claimed a method of making *EPO* by recombinant DNA technology and involved an exogenous (i.e. one which occurs outside of the human body) DNA sequence coding for *EPO*.

A dispute arose between *Kirin-Amgen* and Transkayotic Therapies Inc ("*TKT*") together with Hoechst Marion Roussel. *TKT* had developed a way of making *EPO* via a similar but slightly different technique known as homologous recombination. *Kirin-Amgen* alleged that while this method was slightly different to the claimed method, it nevertheless infringed the patent.

The House of Lords (with Hoffman J of *Improver* now Lord Hoffman) applied the *Improver* questions, reinforcing the importance of objectivity when construing claims. That is, what does the skilled addressee, having read the claims in context, understand the patentee to have meant? Rather than asking: what did the patentee actually mean or intended to mean?

The following part of Lord Hoffman's speech in the House of Lords is perhaps the most cited:

The Protocol, as I have said, is a Protocol for the construction of article 69 and does not expressly lay down any principle for the construction of claims. It does say what principle should not be followed, namely the old English literalism, but otherwise it says only that one should not go outside the claims. It does however say that the object is to combine a fair protection for the patentee with a reasonable degree of certainty for third parties. How is this to be achieved? The claims must be construed in a way which attempts, so far as is possible in an imperfect world, not to disappoint the reasonable expectations of either side. What principle of interpretation would give fair protection to the patentee? Surely, a principle which would give him the full extent of the monopoly which the person skilled in the art would think he was intending to claim. And what principle would provide a reasonable degree of protection for third parties? Surely again, a principle which would not give the patentee more than the full extent of the monopoly which the person skilled in the art would think that he was intending to claim. Indeed, any other principle would also be unfair to the patentee, because it would unreasonably expose the patent to claims of invalidity on grounds of anticipation or insufficiency.

*The Catnic principle of construction is therefore in my opinion precisely in accordance with the Protocol. It is intended to give the patentee the full extent, but not more than the full extent, of the monopoly which a reasonable person skilled in the art, reading the claims in context, would think he was intending to claim.*²⁰ (Emphasis added).

While this certainly appears to reinforce the contextual and purposive construction approach espoused in *Catnic*, Lord Hoffman further indicates that if one arrives at the third *Improver* question, then it is most unlikely that this question will be answered in the negative.

In other words:

*One of the reasons why it will be unusual for the notional skilled man to conclude, after construing the claim purposively in the context of the specification and the drawings, that the patentee must nevertheless have meant something different from what he appears to have meant, is that there are necessarily gaps in our knowledge of the background which led him to express himself in that particular way... This feature of the practical life of a patent agent reduces the scope for a conclusion that the patentee could not have meant what the words appear to be saying.*²¹

The danger, according to Lord Hoffman, is “once the monopoly had been allowed to escape from the terms of the claims, it is not easy to know where its limits should be drawn”.²²

Application of the *Improver* questions and *Kirin-Amgen* in Australia

The Federal Court of Australia has approved and applied the *Improver* questions together with their exposition in *Kirin-*

Amgen on numerous occasions,²³ although not without some limitation. Bennett J said the following of the *Improver* questions in *Sachtler GmbH & Co KG v RE Miller Pty Ltd* (“*Sachtler*”):²⁴

I am mindful of what was said in Aktiebolaget Hassle v Alphapharm Pty Ltd... by Gleeson CJ and Gaudron, Gummow and Hayne JJ as to the consequence of the divergence between the case law of Australia and that of the United Kingdom, in particular after ‘the ‘Europeanisation’ of British law’... In Alphapharm, the High Court was considering differences in the approach to obviousness but, as can be seen, the European Patent Convention has also affected the approach to claim construction.

*Taking into account the observations of Lord Hoffman as to the usefulness of the *Improver* questions, which have been labelled ‘the Protocol questions’, I do not consider that utilisation of those questions is helpful other than, perhaps, as a “check” on the conclusion reached as to the characterisation of essential or inessential integers present in the allegedly infringing article. They are no substitute for construction of the claim to ascertain the essential and inessential integers and a determination regarding the presence of those integers for infringement.*²⁵

However, several years later in *ITW AFC Pty Ltd v Loi and Tran Pty Ltd*, Finkelstein J (reiterating his earlier position in *Root Quality v Root Control*)²⁶ said:

*In *Improver* ... Lord Hoffman, elaborating on the purposive approach to patent construction outlined by Lord Diplock in *Catnic*... identified a set of three questions to serve as guidelines in determining whether a skilled addressee of a patent in suit would understand a subsequent product as infringing the claims of a patent. These questions are equally applicable under the Australian legislation.*²⁷

Irrespective of whether the *Improver* questions are regarded as being of direct relevance in Australia, the general proposition regarding purposive construction, as explained in *Catnic* and reinforced by *Kirin-Amgen*, has been unequivocally embraced by the Federal Court of Australia. The current position in Australia is perhaps best stated in the very recent decision of *ESCO Corporation v Ronneby Road Pty Ltd*²⁸ where Greenwood, Rares and Moshinsky JJ cited with approval the key principle set out by Kenny and Beach JJ in *Product Management Group v Blue Gentian LLC*:

*A claim is to be construed from the perspective of a person skilled in the relevant art as to how such a person, who is neither particularly imaginative nor particularly inventive (or innovative), would have understood the patentee to be using the words of the claim in the context in which they appear... a “purposive rather than a purely literal construction” is to be given.*²⁹

The fact that there is some doubt regarding the applicability of the *Improver* questions to Australian law is to some extent

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curious. This is especially intriguing given that Australian courts have clearly embraced *Catnic*, which (as expressly seen in the extract of Lord Diplock's speech above) on any view contains the message that was ultimately converted into the *Improver* questions by Lord Hoffman in any event.

One further and critically important matter arises from these recent cases: claims should be construed in the context of the specification as a whole even if there is no apparent ambiguity in the claim.³⁰ This is to be contrasted with the earlier, more rigid, position emanating from the High Court of Australia in *Interlego AG v Toltoys Pty Ltd* where it was generally regarded as a golden rule that if the language of the claim was clear and unambiguous, regard ought not to be had to the specification in order to construe the claim.³¹

Despite varying application of the *Improver* questions by Australian courts, the approach adopted by Bennett J in *Sachtler* appears to represent the position in Australia: that the *Improver* questions may be (in some cases) a potentially useful tool, but they are by no means mandatory, as ultimately infringement will be determined by identification of the essential integers of a claim having regard to the specification as a whole. In the context of equivalents (that is, in the context of assessing infringement of a product or process that falls outside of the literal reading of the claim), the most important question is whether the skilled addressee would have understood the patent to be claiming the equivalent.³² This position might be seen to be analogous to the enquiry called for by the third *Improver* question.

Actavis

The vehicle used to re-consider the *Kirin-Amgen* worldview arrived in the form of *Actavis*. Eli Lilly's patent in suit related to a combination therapy of pemetrexed and vitamin B12 for the treatment of cancer. Pemetrexed is a powerful anti-cancer agent but had the problem of also having high toxicity. Eli Lilly discovered that the addition of vitamin B12 helped reduce that toxicity but at the same time allowing pemetrexed's anti-cancer activity to be exploited.

Actavis developed three generic products each of which contained a variant of the pemextrexed disodium compound; namely, pemextrexed diacid, pemextrexed dipotassium and pemextrexed dinitromethamine. In order to clear the path, Actavis sought a declaration of non-infringement in respect of Eli Lilly's patent and Eli Lilly cross-claimed for infringement.

Importantly, the relevant claim was amended during the course of prosecution in the European Patent Office. Eli Lilly attempted to amend claim 1 to the following "Swiss form claim":³³

Use of pemetrexed in the manufacture of a medicament for use in combination therapy for inhibiting tumor growth in mammals wherein said medicament is to be administered

in combination with vitamin B12 or a pharmaceutical derivative thereof.

However, the application as originally filed did not disclose "pemetrexed" as broadly, but rather only disclosed pemetrexed in the form of its disodium salt. Hence, during the course of prosecution, Eli Lilly was forced to limit claim 1 specifically to the disodium salt, meaning the claim in suit was as above, but included the word "disodium" after the word "pemetrexed" in the first integer.

Following trial, the England and Wales High Court (Patents Court) found that Actavis' products did not infringe.³⁴ Applying the *Improver* questions, the Court found that it would not have been obvious to the skilled addressee (here, a team) that pemetrexed in either free acid or dipotassium form would have no material effect upon the way the invention worked. The conclusion that such a difference would not have been obvious to the skilled addressee was reached on the basis that the solubilities of the variant compounds (being directly relevant to patient administration and therefore efficacy) could not have been predicted. Accordingly, the Court answered the second *Improver* question in the negative.

The Court continued to address the third *Improver* question in any event and found that the meaning of "pemetrexed disodium" in the claim language was unequivocal and therefore ignoring this clear limitation would not give proper effect to the *Protocol* as it would amount to treating the claims as mere guidelines.

The Court of Appeal of England and Wales upheld the trial judge's findings on direct infringement, but found that there had been indirect infringement.³⁵ On that issue, the Court of Appeal said that the skilled team would have recognised that the claimed compound pemetrexed disodium was not limited to the solid form of the salt but would have also included pemetrexed anions and sodium cations in solution. Accordingly, the Court of Appeal held that pemetrexed disodium would have necessarily be used in the process of manufacturing the product by dissolving the Actavis product in saline.

Eli Lilly then appealed to the UK Supreme Court against findings that there would be direct infringement, and Actavis cross-appealed against the rejection of their case that there would be no indirect infringement.³⁶ The UK Supreme Court's decision was delivered by Lord Neuberger. Before considering the analysis of the UK Supreme Court, it is not without significance that Lord Neuberger was, in fact, Mr Justice Neuberger at first instance in *Kirin-Amgen*. A hint at his Lordship's views all those years ago can perhaps be seen in that first instance decision:

While, particularly at first instance, it would be brave or worse to depart from the three questions, I do not find it entirely easy to accept that it can be right that, where there is no infringement on a literal construction, the Court is in

*every case to be forced into the straightjacket of answering the three specific questions in order to decide issues of construction or even issues of infringement.*³⁷

Neuberger J then went on to identify a potential problem in this analysis:

*Mr Kitchin's [as he then was] first point raises an issue of principle in relation to the second Protocol question. It is whether one should assume that the reader of the patent is not merely told of the variant, but, if it is necessary, he is also to be told that it works. In my view, it should be assumed that the notional reader is so informed. The point did not arise in *Improver*, and it was not suggested that any other authority in which the questions were considered... dealt with this particular issue. In my judgment, it is to be assumed that the reader of the patent is told that the variant works, at least in a case such as this, if he would not in fact have known. The point is not an entirely easy one, not least because, if my conclusion is right, it could be a matter of argument as to quite how much the notional reader is told.*³⁸ (Emphasis added).

Now as the President of the UK Supreme Court, Lord Neuberger (with whom all the other Law Lords agreed), delivered in *Actavis* perhaps the most important patent judgment in the UK since *Catnic*. After considering *Catnic* and *Improver*, Lord Neuberger said the following:

*In my view, notwithstanding what Lord Diplock said in *Catnic*... 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, i.e. 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. ... In my view, issue (i) self-evidently raises a question of interpretation, whereas issue (ii) raises a question which would normally have to be answered by reference to the facts and expert evidence.*

*In *Kirin-Amgen*... Lord Hoffman, following his approach in *Improver*... (which itself had followed Lord Diplock's analysis in *Catnic*...) effectively conflated the two issues, and indicated that the conflated issue involved a question of interpretation. I have considerable difficulties with the notion that there is a single conflated, or compound, issue, and, even if that notion is correct, that that issue raises a question of interpretation.*³⁹ (Emphasis added)

In this passage, Lord Neuberger has re-written the starting point for an analysis of patent infringement in the UK. It is not entirely clear from the decision what is meant by "normal interpretation" (within the meaning of limb (i)) but perhaps it most likely means traditional purposive

claim construction in the manner described in *Catnic*. Although it is by no means clear that Lord Neuberger meant "purposive interpretation" when he used the term "normal interpretation", particularly having regard to the fact that his revised *Improver* questions (considered below) are premised on the fact that an equivalent falls outside the "literal meaning" of the claim.⁴⁰

On this issue, Lord Neuberger said:

*In the present case, there is no doubt that, according to normal principles of interpreting documents, the *Actavis* products do not infringe the Patent, as in no sensible way can pemetrexed free acid... or pemetrexed dipotassium mean, i.e. be said to fall within the expression, "pemetrexed disodium" in claim 1 of the Patent, any more than a slotted rubber rod can be said to be within the expression "a helical metal spring" in the claim in the *Improver* patent. According to the normal principles of interpreting documents, then, this would be the end of the matter.*⁴¹

In terms of addressing limb (ii), Lord Neuberger considered that the *Improver* questions provided a useful starting point, although the second *Improver* question required some reformulation:

*The second *Improver* question is more problematic. In my view, it imposes too high a burden on the patentee to ask whether it would have been obvious to the notional addressee that the variant would have no material effect on the way in which the invention works, given that it requires the addressee to figure out for himself whether the variant would work... In my opinion, the second question is better expressed as asking whether, on being told what the variant does, the notional addressee would consider it obvious that it achieved substantially the same result in substantially the same way as the invention.*⁴² (Emphasis added).

Hence, Lord Neuberger's suggestion, some 16 years earlier at first instance in *Kirin-Amgen*, that the second *Improver* question should assume that the skilled addressee is told if the variant would work, is now complete.

As to the third *Improver* question, Lord Neuberger said the following:

*...when considering the third question, it is appropriate to ask whether the component at issue is an "essential" part of the invention, but that is not the same thing as asking if it is an "essential" part of the overall product or process of which the inventive concept is part. So, in *Improver*... Hoffman J may have been (and I mean "may have been") wrong to reject the notion that the "spring could be regarded as 'inessential'": while it was undoubtedly essential to the functioning of the "Epilady", the correct question was whether the spring would have been regarded by the addressee as essential to the inventive concept, or inventive core, of the patent in suit.*⁴³

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Lord Neuberger's newly-framed questions, characterised as guidelines in addressing *Actavis* limb (ii) are as follows:

1. *Notwithstanding that it is not within the literal meaning 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?*

Lord Neuberger then concluded:

In order to establish infringement in a case where there is no literal infringement, a patentee would have to establish that the answer to the first two questions was 'yes' and that the answer to the third question was 'no'.⁴⁴

Applying those new questions to the *Actavis* products, the UK Supreme Court found that the products did infringe directly, on the basis that the notional address would appreciate that each of the *Actavis* products would work in precisely the same way as pemetrexed disodium when included in a medicament with vitamin B12. As Lord Neuberger appreciated, the reason why he arrived at a different conclusion to the UK Court of Appeal below was because in applying *Improver*, the UK Court of Appeal considered that the notional addressee should not be treated as knowing that the *Actavis* products did in fact work at all which, as Lord Neuberger said, "seems to me to involve too strict a test".⁴⁵

How does this affect validity considerations?

There is a great degree of force in the proposition that the scope of the patentee's monopoly ought to be identical to the target for novelty purposes. This has often been the case, particularly in relation to cases that have considered and applied the "reverse infringement" test and enabling disclosures.

Several months after *Actavis*, Mr Justice Arnold of the England and Wales High Court (Patents Court) considered this very issue in *Mylan v Yeda*.⁴⁶ Mylan sought revocation of Yeda's patent for a low frequency glatiramer acetate ("GA") therapy. Yeda cross-claimed for infringement. The patent claimed a regimen for administering GA for the treatment of multiple sclerosis by way of "three subcutaneous injections of 40mg of GA every seven days with at least one day between each injection".

GA had previously been approved for a different regimen, namely, a daily subcutaneous injection of 20mg. As such, Mylan alleged that the patent was invalid on the grounds of both novelty and inventive step.

In the absence of a definitive answer from the UK Supreme Court regarding the effect of *Actavis* on novelty, Mylan contended that the law as stated in *Actavis* meant that a claim lacked novelty irrespective of whether the subject matter of the prior disclosure would fall within the claim on its "normal interpretation".⁴⁷ That is, if the prior disclosure would fall within the claim applying the doctrine of equivalents (i.e. limb (ii) of Lord Neuberger's *Actavis* two-step approach) then the disclosure would be novelty destroying:

Counsel for the Claimants submitted that it remained the law that a claim lacked novelty if the prior publication disclosed subject-matter which, if performed, would necessarily infringe the claim. Even if the subject-matter would not fall within the claim on its proper interpretation, it was sufficient that the subject-matter would infringe the claim applying the doctrine of equivalents. Otherwise, a claim could be infringed by a person who did exactly what the prior publication taught, yet the claim would be novel over that prior publication. This would be a radical departure from English patent law as it had previously been understood for many decades.⁴⁸

Yeda suggested that the doctrine of equivalents could not be applied to prior art subject matter when assessing novelty and that the subject matter must fall within the claim on its "normal" (i.e. in its view, purposive) interpretation within the *Actavis* limb (i) meaning. Arnold J accepted Yeda's position.

In Australia, the *Improver* questions have been applied in the context of the reverse infringement test for assessing novelty. In *Neurizon v Jupiter's* ("*Neurizon*"),⁴⁹ Kiefel J (as she then was) invoked the *Improver* questions in order to assess, for the purposes of the reverse infringement test, whether or not the prior art document in issue would infringe the claim. As the *Improver* questions were concerned with interpretation of the claim, a variant which passed the test was necessarily within the language of the claim when "properly interpreted" according to Hoffman J. The logical corollary of this, as her Honour considered in *Neurizon*, is that a prior art document that is a variant which passes the *Improver* test and falls within the claim on its proper interpretation is necessarily an enabling disclosure for the purposes of novelty.

Quite how this leaves the application of the well-known *Gillette* defence⁵⁰ in the UK is difficult to ascertain because following *Actavis*, it appears there is now a potential gap between infringement and anticipation.

What impact, if any, will *Actavis* have on Australian law?

As indicated above, Australian courts have consistently applied *Kirin-Amgen* over the past decade and a half despite

that case having been decided in the setting of the *EPC* 2000 and the *Protocol*. However, a closer consideration suggests that it is the “purposive construction” analysis of *Kirin-Amgen* (as originally coined in *Catnic*) that has been consistently applied, rather than the application in all circumstances of the *Improver* questions.

One potential difficulty in the application of *Actavis* to Australian law as it currently stands may arise in the way in which Lord Neuberger reformulated the approach into two steps. The problem Lord Neuberger identified with the *Improver* questions was that in his view, they conflated the issue of claim interpretation with scope of protection. The former, he said, was what he regarded as “normal” claim interpretation while the latter is concerned with scope of protection. That is, true equivalents on any view fall outside of the normal interpretation of the claim. The latter step was very much focused on ensuring that the law of the UK effectively applied the *Protocol*; the *Protocol* being concerned with scope of protection and not construction/interpretation. At a practical level, however, this may be a distinction without a difference.

For this reason, *Actavis* may not have any immediate effect on Australian law, as the current Australian position might be said to be sufficiently flexible in that a court will consider the claims in the context of the specification, form a view as to essentiality of the relevant integers and, if necessary, invoke the *Improver* questions as a “check and balance”.

This gives rise to perhaps a more thought-provoking question. The idea that infringement ought to be assessed by first determining whether an integer is essential or inessential, having regard to the specification, and then deciding whether an equivalent varies only because it excludes an inessential integer, may not lead to consistency of approach. While construction is ultimately a matter for the courts, and expert evidence may provide guidance on the issue of essentiality, this current Australian position, on one view, does not provide adequate certainty for potential infringers (and patentees alike). The *Improver* questions on the other hand (and as they have been reformulated by *Actavis*) provide a relatively clear and workable set of guidelines which in fact emanate from a pre-*EPC* context in *Catnic*.⁵¹ Because of this, *Actavis* might be worthy of consideration by Australian courts.

If an appropriate infringement consideration calls for application of the *Improver* questions by an Australian court, will that court apply the old *Improver* questions or the new *Actavis* issue (ii) questions? As was considered above, one of the key differences in the reformulated questions is the level of assumed knowledge to given to the skilled addressee; specifically, whether the skilled addressee ought to be imbued with the knowledge that the variant or equivalent actually worked. In the context of infringement, this of course tilts the balance in favour of the patentee.

Precisely how this affects the application of *Neurizon* in the context of novelty is also of interest, although as the High Court of England and Wales (Patents Court) thought in *Mylan*, it is difficult to see how *Actavis* could radically alter the existing position. This naturally leads to a potential disparity between the scope of protection from infringement and the scope of the target for novelty purposes. That is, a claim might be infringed by someone who did exactly what the prior disclosure taught, yet the claim would have novelty over that disclosure. Such a conclusion is difficult to accept as a matter of principle. These issues, and more, will undoubtedly be considered by the Court of Appeal of England and Wales in the coming year.

- 1 James Lawrence is a Partner at Mills Oakley.
- 2 *Actavis UK Limited v Eli Lilly & Co* [2017] UKSC 48.
- 3 *Patents, Designs and Trade Marks Act* 1883 s.5.
- 4 *Patents Act* 1903 (Cth) s. 36: “A complete specification must fully describe and ascertain the invention and the manner in which it is to be performed, and must end with a distinct statement of the invention claimed.”
- 5 *Clark v Adie* (1875) LR 10 Ch App 667.
- 6 *Beecham Group Ltd v Bristol Laboratories Ltd* [1978] RPC 367.
- 7 *Radiation Ltd v Galliers & Klaerr Pty Ltd* (1938) 60 CLR 36.
- 8 *Catnic Components Ltd v Hill & Smith Ltd* [1982] RPC 183.
- 9 *Catnic Components Ltd v Hill & Smith Ltd* [1982] RPC 183 at 242-243.
- 10 *Kirin-Amgen Inc v Hoechst Marion Roussel Ltd* [2004] UKHL 46.
- 11 Hugh Laddie, ‘Kirin Amgen – the end of equivalents in England?’ (2009) 1 *International Review of Intellectual Property and Competition Law*, 3.
- 12 *Nicaró Holdings Pty Ltd v Martin Engineering Co* (1990) 16 IPR 545.
- 13 *Populin v HB Nominees* (1982) 59 FLR 37.
- 14 See the discussion of the third *Improver* question in *Actavis UK Limited v Eli Lilly & Co* [2017] UKSC 48 at [65] per Lord Neuberger. See also Colin Bodkin, *Patent Law in Australia* (Lawbook Co, 2nd ed., 2014) 463.
- 15 *Improver Corporation v Remington Consumer Products Limited* [1990] FSR 181.
- 16 *Improver Corporation v Remington Consumer Products Limited* [1990] FSR 181 at 189.
- 17 *Improver Corporation v Remington Consumer Products Limited* [1990] FSR 181 at 189.
- 18 *Improver Corporation v Remington Consumer Products Limited* [1990] FSR 181 at 197.
- 19 Cf. Bennett J in *Sachtler GmbH & Co KG v RE Miller Pty Ltd* (2005) 65 IPR 605 as discussed above.
- 20 *Kirin-Amgen Inc v Hoechst Marion Roussel Ltd* [2004] UKHL at [47] to [48].
- 21 *Kirin-Amgen Inc v Hoechst Marion Roussel Ltd* [2004] UKHL at [35].
- 22 *Kirin-Amgen Inc v Hoechst Marion Roussel Ltd* [2004] UKHL at [39].
- 23 *Root Quality Pty Ltd v Root Control Technologies Pty Ltd* (2000) 49 IPR 255; *PhotoCure ASA v Queen’s University at Kingston* (2005) 64 IPR 314; *Sachtler GmbH & Co KG v RE Miller Pty Ltd* (2005) 65 IPR 605; *Baygol Pty Ltd v Foamex Polystyrene Pty Ltd* (2005) 66 IPR 1; *ITW AFC Pty Ltd v Loi and Tran Pty Ltd* (2007) 71 IPR 615; *Uniline Australia Ltd v SB Briggs Pty Ltd* (2009) 81 IPR 42;
- 24 *Sachtler GmbH & Co KG v RE Miller Pty Ltd* (2005) 65 IPR 605.
- 25 *Sachtler GmbH & Co KG v RE Miller Pty Ltd* (2005) 65 IPR 605 at [66] to [67].
- 26 *Root Quality Pty Ltd v Root Control Technologies Pty Ltd* (2000) 49 IPR 255 (2000) 49 IPR 255.
- 27 *ITW AFC Pty Ltd v Loi and Tran Pty Ltd* (2007) 71 IPR 615 at [52].
- 28 *ESCO Corporation v Ronneby Road Pty Ltd* [2018] FCAFC 46.
- 29 *ESCO Corporation v Ronneby Road Pty Ltd* [2018] FCAFC 46 at [144].

Patent infringement post-*Actavis v Eli Lilly*: the treatment of equivalents in the United Kingdom and in Australia

- 30 *Britax Childcare Pty Ltd v Infa-Secure Pty Ltd* [2012] FCA 467 and affirmed in *ESCO Corporation v Ronneby Road Pty Ltd* [2018] FCAFC 46.
- 31 *Interlego AG v Toltoys Pty Ltd* (1973) 130 CLR 461: “If the expression [in the claim] is not clear it is then permissible to resort to the body of the specification to define or clarify the meaning of words used in the claim without infringing the rule that clear and unambiguous words in the claim cannot be varied or qualified by reference to the body of the specification” at 478-9 per Barwick CJ and Mason J.
- 32 See Colin Bodkin, *Patent Law in Australia* (Lawbook Co, 2nd ed., 2014) 463.
- 33 A “Swiss-type” claim is a claim which generally takes the following form: “Use of [compound X] in the manufacture of a medicament for treatment of [condition Y]”. They are generally used in Europe where methods of treatment of the human body are not patentable.
- 34 *Actavis UK Ltd & Ors v Eli Lilly & Company* [2014] EWHC 1511 (Pat).
- 35 *Actavis UK Ltd & Ors v Eli Lilly & Company* [2015] EWCA Civ 555.
- 36 *Actavis UK Limited v Eli Lilly & Co* [2017] UKSC 48.
- 37 *Kirin-Angen Inc. v Roche Diagnostics GmbH* [2001] EWHC 518 (Pat) at [616].
- 38 *Kirin-Angen Inc. v Roche Diagnostics GmbH* [2001] EWHC 518 (Pat) at [627] to [628].
- 39 *Actavis UK Limited v Eli Lilly & Co* [2017] UKSC 48 at [54] to [55].
- 40 While this was considered in *Generics (UK) Ltd t/as Mylan v Yeda Research and Development Company Ltd* [2017] EWHC 2629 (considered above) it was more recently considered by Mr Richard Meade QC in *Fisher & Paykel v ResMed* [2017] EWHC 2748 (Ch) where his Honour thought that Lord Neuberger had, in fact, meant “literal” when he used the term “normal”, although he thought it best to follow the decision in *Mylan* at this stage.
- 41 *Actavis UK Limited v Eli Lilly & Co* [2017] UKSC 48 at [58].
- 42 *Actavis UK Limited v Eli Lilly & Co* [2017] UKSC 48 at [61].
- 43 *Actavis UK Limited v Eli Lilly & Co* [2017] UKSC 48 at [65].
- 44 *Actavis UK Limited v Eli Lilly & Co* [2017] UKSC 48 at [66].
- 45 *Actavis UK Limited v Eli Lilly & Co* [2017] UKSC 48 at [69].
- 46 *Generics (UK) Ltd t/as Mylan v Yeda Research and Development Company Ltd* [2017] EWHC 2629.
- 47 Note that Arnold J indicated that it was not clear from the decision in *Actavis* what precisely was meant by “normal interpretation” although, according to Arnold J, it most likely meant purposive construction: see *Generics (UK) Ltd t/as Mylan v Yeda Research and Development Company Ltd* [2017] EWHC 2629 at [138].
- 48 *Generics (UK) Ltd t/as Mylan v Yeda Research and Development Company Ltd* [2017] EWHC 2629 at [162].
- 49 *Neurizon Pty Ltd v Jupiter’s Ltd* (2004) 62 IPR 569.
- 50 *Gillette Safety Razor Company v Anglo American Trading Co Ltd* (1913) 30 RPC 465
- 51 While *Catnic* was decided after commencement of the EPC, it was concerned with the *Patents Act 1949* (UK).

Report: The Government Response to the Productivity Commission's Final Report on its *Inquiry into Australia's Intellectual Property Arrangements*

Dr Dimitrios Eliades

Background

On 18 August 2015, the then Treasurer Joseph Hockey, requested the Productivity Commission ("the Commission") to undertake an inquiry pursuant to the *Productivity Commission Act 1998* (Cth) into Australia's intellectual property ("IP") arrangements.

On 23 September 2016, the Commission submitted to the Australian Government its final report ("the Final Report"). On 20 December 2016, the Final Report on its *Inquiry into Australia's Intellectual Property (IP) Arrangements* was tabled in Parliament.

The Australian Government published its response to the Final Report in August 2017.¹ There has already been considerable progress in implementing the Government's response. A summary of the Government's responses to the recommendations, together with an update on their implementation is set out below.

Copyright

Recommendation 5.1 – agreements which seek to limit or exclude copyright exceptions – technological protection measures ("TPMs")

The Commission recommended that:

The Australian Government should amend the Copyright Act 1968 (Cth) to:

- *make unenforceable any part of an agreement restricting or preventing a use of copyright material that is permitted by a copyright exception*
- *permit consumers to circumvent technological protection measures for legitimate uses of copyright material.*

The Government supported this recommendation in principle. Recognising that uncertainty and inefficiency can arise where agreements seek to exclude or limit legal copyright exceptions, the Government will further consult on how to best implement this recommendation bearing in mind the reforms to the copyright exceptions themselves.

The Government considered, as did the Commission, that a reform in the area of agreements which seek to exclude or restrict the ability to rely on copyright exceptions, did little in the case of TPMs, as these were usually unilaterally used to override TPMs. The Government indicated that when reviewing the *Copyright Regulations 1969* (Cth) in the second half of 2017, it would consider whether to prescribe particular legitimate uses of copyright material as new TPM exceptions within the ambit of s.249 of the *Copyright Act 1968* (Cth). This was done in December 2017.²

Recommendation 5.2 – circumventing geoblocking technology

The Commission recommended that:

The Australian Government should:

- *amend the Copyright Act 1968 (Cth) to make clear that it is not an infringement for consumers to circumvent geoblocking technology, as recommended in the House of Representatives Standing Committee on Infrastructure and Communications' report *At What Cost? IT pricing and the Australia tax**
- *avoid any international agreements that would prevent or ban consumers from circumventing geoblocking technology.*

The Government noted this recommendation. The Government indicated that geoblocking, a form of TPM where access to content was restricted based upon a user's geographical location, was not open to an approach based on amendments to Australia's law. Other measures such as terms and conditions in consumer contracts or regulatory requirements in countries other than Australia would also govern geoblocking technology. In short, changes to the regulations regarding TPM may not capture all forms giving rise to geoblocking.

The Government said it would consider as stated in relation to Recommendation 5.1, whether TPM exceptions could be created to prescribe particular uses of copyright material prevented by geoblocking (although the *Copyright Regulations 2017* (Cth) as made, do not expressly deal with geoblocking). In terms of international arrangements, the Government was confident that its domestic position would be considered in international agreements and negotiations.

Recommendation 5.3 – parallel importing of books

The Commission recommended that:

The Australian Government should proceed to repeal parallel import restrictions for books to take effect no later than the end of 2017.

The Government supported this recommendation in principle. The Government expressed that it has committed to seeing the regulatory structures and policy did not restrict competition unnecessarily. The Government proposed to consult with the book industry to develop a reform which was in the public interest.

Recommendation 5.4 – transparency of collecting societies

The Commission recommended that:

The Australian Government should strengthen the governance and transparency arrangements for collecting societies. In particular:

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- *The Australian Competition and Consumer Commission (“ACCC”) should undertake a review of the current code, assessing its efficacy in balancing the interests of copyright collecting societies and licensees.*
- *The review should consider whether the current voluntary code: represents best practice, contains sufficient monitoring and review mechanisms, and if the code should be mandatory for all collecting societies.*

The Government referred this matter to the Bureau of Communications and Arts Research. The Bureau published a Draft Report on 14 February 2018 and sought responses by 14 March 2018. At the time of writing, a final report has yet to be published.³

Recommendation 6.1 – a general fair use exception

The Commission recommended that:

The Australian Government should accept and implement the Australian Law Reform Commission (“ALRC”)’s final recommendations regarding a fair use exception in Australia.

The Government noted this recommendation and committed to further consultation in the first half of 2018 on more flexible exceptions, however flagged that although there were arguments that Australia’s current exceptions for fair dealing were too restrictive when compared with international counterparts, the issue was complex and there were different approaches available to address it.

Recommendation 6.2 – Orphan works

The Commission recommended that:

The Australian Government should enact the Australian Law Reform Commission recommendations to limit liability for the use of orphan works, where a user has undertaken a diligent search to locate the relevant rights holder.

The Government supported this recommendation recognising the problems this area creates for creators of content, would be users and collecting societies. The Government referred to the *Copyright Amendment (Disability and Other Measures) Act 2017* (Cth) which established a finite term of protection for unpublished works including where the identity of the author is unknown. This amendment will come into force on 1 January 2019.

The Government undertook to consult on the most appropriate way to limit liability for use of orphan works in the *Copyright Act 1968* (Cth).

On 19 March 2018, the Department of Communications and the Arts (the “Department”) launched a consultation on the modernisation of the *Copyright Act 1968* (Cth). It published a paper to assist with the consultations and sought views on:

- Flexible exceptions – which need to adapt over time to provide access to copyright material in special cases as they emerge.
- Contracting out of exceptions – which can reduce access to copyright material for users.
- Access to orphan works – which exist when copyright owners can’t be found and users lose access to copyright materials.

The Department held a number of face-to-face consultations in early May and invited submissions. The date for making submissions has been extended to 5.00 pm AEST on 4 July 2018. These will be made available on the Department’s website.⁴

Recommendation 19.1 – Safe harbour extension

The Commission recommended that:

The Australian Government should expand the safe harbour scheme to cover not just carriage service providers, but all providers of online services.

The Government supported in principle this recommendation and recognised the limitations of the safe harbour scheme presently only available to carriage service providers, a term defined in the *Telecommunications Act 1997* (Cth) s.87. The Government advised that it was undertaking additional consultation on the safe harbour scheme before considering whether to introduce amendments to the Parliament.

The introduction of a “custom tailored” safe harbour scheme may have been hinted:

This additional consultation will ensure our safe harbour scheme will encourage growth in Australia’s digital economy and ensure a thriving and vibrant creative sector, whilst respecting the interests of copyright holders.

It will be noted that since the Government’s response, on 7 December 2017, the Senate referred the *Copyright Amendment (Service Providers) Bill 2017* (Cth) (“the SP Bill”) to the Environment and Communications Legislation Committee for inquiry and report by 19 March 2018. Submissions were invited and public consultations conducted. The Committee’s Report was tabled on 19 March 2018 and the SP Bill passed the Senate without amendment on 10 May 2018. At the time of writing the SP Bill is before the House of Representatives.⁵

The SP Bill will extend the operation of the safe harbour scheme, from the present “carriage service provider”⁶ to a broader range of “service providers”. The proposed s.116ABA will extend the safe harbour protection to a wider range of service providers in addition to carriage service providers.

These are:

- educational institutions, through their administering bodies, including universities, schools, technical colleges, training bodies and pre-schools;
- libraries that either make their collection available to the public or are Parliamentary libraries, through their administering bodies;
- archives, through their administering bodies, including the National Archives of Australia and specified state archives, galleries and museums;
- key cultural institutions, through their administering bodies, including specific archives and libraries that are not open to the public; and
- organisations assisting persons with a disability.

On 5 June 2018, the Department released an exposure draft of the *Copyright Amendment (Service Providers) Regulations 2018* which set out the conditions necessary to comply with the safe harbour scheme. Comments are due by 5:00pm AEST on 29 June 2018.⁸

Patents

Recommendation 7.1 – an objects clause

The Commission recommended that:

The Australian Government should incorporate an objects clause into the Patents Act 1990 (Cth). The objects clause should describe the purpose of the legislation as enhancing the wellbeing of Australians by promoting technological innovation and the transfer and dissemination of technology. In so doing, the patent system should balance over time the interests of producers, owners and users of technology.

The Government supported this recommendation noting that it had also done so when the former Advisory Council on Intellectual Property (“ACIP”) in its 2010 report was reviewing patentable subject matter. The Government considered that a statement of objectives in the *Patents Act* would provide a clear statement of legislative intent. This would assist the courts in the interpretation of the *Patents Act* 1990 (Cth)

Amendments would be considered to give effect to this recommendation after consideration of the exact wording of the objects clause. Further public consultation would be undertaken.

Recommendation 7.2 – inventive step

The Commission recommended that:

The Australian Government should amend ss. 7(2) and 7(3) of the Patents Act 1990 (Cth) such that an invention is taken to involve an inventive step if, having regard to the prior art base, it is not obvious to a person skilled in the relevant art. The Explanatory Memorandum should state:

- a ‘scintilla’ of invention, or a scenario where the skilled person would not ‘directly be led as a matter of course’, are insufficient thresholds for meeting the inventive step
- the ‘obvious to try’ test applied in Europe would in some instances be a suitable test.

IP Australia should update the Australian Patent Office Manual of Practice and Procedure such that it will consider the technical features of an invention for the purpose of the inventive step and novelty tests.

The Government supported this recommendation and accepted that Australia’s patent standards should be consistent with international best practice, in accordance with the stated objectives of the *Intellectual Property Laws Amendment (Raising the Bar) Act 2012* (Cth).

The Government considered that the *Raising the Bar* reforms made significant improvements to the assessment of inventive step in Australia, however they did not change the fundamental nature of the inventive step test in the *Patents Act* 1990 (Cth) s.7(2), or to the interpretation of that test developed by the courts.

The Commission considered that some differences between the European Patent Office (“EPO”) and Australia still remained. The Government supported assessment of inventive step in Australia so that it was entirely consistent with the EPO.

Recommendation 7.3 – identification of technical features

The Commission recommended that :

IP Australia should reform its patent filing processes to require applicants to identify the technical features of the invention in the set of claims.

The Government supported this recommendation. This recommendation was in line with recommendation 7.2, which the Government also supported. The Government will implement both of these recommendations at the same time.

Recommendation 7.4 – patent fees

The Commission recommended that:

The Australian Government and IP Australia should set patent fees to promote broader intellectual property policy objectives, rather than the current primary objective of achieving cost recovery. To this end, the Australian Government, with input from IP Australia, should:

- restructure patent renewal fees such that they rise each year at an increasing rate (including years in which patents receive an extension of term) — fees later in the life of a patent would well exceed current levels
- reduce the initial threshold for claim fees, and increase claim fees for applications with a large number of claims.

The Government noted this recommendation. The Government considered that IP Australia's fees were already set to balance both innovation and cost recovery policy objectives. The Government was not persuaded that it was necessary for IP Australia to move away from a cost recovery framework at this time to give effect to the intentions of this recommendation. IP Australia would have regard to the recommendation when reviewing patent fees in future.

Recommendation 8.1 – the innovation patent system

The Commission recommended that:

The Australian Government should abolish the innovation patent system.

The Government supported this recommendation. In this regard, the Government noted that this was the recommendation of the Commission and the former ACIP. Both the Commission and ACIP found that the innovation patent system was unlikely to provide net benefits to the Australian community or to the small and medium sized enterprises ("SMEs"). Significantly it was the SMEs who were intended to get the benefit of the simpler cheaper system. The Commission found that most SMEs who used the innovation patent system did not obtain value from it. In addition, at the same as not seeming to deliver the benefit expected, the system imposed significant costs on third parties and the broader Australian community.

The Government noted that one of the purposes of introducing the innovation patent, encouraging SMEs, could be achieved by targeted assistance. In this regard initiatives through the National Innovation and Science Agenda ("NISA") and existing programs such as the R&D Tax incentive, already implemented a number of measures to support SMEs to better understand, secure and utilise their IP.

The initiatives such as the IP Toolkit for Collaboration, Source IP, the Patent Analytics Hub and aspects of the Entrepreneur's Programme, provided grants and advisory services for businesses in certain industry sectors seeking to leverage their IP.

The Government indicated it would seek legislative amendments to the *Patents Act 1990* (Cth) to abolish the innovation patent system, with appropriate arrangements to maintain existing rights. The Government response did not make any reference to international obligations under Agreements with countries who still maintained a utility system.

Recommendation 10.1 – pharmaceutical patents

The Commission recommended that:

The Australian Government should reform extensions of patent term for pharmaceuticals such that they are only:

- (i) *available for patents covering an active pharmaceutical ingredient, and*

- (ii) *calculated based on the time taken by the Therapeutic Goods Administration for regulatory approval over and above 255 working days (one year).*

The Australian Government should reform s. 76A of the Patents Act 1990 (Cth) to improve data collection requirements for extensions of term, drawing on the model applied in Canada. Thereafter no extensions of term should be granted until data is received in a satisfactory form.

The Government noted this recommendation, but did not have any plans to proceed with this recommendation in the form proposed by the Commission. The Government undertook to consult with the sector on ways to improve the patent term extension system.

The Government recognised the importance of patent protection to the pharmaceutical industry and stated that it was aware that the cost of bringing a new pharmaceutical product to market was substantial and involved long R & D lead-times. A pharmaceutical product can only be supplied to the Australian market after it has been assessed by the Therapeutic Goods Administration ("TGA") as meeting the requirements of quality, safety and efficacy and is included in the Australian Register of Therapeutic Goods.

The TGA has the legislative ability to seek further information from the applicant. The Government acknowledges that for many pharmaceutical products, the effective patent life – the period between marketing approval and patent expiry – is reduced by the time taken for companies to obtain evidence to support applications under the subsequent regulatory review process.

The Government noted that the effective patent life of extended Australian patents was 12 months longer on average than those in the United States and the average expiry date of extended Australian patents was 18 months longer than those in the United States.

The Government noted the Commission's recommendation to reform the *Patents Act 1990* (Cth) s.76A to improve data collection requirements for extensions of term. It also noted that since the scheme was introduced in 1999, the Government accessed and analysed much more data. The Government will consider repealing s.76A as the Commission has not identified a convincing case for imposing this regulatory burden.

Recommendation 10.2 – pay for delay agreements

The Commission recommended that:

The Australian Government should introduce a system for transparent reporting and monitoring of settlements between originator and generic pharmaceutical companies to detect potential pay for delay agreements. This system should be based on the model used in the United States, administered by the Australian Competition and Consumer Commission,

and include guidelines on the approach to monitoring as part of the broader guidance on the application of the Competition and Consumer Act 2010 (Cth) to intellectual property (recommendation 15.1).

The monitoring should operate for a period of five years. Following this period, the Australian Government should review the regulation of pay for delay agreements (and other potentially anticompetitive arrangements specific to the pharmaceutical sector).

“Pay for delay agreements” are a legal tactic whereby a branded pharmaceutical product stakeholder may offer payment to generic companies not to bring lower-cost alternatives to market. These “pay for delay” patent agreements have the effect of blocking generic pharmaceutical competition.

The Government supported in principle this recommendation. The Government recognised that pay for delay agreements have the potential to seriously harm competition and innovation in relation to pharmaceuticals.

The Government noted in relation to the concerns raised by some stakeholders, that there was presently no evidence that pay for delay activity was occurring in Australia. Notwithstanding, it did not follow that such activity has not occurred or that incentives to engage in such conduct did not exist.

The Government was aware that pay for delay agreements reached overseas between foreign companies had the very real potential to impact markets in Australia. The Government considered that introducing a reporting and monitoring regime for potentially anticompetitive conduct between pharmaceutical patent owners and generic pharmaceutical manufacturers would improve transparency and would better equip the ACCC to detect any anticompetitive behaviour.

A reporting obligation would deter anti-competitive agreements being struck that harm Australians. In circumstances where there were no pay for delay agreements that impacted detrimentally upon Australians in any one year, it would be of little burden to pharmaceutical firms to advise the ACCC of that matter. The Government would further consider the options for implementing this recommendation.

Trade Marks

Recommendation 12.1 – the grace period; the presumption of registrability and others

The Commission recommended that:

The Australian Government should amend the Trade Marks Act 1995 (Cth) to:

- (a) *reduce the grace period from 5 years to 3 years before new registrations can be challenged for non-use*
- (b) *remove the presumption of registrability in assessing whether a mark could be misleading or confusing at application*

- (c) *ensure that parallel imports of marked goods do not infringe an Australian registered trade mark when the marked good has been brought to market elsewhere by the owner of the mark or its licensee. Section 97A of the Trade Marks Act 2002 (New Zealand) could serve as a model clause in this regard.*

IP Australia should:

- (d) *require those seeking trade mark protection to state whether they are using the mark or ‘intending to use’ the mark at application, registration and renewal, and record this on the Australian Trade Mark On line Search System (ATMOSS). It should also seek confirmation from trade mark holders that register with an ‘intent to use’ that their mark is actually in use following the grace period, with this information also recorded on the ATMOSS*
- (e) *require the Trade Marks Office to return to its previous practice of routinely challenging trade mark applications that contain contemporary geographical references (under s. 43 of the Trade Marks Act)*
- (f) *in conjunction with the Australian Securities and Investment Commission, link the ATMOSS database with the business registration portal, including to ensure a warning if a business registration may infringe an existing trade mark.*

The Government supported the recommendation to reduce the grace period for challenging non-use of a trade mark. The Government considered it beneficial to manage cluttering on the trade mark register. It indicated that it would seek amendments to the *Trade Marks Act 1995 (Cth)* to give effect to this recommendation. Further public consultation would be undertaken on the exposure draft of proposed legislation.

The Government did not support the recommendation to remove the presumption of registrability in assessing whether a trade mark could be misleading or confusing. This was a fundamental principle of the *Trade Marks Act 1995 (Cth)*, which applied to all grounds for rejecting an application.

The Government did not agree with the Commission's suggestion that it was unreasonably difficult to reject a mark on the grounds that it was misleading or confusing. The Government considered that the presumption allowed some discretion to reject a misleading or confusing trade mark.

The Government supported the recommendation to ensure that parallel imports of marked goods did not infringe an Australian registered trade mark when the good has been brought to market elsewhere by the owner or licensee.

The Government accepted that the *Trade Marks Act 1995 (Cth)* s.123 has led to some confusion and did not effectively implement the policy intention of allowing parallel importation of legitimate goods.

The Government supported in principle the recommendation to require a statement of “using” or “intending to use” a mark at application, registration and renewal. The Government would refer the matter to IP Australia to undertake further research and identify any clutter on the Trade Marks Register.

The Government supported the recommendation to routinely challenge trade mark applications that contained contemporary geographical references. The Government agreed that geographical terms in trade marks were a particularly contentious issue in relation to misleading and confusing connotations.

The Government supported in principle the recommendation to link the ATMOSS (now known as Australian Trade Mark Search) database with the business registration portal. The Government agreed that additional assistance for business name applicants was desirable.

The Government referred to a current effort to establish a single online portal for streamlined business and company registration and was continuing to develop the Australian Trade Mark Search to provide additional capabilities.

The inability to cross reference the Trade Mark Register with the business names and corporate names applications has been an issue for some time. A simpler database was created at the time the business names applications came under the auspices of ASIC but it was not compulsory to search the trade mark register in the completion of the business name registration application.

Geographical Indications

Recommendation 12.2 - Geographical Indications

The Commission recommended that: The Australian Government should amend the Australian Grape and Wine Authority Act 2013 (Cth) and associated regulations to allow the Geographical Indications "GI" Committee to amend or omit existing GIs in a manner similar to existing arrangements for the determination of a GI (including preserving the avenues of appeal to the Administrative Appeals Tribunal). Any omissions or amendments to GIs determined in such a manner should only take effect after a 'grace period' determined by the GI Committee on a case by case basis.

The Government supported this recommendation in part. It supported the recommendation that amendments should be made to the process to omit Australian GIs. The Government did not accept the recommendation that amendments should be made to the process to amend Australian GIs.

Plant Breeder's Rights

Recommendation 13.1 - essentially derived variety ("EDV") declarations

The Commission recommended that:

The Australian Government should proceed to implement the Advisory Council on Intellectual Property's 2010 recommendation to amend the Plant Breeder's Rights Act 1994 (Cth) to enable ... EDV declarations to be made in respect of any variety.

The Government supported this recommendation. The Government noted that it had agreed in 2011 to the former ACIP 2010 recommendation to enable EDV declarations to be made in respect of any variety. The Government would seek amendments to the *Plant Breeder's Rights Act 1994* (Cth), including public consultation, to give effect to this recommendation.

Some of these proposals were included in the *Intellectual Property Laws Amendment (Productivity Commission Response Part 1 and Other Measures) Bill 2018* (Cth). The Bill was introduced into Parliament on 28 March 2018. IP Australia has indicated that there will be a separate consultation on the outstanding proposals from the Government Response following passage of the Bill and associated regulations.⁹

Australian Competition and Consumer Law

Recommendation 15.1 – the exception to contravention

The Commission recommended that:

The Australian Government should repeal s. 51(3) of the Competition and Consumer Act 2010 (Cth) (Competition and Consumer Act) at the same time as giving effect to recommendations of the (Harper) Competition Policy Review on the per se prohibitions.

The Australian Competition and Consumer Commission should issue guidance on the application of part IV of the Competition and Consumer Act to intellectual property.

Relevantly, s.53(1) provided an exception to a contravention of a provision of Part IV “Restrictive Trade Practices” other than ss. 46, 46A or 48 by reason of a condition in a licence or assignment of patent, design, copyright or EL rights under the *Circuit Layouts Act 1989* (Cth) or a contract authorising use of a trade mark within the terms of the section.

The Government supported this recommendation and would seek to repeal s.51(3) of the *Competition and Consumer Act*. The Government concluded that it was “generally agreed that there [was] no fundamental conflict between IP rights and competition policy; rather they share the purpose of promoting innovation and enhancing consumer welfare”.

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A caveat was included in the Government's response in that if certain anti-competitive conduct was nonetheless in the public interest, authorisation would be available under Part VII of the *Competition and Consumer Act*.

General

Recommendation 2.1 – policy approach

The Commission recommended that the Government “be informed by a robust evidence base” and “be guided by the principles of effectiveness ... efficiency ... adaptability ... and accountability”.

The Government supported the recommendation. The Government aimed to ensure that the IP system provided incentives for innovation, investment and the production of creative works “while ensuring it does not unreasonably impede further innovation, competition, investment and access to goods and services.”

Recommendation 16.1 – Access policy for publicly funded research

The Commission recommended that:

The Australian, and State and Territory governments should implement an open access policy for publicly funded research. The policy should provide free and open access arrangements for all publications funded by governments, directly or through university funding, within 12 months of publication. The policy should minimise exemptions.

The Australian Government should seek to establish the same policy for international agencies to which it is a contributory funder, but which still charge for their publications, such as the Organisation for Economic Cooperation and Development.

The Government supported this recommendation, which was consistent with current Australian Government policy and the practices in the United Kingdom, United States of America and Europe. The Government advised that its implementation arrangements were being developed in consultation with universities and publicly funded research agencies.

Recommendation 17.1 – Government's coherent and integrated approach to IP

The Commission recommended that:

The Australian Government should promote a coherent and integrated approach to IP policy by:

- *establishing and maintaining greater IP policy expertise in the Department of Industry, Innovation and Science [“DIIS”]*

- *ensuring the allocation of functions to IP Australia has regard to conflicts arising from IP Australia's role as IP rights administrator and involvement in policy development and advice*
- *establishing a standing (interdepartmental) IP Policy Group and formal working arrangements to ensure agencies work together within the policy framework outlined in this report. The Group would comprise those departments with responsibility for industrial and creative IP rights, the Treasury, and others as needed, including IP Australia.*

The Government supported this recommendation. The Government noted that the DIIS had established a dedicated IP Policy Unit in April 2016, which worked with IP Australia and the Communications and the Arts portfolio in developing policy and providing advice to the Government.

The Government had also established a standing interdepartmental IP Policy Group as recommended, designed to develop the Government's policy agenda for IP issues. The Government noted Recommendation 17.2, however the Government did not consider that tasking the IP Policy Group and DFAT to develop guiding principles as recommended would provide additional benefit.

Recommendation 19.2 – Enforcement in specialist IP Court

The Commission recommended that:

- *The Australian Government should introduce a specialist IP list in the Federal Circuit Court [“FCC”], encompassing features similar to those of the United Kingdom Intellectual Property Enterprise Court, including limiting trials to two days, caps on costs and damages, and a small claims procedure.*
- *The jurisdiction of the Federal Circuit Court should be expanded so it can hear all IP matters. This would complement current reforms by the Federal Court for management of IP cases within the National Court Framework, which are likely to benefit parties involved in high value IP disputes.*
- *The Federal Circuit Court should be adequately resourced to ensure that any increase in its workload arising from these reforms does not result in longer resolution times.*
- *The Australian Government should assess the costs and benefits of these reforms five years after implementation, also taking into account the progress of the Federal Court's proposed reforms to IP case management.*

The Government noted this recommendation. The Government recognised that the ability to enforce IP rights in a timely and cost-effective manner was an important

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aspect of the IP system. The Government noted that the FCC commenced a pilot scheme in its Melbourne Registry to streamline its management of IP matters and to increase the awareness of the FCC as an alternative to the Federal Court of Australia. The Government indicated it would continue to explore strategies to enable SMEs to understand that alternative methods of dispute resolution are available outside of the courts.

Conclusion

The Government's conciliatory approach in responding to and implementing the proposals made in the Commission's Final Report indicates an effort to move away from the controversy that dogged the inquiry process. It also sets the agenda for IP policy reform in Australia over the next few years.

- 1 <https://www.industry.gov.au/innovation/Intellectual-Property/Documents/Government-Response-to-PC-Inquiry-into-IP.pdf>.
- 2 <https://www.legislation.gov.au/Details/F2017L01649>.
- 3 See: <https://www.communications.gov.au/have-your-say/reviewing-code-conduct-copyright-collecting-societies>.
- 4 See: <https://www.communications.gov.au/have-your-say/copyright-modernisation-consultation>.
- 5 See: https://www.aph.gov.au/Parliamentary_Business/Bills_Legislation/Bills_Search_Results/Result?bId=s1115.
- 6 *Copyright Act 1968* (Cth) s.10 referring to the meaning of the term in the *Telecommunications Act 1997* (Cth) s.87, which identified "carriage service provider" as a person who supplies, or proposes to supply, a listed carriage service to the public using a network unit owned by one or more carriers.
- 7 The Explanatory Memorandum to the SP Bill page 6.
- 8 <https://www.communications.gov.au/have-your-say/consultation-draft-copyright-amendment-service-providers-regulations-2018>.
- 9 <https://www.ipaustralia.gov.au/about-us/public-consultations/draft-legislation-intellectual-property-laws-amendment-productivity>.

Patent Protection for Software Related Inventions Under Siege in Australia: *Myriad* and the Semantics of *NRDC*

Patrick Conrick¹

In 1959, the High Court of Australia (the “High Court”) provided its renowned decision in *National Research Development Corporation v Commissioner of Patents* (“*NRDC*”),² determining that it was sufficient for a method to produce a useful result, and that no physical thing need be produced, in order to meet the threshold requirement for “manner of manufacture” under the *Patents Act* 1990 (Cth) s.18(1).

The scope of patent claims afforded to software-related inventions in Australia has fluctuated under the influence of various Australian and international court decisions and remains under siege from several quarters: the Australian Patent Office’s examination practices; the Australian Federal Court; the Productivity Commission;³ the Australian Government;⁴ and the High Court; to name the major combatants.

In what can only be described as collateral damage in *D’Arcy v Myriad Genetics Inc* (“*Myriad*”),⁵ the High Court torpedoed with friendly fire the iconic *NRDC* decision in a battle in which *NRDC* was a non-combatant. The *NRDC* case was directed to the question of the patentability of methods and processes. In *Myriad*, the claims in issue related to a chemical substance, not a method of producing the substance. The *Myriad* majority muddied the waters in suggesting that the “useful result test” was not the sole arbiter of patentable subject matter and that new classes of subject matter may be subject to additional rules to determine whether they constitute a “manner of manufacture”. *NRDC* has been further undermined by the Australian Government’s acceptance of the Productivity Commission’s recommendation that patent claims include a technical effect.⁶

Introduction

The de-industrialisation of the Australian economy was a foreseeable and inevitable result of deregulation and globalisation ensuing from the World Trade Organization, the promised blossoming of the elaborately transformed manufacturing industries yet to emerge 30 years on. Australia’s post-industrial economy in the 21st century has much in common with the pre-industrial economy – agriculture, mining, services.

Nevertheless, automation moves on apace. Software is the core of most economic, commercial, and industrial activity. Its commercial production has low barriers to entry – modest capital outlay, adequate training, commercial nous. If Australia is to have a reasonable share of the new economy, our participation in software development must be fostered. Arguably, the primary purpose of a patent system is to promote technical advances to support industry.

Software is the embodiment of the magic pudding, and attracts more than its fair share of pudding thieves. For pudding thieves, stealing software is the work of seconds. Many programs are useful – many programs have commercial value – both characteristics which the *NRDC* High Court

set out as identifiers of patentable subject matter under the “useful result test”.

The primary form of claim for software-related inventions is the method claim. Other, more contrived, claim formats have evolved as patent practitioners and lawyers attempted to meet differing limitations applied by the various courts. Australia’s common law system had historically followed the pre-European Union English law, and the Australian Patent Office had applied “Morton’s Rule” (*Re GEC’s Application*)⁷ to determine the patentability of method claims.

Not surprisingly, much of the software-related patent litigation in common law jurisdictions has occurred in the United States of America (“USA”). Again, as to be expected, many of the cases originated in the corresponding Patent Offices which were concerned least the floodgates be overwhelmed. A major point of contention has been whether the claimed subject matter fell within the statutory definition of “invention”.

While the patentability of many software applications is uncontroversial, some method claims are unpatentable, and there is also a grey area. In the doubtful class, the terms “business methods” and “schemes” are often used as a

ground of rejection. “Schemes”, per se, have been part of the excluded subject matter for many years. “Business methods” have come to prominence with the advent of the computer age. What is often overlooked during examination is that the prohibition on “schemes” bars these items “as such” (see, e.g., *Grant*).⁸ To ban them when applied in a computer is counter to *Hickton*.⁹ *Hickton* was not discussed in *Grant*. According to *Hickton*, if there is inventiveness (non-obviousness) in the “scheme”, that is sufficient to qualify it as patentable subject matter. If the “scheme” is obvious, the inventiveness would need to be found in the computerisation of the “scheme”, but that is not a matter of patentable subject matter.

The production of “information” has often been found insufficient to qualify a method as statutory subject matter.¹⁰ In *Grant*, the Full Court of the Australian Federal Court discussed the patentability of “schemes” and “business methods”, and, having required something more than “intellectual information”, held that “a change in the state or information in a part of a machine” could be regarded as patent worthy “physical effects”. That is, a mental “scheme” or method producing intellectual information did not suffice but a computer implementing such a method, novelty and inventive step aside, did. The rider on this is the residual novelty threshold identified in *Mirabella*,¹¹ which the High Court conjured to fill the lacuna in the new statutory definition in the *Patents Act* 1990 (Cth) of the “prior art base” by the omission of prior art disclosures in the contested patent specification. The High Court held that such disclosures could be used to deprive the claimed invention of the character of a “manner of manufacture”.

The term “business method” is insufficiently precise to form a general exclusionary category, and the courts have insisted that such cases, indeed all cases, be determined on their specific facts (see, e.g., *IBM v Commissioner of Patents*).¹²

In 1959, the High Court gave its decision in *NRDC*. The High Court expressly examined the question of whether it was sufficient for a method to produce a useful result, or whether it was necessary that a physical thing be produced or affected, clearly deciding in favour of a useful result test.¹³ The US Supreme Court had anticipated the “useful result test” by more than 100 years in *Corning v Burden*.¹⁴ Until recently, the farsighted and widely acknowledged “useful result test” propounded by the High Court in *NRDC* had been the binding law in Australia in relation to the patenting of methods. However, this test has since been criticised by the Australian Patent Office, the Australian Federal Court, the Productivity Commission, the Australian Government, and the High Court.

Since the 1990s, the Australian Patent Office has usually adopted an approach tending to limit the scope of claims for software-related inventions, on the grounds that they do not constitute a “manner of manufacture” as required under the 1952 and 1990 *Patents Acts* (Cth). The “manner

of manufacture” formulation traces its origins to s.6 of the *Statute of Monopolies* (1623), which was the only prerequisite for the validity of a patent.

The Australian Federal Court has, on occasion, read down the scope of the original *NRDC* “useful result test”, to require a “useful physical result”. More recently the High Court in *Myriad*¹⁵ muddied the waters in suggesting that new classes of subject matter may be subject to additional rules to determine whether it constitutes a “manner of manufacture”. The Government accepted the Productivity Commission’s recommendation mandating a technical contribution in patent claims, following the European requirement without relevant reference to the *NRDC* test, and (in the author’s view) while having an erroneous understanding of the law in the USA.¹⁶ Australia’s common law system is not well accommodated to the European Napoleonic law system.

The Australian Parliament has awarded broad statutory protection, granting software *de facto* trade secret protection under the *Copyright Act* 1968 (Cth) by the subtle *leger de main* camouflaged in the double negatives and excisions in ss.47B(3)(b), 47B(5) and 21(5)(b). While purporting to identify non-infringing dealings with computer programs, these sections prevent most decompilations or publications of a computer program. Proponents of the “useful result test” may also derive some comfort from the fact that statutory patent protection for software has remained comparatively static over the last 20 or so years.

This article urges a close analysis of, and reinstatement of, *NRDC* to highlight current misconceptions of that decision, so that the scope of statutory subject matter is not unduly limited.

The legislative scheme

The *Patents Act* 1990 (Cth) s.45, so far as relevant, states:

- (1) ... , the Commissioner must examine the request and specification and report on:
 - (b) whether, to the best of his or her knowledge, the invention, so far as claimed, satisfies the criteria mentioned in paragraphs 18(1)(a), ...; and
 - (d) such other matters (if any) as are prescribed.

The *Patents Act* 1990 (Cth) s.18(1)(a), so far as relevant, defines a patentable invention as one which:

is a manner of manufacture within section 6 of the Statute of Monopolies.

Alack, the *Mirabella* High Court descried the term “manner of new manufacture” (emphasis added) in the *Statute of Monopolies* 1623, significantly undermining the statutory intention to separate “method of manufacture” from “newness”. The High Court felt compelled to import a residual novelty test into the concept of “manner of

manufacture” because the new definition of “prior art base” omitted admissions of prior art within the patent specification under review.

Morton's Rule

In *Re GEC's Application*, Morton J set down in 1942 what became known as “Morton's Rule”, which was to become something of a shibboleth while, at the same time, a rule of thumb for Australian Patent Office examiners, much against Morton J's express wishes¹⁷ and in the face of the High Court's *NRDC* decision. Morton's Rule is:

a method or process is a manner of manufacture if it:

- (a) *results in the production of some vendible product or*
- (b) *improves or restores to its former condition a vendible product or*
- (c) *has the effect of preserving from deterioration some vendible product to which it is applied.*¹⁸

Unfortunately, Morton's Rule glossed over the United States Supreme Court's decision in *Corning v Burden*¹⁹ which pronounced a “useful result” type test in 1854:

It is for the discovery or invention of some practical method or means of producing a beneficial result or effect, that a patent is granted, and not for the result or effect itself... the term “process” is used to represent the means or method of producing a result...

Morton J disavowed any intention that what came to be known as his “Rule” should be adopted as a hard and fast decree, but it was seized upon by the Australian Patent Office as a *tabula in naufragio* in anticipation of a perceived tidal wave of software-related patent applications.

NRDC

The law in Australia in relation to the suitability of method claims as patentable subject matter was set out in the High Court's widely acclaimed and frequently misunderstood *NRDC* decision in 1959.

The *NRDC* decision is worthy of careful consideration. In particular, it is important to consider the various formulations for patentable subject matter used by the Judges in their proper context.

NRDC's general test for “manner of manufacture”

Many judges and commentators have thought that the *NRDC* decision required the answer to the question:

*Is this a proper subject of letters patent according to the principles which have been developed for the application of s. 6 of the Statute of Monopolies?*²⁰

This formulation demands an analysis of earlier decisions, not to discover what subject matter was found to be within

or outside the scope of “manner of manufacture”, but to identify the principles developed for the application of the statutory requirement. Some attempts to follow the High Court's injunction have collected earlier decisions and looked at the subject matter which had been denied patentability. However, this is not what the *NRDC* decision requires. The principles underlying the decisions are to be derived from the Judges' reasoning, not the specific facts of the cases. As the High Court (and many respected earlier and later decisions) maintained, each case must be considered on its own facts in accordance with the established principles. Other than statutory exclusions, there should be no blanket exclusion of any class of subject matter. The High Court characterised the inquiry into patentable subject matter as:

*[A]n inquiry ... into the breadth of the concept which the law has developed by its consideration of the text and purpose of the Statute of Monopolies.*²¹

Under the broad philosophical umbrella of the principles developed for the application of the *Statute of Monopolies* 1623 s.6, the High Court got down to brass tacks, rhetorically asking itself whether a useful result alone would suffice, or whether action on a physical object was necessary.²² The High Court then approved the “useful result test” derived from *Boulton v Bull* (1795),²³ and went further by indicating that this test, or any other test, could only serve as a “go-gauge”, and that there could be no “no-go-gauge”. The High Court stated:

*The truth is that any attempt to state the ambit of s. 6 of the Statute of Monopolies by precisely defining “manufacture” is bound to fail. The purpose of s. 6, it must be remembered, was to allow the use of the prerogative to encourage national development in a field which already, in 1623, was seen to be excitingly unpredictable. To attempt to place upon the idea the fetters of an exact verbal formula could never have been sound. It would be unsound to the point of folly to attempt to do so now, when science has made such advances that the concrete applications of the notion which were familiar in 1623 can be seen to provide only the more obvious, not to say the more primitive, illustrations of the broad sweep of the concept.*²⁴

To allow for scientific advances, all tests for patentable subject matter must be open-ended and non-exclusive. Effectively, satisfaction of the “useful result test” was held to be a sufficient, but not necessary, condition.

To properly understand the reasoning of the *NRDC* decision, it is necessary to consider various formulations cited in subsequent cases in context. To do this, the decision should be considered as being set out in three sections:

- a first section, establishing the “useful result test”;²⁵
- a second section, considering the reasoning of earlier decisions with special attention paid to *Re GEC's Application*, the source of Morton's Rule;²⁶ and

- a third section, which applies the law to the facts of the *NRDC* case.²⁷

In the first section, the High Court, while pointing out that it was bootless to apply a verbal limitation on the statutory concept of “manner of manufacture”, set out to identify a broad general test for patentability of method claims: the “useful result test”. The High Court stated:

*But a question which appears still to await final decision is whether it is enough that a process produces a useful result or whether it is necessary that some physical thing is either brought into existence or so affected as the better to serve man's purposes.*²⁸

In answering its own question as to the applicability of the “useful result test”, sans “physicality”, the High Court cited with approval the term “effects useful to the public”, a formulation attributed to the “powerful judgment” of Eyre CJ in *Boulton v Bull*, which the High Court commended for not making reference to “vendible product”, in contrast to the “heretical” judgment of Heath J.²⁹

The justly famous “useful result test” was intended as an inclusive test to determine the suitability of method claims as patentable subject matter. A method which produced a useful result was held to fall within the statutory requirement for a “method of manufacture”. The High Court exemplified the nature of subject matter which qualified as “manner of manufacture” under the “useful result test” as having economic value, or commercial, or industrial, or trading character. As in all sound decisions on this topic, the High Court was careful to point out that the limits of statutory subject matter should not be set in concrete. Any limitations are the prerogative of the Government.

The second and third sections of the *NRDC* decision use a number of terms as guidelines to understanding the “useful result test” and as illustrating compatibility with earlier decisions.

In the second section of the *NRDC* decision, the adjective “useful” calls up a distinction between useful arts and fine arts,³⁰ while “result” encompasses every end produced. In a passage relevant to the later *Myriad* decision, the *NRDC* High Court said:

*There may indeed be a discovery without invention - either because the discovery is of some piece of abstract information without any suggestion of a practical application of it to a useful end, or because its application lies outside the realm of 'manufacture'.*³¹

NRDC does not impose a strict prohibition on information. Rather, it argues that a suggestion of practical application of information is patentable. In considering earlier cases, the High Court identified “a widening conception of the notion (which) has been a characteristic of the growth of patent law.”³²

The High Court reviewed supporting decisions of the English courts and attempted to “reconcile” Morton’s Rule, a rule which the High Court found overly narrow and “much in need of amendment”, with the “useful result test”, and sought to revise Morton’s Rule to give the appearance of conformity with the “useful result test”. It was only by interpreting “vendible” as encompassing characteristics such as trading or industrial character, or utility in practical affairs, and interpreting “product” as every end produced, (including incorporeal phenomena) that the High Court appeared able to reconcile Morton’s Rule with the “useful result test”.

In the third section, the High Court considered the facts of the *NRDC* case in the light of the new test, finding that the result of the claimed method was a “vendible product” per the High Court’s reinterpretation of this expression, in which “vendible” was equated with economic significance or economic utility and “product” was equated with “an artificially created state of affairs”.

The High Court applied the “useful result test” to the facts of the case under consideration. Many commentators³³ have taken qualifications in the second and third sections as being limitations on the “useful result test”, but it is incontrovertible that the High Court endorsed the “useful result test” in the first section of their decision.³⁴

***NRDC* and Morton’s Rule**

The *NRDC* High Court found that Morton’s Rule was not intended as a rigid diktat, and held the test to be much in need of a generous interpretation if it were not to be considered otiose. The High Court found that any fault in Morton’s Rule was not on the score of it being too wide, and that it must be considered as substantially qualified by the comments of Evershed J in *Cementation* (1945) to the effect that “product” was to be interpreted broadly, and could be substituted by, *inter alia*, “result”, and not confined to the common acceptance of “product”.

The problem with Morton’s Rule, apart from its narrowness, is that, as the High Court stated, to approach the issue with the question “*Is this a manner (or kind of) manufacture?*” is

*... a mistake which tends to limit one’s thinking by reference to the idea of making tangible goods by hand or by machine.*³⁵

Having found that Morton’s Rule was inadequate, the *NRDC* High Court effectively abolished the term “vendible product” as a yardstick for patentability by substituting broader, more generic terms. The High Court substantially emended Morton’s Rule, by redefining the words “vendible” and “product” to conform with the “useful result test”.

In the 2013 Federal Court of Appeal decision, *RPL Central Pty Ltd v Commissioner of Patents* (“*RPL*”), Justice Middleton stated that the High Court cited Morton’s Rule “with

approval”.³⁶ His Honour, with respect, was misinformed. The High Court said that the Rule was “as much in need as the statute itself of a generous interpretation”, and that any shortcomings it had was not on the count of being too wide.³⁷ In its analysis of the Rule, the High Court said that the only way the Rule could be made to approximate a reasonable semblance of the intended scope of the term “manner of manufacture”, was by replacing the words “vendible” and “product” with different, more generic words, citing³⁸ decisions of a number of respected English patent Judges, such as Evershed J in *Re Cementation Co. Ltd’s Application*³⁹ and in *Re Rantzen’s Application*,⁴⁰ and Lloyd-Jacob J in *Re Elton and Leda Chemicals Ltd’s Application*.⁴¹

Federal Court criticisms of the “useful result test”

A number of decisions of the Federal Court of Appeal (*CCOM*,⁴² *RPL*⁴³ and *Research Affiliates*⁴⁴) have sought to reinterpret the *NRDC* “useful result test” to require a “useful physical result”. This term appears in *NRDC* only as a recitation of the appellant’s submission, and is clearly quashed by the High Court’s derivation of the “useful result test” discussed above.⁴⁵

In the 1994 Federal Court of Appeal decision, *CCOM*, Spender, Gummow, and Heerey JJ cited *NRDC* for the proposition that a “useful physical result” was required. The saving grace of *CCOM* was the Court’s reliance on the following statement from *International Business Machines Corporation’s Application*:⁴⁶

More than “intellectual information” was involved because the method was involved in the program and in the apparatus in physical form.

and (following Burchett J in *International Business Machines Corporation v Commissioner of Patents*),⁴⁷ the following statement from *Burroughs Corporation (Perkin’s) Application*:⁴⁸

There, Graham J, delivering the decision of himself and Whitford J, had expressed the view that computer programs which have the effect of controlling computers to operate in a particular way, where such programs are embodied in physical form, are proper subject matter for letters patent.

The *CCOM* Federal Court of Appeal cited with approval Graham J’s broad statement:

*(I)t is not enough to take a narrow and confined look at the “product” produced by a method. Of course, if a method is regarded purely as the conception of an idea, it can always be said that the product of such a method is merely intellectual information. If, however, in practice the method results in a new machine or process or an old machine giving a new and improved result, that fact should in our view be regarded as the “product” or the result of using the method, and cannot be disregarded in considering whether the method is patentable or not.*⁴⁹

Returning to Middleton J’s statement in *RPL* that the High Court in *NRDC* had cited with approval *Re GEC’s Application*, the High Court found Morton’s Rule to be in need of a generous interpretation, to err on the side of narrowness, and to be substantially qualified by the comments of Evershed J in *Re Cementation Co. Ltd’s Application* and in *Rantzen’s Application*, and Lloyd-Jacob J in *Re Elton and Leda Chemicals Ltd’s Application* – certainly not a glowing endorsement.

In the Federal Court’s 2014 decision, *Research Affiliates*, Kenny, Bennett, and Nicholas JJ, after acknowledging that the use of the term “useful physical result” was as part of the submission of one of the parties,⁵⁰ proceeded to use the term as the ratio of *NRDC*.⁵¹ The Court conceded that the claim did produce a useful result, but found that it related to non-statutory subject matter because the result lacked physicality. The Court characterised the claimed invention as a “scheme” while acknowledging that it was embodied in a computer. This would seem to conflict with the decision in *Hickton* that, if the invention lies in the idea or “scheme”, no further invention is necessary in implementing the idea or “scheme”. *Hickton* was not mentioned in the *Research Affiliates* decision.

A paper by Justice Greenwood in 2010 referred to the fact that the High Court had pointed out that it had not been decided whether a useful result sufficed or whether action on some physical thing was required, leaving the impression that the High Court had left this issue hanging.⁵² However, read in context of the primary question, “Is this a proper subject of letters patent according to the principles which have been developed for the application of s. 6 of the Statute of Monopolies?”, the High Court immediately after stating the useful result issue, and having noted in the “heretical” judgment of Heath J in *Boulton v Bull* the use of the term “vendible matter” and the use of the term “vendible product”, stated that “no such expression appears in the powerful judgment in which Eyre CJ had maintained the opposite view ...” The section of the judgment of Eyre CJ to which the High Court referred had been quoted by the High Court in the same paragraph one sentence before posing the question. This, in the context of deriving principles from earlier judgments, can only be read, in my view, as an endorsement of Eyre CJ’s use of the term “effects useful to the public”.

Commentators such as McEniery⁵³ have found that there is no physicality requirement. Fitzgerald and Phillips⁵⁴ also support the use of *NRDC* to determine the patentability of software-related inventions. Hence, until *Myriad*, *NRDC* clearly provided a sufficient test for patentability.

Productivity Commission’s Report on Australia’s Intellectual Property Arrangements

The Productivity Commission’s 2016 *Report on Australia’s Intellectual Property Arrangements* (the “Productivity Commission’s Report”) made recommendations which

would affect the statutory interpretation of the fundamental subject of patent law, the meaning of the term “manner of manufacture”. The Productivity Commission’s *Report* recommended a requirement for a technical contribution in patent claims. Conspiracy theorists may discern the hand of the Australian Patent Office in this recommendation as examination reports have for many years attempted to apply such a limitation on claims for computer-related inventions.

The Productivity Commission’s analysis of the topic is notable more for its omissions than its comprehensive compass of the relevant factors. The analysis makes scant reference to *NRDC*, the leading Australian decision on the topic of patentability of methods and processes, citing the High Court’s reference to “an artificially created state of affairs in a field of economic endeavour”. The cited formulation falls within the third portion of the *NRDC* decision in the last page of the decision, in which the High Court is applying the “useful result test” to the specific facts of the *NRDC* case. The associated footnote in the Productivity Commission’s *Report* notes:

In D’Arcy v Myriad Genetics Inc & Anor [2015] HC 35, the High Court said that an artificially created state of affairs in the field of economic endeavour was not exhaustive of the concept of manner of manufacture [at 20].⁵⁵

Recommendation 7.3 of the Productivity Commission’s *Report* advocates adopting a restricted definition of patentable subject matter in relation to software related inventions by including a requirement for a technical contribution.⁵⁶ This recommendation was accepted by the Australian Government in 2017. To justify the adoption of the “technical contribution test”, the Government response cites conformity with international best practice, and then asserts that this requires alignment with the European Patent Office practice.⁵⁷

European practice can, with some justification, be analogised by the design of a horse by a committee. The Productivity Commission’s *Report* states in relation to the European practice in relation to the statutory exclusion of computer software “as such” from patentable subject matter:

While a general practice is emerging, the wording has led to numerous court cases, and clear guidance is still lacking as to what should or should not be considered patentable material.⁵⁸

The European legal system is not a common law system, so attempting to align the *Patents Act* 1990 (Cth) with European law will fit as well as the proverbial square peg in a round hole. In an age when technological advances are growing at an exponential rate, the *Patents Act* 1990 (Cth) needs to have the ability to adapt to these advances. As the High Court said in *NRDC*:

To attempt to place upon the idea the fetters of an exact verbal formula could never have been sound. It would be unsound to the point of folly to attempt to do so now, when science has made such advances that the concrete applications of the notion which were familiar in 1623 can be seen to provide only the more obvious, not to say the more primitive, illustrations of the broad sweep of the concept.⁵⁹

Another problem with the Productivity Commission’s analysis of the technical contribution requirement is that is discussed under the headings of both newness (novelty/inventive step) and “manner of manufacture”. The *Patents Act* 1990 (Cth) was intended to draw a bright line between newness and “manner of manufacture”, *Mirabella* papering over the legislative cracks in the prior art base.

In addition, the analysis includes a flawed understanding of the position in the USA, the Productivity Commission citing the “machine-or-transformation test” propounded by the en banc Full Federal Court in *In re Bilski*,⁶⁰ as the exclusive test. This was held by the US Supreme Court in *Bilski v Kapos*,⁶¹ to be a sufficient but not necessary requirement in a similar manner to the *NRDC* finding in relation to Morton’s Rule. The United States Supreme Court found that, analogously to Morton’s Rule, the “machine-or-transformation test” was too narrow and would exclude patentable worthy inventions.

The “machine-or-transformation test” was stated in the following terms:

claimed process is surely patent-eligible under §101 if: (1) it is tied to a particular machine or apparatus, or (2) it transforms a particular article into a different state or thing.

The “machine-or-transformation test” is thus the unquiet ghost of Morton’s Rule.

Given the common law origins of our judicial system, the case for aligning the Australian test with the European test is diminished by Brexit. In addition, the *NRDC* decision, which posits the distinction between the useful arts and the fine arts as one differentiator of patentable subject matter,⁶² is more closely aligned with the position in the USA where 35 USC §101 refers to patentable subject matter as including any “useful process”, defining process as including “process, art or method”.

The “useful result test” allows more flexibility than the Germanic precision or Gallic certainty of the “technical contribution test”. Until *Myriad*, the *NRDC* “useful result test” had remained the authoritative precedent in Australia in relation to method claims.

The Productivity Commission cited the decisions of the Australian Full Federal Court in *Research Affiliates*⁶³ and *RPL Central*⁶⁴ to support the use of the “technical contribution test”. The *RPL* decision states:

The fact that it is a scheme or business method does not exclude it from properly being the subject of letters patent, but it must be more than that. There must be more than an abstract idea; it must involve the creation of an artificial state of affairs where the computer is integral to the invention, rather than a mere tool in which the invention is performed. Where the claimed invention is to a computerised business method, the invention must lie in that computerisation. It is not a patentable invention simply to 'put' a business method 'into' a computer to implement the business method using the computer for its well-known and understood functions.⁶⁵ (Emphasis added).

Clarifying the “technical contribution test”, the Productivity Commission lists a number of qualifications and disqualifications. A problem with this approach is that it assumes omniscience as to future technical advances, something that was cautioned against by Eyre CJ in *Boulton v Bull* over 200 years ago as well as in *NRDC*.

The requirement for the computer to be integral to the invention is contrary to *Hickton's Patent Syndicate*.⁶⁶ Further, the “technical contribution test” applies a point-of-novelty approach, foreign to Australian precedent. In addition, it imposes a double invention requirement. Applying a double invention requirement disregards the long-standing UK High Court decision in *Hickton* endorsed by the Australian High Court in *NRDC*, that, where there is invention in the idea, there is no objection to patentability simply because it is easy to implement the idea. Only one invention is required. The additional onus on implementation is contrary to *Hickton* where the idea is inventive. The *Hickton* decision was not raised in *RPL* and is not discussed in the Productivity Commission's *Report*.

The “technical contribution test” is based on European law, which is alien to the Australian legal system. The concept of judicial precedent is not a part of European civil law. Adoption of the European test will make the Australian courts subservient to the decisions of European courts in a matter of major economic and technical significance. Adoption of the “technical contribution test” will result in the exclusion of patentable inventions. Brexit somewhat reduces the relevance of European Union (“EU”) law, in that Britain will need to re-establish a precedence base without being bound by EU decisions.

Given the fundamental nature of the precedents which the Productivity Commission wishes to sweep away, it would be foolish to adopt this proposal without a dedicated review of patentable subject matter to enable a proper canvassing of the issue.

D'Arcy v Myriad

Facts

The Australian High Court in *Myriad* has rewritten the rules for determination of the issue of statutory subject

matter. The six High Court Judges delivered three separate judgments. The majority judgment was delivered by French CJ, Kiefel, Bell and Keane JJ. A concurring judgment was delivered by Gageler and Nettle JJ. An independent judgment was delivered by Gordon J. All judgments found the patent invalid. For reasons set out below, it is argued that the judgment of Gordon J should be preferred.

Australian patent AU686004, filed on 11 August 1995, had 30 claims. The patentability of claims 1 to 3 was in issue. Claim 1 defined an isolated nucleic acid.⁶⁷ Claims 2 & 3 were appended to claim 1.

The only ground for appeal was that the claims did not define a “manner of manufacture” as required under *Patents Act 1990* (Cth) s.18(1)(a) which invokes the *Statute of Monopolies* s.6. Both the Australian Federal Court of Australia and the Australian Full Federal Court found for the patentee.

In the High Court, the patentee argued that the isolated sequence was “an artificially created state of affairs of economic significance” (a formulation found in *NRDC* as a subset of the “useful result test” applicable to the specific facts of the *NRDC* case) because the isolated sequence was not found in nature and had to be separated from the complete DNA assemblage.

The *Myriad* majority

The majority decision is open to criticism on a number of grounds:

- *NRDC* is inappropriate as a product test;
- finding that the *NRDC* “useful result test” was not sufficient as an exclusionary criterion;
- misunderstanding precedent; and
- finding that the *Myriad* claims are information, not chemical formula.

Inapt use of *NRDC*

NRDC was relied on by the patentee to characterise statutory subject matter. *Myriad* was not a case to which *NRDC* was relevant or applicable. *NRDC* is specific to method claims. *Myriad* claims were for a product. This point was made by Gordon J in a separate decision in *Myriad*.

The context of *NRDC* was that of determining whether Morton's Rule, relied on by the Australian Patent Office to reject method claims, was the appropriate test for determining whether method claims qualified as statutory subject matter. The difference between method claims and product claims had been a clear since *Boulton v Bull* in 1795.

The majority of the *Myriad* Court⁶⁸ noted that *NRDC* required that each case was to be treated on its own facts, applying common law methodology. This is an incontrovertible statement.

Product or information

In relation to the Australian Full Federal Court's classification of the claimed isolated nucleic acid as a chemical formula rather than information and as being "an artificially created state of affairs for economic benefit", the High Court's majority in *Myriad* denied that this disclosed "a pathway to patentability", holding that this was so even if the claims were characterised as product claims. The High Court also found that economic significance is not demonstrated by stating that the "artificially created state of affairs" was a step along the way to "an artificially created state of affairs of economic significance". As discussed above in relation to *NRDC*, the "artificially created state of affairs of economic benefit" was an expression used by the *NRDC* court in relation to the facts of the case as a sub-set of the "useful result test".

The majority criticised the characterisation of the claimed subject matter as a chemical compound as exalting form over substance – the "substance" being information. This journey into the metaphysical seems to the author to be somewhat abstruse. Chemical elements are specified in the claims. The information is derived from the chemical formula. As James Watson noted in his *amicus curiae* brief in *Association for Molecular Pathology v Myriad Genetics Inc*,⁶⁹ DNA is a chemical compound, and its significance to genetic engineers may be as information. However, this does not appear to detract from the fact that, to a run-of-the-mill chemist, a chemical formula of a compound contains information as to the characteristics of the compound. Classifying genetic code as information is akin to anthropomorphism, or at least elevates a secondary characteristic over the primary characteristic of a chemical formula. DNA long predates the existence of human intelligence. To carry on the "information" analogy, genetic code is not mere abstract information. It is a set of instructions for instilling specific characteristics in a living being, and cannot be said to fall into the *NRDC* exclusion of "abstract information without any suggestion of a practical application of it to a useful end", at least not without an analysis of "useful end".

In fact, the majority held that whether classified as a product or as information, the claims did not disclose a pathway to patentability. Both the product and the information are naturally occurring. This qualification on the use of "information" as an exclusionary characteristic may be seen by those unenthused by the decision as a reservation as to the broad applicability of the characterisation of information as a disqualifier from patentable subject matter. Indeed, it is likely the High Court did not intend to exclude altered genetic code from patentability, which, from an information characterisation viewpoint, differs not at all from the unaltered code. Thus, the Court has used the braces of lack of novelty (*Mirabella* "newness" as part of the "manner of manufacture" test) or absence of manufacture as a fall-back position.

The *Myriad* Court thought that patent law should not be expanded to new areas of endeavour without parliament's imprimatur. However earlier courts were keen to ensure that creativity in new fields could be protected, as shown by the *NRDC* endorsement of *Boulton v Bull*.

The matter could have been readily resolved by a finding that claims relate to a discovery, not to an application of the discovery. The majority pointed out that Australian patent law has an equivalent to the US exclusion of products of nature, pointing out that neither a mere discovery nor an idea is patentable.

The (possibly) unintended consequence of classifying DNA formulae as information is that claims for sequences altered by human action would also be unpatentable. The majority raised issues of specific relevance to unaltered isolated sequences. The majority decision should be read as applying only to isolated, unaltered genetic sequences. The use of information as a broad disqualifier should not be followed.

In relation to the majority's finding that the substance of the claims related to information and was thus outside the concept of "manner of manufacture", and could not be brought within the statutory requirements by analogy (a process endorsed in *NRDC*), the majority put forward different arguments.

In support of their finding that the substance of the claim was not a chemical formula, but information, the majority cited the *Shorter Oxford English Dictionary* for a definition of "information" which reads:

Without necessary relation to a recipient: that which inheres in or is represented by a particular arrangement, sequence, or set, that may be stored in, transferred by, and responded to by inanimate things.

The High Court concluded that, because in their opinion, the claim could satisfy the definition of information, the claim in substance claimed information. As Lewis Carroll's wall-sitting egg would have said "When I use a word ... it means just what I choose it to mean ..."⁷⁰ *A fortiori*, following that logic, the claims are, without semantic gymnastics, chemical formulae for a "product" in the patent sense.

Their Honours also referred to a similar *Myriad* case⁷¹ in the US Supreme Court involving somewhat similar claims. The US *Myriad* decision was based on the exclusion of works of nature rather than the classification of the claimed subject matter as information. The US claims were different from the Australian claims. The US claims defined "an isolated DNA coding for a BRCA1 polypeptide". The Australian claims were for "an isolated nucleic acid". The US claims were directed to DNA coding. The Australian claims were for a nucleic acid.

The US Supreme Court explained that the form of claim chosen by *Myriad* was intended to cast a wider net than a claim for the chemical formula which, they considered, could be easily circumvented by snipping out a larger sample of DNA than that defined in the claims. This makes reliance on the US decision in interpreting the subject matter of the Australian claims as information questionable.

Even Gordon J's interpretation of *Hickton*, with respect, requires clarification. Her Honour cites the reference to the statement by Fletcher Moulton LJ in that case by the High Court in *Lockwood v Doric* to the effect that:

*In my opinion, invention may lie in the idea, and it may lie in the way in which it is carried out, and it may lie in the combination of the two; but if there is invention in the idea plus the way of carrying it out, then it is good subject-matter for Letters Patent.*⁷² (The underlined phrase being omitted by the *Lockwood* HCA.)

Gordon J made the point that the *Lockwood* High Court omitted the underlined phrase. This passage in isolation, and taking into account Gordon J's emphasis on the words "plus the way of carrying it out" suggests that Fletcher Moulton LJ required additional invention above the idea. However, in the preceding passage, the Lord Justice stated:

*To say that the conception may be meritorious and may involve invention and may be new and original, and simply because when you have once got the idea it is easy to carry out, that deprives it of the title of being a new invention according to our patent law, is, I think, an extremely dangerous principle and justified neither by reason, nor authority.*⁷³

Hence, in the passage cited by Gordon J, Fletcher Moulton JL was pointing out that where invention existed in both the idea and the means of carrying it out, there was a double qualification for "manner of manufacture". To be clear, *Hickton* and *NRDC* require only one invention.

Myriad* and *NRDC

In *Myriad*, the relevant principles defining "manner of manufacture" were discussed with reference to *NRDC* and the *Statute of Monopolies 1623*, noting that *NRDC* had identified a widening of the concept, developments in science necessitating such widening.

NRDC was cited as generalising Morton's Rule so that "product" encompassed every end produced, and vendible denoted utility in practical affairs.⁷⁴ As noted above in relation to *NRDC*, an "artificially created state of affairs of economic significance test" is a subset of the "useful result test", and was the formulation used by the *NRDC* High Court specifically relating to the facts of *NRDC* rather than being intended to narrow or qualify the test.

The *Myriad* majority then downgraded the *NRDC* "artificially created state of affairs of economic significance test" by confining it to the context in which it was used, holding:

*It was not intended as a formula exhaustive of the concept of "manner of manufacture", noting that the *NRDC* court has pointed out that placing "an exact verbal formula [defining "manner of manufacture"] could never have been sound.*⁷⁵

As discussed above, this proviso follows immediately upon the *NRDC* Court's approval of the "useful result test", clearly establishing the test as a sufficient, but not necessary test,⁷⁶ the whole tenor of *NRDC* inclining to a broadening of the scope of patentable subject matter.

The *Myriad* majority cited Lockhart J in *Anaesthetic Supplies*⁷⁷ stating that his Honour's use of the word "may" indicated that the "useful result test" was not necessarily sufficient to characterise statutory subject matter. Such semantic finessing is reminiscent of the en banc US Court of Appeals, Federal Circuit in *Bilski*, where the Court reasoned that the use of the word "the" rather than "a" in relation to the "machine or transformation" test, made the test an exclusive test.

The *Myriad* majority failed to place Lockhart J's comments in context. His Honour was quoting the Australian High Court's decision in *Wellcome Foundation*,⁷⁸ noting that the *Wellcome* Court has endorsed *NRDC*, the relevant extract being:

*... the view which we think is correct in the present case is that the method the subject of the relevant claims has as its end result an artificial effect falling squarely within the true concept of what must be produced by a process if it is to be held patentable. This view is, we think, required by a sound understanding of the lines along which patent law has developed and necessarily must develop in a modern society.*⁷⁹ (Emphasis added).

The use of the phrase "falling squarely within the true concept" and the sentence "This view is required by a sound understanding of the lines along which patent law has developed and necessarily must develop in a modern society", were endorsed by Lockhart J and the High Court in *Wellcome*, clearly at odds with the *Myriad* majority's gloss on Lockhart J's finding.

Similarly, the *Myriad* majority's reference to Hayne J in *Apotex Pty Ltd v Sanofi-Aventis Australia Pty Ltd* points to the non-essentiality of *NRDC*, but does not detract from the sufficiency of *NRDC*. Hayne J relevantly stated:

*Nothing said in the Court's reasons for decision in that case can be taken as an exact verbal formula which alone captures the breadth of the ideas to which effect must be given.*⁸⁰

The reasoning of the High Court in *Myriad* on limiting *NRDC* is not supported by the cited precedent.

New tests for new class of claim

The High Court then examined the majority's authority in relation to changing the boundaries of patentable subject matter, referring to US caselaw for the proposition that:

*the judiciary must proceed cautiously when ... asked to extend patent rights into areas wholly unforeseen by Congress.*⁸¹

In a key passage, the majority said that the limits of judicial law-making in applying a broad statutory concept required consideration for a new class of case.⁸² The scope of the patent rights, public policy, and the balance of competing interests were relevant considerations for a new class of subject matter, in particular human DNA. The majority also considered the question of whether such matters should be left to Parliament, deciding that the Court had authority to decide the issue.

Returning to *NRDC*, the majority stated that two factors were necessary to characterise "manner of manufacture":

1. *Whether the invention as claimed is for a product made, or a process producing an outcome as a result of human action.*
2. *Whether the invention as claimed has economic utility.*

The majority acknowledged the sufficiency of these characteristics for inventions within the existing concept of "manner of manufacture".

However, in relation to new class of claim, the majority said that additional factors needed to be considered for a significant new application or extension of the concept of "manner of manufacture". The factors are:

3. *Whether patentability would be consistent with the purposes of the Act and, in particular:*
 - 3.1. *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;*
 - 3.2. *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;*
 - 3.3. *whether to accord patentability to the invention as claimed would involve the court in assessing important and conflicting public and private interests and purposes.*

4. *Whether to accord patentability to the invention as claimed would enhance or detract from the coherence of the law relating to inherent patentability.*

5. *Relevantly to Australia's place in the international community of nations:*

- 5.1. *Australia's obligations under international law;*

- 5.2. *the patent laws of other countries.*

6. *Whether to accord patentability to the class of invention as claimed would involve law-making of a kind which should be done by the legislature*

Factors 3, 4, and 6 were nominated as of primary importance.

In relation to factor 3.1, there is always an argument that patents have negative effects on third party innovation. However, it is also true that patents have a positive effect on innovation by disclosing new developments. There has been a consensus, if maintaining the patent system for over 200 years can be cited as evidence of such a consensus, that the benefits are not outweighed by the adverse consequences. Nevertheless, by citing potentially negative effects without considering countervailing benefits, 3.1 can be seen to skew the argument in favour of rejection.

Factor 3.2 is similar to 3.1. Both may have been covered by the generally inconvenient proviso had that issue been raised.

Factor 3.3 talks of the court assessing public and private interests. While the court may have the power to take consideration of these points under its aegis, it is submitted that these considerations should not form part of the examination process of the Australian Patent Office (other than for similar facts) as there is no appropriate means for the issues to be properly ventilated.

Factor 4 also is a subject beyond the scope of patent examination, to be decided by the courts.

Factor 6 would seem to be a matter for determined by legislation where specific subject matter is to be excluded.

Incidental matters

Matters of fair basis, clarity, and sufficiency of disclosure were discussed, and as was the statutory heading of generally inconvenient, but their Honours' comments on these points must be considered as obiter, as they were not raised in the appeal. The majority indicated that they would have been interested in considering the generally inconvenient proviso of the *Statute of Monopolies* 1623, and some of the new criteria which they created could have comfortably conformed to the proviso.

Gageler and Nettle JJ in *Myriad* (the concurring Judges)

The concurring Judges noted that *NRDC* did not require a "physical" element in the "useful result test":

*As was emphasised in National Research Development Corporation v Commissioner of Patents ("NRDC"), in relation to the Patents Act 1952 (Cth), the conception of a manner of manufacture is not limited to physical production but takes its meaning from the whole category under which all grants of patents which may be made in accordance with the developed principles of patent law are to be subsumed*⁸³

The concurring Judges agreed with the majority in supporting downgrading of *NRDC*, referring to *NRDC* as including a residual inventiveness requirement as an element of "manner of manufacture":

*That holding is, however, to be understood as importing the Court's earlier observations as to the meaning of an "invention" and the idea that all that had come to be understood by that word, as used in patent law, is comprehended in the phrase "new manufactures". It should not be taken to suggest that an "artificial state of affairs" and "economic utility" are the only considerations relevant to whether an invention is "a manner of manufacture" for the purposes of s 18(1)(a) of the Act.*⁸⁴

NRDC dealt with the term "manner of new manufacture" under the *Patents Act 1952* (Cth). *Mirabella*⁸⁵ held that residual inventiveness under the *Patents Act 1990* (Cth) was only to be found on the face of the document, plugging an inadvertent drafting lacuna in the *Patents Act 1990* (Cth). As discussed above in relation to the majority decision, *NRDC* strongly endorsed the "useful result test" as a sufficient, though not necessary, qualification.

In maintaining an insistence on inventiveness as a requirement for a "manner of manufacture", the concurring Judges, having stated that discovery was not sufficient to qualify as statutory subject matter, called in aid *Commissioner of Patents v Microcell Ltd*,⁸⁶ a pre-1990 decision dealing with the old definition, and *Mirabella* for the proposition:

*if it is apparent on the face of the specification that the quality of inventiveness necessary for there to be a proper subject of letters patent under the Statute of Monopolies is absent, one need go no further,*⁸⁷

noting that the claimed sequences were "the inevitable result of that which is inherent in the [DNA]".⁸⁸ Under the *Patents Act 1990* (Cth), the residual inventiveness element of the "manner of manufacture" test is restricted to disclosure within the patent document under review, closing a gap in the "prior art base" defined in the Act.

The concurring Judges held that the claims were not expressed in terms of a chemical formula because the claims could encompass an infinite number of variations. This seems to have more to do with fair basis and clarity than with the nature of the claims which specify chemical compounds.

The claimed gene sequences are naturally occurring and thus not new. This may be a valid ground of rejection on

the "manner of manufacture" test, based on the *Mirabella* criteria of lack of novelty on the face of the document such that a person skilled in the art would understand that the document disclosed that the claimed sequences were pre-existing.

Gordon J in *Myriad*

Gordon J rejected the metaphysical reasoning of the majority and found the claims were product claims rather than claims for information.

Gordon J cited with approval the principle enunciated in *Hickton* that, if there were to be invention in an idea, no further invention was necessary in the application of the idea to qualify as a "manner of manufacture". *Myriad's* claims failed to meet the test because they claimed the discovery, not an application of the discovery.

Her Honour then turned to consider *NRDC*, citing the "artificial state of affairs of economic significance test":

In NRDC, the Court concluded that, in order to be the proper subject of letters patent, a method must have "as its end result an artificial effect falling squarely within the true concept of what must be produced by a process if it is to be held patentable". The Court continued:

*"The effect produced by the appellant's method exhibits the two essential qualities upon which 'product' and 'vendible' seem designed to insist. It is a 'product' because it consists in an artificially created state of affairs, discernible by observing over a period the growth of weeds and crops respectively on sown land on which the method has been put into practice. And the significance of the product is economic; for it provides a remarkable advantage, indeed to the lay mind a sensational advantage ... Recognition that the relevance of the process is to this economic activity old as it is, need not be inhibited by any fear of inconsistency with the claim to novelty which the specification plainly makes. ... [The process] achieves a separate result, and the result possesses its own economic utility." (Emphasis added).*⁸⁹

Having made this point, Gordon J then pointed out that *NRDC* was directed to determining the patentability of processes, not products, finding *NRDC* to be inapposite for product claims. In reviewing the Australian Full Federal Court's decision to uphold the claims, Gordon J held that the Court erred in finding the claimed sequences did not occur in nature:

The Full Court's finding that claim 1 was to "an isolated nucleic acid, a chemical molecule characterised in a certain way, which is chemically, structurally and functionally different to what occurs in nature" does not take account of the words of the claim. As a matter of substance, each of claims 1-3 focuses on the existence of one or more elements of an identified code: a code which is found in the nucleic

*acid isolated from a patient and which necessarily must be identical to the coding sequence in that patient. None of the asserted chemical, structural and functional differences identified by the Full Court play any part in the definition of the invention "so far as claimed" in each of claims 1-3 or in the description of the invention in the specification.*⁹⁰

Conclusion

In line with the *Hickton* philosophy, computer implementations should be taken to meet the "manner of manufacture" requirements, or at least have the balance tipped in their favour, the *quid pro quo* being a greater onus on the inventor to demonstrate utility, novelty and inventiveness.

It has been argued that the reasoning of Gordon J in *Myriad* is to be preferred. It avoids the unnecessary involvement of *NRDC* in a product claim. It identifies the claimed subject matter as chemical formulae rather than information. It identifies the claimed subject matter as discovery. It provides the most straightforward path to the correct decision.

Gordon J's decision demonstrates that it was unnecessary to downgrade the *NRDC* decision, as it relates to methods and processes, rather than articles. It is possible to discern in the *Myriad* majority decision that *NRDC* continues to apply to old classes of invention. However, the majority quoted from Professor Monotti:

*Although it was important to expand patentable subject matter and remove artificial fetters on patentable subject matter at the time of NRDC, there is no consensus that we should continue to expand the scope of patentable subject matter into all fields of endeavour so as to remove the remaining fetters on patentable subject matter. The continuing debates on whether methods of medical treatment, business systems and genes should be patentable subject matter demonstrate that there is no universal acceptance of an approach that would accept that anything under the sun invented by man is patentable.*⁹¹

This has cast the shadow of *Myriad* on business systems, to the extent that Australian Patent Office examiners now raise the additional criteria listed by the majority in relation to business method claims, occasionally classifying them as unpatentable "schemes".

In dealing with such objections, practitioners can have recourse to Fletcher Moulton LJ's statement in *Hickton*⁹² quoted above to the effect that, for patentable subject matter, invention need only reside in the idea or in the implementation.

From a practical point of view, the issues of public policy and balancing competing interests would appear to be outside the remit of Australian Patent Office examiners. Thus, as far as examination by the Australian Patent Office, the decision

of the *Myriad* majority should be confined to the facts of the case.

Given the rise of the information technology industry, we should make sure we retain the baby when disposing of the bathwater.

- 1 Patrick Conrick is a registered Patent Attorney.
- 2 *National Research Development Corporation v Commissioner of Patents* [1959] HCA 67, (1959) 102 CLR 252.
- 3 Productivity Commission, *Inquiry Report No. 78: Intellectual Property Arrangements* (2016), <https://www.pc.gov.au/inquiries/completed/intellectual-property/report/intellectual-property.pdf>.
- 4 See *Australian Government Response to the Productivity Commission Inquiry into Intellectual Property Arrangements* (2017), <https://www.industry.gov.au/innovation/Intellectual-Property/Documents/Government-Response-to-PC-Inquiry-into-IP.pdf>.
- 5 *D'Arcy v Myriad Genetics Inc* [2015] HCA 35.
- 6 See *Australian Government Response to the Productivity Commission Inquiry into Intellectual Property Arrangements* (2017), <https://www.industry.gov.au/innovation/Intellectual-Property/Documents/Government-Response-to-PC-Inquiry-into-IP.pdf>, Recommendation 7.3, 9.
- 7 *Re GEC's Application* (1942) 60 RPC 1.
- 8 *Grant v Commissioner of Patents* [2006] FCAFC 120.
- 9 *Hickton's Patent Syndicate v Patents and Machine Improvements Company Ltd.* (1909) 26 RPC 339.
- 10 *Burroughs Corporation (Perkins') Application* (1974) RPC 147 (154).
- 11 *NV Philips Gloeilampenfabrieken v Mirabella International Pty Ltd*, [1995] HCA 15.
- 12 *IBM v Commissioner of Patents* [1991] FCA 625 at [15].
- 13 See *National Research Development Corporation v Commissioner of Patents* [1959] HCA 67 at [15].
- 14 *Corning v Burden* (1854) 15 How 252.
- 15 *D'Arcy v Myriad Genetics Inc* [2015] HCA 35.
- 16 See *Australian Government Response to the Productivity Commission Inquiry into Intellectual Property Arrangements* (2017), <https://www.industry.gov.au/innovation/Intellectual-Property/Documents/Government-Response-to-PC-Inquiry-into-IP.pdf>, 8 to 9.
- 17 *National Research Development Corporation v Commissioner of Patents* [1959] HCA 67, (1959) 102 CLR 252, 272.
- 18 *Re GEC's Application* (1942) 60 RPC 1.
- 19 *Corning v Burden* (1854) 15 How 252.
- 20 *National Research Development Corporation v Commissioner of Patents* [1959] HCA 67 at [14].
- 21 *National Research Development Corporation v Commissioner of Patents* [1959] HCA 67 at [14].
- 22 *National Research Development Corporation v Commissioner of Patents* [1959] HCA 67 at [15].
- 23 *Boulton v Bull* (1795) 1 H Bl 463.
- 24 *National Research Development Corporation v Commissioner of Patents* [1959] HCA 67 at [15].
- 25 See *National Research Development Corporation v Commissioner of Patents* [1959] HCA 67 [1] to [15].
- 26 See *National Research Development Corporation v Commissioner of Patents* [1959] HCA 67 [16] to [24].
- 27 See *National Research Development Corporation v Commissioner of Patents* [1959] HCA 67 [25].
- 28 *National Research Development Corporation v Commissioner of Patents* [1959] HCA 67 at [15].
- 29 The High Court in *NRDC* stated: "In some of the cases it is suggested that the process must issue in some "vendible matter" or a "vendible product". The former expression was used by Heath J in *Boulton v Bull* (1795) 1 H Bl 463, at p 482 [1795] EngR 4114; (126 ER 651, at p 661) in the course of maintaining the opinion, which must now be considered heretical, that there could not be a patent for a method; but no such expression appears in

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- the powerful judgment in which Eyre CJ maintained the opposite view and reached the conclusion in the particular case which was ultimately upheld in *Hornblower v Boulton* [1799] EngR 585; (1799) 8 TR 95 (101 ER 1285)". See *National Research Development Corporation v Commissioner of Patents* [1959] HCA 67 at [15].
- 30 See *National Research Development Corporation v Commissioner of Patents* [1959] HCA 67 at [22].
- 31 *National Research Development Corporation v Commissioner of Patents* [1959] HCA 67 at [8].
- 32 *National Research Development Corporation v Commissioner of Patents* [1959] HCA 67 at [15].
- 33 Brad Sherman, 'D'Arcy v Myriad Genetics Inc: Patenting Genes in Australia' (2015) 37 (1) *Sydney Law Review* 135; William Bartlett, 'D'Arcy v Myriad Genetics Inc [2015] HCA 35: The plurality's new factorial approach to patentability rearticulates the question asked in *NRDC*' (2015) *Journal of Law, Information and Science* 14.
- 34 Ann L Monotti, 'The Scope of 'Manner of Manufacture' Under the Patents Act 1990 (Cth) after *Grant v Commissioner of Patents*' (2006) 34(3) *Federal Law Review* 461.
- 35 *National Research Development Corporation v Commissioner of Patents* [1959] HCA 67 at 14.
- 36 *RPL Central Pty Ltd v Commissioner of Patents* [2013] FCA 871 at [83].
- 37 *RPL Central Pty Ltd v Commissioner of Patents* [2013] FCA 871 at [16].
- 38 *RPL Central Pty Ltd v Commissioner of Patents* [2013] FCA 871 at [16].
- 39 *Re Cementation Co. Ltd's Application* (1945) 62 RPC 151.
- 40 *Re Rantzen's Application* (1946) 64 RPC 63 at 65.
- 41 *Re Elton and Leda Chemicals Ltd.'s Application* (1957) RPC 267 at 272.
- 42 *CCOM Pty Ltd and Ronald Howard Thomas v Jiejing Pty Ltd, Paravet Instruments Pty Ltd, Jeffrey John Yates and Eric Russell Chappell* [1994] FCA 1168.
- 43 *RPL Central Pty Ltd v Commissioner of Patents* [2013] FCA 871.
- 44 *Research Affiliates LLC v Commissioner of Patents* [2014] FCAFC 150.
- 45 See Patrick Conrick, 'Full Court Gets Physical: Research Affiliates LLC v The Commissioner of Patents' (2015) 28(3) *Intellectual Property Law Bulletin* 77.
- 46 *International Business Machines Corporation's Application* (1980) FSR 564.
- 47 *International Business Machines Corporation v Commissioner of Patents* [1991] FCA 625; (1991) 33 FCR 218.
- 48 *Burroughs Corporation (Perkin's) Application* (1974) RPC 147 at 161.
- 49 *CCOM Pty Ltd and Ronald Howard Thomas v Jiejing Pty Ltd, Paravet Instruments Pty Ltd, Jeffrey John Yates and Eric Russell Chappell* [1994] FCA 1168 at [119].
- 50 *Research Affiliates LLC v Commissioner of Patents* [2014] FCAFC 150 at [85].
- 51 *Research Affiliates LLC v Commissioner of Patents* [2014] FCAFC 150 at [114].
- 52 Justice Andrew Greenwood, 'Reflections on patentable subject matter in United States and Australian patent law' (2010) *Federal Judicial Scholarship* 18 at 20.
- 53 Benjamin J. McEnery, 'Is There A Physicality Requirement At Common Law?: A Survey Of The Pre-*NRDC* Cases Discussing 'Manufacture'' (2011) 32(1) *Adelaide Law Review* 109.
- 54 Anne Fitzgerald and Scott Phillips, 'Patentability of Software in Australia: *CCOM v Jiejing*' (1994) *Journal of Law, Information and Science* 18.
- 55 Productivity Commission, *Inquiry Report No. 78: Intellectual Property Arrangements* (2016), <https://www.pc.gov.au/inquiries/completed/intellectual-property/report/intellectual-property.pdf>, footnote 4, 671.
- 56 Productivity Commission, *Inquiry Report No. 78: Intellectual Property Arrangements* (2016), <https://www.pc.gov.au/inquiries/completed/intellectual-property/report/intellectual-property.pdf>, 272.
- 57 *Australian Government Response to the Productivity Commission Inquiry into Intellectual Property Arrangements* (2017), <https://www.industry.gov.au/innovation/Intellectual-Property/Documents/Government-Response-to-PC-Inquiry-into-IP.pdf>, 8-9.
- 58 Productivity Commission, *Inquiry Report No. 78: Intellectual Property Arrangements* (2016), <https://www.pc.gov.au/inquiries/completed/intellectual-property/report/intellectual-property.pdf>, 269.
- 59 *National Research Development Corporation v Commissioner of Patents* [1959] HCA 67 at [14].
- 60 *In Re Bilski* (2008) 545 F.3d 943.
- 61 *Bilski v. Kappos* (2010) 561 US, 593.
- 62 *National Research Development Corporation v Commissioner of Patents* [1959] HCA 67 at [22].
- 63 *Research Affiliates LLC v Commissioner of Patents* [2014] FCAFC 150.
- 64 *National Research Development Corporation v Commissioner of Patents* [1959] HCA 67 at [15].
- 65 Productivity Commission, *Inquiry Report No. 78: Intellectual Property Arrangements* (2016), <https://www.pc.gov.au/inquiries/completed/intellectual-property/report/intellectual-property.pdf>, 272.
- 66 *Hickton's Patent Syndicate v Patents and Machine Improvements Company Ltd.* (1909) 26 RPC 339 at 347.
- 67 Claim 1 of AU686004.
1. An isolated nucleic acid coding for a mutant or polymorphic BRCA1 polypeptide, said nucleic acid containing in comparison to the BRCA1 polypeptide encoding sequence set forth in SEQ.ID No: 1 one or more mutations or polymorphisms selected from the mutations set forth in Tables 12, 12A and 14 and the polymorphisms set forth in Tables 18 and 19.
- 68 French CJ, Kiefel, Bell and Keane JJ.
- 69 'Brief for James D Watson, PhD as Amicus Curiae in Support of Neither Party, Submission in *Association for Molecular Pathology v Myriad Genetics Inc* (2013) 133 S Ct 2107', cited in Brad Sherman, 'D'Arcy v Myriad Genetics Inc: Patenting Genes in Australia' (2015) 37 (1) *Sydney Law Review* 135, 143.
- 70 Lewis Carroll, *Through the Looking-Glass, and What Alice Found There* (1871).
- 71 *Association For Molecular Pathology v. Myriad Genetics, Inc.* (2013) 689 F.3d 1303.
- 72 *Hickton's Patent Syndicate v Patents and Machine Improvements Company Ltd.* (1909) 26 RPC 339 at 347.
- 73 *Hickton's Patent Syndicate v Patents and Machine Improvements Company Ltd.* (1909) 26 RPC 339 at 347.
- 74 *National Research Development Corporation v Commissioner of Patents* [1959] HCA 67 at [19].
- 75 *D'Arcy v Myriad Genetics Inc* [2015] HCA 35 at [20].
- 76 The High Court in *NRDC* stated: "The purpose of s. 6, it must be remembered, was to allow the use of the prerogative to encourage national development in a field which already, in 1623, was seen to be excitingly unpredictable. To attempt to place upon the idea the fetters of an exact verbal formula could never have been sound. It would be unsound to the point of folly to attempt to do so now, when science has made such advances that the concrete applications of the notion which were familiar in 1623 can be seen to provide only the more obvious, not to say the more primitive, illustrations of the broad sweep of the concept". See *National Research Development Corporation v Commissioner of Patents* [1959] HCA 67 at [15].
- 77 *Anaesthetic Supplies Pty Ltd v Rescare Ltd* [1994] FCA 1065.
- 78 *Wellcome Foundation Limited v Commissioner of Patents* (1980) 145 CLR 520 at 528 per Gibbs, Stephen, Mason, Murphy and Wilson JJ.
- 79 *National Research Development Corporation v Commissioner of Patents* [1959] HCA 67, (1959) 102 CLR 252 at 277.
- 80 *Apotex Pty Ltd v Sanofi-Aventis Australia Pty Ltd* [2013] HCA 50 [88].
- 81 *Parker v Flook* (1978)437 US 584 at 596.
- 82 *D'Arcy v Myriad Genetics Inc* [2015] HCA 35 at [7].
- 83 *D'Arcy v Myriad Genetics Inc* [2015] HCA 35 at [124].
- 84 *D'Arcy v Myriad Genetics Inc* [2015] HCA 35 at [125].
- 85 *NV Philips Gloeilampenfabrieken v Mirabella International Pty Ltd* [1995] HCA 15.
- 86 *Commissioner of Patents v Microcell Ltd* [1959] HCA 71.
- 87 *D'Arcy v Myriad Genetics Inc* [2015] HCA 35 at [131].
- 88 *D'Arcy v Myriad Genetics Inc* [2015] HCA 35 at [134].
- 89 *D'Arcy v Myriad Genetics Inc* [2015] HCA 35 at [272].
- 90 *D'Arcy v Myriad Genetics Inc* [2015] HCA 35 at [134].
D'Arcy v Myriad Genetics Inc [2015] HCA 35 at [279].
- 91 Ann L Monotti, 'The Scope of 'Manner of Manufacture' Under the Patents Act 1990 (Cth) after *Grant v Commissioner of Patents*' (2006) 34(3) *Federal Law Review* 461.
- 92 *Hickton's Patent Syndicate v Patents and Machine Improvements Company Ltd.* (1909) 26 RPC 339 at 347.

Geoblocking in Australia: Intellectual Property Rights versus Consumer Freedom – Where Does the Balance Lie?

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Introduction

Geoblocking is a practice used to prevent or restrict access by internet users to online content, goods and services on the basis of a user's geographic location.² The practice of geoblocking is widespread across the world. It raises a number of complex issues involving intellectual property law, competition law and Australia's obligations under international agreements. The Productivity Commission's inquiry in 2015-2016 into *Australia's Intellectual Property Arrangements* recommended the Australian Government clarify that it is not an infringement of copyright to circumvent geoblocking technology. This is not the first time such a recommendation has been made to the Australian Government. However, to date, nothing has been done to clarify the law regarding geoblocking in Australia. The current use of geoblocking technology and its circumvention in Australia is a topic lacking coverage and public understanding, with little commentary and no consideration judicially on the issue. This article discusses the workings of geoblocking measures and their circumvention and considers the recommendations for reform. I will then analyse the issues that could arise from implementing the recommendations, particularly in relation to intellectual property, and discuss other factors that should be further considered by the Australian Government. Consideration of the approaches taken in other regions, such as the United States ("US") and Europe, will also be discussed.

What is geoblocking?

There are a variety of technological methods used for geoblocking. A common method is where a copyright owner or licensee prevents access to its content by internet users located in certain countries. This is done by the use of geolocation software, which identifies the location of the user from its Internet Protocol ("IP") address and blocks them from accessing the particular content.³ For example, NBC (a US based television network that broadcasts shows such as *Saturday Night Live*, *Law & Order: SVU* and *The Office*) prevents users of the NBC website from viewing episodes of its shows online if they are located in Australia. When attempting to access any video uploaded to NBC's website, Australian users receive a message saying "Geographic Restriction. This content is not available in your location".⁴ Whereas, when a user located in the US accesses the same video, they are able to view it with no restriction.

Another common method is for copyright owners or licensees to provide customised content, or different prices for the same content, to users depending on the country where they are located. This is achieved by users being automatically set up with accounts linked to their location and being required to enter credit card details and/or a physical address linked

to their location. This will ultimately give them access to the catalogues and pricing available for their geographic region. For example, in 2016 Australian Netflix subscribers had access to around 2500 television shows and movies in the Netflix catalogue, whereas US Netflix subscribers had access to around 6900.⁵ Similarly, the cost of music from iTunes differs depending on the location of the account holder, with a single song in the top ten costing AU\$2.19 with an Australian account and the same song costing US\$1.29 with a US account.⁶

At a time where historical barriers to consumers (such as travel) no longer exist and material can be viewed with the click of a button, the frustration of Australian consumers in being restricted in, or charged more for, accessing online material based on their location can be understood.

Circumvention of geoblocking

With that frustration, consumers have developed methods to bypass geoblocking measures. Virtual Private Networks ("VPNs") allow users to circumvent certain geoblocking methods, such as those that identify the location of a user by their IP address. VPNs are offered by online businesses (for example, IPVanish)⁷ and work by creating an encrypted

and secure tunnel between a user's computer and a VPN's server so that the user's IP address cannot be known. If the VPN's server is located in another country, the website with geoblocking technology will identify the VPN's server location as the location of the user.⁸ This allows the user to access content that is available in the server's location but not available in the user's location.

Third-party ordering and delivery services have been developed to circumvent geoblocking measures that require credit cards and/or addresses to be used from certain geographic locations. For example, the Australian-owned online business, Price USA, allows customers to place orders with it for the purchase and delivery of products from the US. Price USA will order the customer's chosen products from the US business (generally by using a US credit card and US address) and then organise delivery to the consumer in Australia at a reasonable cost.⁹

Legality of circumvention

Whether circumventing geoblocking measures is legal under Australia law is unclear. Section 116AN of the *Copyright Act 1968 (Cth)* ("*Copyright Act*") provides that an owner or exclusive licensee of the copyright in a work may bring an action against a person if the work is protected by an "access control technological protection measure" and the person circumvents that measure. A corresponding offence provision applies under s.132APC where circumvention is undertaken with the intention of gaining a commercial advantage or profit. An "access control technological protection measure" is where the owner or exclusive licensee controls access to its work in connection with the exercise of its copyright and in the normal course of its operation.¹⁰ Some exceptions apply, such as where geographic market segmentation is controlled by preventing playback in Australia of a non-infringing copy of a film or computer program acquired outside of Australia.¹¹ For example, where a person has purchased a DVD overseas that person is not prevented from circumventing region coding in order to watch the DVD in Australia.¹²

Some limited exceptions apply to an owner or exclusive licensee being able to take action against a person for circumventing an access control technological protection measure. For example, where the doing of an act by a person does not infringe copyright because of the application of the *Copyright Act* to libraries and archives or educational institutions.¹³

The Australian Copyright Council ("ACC") has advised that in some cases, a geoblock is likely to be an access control technological protection measure and thereby open to action by a copyright owner or licensee for circumvention.¹⁴ For example, where Spotify blocks Australian subscribers from streaming certain songs due to licensing restrictions. However, other geoblocking measures, such as those that prevent consumers from purchasing products online by

only accepting a credit card and/or delivery address from a certain overseas location are unlikely to be an access control technological protection measure.¹⁵ The ACC reasons that circumvention in the first scenario is likely to involve infringement of the copyright owner's exclusive right of communication to the public, whereas circumvention in the second example of purchasing goods is unlikely to be connected to the exercise of rights protected by copyright.¹⁶

However, some authors observe that the law is unclear.¹⁷ While others, such as Prime Minister Malcolm Turnbull, have previously stated that the circumvention of geoblocking by methods such as the use of a VPN to access overseas content (including US Netflix) is legal.¹⁸ Conversely, the ACC advises that if the use of a VPN involves infringing copyright (which is likely to be the case if it is downloading a copy of, or streaming, material without permission), then this will breach the *Copyright Act*.¹⁹ Answers are obviously needed for Australian internet users to have any certainty regarding geoblocking and circumvention measures.

Recommendations for reform

Given much focus in recent years has been directed to the prevalent issue of piracy, the lack of clarity on geoblocking can be forgiven – it has not been the priority to address. However, with the Federal Court granting several injunctions since 2016 under the relatively new s.115A of the *Copyright Act*²⁰ to block access to overseas websites that provide access to content for the primary purpose of facilitating the infringement of copyright,²¹ attention may be given to other areas affecting intellectual property. Geoblocking may also be considered as a sub-issue of piracy, as some commentary suggests that geoblocking encourages it.²²

Productivity Commission Report

Between 2015 and 2016, the Productivity Commission was tasked with undertaking a 12-month inquiry into Australia's intellectual property system following a recommendation by the Harper Competition Policy Review for such an inquiry to be held.²³ The Commission's Final Report from that inquiry, *Intellectual Property Arrangements*, was released to the public on 20 December 2016 ("Productivity Commission Report").²⁴ Of the 25 recommendations made by the Commission, one was that the Australian Government "amend the *Copyright Act 1968 (Cth)* to make clear that it is not an infringement for consumers to circumvent geoblocking technology". The Commission also recommended that the Government "avoid any international agreements that would prevent or ban consumers from circumventing geoblocking technology".²⁵

Australia Tax Report

This is not the first such recommendation to be made with respect to geoblocking. In July 2013 the House of Representatives' Standing Committee on Infrastructure and Communications (the "Committee") released a report, *At What Cost? IT Pricing and the Australia Tax* ("Australia

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Tax Report”).²⁶ The Australia Tax Report was prompted by consumer and business concern regarding significant price differences in Australia for IT products in comparison to other economies.²⁷ The Australia Tax Report had a heavy focus on the impact of geoblocking in Australia and what reforms are considered appropriate to deal with it. Submissions from both businesses and consumers were considered by the Committee. However, a lack of willingness to be involved in the inquiry by large businesses such as Apple, Adobe and Microsoft consequently reflected an implied attitude in the report that the Committee was sceptical of the reasoning put forward by such businesses for their pricing strategies.

The Committee made four main recommendations for the Australian Government to implement with respect to geoblocking:²⁸

- Amend the *Copyright Act* to clarify and secure consumers’ rights to circumvent technological protection measures (“TPMs”) that control geographic market segmentation.
- Investigate options to educate Australian consumers and businesses as to the extent to which they may circumvent geoblocking mechanisms, including how they can do so to access cheaper goods.
- If the changes recommended in the Australia Tax Report are implemented and still see persistent market failure, consider enacting a ban on geoblocking as an option of last resort.
- Investigate whether to amend the *Competition and Consumer Act 2010* (Cth) to void contracts or terms which seek to enforce geoblocking.

These first recommendations made in 2013 in the Australia Tax Report had obviously not been addressed by the time the Productivity Commission made its recommendations in December 2016.

Australian Government responses

The Australian Government responded to the Productivity Commission Report in August 2017.²⁹ In its response, the Government “noted” the Commission’s recommendation to amend the *Copyright Act* to make it clear that it is not an infringement for consumers to circumvent geoblocking technology. The Government stated “it supports the ability for Australian consumers to affordably access copyright content in a timely manner” and that it “is open to considering whether new TPM exceptions could be created to prescribe particular uses of copyright material prevented by geoblocking, where they fall within the requirements of the *Copyright Act*”. It noted that some geoblocking technology may, and some may not, be a TPM captured by the *Copyright Act*. The Government also noted that consumer contracts and laws of other jurisdictions would continue to govern the circumvention of geoblocking technology.

This response seems to be in line with the ACC’s explanation of whether geoblocking methods are TPMs under the *Copyright Act*. It could be interpreted from this response that geoblocking technology connected to the exercise of an exclusive right of copyright is captured by the *Copyright Act* and any circumvention of it would breach the Act.

In 2017, the Government made the *Copyright Legislation Amendment (Technological Protection Measure) Regulations 2017* (the “Regulations”) which commenced on 1 April 2018. The Regulations update the limited exceptions to the prohibition on circumventing TPMs with respect to libraries and archives, educational institutions and access by or for persons with a disability.³⁰ They do not, however, provide an overall exception with respect to circumventing geoblocking technology.

In March 2018, the Australian Government responded to the Australia Tax Report.³¹ The Government also noted the Committee’s recommendations regarding geoblocking. However, the Government advised it considered that an amendment to the definition of “technological protection measure” in the *Copyright Act* for the purpose of anti-circumvention provisions is not needed. The Government also stated it is unlikely technologies that control geographic market segregation fall within the definition of TPMs in the *Copyright Act*. The Government also noted that Australian consumers should be informed of and educated on geoblocking and advised that the Australian Competition and Consumer Commission is responsible for this area. It also noted the roles played by consumer groups, such as CHOICE, in educating consumers (CHOICE believes an exemption to infringement should apply for consumers who bypass measures used to geographically restrict copyright content).³²

This subsequent response seems somewhat difficult to reconcile with the Government’s response to the Productivity Commission Report, where it stated that some geoblocking is captured by the TPM regime in the *Copyright Act*. In the Government’s most recent response to the Australia Tax Report, it has instead said it is unlikely that technologies that control geographic market segregation fall within the definition of TPMs in the *Copyright Act*. It would seem from this most recent response and the Government’s minor amendments to the TPM exceptions that the Government is not currently intending to clarify the issue of geoblocking by amending the *Copyright Act*.

The Government has instead focused on other recommendations by the Productivity Commission Report and Australia Tax Report by committing to repeal s. 51(3) of the *Competition and Consumer Act 2010* (Cth) to remove the exemption for certain intellectual property licensing and assignment arrangements from the prohibitions on certain anti-competitive practices,³³ and by currently consulting on flexible copyright exceptions and making contractual provisions that require parties to contract out of copyright exceptions unenforceable.³⁴

What is the issue with geoblocking?

To analyse whether the suggested reforms should have been supported by the Government, the issues arising from the use of geoblocking measures must be understood. A significant issue raised by the reports and consumers generally is that of the pricing methods used by copyright owners and licensees for online materials. This was a substantial focus in the Australia Tax Report. However, another issue, and one that lacked the same degree of attention in the Australia Tax Report, is the role of intellectual property rights in online materials. Each issue will be considered in turn.

Pricing of online materials

International price discrimination

From the Productivity Commission Report and the Australia Tax Report, it is clear that the main concern in Australia with geoblocking is that Australian consumers are paying significantly more for digital products than those in other comparable countries.³⁵ For example, the Australia Tax Report found that, depending on the product, Australian consumers pay 50 to 100 percent more for the same product than consumers in similar markets (although this data may now be different given the decline in the Australia dollar since the making of the Australia Tax Report).³⁶ When looked at in isolation, the contended unfairness to Australian consumers can be easily understood; why should Australian consumers pay more for online material that is available to other regions? This is especially questionable when the costs that are typically incurred in the manufacture and supply of physical goods to Australia does not exist for the delivery of online materials.³⁷

There is considerable commentary suggesting that Australians are subject to “international price discrimination”,³⁸ a term used when consumers are charged different prices for the same product depending on which country they are located in. This method of price setting is used to maximise profit by charging what consumers are willing to pay within particular regions.³⁹ This was a particular focal point of the Australia Tax Report. The Committee agreed with the large number of submissions it received from Australian consumers arguing this and labelling it the “Australia Tax”.⁴⁰

The use of geoblocking technology greatly assists any practice of international price discrimination as it allows copyright owners and licensees to segregate markets in a digital world. If Australians are legally able to circumvent geoblocking technology, and educated on how to do so by the Australian Government, this would expand their access to more online materials at cheaper prices. However, it should be considered whether businesses adopt pricing methods for reasons other than international price discrimination.

Alternative pricing methods

If a copyright owner’s commercial appetite is to increase profit to the maximum possible, then it may use pricing

strategies such as international price discrimination and charging “what the market will bear”. This was assumed in the Australia Tax Report to be the strategy used for Australian customers.⁴¹ Some commentary has argued that the Australia Tax Report failed to clearly express principled policy reasons for opposing international price discrimination of copyright.⁴² This has been raised in the context of the suitability of “Ramsey pricing” to the sale of intellectual property subject matter. Ramsey pricing could arise where a copyright owner undertakes price discrimination between market segments based on higher prices applying to low demand areas and lower prices applying to high demand areas. David Brennan has argued that Ramsey pricing may be appropriate for some intellectual property subject matter. In the context of intellectual property and online materials, this may be the case for large works such as major movies, which have a high fixed cost of production and marginal costs of supply.⁴³ If the demand is low in certain geographic areas for that particular movie, then the copyright owner or licensor may need to charge more for allowing access to it in that area, as opposed to high demand areas where they can still obtain a suitable return by charging less. This is not the same as charging “what the market will bear” in the hope of making as much as possible out of Australians.

If businesses had been more willing to provide explanations for the Australia Tax Report on the price setting strategies they implement, the Committee may have been encouraged to consider other pricing strategies applied by copyright owners and licensees. However, without this information directly from businesses, the Committee appeared to assume that the charge “what the market will bear” approach is the only strategy implemented. An in-depth investigation by the Australian Government on price setting strategies used by copyright owners and licensees who use geoblocking may bring to light other factors considered by those rights holders. The Ramsey pricing method is just one example.

Intellectual property rights

The involvement of intellectual property rights with respect to geoblocking was given little attention in the Australia Tax Report and the Productivity Commission Report. Intellectual property rights appear to be framed more as an excuse by copyright owners and licensees to charge high prices rather than a legitimate reason for geoblocking. While the Australia Tax Report acknowledges that copyright holders are concerned about their intellectual property rights being infringed, it goes on to say that evidence was received by the Committee which suggested that any infringement may not be as significant as what copyright holders were claiming.⁴⁴ This appeared to be based on evidence of growth in revenue in the film and music industries despite arguments by copyright holders regarding ongoing infringements.⁴⁵ It may also have been affected by the lack of voluntary involvement in the inquiry by the larger businesses (e.g. Apple, Adobe and Microsoft). However, intellectual property rights play a

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significant role in regulating the use of geoblocking against consumers from certain regions.

Rights of copyright owners

The first issue to consider with respect to intellectual property rights and geoblocking is the primary rights of the copyright owner. In Australia, copyright is personal property⁴⁶ and is regulated pursuant to the *Copyright Act*. Under the Act, the owner of copyright in a work has exclusive rights, such as the right to reproduce the work and to communicate the work to the public.⁴⁷ The author of the works is generally the first owner of copyright in the work.⁴⁸ However, this may be excluded or modified by agreement⁴⁹ (such as an assignment of the copyright to a third party). From these core rights, the owners of copyright material such as videos and music may decide to enter into commercial agreements in respect of the copyright depending on their commercial appetite (for example, licensing arrangements), or they may assign their ownership of the copyright to another person for a fee. This is a fundamental principle of copyright – the owner can decide what to do with the works (subject to any applicable laws).

Licensing and distribution agreements

Following the principle that intellectual property rights holders should have the right to decide how their works are reproduced and communicated to the public, rights holders are able to assign, license and otherwise modify their copyright in works as they see fit (subject to applicable laws). The rights they grant to some third parties may therefore limit the rights they can grant to other third parties. For example, the producer of a television show may own or have acquired ownership of the copyright in the show and may decide to license rights to Netflix to stream the show to Netflix's subscribers. That license would generally be granted subject to a number of conditions, one of which is likely to be that it is an exclusive right to stream the show to subscribers within a certain geographic region or regions. If the producer has licensed those exclusive rights to Netflix to stream the show to US subscribers only, it will have limited its rights when licensing to third parties. For example, it may not be able to grant streaming rights to another service for the US but it may enter into an arrangement with a third party (such as Foxtel) to license exclusive rights to broadcast the same television show in Australia.

The producer may do this for a number of reasons, such as certain regions have other competitors willing to pay more than Netflix for streaming or other content delivery rights, local laws differ between regions regarding copyright or what content can legally be shown in that country, or a larger audience may be reached via a different competitor in some regions. However, these possible reasons aside, copyright law currently allows the copyright owner to have the freedom to decide this.

Once a licensee has obtained rights from a copyright owner or other licensee, it will need to abide by the terms of the

licensing arrangement to avoid a breach. In the above example, in order for Netflix to abide by its agreement with the producer, it must implement measures to ensure it is only streaming content within the regions it has been licensed rights to do so. This is where geoblocking technology is used. It currently allows intellectual property rights holders to abide by the terms of their licensing arrangements. If Australian consumers are told and encouraged to circumvent geoblocking, then in addition to the other consequences discussed further below, this may mean that third parties (e.g. Netflix) are in breach of their licensing agreements.

The balance

Copyright is aimed at providing protection to copyright owners from their work being copied, thereby encouraging owners to create and disseminate their work. The protection also allows them to decide whether and to what extent they will grant rights to third parties in respect of that work (such as to make copies or stream online etc). In light of these fundamental principles, it would seem that geoblocking is a necessary mechanism for copyright owners and licensees to use in order to regulate who may see and use their work and on what conditions. However, with the ongoing creation of new ways to reproduce work (starting from the first creation of a book through to the introduction of the Internet), there must always be a balance between the rights of copyright owners and consumers. The Australia Tax Report states that "Australia's copyright arrangements are skewed too far in favour of copyright owners to the detriment of consumers".⁵⁰ The appropriate balance is difficult to achieve, especially in the digital age.⁵¹

So where should the balance lie between copyright owners and consumers with respect to geoblocking? Allowing geoblocking and disallowing its circumvention would favour copyright owners and allow them to continue to grant rights in respect of their work to different third parties in different regions. Whereas, allowing and encouraging the circumvention of geoblocking by Australian consumers could have a number of other consequences.

Consequences of circumvention

The consequences of making legislation clear that it is legal to circumvent geoblocking measures in Australia are wide-reaching.

Altering competition

The intended effect of allowing Australian consumers to circumvent geoblocking technology is to put pressure on copyright owners and licensees to charge Australian consumers the same prices and give them access to the same material as other regions. However, others have expressed the concern that it will stifle investment in Australia as investors and creators will not have the same incentive to invest in content in Australia.⁵² It may also deplete competition rather than increase the ability to acquire global distribution

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rights for content.⁵³ For example, if the legal circumvention of geoblocking by Australian consumers eventually led the producers of television shows to charge higher fees for global distribution rights, then this may exclude Australian competitors (such as Foxtel) from having the ability to acquire any rights for particular television shows in Australia due to cost. This may allow larger businesses such as Netflix to acquire global streaming rights. While this could result in Australian consumers having access to the same television shows as US Netflix subscribers, it could also result in Australian businesses never having a chance to compete for the distribution rights.

Limiting intellectual property rights

Making circumvention of geoblocking legal may also force copyright owners to grant rights differently.⁵⁴ If a producer is aware that a licensee cannot prevent subscribers or internet users from circumventing geoblocking measures, then it may reconsider the terms of its licensing agreements. It may also consider charging more for the content to be made available to Australia (or globally). As the Australia Tax Report and the Productivity Commission Report suggest that the balance is too far in favour of copyright owners and needs to be scaled back, this may have been the intention of their recommendations.

Breaching terms and conditions

Although it may be (or become) perfectly legal under Australian law for consumers to circumvent geoblocking technology, this will result in consumers breaching most terms and conditions of use of their accounts and websites with copyright owners or licenses. For example, in order to respect intellectual property rights, Spotify's Terms and Conditions of Use specifically prohibit users from circumventing any geoblocking technology used to protect its content or service and from specifically circumventing any territorial restrictions applied by it or its licensees.⁵⁵ Likewise, Netflix's Terms of Use provide:

*You may view the Netflix content primarily within the country in which you have established your account and only in geographic locations where we offer our service and have licensed such content. The content that may be available to watch will vary by geographic location and will change from time to time ... You also agree not to: circumvent, remove, alter, deactivate, degrade or thwart any of the content protections in the Netflix service.*⁵⁶

The ultimate outcome of breaching these terms and conditions is that service providers (for example, Spotify and Netflix) may terminate or suspend their agreement with the user. With most terms and conditions including indemnities, the service providers may also be entitled to any damages (although some may consider that this is not a serious consequence as the likelihood of service providers taking such action against individuals is minimal).⁵⁷ However, rather than pushing service providers to accept

the circumvention practices by Australian consumers, reforms may push them to implement stronger geoblocking controls. For example, in early 2016 Netflix began notifying users when they could detect that they were using an unblocking service and prevented them from circumventing the geoblock.⁵⁸ This then forced unblocking service, Uflix, to identify alternative methods of circumvention. By mid-2016, Uflix announced that it would no longer facilitate circumventing Netflix's geoblocking measures as it did not have the time nor resources.⁵⁹ For so long as the terms of service providers' licensing agreements remain unchanged, they will likely have pressure from copyright owners to implement stronger geoblocking measures.

International obligations

The Australian Government will also need to assess whether allowing geoblocking circumvention practices will create difficulties for any of its international obligations. The *Trans-Pacific Partnership Agreement* ("TPP") included a chapter dealing with intellectual property and set out requirements to prohibit the circumvention of effective technological measures.⁶⁰ A report by the Senate's *Foreign Affairs, Defence and Trade References Committee* acknowledged submissions that the TPP's proposed intellectual property obligations would effectively require Australia to keep its current intellectual property laws, which were in need of reform.⁶¹ However, following this, the *Comprehensive and Progressive Agreement for Trans-Pacific Partnership* ("TPP-11") was signed by 11 countries (not including the US) on 8 March 2018.⁶² Although the TPP-11 is not yet in force, it incorporates the TPP, except for a number of suspended provisions. Relevantly, Article 18.68 which would prohibit the circumvention of effective technological measures has been suspended by the contracting countries.

Australia has, however, already bound itself to obligations similar to those proposed in the original TPP to prohibit circumvention measures in the *Australia-United States Free Trade Agreement*.⁶³ This is obviously inconsistent with the recommendations for reform made by the Productivity Commission Report and Australia Tax Report. However, the Government has said in its response to the Australia Tax Report that "it is mindful of its international obligations in relation to technological protection measures".⁶⁴

The numerous consequences flowing from an amendment ensuring that the circumvention of geoblocking demonstrate the complexity of the issue. However, one thing can be deciphered from all of this – the main issue is with the balance between intellectual property rights holders and consumers. The answer may not be allowing the circumvention of geoblocking and thereby using consumers as puppets to force rights holders to change their ways. It may require action to effect an alteration of the shift in the balance at a higher level, if such a shift is considered necessary.

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Overseas perspectives

The methods currently being used by other countries to deal with geoblocking technology is also worth considering in determining whether the proposed reforms should be given further consideration by the Australian Government.

United States

A decision by the United States District Court of Columbia in 2016 suggests that the US is supportive of geoblocking measures and is willing to enforce them. A television content distributor, Spanski Enterprises, brought an action against Polish public television network, Telewizja Polska SA, for infringing Spanski's exclusive right to transmit a certain television show in the United States. The Court found that this was the case, as Telewizja Polska had deliberately removed its geoblocking feature for that particular show in order to infringe on Spanski's copyright.⁶⁵ From this decision, it would appear that geoblocking is seen as a reasonable measure for intellectual property rights holders to take in the US. However, this could of course be influenced by a number of factors that are different to Australia, including the presence of more competition in the US.

Europe

In May 2015, the European Commission introduced a *Digital Single Market Strategy* ("DSM Strategy"). The DSM Strategy is aimed at creating a free movement of goods, persons and services to allow individuals and businesses to access and exercise online activities irrespective of their nationality or place of residence within Europe.⁶⁶ The DSM Strategy set out a number of initiatives, one of which was the prevention of unjustified geoblocking.⁶⁷ Two-thirds of respondents to the Commission's public consultation process comprised consumers and consumer organisations, 90 percent of which strongly agreed that geoblocking and other geographically based restrictions create significant obstacles to the DSM.⁶⁸

The European Council recently adopted a geoblocking regulation on 27 February 2018 to ban unjustified geoblocking.⁶⁹ The regulation will take effect around November 2018. Although it will prevent discrimination in European Union ("EU") countries based on a customer's nationality, place of residence or place of establishment, it will not extend to services which have the main feature of providing access to, or selling, copyright protected content (e.g. music streaming services, online games etc).

The EU has taken the approach of preventing some forms of geoblocking from the outset but making clear that other forms are still legal and justified. Time will tell how effective the EU's approach is. It may be an option worth considering by the Australian Government. However, with any consideration of the EU's approach, it must be remembered that the policy reasons behind the EU's proposal is for a Digital Single Market across its member countries. This is

a unique situation, involving the consideration of different economic and competition factors to Australia.⁷⁰

Summary and conclusion

Implementing the proposed reforms and allowing consumers to (or clarifying that consumers can) circumvent geoblocking could ultimately have a number of consequences. An understanding of those consequences, as well as the approaches taken in other regions, is important for the Australian Government to consider. The main options available in dealing with the impact of geoblocking on consumers are therefore:

- Do nothing.
- Allow consumers to circumvent geoblocking measures, as recommended.
- Prohibit geoblocking terms and practices from the outset.
- Implement a shift in the balance of intellectual property rights at an international level.

The approach currently being taken by the US is to do nothing, as they appear to be accepting of geoblocking practices. However, given the amount of competition in the US is substantially more than in Australia,⁷¹ geoblocking may not have the same impact on US consumers. Therefore, they may not currently have a problem to address.

Prohibiting geoblocking from the outset, as proposed by Europe to some forms of geoblocking, has only been recommended to the Australian Government as an option of last resort.⁷² Other groups in Australia, such as CHOICE and the Australian Retailers Association, also support the removal of geoblocking from the outset.⁷³ However, others have warned against this approach. The Australian Information Industry Association has said that prohibiting geoblocking exposes Australia to a global market and it should only be done if we are prepared for that outcome and have negotiated with international providers of comparable content.⁷⁴ Adobe has also said that the impact on organisations globally from removing geoblocking restrictions would need to be considered.⁷⁵ The Australian Treasury has said it is wary of intervening as it may be counterproductive.⁷⁶

An alternative option, and one that may be more suitable but also the most difficult to achieve, may be working to shift the balance of intellectual property rights at an international level. Perhaps the time has come where the digital age has forced that shift. The removal of prohibitions on circumventing effective technological measures from the TPP-11 may allow this to be further considered by the Australian Government. However, the *Australian-United States Free Trade Agreement* still provides difficulties to Australia's intellectual property obligations. Implementing a shift in the balance at a much higher level, such as disallowing geoblocking practices

Geoblocking in Australia: Intellectual Property Rights versus Consumer Freedom – Where Does the Balance Lie?

globally (or at least between the countries that use it most) or working on implementing global pricing of copyright,⁷⁷ would be tackling the issue head on. Simply allowing consumers to circumvent geoblocking measures would not address the intellectual property rights sitting behind that and the impact it would have on them. If it is time for the intellectual property rights to be changed, it would be more ideal to address that issue directly than use Australian consumers in the hope of effecting change at some unknown point in the future.

The practice of geoblocking, as well as the circumvention measures taken to avoid it, is in no way an easy issue to address. Recent recommendations are wanting the Australian Government to allow and encourage consumers to circumvent geoblocking technology. However, the approaches currently being taken by other regions are not in line with these recommendations. The responses by the Australian Government to the Productivity Commission Report and the Australian Tax Report suggest that nothing will be done imminently to clarify geoblocking under legislation and that other areas of copyright law will instead be addressed. Although the legality of geoblocking still appears to be a grey area, the issue requires further research and consideration for a solution to be found. If the main issue behind geoblocking is the power of intellectual property rights holders, it may be time to consider whether the digital age is requiring us to shift the balance in recognition of the effect geoblocking has on consumers.

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Book Review

Fiona Rotstein

Research Handbook on Intellectual Property and Creative Industries

by Abbe E.L. Brown and Charlotte Waelde (eds.)

[Edward Elgar, 2018, pp. 401].

This *Research Handbook* comprises essays that explore the intersection of intellectual property (“IP”) to the creative industries. From the outset, it is noted that while public IP began over 300 years ago with the *Statute of Anne* in 1710, the term creative industries is not yet 30 years old. However, both IP and the creative industries were similarly moulded by disruption in the media industry: just as questions about the status of literary property emerged following changes in how the book trade was regulated in 17th century Britain, in the last decade of the 20th century, the disruptive potential of digital technologies began to take hold.

Although the book has a slight United Kingdom (“UK”) focus, it brings together a diverse mix of authors from various parts of the world who write about the close connection between IP and the creative industries. There are chapters by philosophers, attorneys and consultants, as well as experts in management, media and communication, cultural studies, the performing arts and politics. Their reach is wide as the book includes experience and ideas from countries such as Australia, New Zealand, France, South Africa and Germany. Further, the book offers a timely take on the world in which we now find ourselves post-Brexit with Donald Trump as the democratically elected Leader of the Free World. It is within this strange and unfamiliar terrain that the various academics, economists, lawyers and policy makers offer divergent approaches and perspectives on the vexed question of the place of IP in the creative industries.

As editors Abbe E.L. Brown and Charlotte Waelde note in their introduction:

Our governing premise was that Creative Industries are in a time of change, both internally (notably in terms of stakeholder relationships, business models and attitudes to control and reward) and externally (from law, policymaking, economics, technological opportunity, social diversity and attitude), and we have sought to explore these across the chapters.

After an excellent foreword by Ian Hargreaves which provides an overview of the tensions as well as the partnership opportunities for IP and the creative industries, the book is neatly split into six discrete but complementary sections. The first part “sets the scene” and discusses what is intellectual property and why it is relevant to creative industries. Both legal and economic perspectives are provided, as well as

focused discussions on the various IP regimes. Mathilde Pavis looks at copyright and performers’ rights in the creative industries, what she calls “old laws for new challenges”. Stina Teilmann-Lock discusses design, utility models and patents, and Hasan Kadir Yilmaztekin considers passing off, unfair competition and trade marks.

The next part offers a diverse range of “national and regional perspectives” on the collision of creative industries and IP in the UK, Africa, India, Europe and Japan. The third part discusses “IP, creativity and reward”. Here, Andres Guadamuz discusses open approaches to sharing with reference to both registered and unregistered rights and Nagla Rizk looks at open approaches to sharing through the lens of Egypt’s independent music industry. Empirical consideration of IP enforcement in the creative industries is provided by Jane Cornwell, referencing her own work in Scotland as well as the work of others in Australia, the US, England and Wales. Finally, IP litigation in the creative industries is forensically examined by one of the book’s editors, Brown.

The fourth part provides some “case studies” of how the creative industries and IP have dealt with “legal, social and technical change”. In a wide-ranging offering, the visual arts, heritage crafts, dance and traditional knowledge are all examined, as well as IP and artificial intelligence, and copyright in museums. The fifth part offers a range of “cross-sector issues” that consider the creative industries and IP via more theoretical and philosophical vantage points. There is a consideration of the relationship between business models and IP, as well as an examination of corporate social responsibility, IP and the creative industries. The final part offers some diverse “foresighting” that considers IP and the creative industries in the disparate realms of economics, race, gender, language and folklore.

It is difficult to comprehensively review the 29 essays that feature in this 401-page book. The contributions range in depth and scale. While some papers provide interesting analyses of IP in relation to specific creative projects, others offer broad-thinking solutions to a range of prescient issues facing the creative industries as a whole. However, for this reviewer, two chapters stand out. The paper “Intellectual property in creative industries: the economic perspective” by Christian Handke provides an excellent overview of the economic foundation of IP for creative industries. Focusing mainly on copyright, he explores major challenges facing creative industries, with particular reference to digital information, communication technologies and 3-D printing. He observes: “... unless the long-run effect of copyright protection on the supply of new creative works is considered, copyright is not desirable in the economic perspective.” The other chapter that holds great appeal is “Theory and philosophy” by Jaime Stapleton. Expertly exploring “the thorny issue of creativity” via the prism of copyright, he offers interesting analysis about authorship and enforceability. Skilfully discussing these issues in varied contexts ranging from “Homer” in about 8th century BCE to our present-day obsession with digital connectivity and the surveillance that results, Stapleton notes: “Copyright, and its enforcement, is at the heart of the Creative Industries.”

Although these two essays both discuss the issues facing copyright in the creative industries, the book is wide-ranging and eclectic in its approach. There is adequate discussion of the relevance to the creative industries of other forms of IP beyond copyright, such as trade marks, geographic indications, patents and designs. Further, the international exploration of ideas and experiences provides a striking presentation of the pressing issues for IP and creativity. The book also canvasses the challenges and developments surrounding IP and creativity deftly. Commenting on the human rights concerns of speaking and reading digitally, Stapleton warns: “Today, creative or not, we are all subjects of the Digital Leviathan.”

Overall, the editors have fashioned a forward-looking and engaged discussion of the many issues surrounding IP and the creative industries. Contributors do, as noted, provide some rather pointed observations and there is a sophisticated level of understanding of the real-world issues at play. This *Research Handbook* provides an incisive analysis as to how the creative industries and IP have coped with legal, social and technical change. Further, the examination of enforcement and economics is well-presented and informative. The scope of themes discussed and array of perspectives makes it a valuable contribution to those in the creative industries and to IP scholars globally.

Report on *26th Annual Fordham Intellectual Property Law and Policy Conference*

Fiona Phillips

Each April, the leading lights in the international intellectual property community gather in New York City for what Dr Francis Gurry has called “the Davos of intellectual property”: the *Fordham Intellectual Property Law and Policy Conference*. This is, of course, a reference to the Swiss town which plays host each year to the *World Economic Forum*. While the metaphor may be a bit far-fetched for Australasian tastes, Fordham is unique for bringing together leading judges, policy makers, practitioners, academics and members of industry from across the intellectual property spectrum to “Learn, Debate and Have Fun” (as per the conference’s tag line).

The *26th Annual Conference* was no exception, with the “faculty” including Lord Hoffman (former Second Senior Lord of Appeal in Ordinary), Gordon Humphreys (Chairperson of the Fifth Board of Appeal of the European Union Intellectual Property Office), Judge Pierre Leval (US Court of Appeals for the Second Circuit), Margot Fröhlinger (Principal Director, European Patent Office), Karyn Temple (Acting Register of Copyrights, US Copyright Office), Michele Woods (Director, Copyright Law Division, World Intellectual Property Organization), Professor Jane C Ginsburg (Columbia Law School), Janet E Fair (Merck), Stanford McCoy (Motion Picture Association EMEA) and William J McNamara (Senior IP Counsel, Philips). For those of us travelling from the other side of the world, being able to listen to some of the main intellectual property protagonists debate current issues was a real treat.

The conference is overseen by the somewhat irreverent Professor Hugh Hansen who enforces strict time limits on speakers and panellists which ensures that the conference encourages debate (although it must be noted that it is dominated by those representing the interests of rights holders) and is much less formal than other international conferences.

Annual highlights are the judges’ session where Professor Hansen interrogates a panel of judges about their experiences on the Bench. And the Government leaders’ panel where representatives from the European Union and the United States discuss intellectual property developments and field difficult questions from panellists, the moderator and audience members.

This year, the plenary sessions also included “Key Current IP Issues: Reflections & Analysis” which looked at the relationship between the US Supreme Court and the Federal Circuit Court in patent matters, income inequality in copyright, and recent trends in patent enforcement. There was also a session on “Multinational Developments: IP in a Hostile World” which considered whether there would ever be another multilateral copyright treaty, the future of the *Trans-Pacific Partnership Agreement* without the United States, and foreign litigants in Chinese courts. Lastly, there was a fascinating session on Artificial Intelligence which included presentations from representatives of Microsoft and Merck as well as academics and private practitioners.

For the rest of the conference, delegates were required to choose one of three concurrent sessions examining developments in patents, trade marks, copyright, trade secrets, domain names and competition. Some of the more notable sessions this year included a panel on the inclusion of intellectual property in the *Hague Convention on Recognition and Enforcement of Foreign Judgments*, where representatives from rights holder and user groups both agreed that including intellectual property in the Convention was a bad idea, a series of panels on “Life Sciences”, a session examining Intellectual Property in China and one on the “Trump Administration & IP” which left audience members scratching their heads.

The Australasian region was represented by John Lee, of Gilbert + Tobin, who was a panellist on the “Multilateral Developments” panel which looked at a range of issues including emerging intellectual property rights, US non-compliance with *Berne* and the “Anti-IP campaign”. I was a panellist in the “Fair Use” session which also included Judge Pierre Leval (who developed the doctrine of transformative use), William Patry (Google’s senior Intellectual Property Counsel), Joshua Simmons (who represented Fox in the *TV Eyes* litigation and Oracle in the long running litigation against Google) Richard Dannay (who acted for the successful party in the famous Bill Graham “thumbnail” case) and Professor Jane Ginsburg. As a mere antipodean (although one seasoned by two decades of fair use debate in Australia) it was a privilege to engage in debate on whether we are witnessing the “fair use pendulum” swing back in favour of rights holders.

One of the clear themes to emerge from the conference was the impact of political instability on the international intellectual property system. Against that background, forums such as Fordham and our own IPSANZ conference are all the more important for intellectual property professionals. While Fordham could improve on diversity (both in terms of opinions and the race, age and gender of its speakers and panellists) it continues to be a thoroughly worthwhile experience.

Papers from the *26th Annual Conference* are available here: <http://fordhamipinstitute.com/material/papers-and-presentations-3/>. The next *Fordham Intellectual Property Law and Policy Conference* will be held on 25 and 26 April 2019 in New York.

Current Developments - Australia

IP AUSTRALIA

Amanda Caldwell and Martin Friedgut

Sprusons

Correspondents for IP Australia

General

Australian Intellectual Property Report 2017 shows strong growth in trade mark and design applications

Demand for both trade marks and designs grew by 7 percent in 2017, fuelled by increased overseas demand for IP rights in Australia. IP Australia received 76,594 trade mark applications and 7,708 applications for registered designs, with growth driven by non-resident applications.

Australian residents made up 61 percent of total Australian trade mark applications in 2017, with the majority of applicants being small to medium-sized enterprises (“SMEs”) and private individuals. Filings by non-residents grew by 25 percent over the year, indicating confidence in the Australian market.

Standard patent applications grew by 2 percent in 2017, continuing a gradual upward trend. Non-residents accounted for 91 percent of Australian patent applications over the year. Applicants from the United States filed around 46 percent of total patent applications.

Australian residents file more than three times as many patent applications overseas as they do in Australia, with the United States of America the most popular destination (comprising 42 percent of total Australian applications abroad).

The *Australian Intellectual Property Report 2017* was released by IP Australia at the *Institute of Patent and Trade Mark Attorneys of Australia Annual Conference* in Melbourne in April 2018. The Report is available on the IP Australia website.¹

Patents

No notices issued.

Designs

No notices issued.

Trade Marks

No notices issued.

New South Wales

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***Encompass Corporation Pty Ltd v InfoTrack Pty Ltd* [2018] FCA 421**

Patents – validity – novelty and innovative step – self-anticipation – support – manner of manufacture – secret use – effect of Intellectual Property Laws Amendment (Raising the Bar) Act 2012 (Cth) on s.40(2)(a)

Introduction

Encompass Corporation Pty Ltd is the proprietor of Australian Innovation Patent no. 2014101164 and Australian Innovation Patent no. 2014101413 (“the Patents”). Each of the Patents is a divisional application of a common standard patent application and they are substantially similar to one another. *InfoTrack Pty Ltd* admits to having infringed the Patents, but cross-claims that both patents are invalid.

The subject matter of the Patents relates to a method and apparatus for displaying information, particularly in the field of information retrieval, data management and data visualisation. The problem addressed in the Patents relates to data about entities existing in disparate databases being difficult to access and in different formats, making matching and comparison of data about a particular entity difficult. The Patents seek to address the issue by accessing information in the different databases and displaying a visual representation of the relationship between the entities.

The Patents were found to be invalid, surviving on most grounds but failing in respect of manner of manufacture. The aspects of construction, novelty, innovative step, self-anticipation and secret use are discussed in detail by Perram J, but largely turn on the facts of the case. As such, only the issues of support and manner of manufacture are discussed below.

Disclosure and Support

The relevant legislation is the *Patents Act 1990* (Cth) (“the Act”) as it exists after the amendments introduced by the *Intellectual Property Laws Amendment (Raising the Bar) Act 2012* (Cth) (“RTB Act”). Sub-section 40(2)(a) requires the specification to disclose the invention in a manner that is clear enough and complete enough for the invention to be performed by a person skilled in the art.

The specification for each of the Patents describes the invention as querying data sources that are variously

¹ See <https://www.ipaustralia.gov.au/ip-report-2017>

either local or remote and the specifications are essentially indifferent as to whether the data sources need to be remote or local. In contrast, the invention as claimed only relates to remote data sources, so is narrower than the invention disclosed. Both parties agreed that the specifications enabled a person skilled in the art to perform the invention, however InfoTrack submitted that this was not all that was required.

The dispute on this point relates to whether the “fair basis” requirement remains following the amendments introduced by the RTB Act. Despite such a requirement no longer being in the Act as amended as a matter of ordinary language, the argument is made that removing this requirement goes against the intention of the amendment being to raise the standard of disclosure required.

Perram J considered this point in detail, but found that the Explanatory Memorandum is essentially silent on this point and there is no basis for the former requirement of making the nature of the invention plain to survive in the current form of s.40(2)(a). Instead, the only requirement now in this section relates to enablement. A similar finding was reached in relation to s.40(3), with the former law about fair basis not continuing under the current support requirement.

Manner of Manufacture

Perram J was satisfied that the present invention satisfied the test in *National Research Development Corporation v Commissioner of Patents* [1959] HCA 67; 102 CLR 252, but that this is not sufficient, following *Research Affiliates LLC v Commissioner of Patents* [2014] FCAFC 150; 227 FCR 378. As such, the present invention was compared in particular with two other cases that dealt with manner of manufacture in relation to computers: *International Business Machines Corporation v Commissioner of Patents* (1991) 33 FCR 218 (“IBM”); and *CCOM Pty Ltd v Jiejing Pty Ltd* [1994] FCA 396; 51 FCR 260 (“CCOM”).

The question of what an improvement in a computer actually is was given some consideration. It was accepted that invention in the Patents was considered to result in the computer being used to do something it had not been used to do before. But this was not enough to improve the functionality of the machine, because the invention only involves the concatenation of three other methods, none of which is new. As such, this combination of features was not considered to be equal to the curve generation method in IBM. Perram J stated that there is more difficulty in distinguishing it from the method of character generation in CCOM, but it is still difficult to see how the invention in the Patents could be used to do something with a computer which could not already be done. Therefore, no improvement in the computer is made and the Patents do not involve a manner of manufacture.¹

Gram Engineering Pty Ltd v Bluescope Steel Ltd [2018] FCA 539

Damages – Designs – Assessment of Damages – Infringement of Registered Design – Designs Act 1906 (Cth)

Background

Gram Engineering (“Gram”) was the owner of Australian Registered Design No. 121344S under the *Designs Act 1906* (Cth) for a fencing panel sheet with a sawtooth design (“the Design”) which looked the same from both sides of the fence, meaning neither neighbour ended up with the “bad side” as was commonplace with other steel fences on the market at the time. Gram sold “GramLine” (which was an embodiment of the Design) from September 1995.

Bluescope Steel (“Bluescope”) commenced selling “Smartascreen” in 2002. In *Gram Engineering Pty Ltd v Bluescope Steel Ltd* [2013] FCA 508, Jacobson J found that Bluescope had infringed Gram’s Design by selling Smartascreen. Due to the relevant six-year limitation period and the expiry of the Design, damages were recoverable for the infringing conduct that occurred between 16 April 2005 and 8 February 2010 (“the Infringement Period”).

Gram elected to pursue damages rather than an account of profits.

Assessment of Damages

Gram’s case

Gram’s case for the assessment of its damages relied largely on evidence of its market share and its declining sales during the Infringement Period. Gram’s expert accountant calculated Gram’s loss by comparing Gram’s actual total sales during the Infringement Period to its hypothesised total sales as if Smartascreen had never been introduced in 2002 and as if Gram had continued to increase its market share in all States in various ways using Gram’s sales trajectory up to 2002 as a baseline. Justice Jagot identified a number of problems with this approach:

- It incorporated into the calculation for the Infringement Period losses which occurred prior to that period, which would have overcompensated Gram.
- It was based on total sales by Gram and was not limited to sales of GramLine products. Sales of GramLine and associated products accounted for about 66.5 percent of Gram’s total sales.
- It did not consider sales of Smartascreen to be relevant. Justice Jagot stated: “Given that it is Smartascreen that infringes the Design, it is the sales of Smartascreen which must be the starting point for any assessment of lost sales.”
- It assumed that Gram’s market position and the market generally would be the same as it was prior

to the introduction of the Smartascreen and did not account for the fact that:

- NSW (Gram's largest market) was a mature market by 2000 and was not growing at the same rate as it had been in the lead-up to 2000.
- Other competitors selling symmetrical fences had entered the market during the Infringement Period.
- Gram changed from using Australian made Colorbond steel (manufactured by Bluescope) to imported steel during the Infringement Period, which was important to some customers.

Based on these problems, Jagot J found that no weight could be given to the evidence of Gram's expert accountant in assessing the damage that Gram had suffered.

In addition, Bluescope argued that Gram's approach failed to establish a causal link between the damage it claimed to have suffered and Bluescope's infringement of the Design. Bluescope relied on statements made by Greenwood J in *Norm Engineering v Digga Australia* [2007] FCA 761, that "the copyright owner is only entitled to damages that represent the loss attributable to the copyright material taken" to argue that the Design gave Gram a monopoly over the sawtooth profile and that Gram needed to prove that Bluescope's Smartascreen sales were made by reason of that sawtooth profile and not other factors.

However, Jagot J rejected this argument, holding at [164]:

While I accept that the onus was on Gram to prove that it had suffered loss by reason of the infringement, I do not consider that that it is possible to sever infringing from non-infringing components of Smartascreen ... The entire fencing panel is the infringing conduct because it is a single steel panel pressed into the shape which is the obvious imitation of the Design.

Bluescope's case

Bluescope's position was that Gram's damages should be calculated by reference to 5 percent of Bluescope's total sales of Smartascreen and associated products in the Infringement Period. Bluescope argued that:

- There was limited overlap between its and Gram's customers and so there was limited opportunity for a sale of Smartascreen to be a lost sale of GramLine.
- Gram failed to adduce evidence that it had lost any resellers to Bluescope because of Smartascreen or that any customers who had bought a Smartascreen would have bought a GramLine if Smartascreen was not available.
- Customers valued Bluescope's reputation and service more than the sawtooth design and, rather than buying a GramLine, would have bought another Bluescope product if the Smartascreen was not available.

However, Jagot J considered that the 5 percent figure was too low having regard to:

- Gram's substantial share of the market off the back of the popularity of GramLine.
- Evidence that the market was slow to accept new design profiles.
- The fact that Smartascreen was an obvious imitation of GramLine and was being directly substituted for GramLine.
- The decline in Gram's sales from 2002 when Smartascreen was introduced, which showed the potential that Smartascreen had to divert sales away from GramLine.

Decision

Justice Jagot found that Gram's loss fell between 20 percent and 40 percent of Bluescope's total sales of Smartascreen, including sales of related posts, rails and caps and discretionary accessories. Taking into account changes in the market and deficiencies in Gram's evidence, Jagot J assessed Gram's loss during the Infringement Period on the basis that 25 percent of Bluescope's sales of Smartascreen represented lost sales of GramLine, being the lower end of the range. Using Bluescope's expert accountant's calculations, the loss totalled AU\$2,078,338, being the sum of:

- AU\$1,166,192 for infill fencing sheets.
- AU\$836,586 for rails, posts and caps.
- AU\$75,560 for discretionary accessories.

Justice Jagot declined to apply a further discount to the award of damages based on a novel argument by Bluescope that, as a profitable Australian company paying PAYG tax on its profits on a monthly basis, Gram would not have had the benefit of 100 percent of its lost profits from year to year and would have paid tax at the relevant rate of 30 percent for companies.

Bluescope also sought to have Gram's assessment of damages confined to prejudgment interest under the *Federal Court of Australia Act 1976* (Cth) s.51A because of Gram's nine-year delay in commencing proceedings. Justice Jagot rejected this argument on the basis that Gram already suffered for its delay by reason of the limitation period, and Bluescope had had the benefit of the money it earned because of the infringing conduct during the Infringement Period for the entirety of that period and to the date of judgment. Pre- and post-judgment interest were awarded pursuant to the *Federal Court of Australia Act 1976* (Cth) ss.51A and 52.

¹ Editors' note: The Australian Government has accepted the Productivity Commission's recommendation 7.2 to amend the test for what is an inventive step in the *Patents Act 1990* (Cth). This is expected to be implemented in Part 2 of IP Australia's implementation of the Productivity Commission's *Report on Australia's Intellectual Property Arrangements*.

Current Developments – New Zealand

Andrew Brown QC

Barrister

Auckland

Correspondent for New Zealand

Case Law Developments

Oraka Technologies Limited & Ors V Geostel Vision Limited & Ors

High Court of New Zealand, Auckland, Hinton J,

10–14 July 2017, 1 August 2017, 23 April 2018, [2018] NZHC 769

Copyright – damages – user principle – factors relevant to user principle – determining the proper licensee – licence fee set as if exclusive licence – Copyright Act 1994 (New Zealand)

Facts

This decision arises out of a long-running copyright infringement action which has twice been to the Court of Appeal. The question to be determined was the quantum of damages payable to the first plaintiff as copyright owner for infringing use by the defendants based on a notional fee or royalty (often known as the “user principle”).

During the 1980s Schwarz invented an asparagus grading machine (“the Oraka Grader”) with a unique cup assembly. In 1993 he assigned copyright in the cup assembly to the first plaintiff Oraka Technologies (“Technologies”). The defendants infringed copyright in the cup assembly from mid-2001 to March 2009 when copyright expired.¹ The individual defendants incorporated the first defendant Geostel and through that vehicle started manufacturing and selling a grading machine (“the Geostel Grader”) in competition with the Oraka Grader.

The Geostel Grader incorporated a cup assembly that was a copy of a substantial part of Oraka’s cup assembly. The infringing cup assembly was manufactured and sold to Geostel by the third defendant tool-maker and manufacturer, Napier.

During the infringement period from mid-2001 to March 2009, the first plaintiff Technologies no longer manufactured and sold the plaintiff’s Oraka Grader. Technologies stopped trading in 1996 and instead from 1996 to 2001, the Oraka Grader was manufactured and sold by another company (Holdings) which was not party to the proceedings. In early 2001 before the defendants infringing conduct commenced, Holdings itself ceased trading and the business of manufacturing and selling the Oraka Grader was carried on by the second plaintiff, Graders. Mr Schwarz was neither a shareholder nor director of Graders.

Technologies granted an informal exclusive licence to Holdings then Graders but did not claim nor receive royalty payments.

Proceedings for copyright infringement were issued in 2005. The net effect of a series of High Court and two Court of Appeal decisions was that in 2013, the Court of Appeal entered a liability judgment against all defendants in favour of Technologies as copyright owner. The High Court then entered judgment against the defendants for NZ\$4.1 million. In a subsequent judgment, the Court of Appeal by a two-one majority, upheld an appeal against that decision and remitted the case back to the High Court to determine the quantum of damages payable on the basis of a notional licence fee for each infringing use from mid-2001 to March 2009 when copyright expired.

Hinton J awarded the sum of NZ\$510,000 as damages adopting the following reasoning:

1. The “user principle” of damages operates as compensation by awarding to a successful plaintiff the benefit of a negotiated licence which the plaintiff lost when the defendant infringed its intellectual property [18].

General Tire and Rubber Co v Firestone Tyre and Rubber Co Ltd [1975] 1 WLR 819 followed; *Gallagher Electronics Ltd v Donaghys Electronics Ltd* (1991) 4 TCLR 344 (HC); *Electroquip Ltd v Craigco Ltd (No 2)* HC Auckland, CIV-2006-404-6719, 29 April 2010 referred to.

2. The relevant factors to this case distilled from the case law were [33]:
 - (a) The hypothetical negotiation is a construct to identify a reasonable price that the defendant would pay for the use of the plaintiff’s property.
 - (b) The task is to identify the fee that would have been agreed, not what ought to be imposed.
 - (c) The notional licensee should be the party who is the main beneficiary of the breach.
 - (d) The parties are assumed to be willing, regardless of whether they would in fact have ever agreed to grant or take a licence.
 - (e) The parties are assumed to have their actual characteristics, but they must make reasonable use of their respective bargaining positions.
 - (f) The date of assessment is the date of commencement of infringement.

- (g) The fact that the licensor would not have wished to assist a potential new competitor is relevant.
- (h) Alternatives are relevant at least to the extent they were known at the time and are available on the facts before the Court.
- (i) Events after the relevant date are irrelevant except to the extent they are the best reflection of what the parties would have known or thought at the relevant time. It is useful to look at the eventual outcome and consider whether or not that is a useful guide to what the parties would have thought at the time of their hypothetical bargain.

Force India Formula 1 Team Limited v 1 Malaysia Racing Team Sdn Bhd [2012] EWHC 616 (Ch); *32Red Plc v WHG (International) Ltd* [2013] EWHC 815 (Ch) followed.

- 3. A three-step process is required in order to assess the licence fee [34]:
 - (a) Assess the total number of infringements – here the total number of cup assemblies manufactured by Napier for Geostel.
 - (b) Estimate the notional licence fee to be applied to each item.
 - (c) Fix loss by multiplying the number of infringing items by the notional licence fee.
- 4. The notional licensor was Technologies [53]. The proper licensee was Geostel, even though Napier was the manufacturer of the infringing cup assembly. It was in effect a middle man. On this basis Napier's profits or otherwise were not relevant and the question was what would Geostel reasonably pay [55].

Force India Formula 1 Team Limited v 1 Malaysia Racing Team Sdn Bhd [2012] EWHC 616 (Ch) referred to.

- 5. The date of assessment was mid-2001 when infringement commenced [57]; [102].
- 6. The notional negotiation would be on the basis of an exclusive licence [64].
- 7. Alternatives for licensor: As to the first plaintiff's claim that Grader's lost profits should be, if not the basis for the user claim, then the justification for it, the notional "negotiation" was between the copyright owner Technologies and Geostel, not Graders and Geostel. Technologies was not trading [72].
- 8. Alternatives for licensor: The defendants were neither in a high-stress position nor had strongly viable alternatives as at mid-2001, although the ability to design an alternative cup placed some curb on the licence fee that would be agreed by Geostel [88].

- 9. The overall weight of the evidence was that the cup assembly was a valuable part of the machine and in extensive use, including replacement parts [92]. The licence fee would not be a simple matter of a small percentage of the cup assembly profit [95].
- 10. The quantum of the licence fee was not limited by the actual very modest final operating profit made by Geostel from its infringing activity overall. The Court would proceed on the basis that, as at mid-2001, Geostel would have considered there was ample room for a fee on the cups that was high, relative to the value of the cup. A licence fee would have seemed relatively inconsequential as a line item.
- 11. An argument for apportionment to reflect that parts of the cup did not infringe was not relevant. This was not a case of assessing a royalty for a machine and then looking at the part for which there is copyright but rather the reverse [116]. The cup assembly was an important part and there should not be apportionment [125]-[126].
- 12. A reasonable licence fee was NZ\$6.00 per cup assembly making (for a total of 85,000 infringing cup assemblies) a damages figure of NZ\$510,000 [129] and [132].

Watkins manufacturing corporation v prestige pools limited & anor

High Court of New Zealand, Auckland, Jagose J,
26 – 28 March, 18 April 2018, [2018] NZHC 709

Registered design – spa pool cabinet – whether defendants models infringed – assessment of novelty

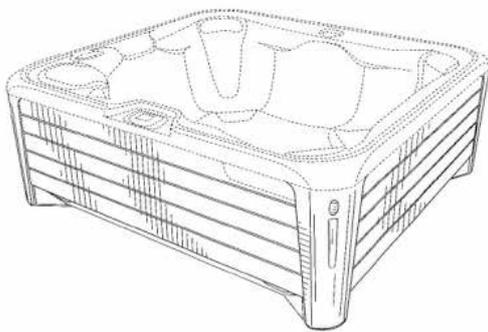
Facts

The plaintiff ("Watkins") was owner of a New Zealand registered design for a spa pool cabinet. Watkins alleged that the importation, advertising, offering to sell and sale of three models of Prestige's spa pools infringed the registered design. Prestige admitted importation, advertising and offering for sale but denied sale and infringement. The trial proceeded on liability only. Jagose J found that there was infringement on the following bases.

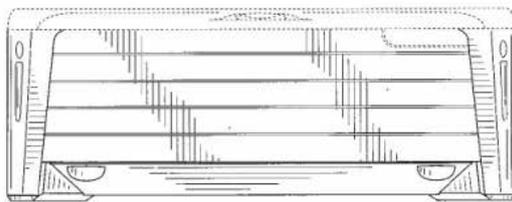
- 1. From the statement of novelty and the representations in the design, the features of appearance of the spa pool cabinet were:
 - (a) Comprised of a few horizontal planks, narrowly spaced vertically apart.
 - (b) Joined at each of its four corners by a separate full height stout leg, of a material different from the cabinet, enclosing the abutting cabinet side ends in curved and chamfered dimensions tapering toward its base.
 - (c) With some indeterminate device high on the centre of each of those legs and at the internal extremities of

each side of a high and deep angled recessed container base.

- (d) Together offering an illusion the contained spa pool's bulk was supported by the legs, rather than the base.
2. The Watkins product affirmed the product's commercial embodiment of the design representations [35].
3. The representations of shape and configuration from the registered design were as follows:



PERSPECTIVE VIEW



FRONT VIEW

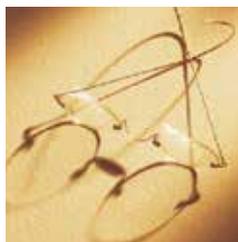
4. Jagose J held that his inspection of Prestige's model SR805A gave the same impression as the design representations [36]. While the central columns were likely required by the Prestige model's need for weight distribution, there was no evidence that this necessitated their shape or configuration. The central columns of the registered design were not dictated solely by the function which the article to be made in that shape or configuration had to perform. Even having regard to the Prestige model's additional central columns, they were not sufficiently distinct from its recessed base to affect the illusion of the cabinet being supported by its corner legs. The corner leg was the design's conceit, rather than its reality [37].

5. A photograph of one of the Prestige models is as follows:



6. Prestige's three models infringed as articles to which a design not substantially different from the registered design had been applied [39].

¹ Section 75 *Copyright Act 1994* (NZ) provides 16 years from first industrial application anywhere in the world.



Expressions of Interest

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Current Developments - Asia

SINGAPORE

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***Lee Tat Cheng v Maka GPS Technologies Pte Ltd* [2018] SGCA 18**

The Court of Appeal recently clarified the approach towards patent claim construction in Singapore and the grant of relief for groundless threats of infringement.

The appellant, Lee Tat Cheng (“Appellant”) is the proprietor of a patent covering an in-vehicle camera (“Patent”). He alleged that Maka GPS (“Respondent”) infringed the Patent by offering for sale three models of in-vehicle cameras. In response, the Respondent counterclaimed that the Patent was invalid, or that there was no infringement and for a consequential declaration of groundless threats of infringement.

In the ensuing trial, the High Court found that the Patent was valid, but that there was no infringement. The Court further found that upon establishment of groundless threats of infringement, the *Patents Act* 1994 (Singapore) mandated the grant of relief in the form of injunction. The Appellant appealed to the Court of Appeal against the finding of non-infringement and the grant of injunctive relief for groundless threats.

Claim Construction

The Singapore courts had previously adopted the approach of United Kingdom (“UK”) courts’ towards claim construction (*Kirin-Amgen Inc v Hoechst Marion Roussel Ltd* (“*Kirin-Amgen*”) [2004] UKHL 46). However, the recent UK Supreme Court decision in *Actavis UK Limited v Eli Lilly & Co* [2017] UKSC 48 (“*Actavis*”) modified the UK approach to claim construction, and the Appellant argued that the Court of Appeal should follow suit. *Actavis* is now regarded as the leading case in the UK on scope of protection of a patent and the following guidelines were as reformulated from the questions first set out in *Improver Corporation v Remington Consumer Products Limited* [1990] FSR 181:

- (i) *Notwithstanding that a variant is not within the literal meaning 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?*
- (ii) *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?

- (iii) *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?*

Accordingly, using the *Actavis* approach, in order to establish infringement in a case where there is no literal infringement, a patentee would have to establish that the answers to the first two questions are “yes” and that the answer to the third question is “no”.

Singapore position

After reviewing the *Actavis* decision, the Court of Appeal rejected the *Actavis* approach and instead, endorsed the purposive construction approach of previous cases.

It held that the *Actavis* approach extended the protection of a patent beyond the scope of the claims and is inconsistent with the present statute in Singapore. *Patents Act* s.113 provides that the extent of the protection conferred by a patent is to be determined by what is specified in the claims, interpreted in the light of the description and any drawings contained in the patent specification. It was hence not permissible to extend the scope of the protection beyond that as specified in the claims.

While s.113 is materially similar to *UK Patents Act* 1977 s.125, the interpretation of the latter is now governed by the *European Patent Convention* and the *Protocol on the Interpretation of Article 69*. The Court of Appeal held that the UK Supreme Court was bound to interpret and apply the *European Patent Convention* and the *Protocol on the Interpretation of Article 69*, both of which are not applicable to Singapore. Lord Neuberger in *Actavis* found that:

Such an approach complies with article 2 of the Protocol, as issue (ii) squarely raises the principle of equivalents, but limits its ambit to those variants which contain immaterial variations from the invention. It is also apparent that the two issues comply with article 1 of the Protocol in that they involve balancing the competing interests of the patentee and of clarity, just as much as they seek to balance the encouragement of inventions and their disclosure with the need for a competitive market.

Furthermore, the Court of Appeal opined that it was not unfair that the patentee was bound by the terms in his claims and that this provides certainty to third parties. The *Kirin-Amgen* approach strikes the correct balance between affording fair protection to a patentee so that he/she is

not without protection against third parties who make immaterial variants to the patented invention, and the need to provide a reasonable degree of certainty to third parties who, in the conduct of their business, rely on patent claims to determine the limit of the patent. On the other hand, because the *Actavis* approach incorporates the doctrine of equivalents which may introduce *ex post facto* analysis that focuses on how the patented invention works in practice based on the state of developing scientific knowledge at the date of the alleged infringement (rather than date of the patent), it introduces an element of uncertainty.

The Court of Appeal subsequently upheld the High Court's claim construction, finding that the claimed features were absent in the alleged infringing devices and upheld his finding of hence non-infringement.

Relief for Groundless Threats

The High Court considered that once a claim for groundless threats of infringement proceedings was made out, it was mandatory for the court to grant at least one of the three forms of relief provided by the statutory provisions, namely, a declaration that the threats are unjustifiable, an injunction against the continuance of the threats, and damages for any loss suffered. The High Court found that the Respondent failed to prove that it had suffered any loss, and had already obtained a declaration of noninfringement, and thus granted an injunction against continued threats.

On appeal, the Court of Appeal disagreed that the grant of relief was mandatory once a claim for groundless threats of infringement proceedings had been made out. The Court of Appeal held that the statutory provisions must provide very clear words to remove the court's discretion to grant declaratory or injunctive relief. To obtain relief, the claimant needs to show that he has suffered a loss as a result of the threats or that it is appropriate for the court to grant a declaration or injunction. Therefore, the Court of Appeal allowed the Appellant's appeal with respect to the injunction.

Comment

This decision has crucially clarified the issue of claim construction of a patent under Singapore law and importantly that the application of the doctrine of equivalence in *Actavis* is not applicable. This marks a significant divergence from UK case law on claim construction which, to date, has been a key jurisdiction in the interpretation of Singapore patent law.

The Court's clarification of relief for groundless threats of infringement proceedings is also welcomed by practitioners.

JAPAN

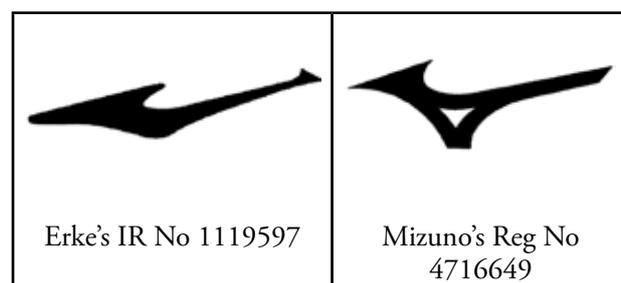
John A Tessensohn

Board Member, SHUSAKU-YAMAMOTO, Osaka, Japan¹
Japan Correspondent

Mizuno Triumphs in IP High Court Trade Mark Battle

This commentary discusses an interesting case which saw a leading Japanese sporting goods company successfully invalidating an up and coming Chinese competitor's device mark registration in Japan, *Mizuno Corporation v Fujian Hongxing Erke Sports Goods Co Ltd* Case No Heisei 28 (gyo-ke) 10262 dated 13 September 2017.

A large Chinese sportswear manufacturing company, Fujian Hongxing Erke Sports Goods Co Ltd ("Erke"), is the owner of International Reg No 1119597 ("IR") for the device mark (see below) in Classes 18, 25 and 28. The company was founded in 2000 and is based in Quanzhou, China. Erke specialises in sports apparel and has sponsored major sports icons within the Chinese Olympic team and it was also the official apparel sponsor for the 2012 WTA Tour Championships, the Shanghai ATP 1000 tennis tournament and the Qatar Open table tennis tournament.



Erke's trade mark was registered as IR No 1119597 on 15 March 2013 in Japan for the following designated goods:

Class 18: Imitation leather, school bag, backpack, small-size travel carry-on bag, skate leather straps, hide, umbrellas and their parts, Class 25: Clothing, newborn clothing, swimwear, coated clothing, footwear and boots for sports, headgear for wear, knitted underwear and knitted socks, scarves, gloves and mitten [clothing], sports jersey and athletic jersey, T-shirts, jackets [clothing], football shoes, sandal [shoes] and sandal-clogs, training shoes and others.

JPO Invalidation Appeal

A leading Japanese sporting goods company, Mizuno Corporation, the owner of the famous and senior device mark No 4716649 (see above) which was registered in classes 18, 25 and 28 for sport shoes and other goods filed Invalidation Appeal no 2015-680001 against the Erke IR on 1 May 2015 arguing that Erke's mark was similar to its famous senior "RunBird" trade mark registrations and that the Erke mark was liable to cause confusion with Mizuno's

registered trade mark since Mizuno's trade mark was well-known in Japan. Mizuno is a famous Japanese sports equipment and sportswear company, founded in Osaka in 1906 by Rihachi Mizuno. Mizuno, listed on the Tokyo Stock Exchange, is a global corporation which makes a wide variety of sports equipment and sportswear, with over 5,200 employees worldwide.

Mizuno submitted that it had been using the device mark for sporting shoes since 1983. The device mark was named by Mizuno as RunBird since it looked like a running bird and Mizuno has been using the RunBird mark for sporting wear and bags, and that mark has been used also as their house mark since 1998 and "plays an important role as a symbol of the Mizuno brand" according to Mizuno's Heritage webpage information.²



Mizuno alleged that the RunBird mark became a well-known trade mark and the Board of Appeals of the JPO admitted it in their decision.

However, in a decision dated 2 November 2016, the JPO dismissed Mizuno's invalidation challenge that notwithstanding the fame of the senior Mizuno trade mark registration, the two trade marks were not confusingly similar (*Japan's Trade Mark Law 1959 s.4(1)(xi)*) and the marks were not liable to cause confusion with goods and services connected with another's business (*Japan's Trade Mark Law 1959 s.4(1)(xv)*).

To successfully invalidate a junior registration under s.4(1)(xv), the senior registrant has to show that the offending junior registration is a "trade mark liable to cause confusion with the goods or services connected with client's business". This section is usually reserved for actions brought by owners of famous brands, who have achieved a level of recognition that is beyond the goods/services normally associated with its business.

To successfully invalidate a junior registration under s.4(1)(xi), the senior registrant has to show that the offending junior registration is a trade mark "that is identical with, or similar to, the registered trademark, and it is used on the designated goods covered by the trade mark registration referred to or on similar goods".

Dissatisfied with the JPO's decision, Mizuno promptly appealed the JPO's decision to the Intellectual Property High Court of Japan ("IPHC") on 10 November 2016.

IP High Court

In its decision dated 13 September 2017, the IPHC rescinded the Board's decision and revoked the accused Erke's IR and found that the subject marks were liable to cause confusion with goods and services connected with another's business under *Japan's Trade Mark Law 1959 s.4(1)(xv)*.

Presiding Judge Takashi Shimizu admitted there were some dissimilarities between the two trade marks, especially the difference of the heights of the two marks and the presence of a central white inverted triangular device in the Mizuno mark, he found, however, that:

[the] trade marks share the basic structures such as the arrangement and outline with respect to the overall composition. Taking into account the actual circumstances such that the main consumers of goods including clothing, which are the goods for which the Erke trade mark is to be used, are general consumers including those with no accurate or detailed knowledge of trade marks or brands and that they would not pay a significant degree of attention when purchasing goods as well as the fact that the cited trade mark is highly well-known and famous in Japan, when the Erke trade mark is used as a one point mark especially for its designated goods, consumers (general consumers) who look at it could focus on the fact that the Erke trade mark has a figure similar to the cited trade mark in terms of the overall arrangement and outline, etc. but may not realize differences in the detailed shapes (difference in the inside, etc.) of the Erke trade mark.

The IPHC also found that if the defendant's mark was to be used as a stitched ornamental mark, it would likely be relatively small. As such, it would be difficult to visually recognise the mark's detailed structure. If this was the case, the overall configuration would catch the eye of observers and the differences in the silhouette, such as the inverted triangle, may no longer stand out. The Court added that if the defendant's mark featured in catalogues alongside a large number of other goods or at sporting competitions, there would be a greater chance that the marks would be confused.

The IPHC found:

[the Mizuno] trade mark is famous among consumers as that indicating the plaintiff's goods in the field of goods related to sports equipment (sporting equipment). The designated

goods of the Erke trade mark include goods related to sports equipment (sporting equipment) with respect to which the famousness of the cited trade mark is recognized by consumers. Thus, when the Erke trade mark is used for such designated goods, consumers who look at it are likely to call to mind or be reminded of the cited trademark, which is a famous trade mark, and misunderstand that the goods are those related to the business of the plaintiff or a person who has a close business relationship with the plaintiff or who belongs to a group engaged in the commercialization business using an identical indication.

Accordingly, the IPHC held that marks were liable to cause confusion with goods and services connected with another's business under *Japan's Trade Mark Law* s.4(1)(xv) which prohibits the registration of a trade mark "that is likely to cause confusion in connection with the goods or services pertaining to a business of another person".

As to Mizuno's other invalidation ground, *Japan's Trade Mark Law* s.4(1)(xi), which prohibits the registration of a trade mark "that is identical with, or similar to, the following registered trade marks, and it is used on the designated goods covered by the trade mark registrations referred to or on similar goods", the IPHC maintained the JPO's decision.

Commentary

The lynchpin of the IPHC's decision is the determination of that in view of the relevant business channels and actual trading conditions, the IPHC found that the Erke mark was likely to cause confusion with Mizuno's business in sportswear business in Japan notwithstanding that the Erke and Mizuno marks per se were not similar with each other. The IPHC decision seems to suggest that the invalidation ground based on confusion or connection of businesses is a more dynamic determination, rather than the static examination of the marks for similarity purposes.

The JPO Examination Guidelines indicate that in order to determine whether a mark "is likely to cause confusion in connection with the goods or services pertaining to a business of another person" the following factors are comprehensively taken into consideration.

- (a) *How much another person's trade mark is known (the degree or dissemination of advertisement, publicity, etc.).*
- (b) *Whether another person's trade mark is a creative mark.*
- (c) *Whether another person's trade mark is a house mark.*
- (d) *Whether there is the possibility of multiple businesses.*
- (e) *Whether there is any relationship between goods, services or goods and services.*

However, the judgement of above (a) may not be well known throughout the country.

This likelihood of confusion results not only from a misunderstanding that the goods are those related to the business of another, but also from misunderstanding that the businesses related to the goods are financially, organisationally, structurally or otherwise related to each other. It is necessary to show that the mark to be protected under s. 4(1)(xv) is "well known" among consumers in Japan before the filing date of the unauthorised trade mark application.

It would appear that that IPHC had closely adhered to the aforesaid factors of determining the likelihood of confusion in the marketplace as well as the actual usage of the mark in trading conditions and business channels in order to find that the Erke mark is likely to cause confusion in connection with the goods or services pertaining to Mizuno's business under *Japan's Trade Mark Law* 1959 s.4(1)(xv) and the decision is a pro-owner development.

- 1 Any questions about this article should be e-mailed to John A. Tessensohn at jtessensohn@shupat.gr.jp. This article reflects only the personal views of the author & should not be attributed to the Author's Firm or to any of its present or future clients.
- 2 Mizuno Corporation, Launch of RunBird shoes, <http://corp.mizuno.com/en/heritage.aspx>

Current Developments – Europe

EUROPEAN UNION

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Pending CJEU copyright cases to look out for in 2018: further questions concerning hyperlinking as an act of “communication to the public”

In the Information Society, files or videos can easily be published and shared on online sharing platforms or via multimedia players, pre-installed with add-ons containing hyperlinks to streaming content. Publishing or sharing copyrighted files or videos without the rights holders’ consent may constitute copyright infringement. Technological protection measures (“TPMs”) may be employed by internet service providers to prevent illegal file sharing. However, with emerging technologies, it is becoming harder for internet service providers to block illegal access as users can find alternative ways to circumvent an access control TPM.

Recently an increasing number of lawsuits have been filed against users uploading, downloading and streaming copyrighted content without permission. My last EU report (which appeared in the September 2017 issue of *Intellectual Property Forum*) attempted to critically analyse the recent judgments of the European Court of Justice (“CJEU”) file-sharing cases: *Stichting Brein v Ziggo BV, XS4ALL Internet BV* (Case C-610/15) of June 2017 (“Ziggo”); *Stichting Brein v Jack Frederic Wullems* (C527/15) of April 2017; *GS Media v Sanoma Media Netherlands and Others* (C-160/15) of September 2016 and *Svensson and Others* (C-466/12) of February 2014. My report sought to provide further clarification on the cumulative criteria for the determination of an act of “communication to the public” and also the liability of internet service providers and the operators of online sharing platforms. I argued that it may be more efficient for there to be a harmonised EU legal framework concerning indirect copyright liability and direct copyright liability of the different types of internet service providers (e.g. access providers and website operators etc.), other than relying on a case-by-case interpretation by courts.

Without a harmonised EU legal framework on the liability of providing links to copyrighted content by internet service providers, cases and questions continue being referred to the CJEU by national courts. There were two hyperlinking cases which were referred by the Federal Court of Justice (Germany) and lodged in 2017 by the CJEU. These two cases are pending judgment in 2018. There was also another case referred by the District Court of The Hague on 28 March 2018 awaiting judgement by the CJEU. The case

concerns links to PDF downloadable second-hand e-books.

Case 1. *Land Nordrhein-Westfalen v Dirk Renckhoff* (Case C-161/17)

On 31 March 2017 the CJEU lodged the case *Land Nordrhein-Westfalen v Dirk Renckhoff* (Case C-161/17), referred by the Federal Court of Justice (Germany).¹ The question referred was as follows:

Does the inclusion of a work – which is freely accessible to all internet users on a third-party website with the consent of the copyright holder – on a person’s own publicly accessible website constitute a making available of that work to the public within the meaning of Article 3(1) of Directive 2001/29/EC 1 if the work is first copied onto a server and is uploaded from there to that person’s own website?

The *Dirk Renckhoff* case concerned a copyright infringement claim against a school who had sourced a photo from an online travel magazine portal and uploaded it to its own website. Although the photo was freely accessible by the public on that portal, the photographer claimed that he only allowed the portal to use the photo exclusively.²

In this case, the plaintiff - a professional photographer – was mainly concerned about losing his right to revoke his consent to make the photo available to the public as a result of it being uploaded onto the school’s website. The plaintiff complained that the school had violated his copyright. He demanded that the photo be removed from the school website and that compensation should be paid by the respondent, the Federal State of North Rhine-Westphalia.

The focal point of the case is whether there is an act of “communication to the public” within the meaning of Article 3(1) of *Directive 2001/29/EC* (the “*Copyright Directive*”). In its judgment, the Bundesgerichtshof ruled that the photo on a school’s website was not present at the place of original communication, and the term “public” was satisfied by there being users of the school website.³

It also noted that in order to qualify as “communication to the public” within the meaning of Article 3(1) of the *Copyright Directive*, a protected work must be communicated using a technical method that differs from the method used until then, or to an audience that the holder of copyright did not have in mind when he gave permission for the original communication of his work. It was established that the school student did not use another technical method for transferring the photograph.⁴ However, the online travel magazine portal and the school’s own website appear to cater to different audiences, therefore it is considered the communication was made to “a new public”.

Case 2. *Spiegel Online GmbH v Volker Beck* (Case C-516/17)

On 25 August 2017, the CJEU lodged the case *Spiegel Online GmbH v Volker Beck* (Case C-516/17), being referred by the Federal Court of Justice (Germany).⁵ The questions referred were as follows:

1. *Do the provisions of EU law on the exceptions or limitations to the rights concerned laid down in Article 5(3) of Directive 2001/29/EC allow any latitude in terms of implementation in national law?*
2. *In which way are the fundamental rights of the Charter of Fundamental Rights of the European Union to be taken into account when determining the scope of the exceptions or limitations provided for in Article 5(3) of Directive 2001/29/EC to the exclusive right of authors to reproduce (Article 2(a) of Directive 2001/29/EC) and communicate to the public their works, including the right to make their works available to the public (Article 3(1) of Directive 2001/29/EC)?*
3. *Can the fundamental rights of freedom of information (second sentence of Article 11(1) of the Charter) or freedom of the media (Article 11(2) of the Charter) justify exceptions or limitations to the exclusive rights of authors to reproduce (Article 2(a) of Directive 2001/29/EC) and communicate to the public their works, including the right to make their works available to the public (Article 3(1) of Directive 2001/29/EC), beyond the exceptions or limitations provided for in Article 5(3) of Directive 2001/29/EC?*
4. *Is the making available to the public of copyright-protected works on the web portal of a press undertaking to be excluded from consideration as the reporting of current events not requiring permission as provided for in Article 5(3)(c), second case, of Directive 2001/29/EC, because it was possible and reasonable for the press undertaking to obtain the author's consent before making his works available to the public?*
5. *Is there no publication for quotation purposes under Article 5(3)(d) of Directive 2001/29/EC if quoted textual works or parts thereof are not inextricably integrated into the new text – for example, by way of insertions or footnotes – but are made available to the public on the Internet by means of a link in the form of PDF files which can be downloaded independently of the new text?*
6. *In determining when a work within the meaning of Article 5(3)(d) of Directive 2001/29/EC has already been made available lawfully to the public, should the focus be on whether that work in its specific form was published previously with the author's consent?*

The complaint was about a German author's manuscript (which was published as part of an anthology in 1988) being changed by the editor without the author's consent prior

to distribution. The author was subsequently criticised for his statements in the anthology. However, the defendant – Spiegel Online – argued on its new online portal that the author's central point of view had not been altered. The defendant also made PDF files with the original version of the manuscript and the anthology as published available and downloadable to the public under the heading "PDF-download".⁶ The case has been referred to the CJEU for further clarification and interpretation.

The referral questions to the CJEU mainly concern the interpretation of exceptions or limitations in Article 5 of the *Copyright Directive*, in particular, the exception for the reporting of current events, and whether it covered the conduct in question. The referral questions also concern whether the *EU Charter of Fundamental Rights* and the fundamental rights to freedom of information or press freedom can be taken into consideration when interpreting those exceptions or limitations.

This case also concerns the scope of the exceptions or limitations to the exclusive rights of authors, including their "communication to the public" of their works or the rights to make their works available to the public (Article 3(1) of the *Copyright Directive*). It seeks an answer to whether a link to a PDF amounts to publication for the purposes of the quotation exception.⁷

Case 3. *NUV / GAU v Tom Kabinet Internet BV and others* (C / 09/492558 / HA ZA 15-827)

On 28 March 2018, the District Court of The Hague referred to the CJEU questions relating to *NUV / GAU v Tom Kabinet Internet BV and others*. The case concerns the sale of second-hand e-books to "Tom's Reading Club" members in various forms. Tom Kabinet was initially an e-book intermediary running an online marketplace where users could obtain second-hand books from other users.⁸ His service was found to infringe copyright by the District Court of Amsterdam.⁹ Tom Kabinet then replaced his service with "Tom Leesclub" which was an e-book trader within a closed circle of members. "Tom Leesclub" acquired e-books by direct purchase or donation.¹⁰ The features of the service have been through a number of iterations, including membership subscription, alteration of book prices and introduction of a "credit" system to buy back previously sold e-books.¹¹

The focal point of the case is whether the publishers' and authors' rights were infringed by the defendants (Tom Kabinet et al.) when they made available and/or reproduced e-books without the publishers' and authors' consent;¹² and secondly, whether the defendants could rely on the doctrine of exhaustion as a defence.

The plaintiffs argued that Tom Kabinet made a "communication to the public" – as referred to in Article 3(1) of the *Copyright Directive* – when offering a downloadable e-book without the proprietor's permission.¹³

The District Court concluded that there was no “communication to the public” when the download of an e-book was offered by “Tom Leesclub”. The website was only notifying the public of the available titles and authors. The public had no access to the content of e-books except via subscription or purchase.¹⁴

The District Court compared its reasoning to the CJEU judgment in file-sharing case *Ziggo*. This case concerned whether sharing of torrent files on an online sharing platform, by indexing meta-information which enabled users to find files and share them without the consent of the rightsholders, constituted an act of “communication to the public”, and thus amounted to copyright infringement.¹⁵ In *Ziggo*, the content of the protected works could actually be observed by torrent files being made available or accessible to the public, whilst in *Tom Kabinet*, the first act of offering e-books for sale did not make the content of the copyright-protected works accessible, and thus there was no “communication to the public”. Moreover, in *Ziggo*, torrent files were made available to a potentially large or undetermined potential public, whilst in *Tom Kabinet*, the second act of making e-books downloadable did not reach any audience due to the fact that each book was only accessible to a single member of “Tom Leesclub” via purchase.¹⁶

The Court further reinforced its decision by referring to the *UsedSoft GmbH v Oracle International Corp* (C-128/11) (“*UsedSoft*”) judgment. According to the *UsedSoft* judgment, an act of “communication to the public” can be turned into an act of distribution” by a transfer of ownership if: the conditions in Article 4(2) of the *Copyright Directive* are satisfied; and the sale of e-books in fact constitutes a “first sale of a copy of a program”.¹⁷ In short, in light of the *UsedSoft* judgment, a “communication to the public” by a transfer of ownership would become an act of “distribution”.¹⁸ It is worth noting that, among the referral questions of the *Tom Kabinet* case to the CJEU, the District Court of The Hague did not refer any question regarding the interpretation of an act of “communication to the public” within the meaning of Article 3(1) of the *Copyright Directive*.

- 1 Case C-161/17, *Land Nordrhein-Westfalen v Dirk Renckhoff*, Request for a preliminary ruling from the Bundesgerichtshof (Germany) lodged on 31 March 2017.
- 2 *init - the weekly outlook*: ‘A heavy hawk and the police’, 5 February 2018, available at <https://www.heise.de/newsticker/meldung/init-der-Wocheausblick-Ein-schwerer-Falke-und-die-Polizei-3960393.html> (last accessed 22 April 2018).
- 3 C-161/17 Order for Reference, The Expertise Center for European Law, Netherlands, available at <http://www.minbuza.nl/ecer/hof-van-justitie/nieuwe-hofzaken-inclusief-verwijzingsuitspraak/2017/c-zaaknummers/c-161-17.html> (last accessed 22 April 2018).
- 4 C-161/17 Order for Reference, The Expertise Center for European Law, Netherlands, available at <http://www.minbuza.nl/ecer/hof-van-justitie/nieuwe-hofzaken-inclusief-verwijzingsuitspraak/2017/c-zaaknummers/c-161-17.html> (last accessed 22 April 2018).
- 5 Case C-516/17, *Spiegel Online GmbH v Volker Beck*, Request for a preliminary ruling from the Bundesgerichtshof (Germany) lodged on 25 August 2017.
- 6 C-516/17 Order for Reference, The Expertise Center for European Law, Netherlands, available at <http://www.minbuza.nl/ecer/hof-van-justitie/nieuwe-hofzaken-inclusief-verwijzingsuitspraak/2017/c-zaaknummers/c-516-17-spiegel-online.html> (last accessed 22 April 2018).
- 7 Smith, G., ‘Internet legal developments to look out for in 2018’’, available at <https://www.cyberleagle.com/2017/12/internet-legal-developments-to-look-out.html> (last accessed 22 April 2018).
- 8 C / 09/492558 / HA ZA 15-827, *NUV / GAU v Tom Kabinet Internet BV and others*, District Court of the Hague, 28 March 2018, para 3.5, available at <https://uitspraken.rechtspraak.nl/inziendocument?id=ECLI:NL:RBD HA:2018:3455> (last accessed 22 April 2018).
- 9 C / 09/492558 / HA ZA 15-827, *NUV / GAU v Tom Kabinet Internet BV and others*, District Court of the Hague, 28 March 2018, para 3.6, available at <https://uitspraken.rechtspraak.nl/inziendocument?id=ECLI:NL:RBD HA:2018:3455> (last accessed 22 April 2018).
- 10 C / 09/492558 / HA ZA 15-827, *NUV / GAU v Tom Kabinet Internet BV and others*, District Court of the Hague, 28 March 2018, para 3.9, available at <https://uitspraken.rechtspraak.nl/inziendocument?id=ECLI:NL:RBD HA:2018:3455> (last accessed 22 April 2018).
- 11 C / 09/492558 / HA ZA 15-827, *NUV / GAU v Tom Kabinet Internet BV and others*, District Court of the Hague, 28 March 2018, para 3.10 – 3.12, available at <https://uitspraken.rechtspraak.nl/inziendocument?id=ECLI:NL:RBD HA:2018:3455> (last accessed 22 April 2018).
- 12 C / 09/492558 / HA ZA 15-827, *NUV / GAU v Tom Kabinet Internet BV and others*, District Court of the Hague, 28 March 2018, para 4.1, available at <https://uitspraken.rechtspraak.nl/inziendocument?id=ECLI:NL:RBD HA:2018:3455> (last accessed 22 April 2018).
- 13 C / 09/492558 / HA ZA 15-827, *NUV / GAU v Tom Kabinet Internet BV and others*, District Court of the Hague, 28 March 2018, para 7.2 – 7.4, available at <https://uitspraken.rechtspraak.nl/inziendocument?id=ECLI:NL:RBD HA:2018:3455> (last accessed 22 April 2018).
- 14 ‘District court refers questions on sale of second-hand e-books to ECJ’, 21 August 2017, available at <http://www.internationallawoffice.com/Newsletters/Intellectual-Property/Netherlands/AKD/District-court-refers-questions-on-sale-of-second-hand-e-books-to-ECJ> (last accessed 22 April 2018).
- 15 Case C-610/15, Judgment of the Court (Second Chamber), *Stichting Brein v Ziggo BV and XS4ALL Internet BV*, 14 June 2017.
- 16 C / 09/492558 / HA ZA 15-827, *NUV / GAU v Tom Kabinet Internet BV and others*, District Court of the Hague, 28 March 2018, para 7.2 – 7.4, available at <https://uitspraken.rechtspraak.nl/inziendocument?id=ECLI:NL:RBD HA:2018:3455> (last accessed 22 April 2018).
- 17 ‘District court refers questions on sale of second-hand e-books to ECJ’, 21 August 2017, available at <http://www.internationallawoffice.com/Newsletters/Intellectual-Property/Netherlands/AKD/District-court-refers-questions-on-sale-of-second-hand-e-books-to-ECJ> (last accessed 22 April 2018).
- 18 C / 09/492558 / HA ZA 15-827, *NUV / GAU v Tom Kabinet Internet BV and others*, District Court of the Hague, 28 March 2018, para 6.1, available at <https://uitspraken.rechtspraak.nl/inziendocument?id=ECLI:NL:RBD HA:2018:3455> (last accessed 22 April 2018). Case C-128/11, *UsedSoft GmbH v Oracle International Corp.*, Judgment of the Court (Grand Chamber), para 52.

FRANCE

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Jones Day

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Correspondents for France

The CJEU ruling in Incyte Corporation leads the French Intellectual Property Office to accept extensions to the expiration dates of granted SPCs

Supplementary protection certificates (“SPCs”) are an intellectual property right that constitute an extension (of up to five years) to the 20-year term of a basic patent. SPCs apply to specific pharmaceutical and plant protection products that have been authorised by regulatory authorities.

In the European Union (“EU”), SPCs are governed by two EC Regulations, directly applicable in national law, namely *Regulation No. 469/2009 of 6 May 2009 concerning the SPC for medicinal products* (“*Regulation No. 469/2009*”) and *Regulation No. 1610/96 of 23 July 1996 concerning the creation of a SPC for plant protection products* (“*Regulation No. 1610/96*”).

Article 13 of *Regulation No. 469/2009*, titled “Duration of the certificate”, provides in paragraph 1:

[t]he certificate shall take effect at the end of the lawful term of the basic patent for a period equal to the period which elapsed between the date on which the application for a basic patent was lodged and the date of the first authorisation to place the product on the market in the Community reduced by a period of five years.

Determining the “date of the first authorisation to place the product on the market in the Community” was the subject of much debate, until it was settled by the Court of Justice of the European Union (“CJEU”).

In 2015, the CJEU decided in Case C-471/14, *Seattle Genetics Inc. v Österreichisches Patentamt* (“*Seattle Genetics*”), that “the date of the first authorisation” is not the date on which the marketing authorisation (“MA”) was granted but the date of its notification to the patent holder, which usually takes place several days later, thus extending the duration of SPCs by a few days.

In response to the *Seattle Genetics* decision, several EU Member States’ Intellectual Property Offices (“IPOs”) indicated that they would correct the calculation methods of the expiration date in cases where the application is still pending. Several Offices indicated that they would also adjust the expiration date of granted SPCs.

The French IPO, however, indicated that it would use the MA’s notification date to calculate a SPC’s duration only

going forward and for SPC applications under examination. The French IPO refused to amend the expiration date of granted SPCs on the ground that under French law, no provision would enable a change that would also affect third parties’ rights. French SPC holders thus were advised to publish the notification date of the MA’s grant on the national Patent Register to inform third parties.

This scenario was far from satisfactory, as it did not change the actual expiration date on the SPC and the Patent Register.

The French IPO should have applied the *Seattle Genetics* decision to granted SPCs because Article 17(2) of *Regulation No. 1610/96* provides a specific procedure to rectify the expiration date of SPCs and because of the principle of primacy of EU law over national law, which requires that any legal standard of a Member State that conflicts with a standard of the European Union be set aside.

However, the French IPO refused to amend expiration dates of granted SPCs, even when a SPC holder requested it.

On 14 September 2016, new preliminary questions were referred to the CJEU by a Hungarian court regarding the conditions under which the expiration date of a SPC could be adjusted following *Seattle Genetics*.

In a judgment issued on 20 December 2017 (Case C-492/16, *Incyte Corporation v Szellemi Tulajdon Nemzeti Hivatala* (“*Incyte Corporation*”), the CJEU stated that Article 18 of *Regulation No. 469/2009* must be interpreted as meaning that the date of the first MA is incorrect if the date led to a method for calculating the SPC’s duration that does not comply with the requirements of Article 13(1) of *Regulation No. 469/2009*, as interpreted by the CJEU in *Seattle Genetics*.

The CJEU also held that Article 18 of *Regulation No. 469/2009* must be interpreted as meaning that in a situation such as the one described above, the holder of a SPC must be able to bring an appeal for adjustment of the duration stated in the SPC, provided that it has not expired.

A statement by the Director of the French IPO on 15 January 2018 indicates that the French IPO has accepted the CJEU’s ruling in the *Incyte Corporation* decision. In cases where the French IPO refused to rectify incorrect expiration dates, and proceedings are pending on appeal, the French IPO has agreed to withdraw its previous decisions where it refused to amend the expiration date, so as to comply with the CJEU decisions in *Seattle Genetics* and *Incyte Corporation*.

The French IPO bases its correction in Article 18 of *Regulation No. 469/2009*, read in light of recital 17 and Article 17(2) of *Regulation No. 1610/96*, and recognises that these enable SPC holders to request a rectification of incorrect expiration dates.

Hence, French SPC owners can now file requests with the French IPO to adjust the expiration dates of granted SPCs. The French IPO thus aligns its practice to that of other IPOs that have already accepted such corrections, like Germany, the United Kingdom, Ireland, the Netherlands, Portugal, and Denmark.

Use of names of a smaller or larger geographical unit than the area underlying the designation of origin for wines

The use of geographical names in connection with wines is highly regulated and controlled. Regulations on the use of geographical names for wines can be dated at least since the Middle Ages. A decree from the King of France, John the second, dated 1351 prohibited the use of the name of a region for wines which did not originate from that region.

With the emergence of the concept of protected or controlled designation of origin at the beginning of the 20th century and its later enactment in European legislation, the body of rules has increased.

As a principle, regional geographical references can only be used for wines benefiting from a protected designation of origin or a geographical indication, that is a wine which fulfils the conditions laid down in the compulsory product specification. In that respect, terms such as “Côtes du Rhône” or “Bordeaux” can only be used for wines originating from that geographical area and complying with the specification.

This concept is not universally agreed, as some countries would mostly emphasise the variety of the grapes (such as chardonnay or pinot noir) rather than its geographical provenance. Some countries would even consider that names such as “champagne” designate a type of sparkling white wine, a conception which France and the EU have been attempting to fight, with some success, in their commercial negotiations with the Government of the United States of America.

Looking at the European legislation in detail, not only are geographical names reserved for specific wines, but the use of geographical names designating a smaller or a larger geographical unit is also regulated. For instance, “Côtes du Rhône” refers to a wide region, while “Condrieu” or “Hermitage” is only a smaller location found within the geographical area covering the “Côtes du Rhône” designation of origin. Winemakers may use such names of a smaller geographical unit under the conditions provided in *European Regulation (EC) No. 607/2009* of 14 July 2009 as well as applicable national laws.

Article 67 of this Regulation first provides:

the name of a geographical unit and geographical area references may only appear on labels of wines with protected designation of origin or geographical indication or with a geographical indication of a third country.

A French Decree dated 4 May 2012 further provides that names of smaller or larger geographical units can only be used if the product specification of a given designation of origin or geographical indication so provides.

In a case recently ruled by the Cassation Court, a winemaker was sued for having used the brands “Cuvée du golfe de Saint-Tropez” (Saint-Tropez being a well-known village on the French Riviera) and “le Grimaudin” for wines benefiting from the “Côtes de Provence” geographical indication. The product specification of the “Côtes de Provence” geographical indication did not allow such a use of smaller geographical units. Nevertheless, the winemaker claimed that since the impugned brands were registered before the enactment of the Decree dated 4 May 2012, their use remained lawful. The Frejus first instance jurisdiction followed this reasoning.

However, on 4 April 2018 (*Case No. 16-83270*) the Cassation Court quashed the Frejus decision on the grounds that the Decree’s effect was not to prohibit the use of a trademark, but merely to specify in detail how it should be used. The Court further emphasised that it was still in the hands of the body of winemakers defining the product specification for the “Côtes de Provence” geographical indication to include in the product specification the possibility to use brands referring to a smaller geographical unit.

The decision is interesting as it reinforces that a trade mark never grants its owner an absolute right to use, and that such use may be restrained by public order considerations, such as the need to protect consumers against fallacious geographical indications or ensuring the quality of the products as provided in the product specifications.

¹ This report 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.



32nd IPSANZ Annual Conference

7-9 September 2018



This year's conference is to be held at the Hilton Queenstown Resort and Spa, New Zealand, situated on the shores of Lake Wakatipu with panoramic mountain views.

CONFERENCE PROGRAM

Friday, 7 September 2018

3:30 pm – 6:30 pm **Registration**

6:00 pm – 8:00 pm **Welcome drinks**

Saturday, 8 September 2018

8:45 am – 9:15 am **Registration and Arrival Tea and Coffee**

9:15 am – 5:00 pm **Session 1
International Speaker**
The Honourable Judge M. Margaret McKeown
United States Court of Appeals for the Ninth Circuit
Chairperson:
Sheana Wheeldon, Barrister, Quay Chambers, Auckland

10:30 am – 11:00 am **Morning Tea**

11:00 am – 12:15 pm **Session 2
Patent Session**
Sufficiency or full description: how much is too much?
Speakers:
Christian Dimitriadis SC, Barrister, Nigel Bowen Chambers, Sydney
Andrew Scott, Senior Associate, James & Wells, Christchurch
Chairperson:
Kate Hay, Partner, Corrs Chambers Westgarth, Melbourne

12:15 pm – 1:15 pm **Lunch**

1:15 pm – 2:30 pm

Session 3
Copyright Session

The willing licensee and the willing licensor – a sound imagination and the broad axe

Speakers:

Colin Golvan AM QC, Barrister, List G, Melbourne
Ian Gault, Partner, Bell Gully, Auckland

Chairperson:

Rachel Colley, Partner, Create IP, Auckland

2:30 pm – 3:00 pm

Afternoon Tea

3:00 pm – 4:15 pm

Session 4
Trade Marks Session

Clinics, crocodiles and Moroccan oils: insights into substantial identity and deceptive similarity

Speakers:

Professor Michael Handler, University of New South Wales, Sydney
Julian Miles QC, Barrister, Shortland Chambers, Auckland

Chairperson:

Siobhan Ryan, Barrister, List G, Melbourne

6:30 pm

President's Dinner

After Dinner Speaker:

Michèle A'Court

Michèle has forged a successful career as a stand-up comedian, corporate entertainer, actor, voice artist and writer.

Sunday, 9 September 2018

9:00 am – 10:30 am

Session 5
Judges Session

Speakers:

The Honourable Justice John Middleton, Federal Court of Australia
The Honourable Robert French, former Chief Justice of the High Court of Australia
The Honourable Justice Raynor Asher, Court of Appeal, New Zealand

Chairperson:

Luke Merrick, Barrister, List G, Melbourne

10:30 am – 11:00 am

Morning Tea

11:00 am – 12:15 pm

Session 6
Remedies

Practical issues in assessing damages or accounts of profits in IP cases: experts, evidence and approaches

Speakers:

Owain Stone, Partner, KordaMentha Pty Ltd, Melbourne
Kevin Glover, Barrister, Shortland Chambers, Auckland
Angus Lang, Barrister, Tenth Floor Selborne/Wentworth Chambers, Sydney

Chairperson:

Kim O'Connell, Partner, King & Wood Mallesons, Sydney

12:15 pm – 2:00 pm

Lunch and Close

The Intellectual Property Society of Australia and New Zealand Inc

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Victorian Committee

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David Franklin, Ann-Kathrin Goller, David Herman, Karen Innes, Louis Italiano, Lauren John, Melissa Marcus, Ben Mawby, Andrew McRobert, Jack Shan and Danielle Sharplin

Western Australian Committee

Chairperson: Adrian Huber

David Benson, Lauren Gore, Rebecca McCrackan, Madeleen Rousseau, Stephanie Rowland, Nicholas Stamatiou, Amanda Wong and David Yates.

Executive Secretary

Caroline Reznik

***State Chairperson**



INTELLECTUAL PROPERTY FORUM