

# Intellectual Property Forum

## Issue 121

Journal of The  
Intellectual Property  
Society of Australia  
and New Zealand Inc.

September 2020

Co-Editors  
Fiona Rotstein  
Fiona Phillips

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# Intellectual Property Forum

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## 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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Prospective contributors should write to:

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### Submission Dates for Contributions:

Journal Issue	Submission Dates
December 2020	before 1 November 2020
March 2021	before 1 February 2021
June 2021	before 1 May 2021
September 2021	before 1 August 2021

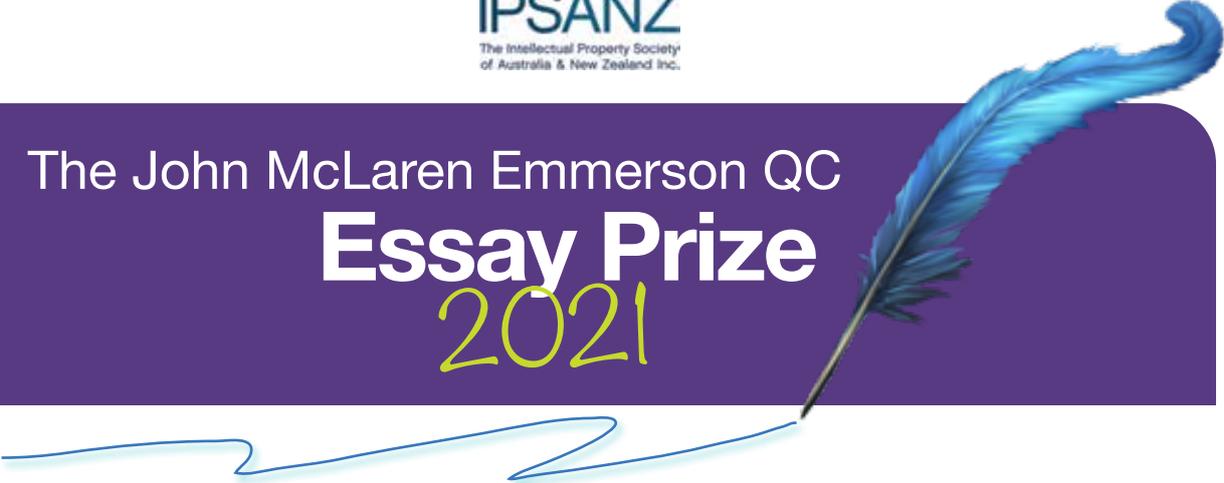
The Intellectual Property Society of Australia and New Zealand Inc is an independent society whose principal objectives are to provide a forum for the dissemination and discussion of intellectual property matters.

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# The John McLaren Emmerson QC Essay Prize 2021



The Intellectual Property Society of Australia and New Zealand Inc. is pleased to announce its 2021 competition for an essay on a topic of the author's choice regarding intellectual property.

**1st Prize** of the John McLaren Emmerson QC Essay Prize will comprise the sum of \$5,000 AUD plus complimentary registration at the IPSANZ 34th Annual Conference scheduled to be held over the weekend of 10 – 12 September 2021 including 2 nights' accommodation at the Park Hyatt, Melbourne, Australia and a return economy airfare from within Australia or New Zealand to the conference.

**2nd Prize** will comprise the sum of \$2,000 AUD plus complimentary registration at the IPSANZ 34th Annual Conference, including 2 nights' accommodation at the Park Hyatt, Melbourne, Australia.

**3rd Prize** will comprise the sum of \$1,000 AUD plus complimentary registration at the IPSANZ 34th Annual Conference, including 2 nights' accommodation at the Park Hyatt, Melbourne, Australia.

It is intended that the Prize winners will be announced and presented at the Conference. The winning entry will be published in Intellectual Property Forum, the official journal of IPSANZ.

## COMPETITION RULES

- Entries must be unpublished essays, which are the original work of the author. Entries should be between 5,000 and 10,000 words (including endnotes).
- Entries should be substantive works displaying original thinking in an area of intellectual property of the author's choice. A maximum of two co-authors is permitted for entries. In the case of co-authors, the prize is to be shared between the authors. A maximum of two entries per author or pair of co-authors is allowed.
- Endnotes must appear at the end of the essay. Entries should include a summary of the essay (50-100 words). Entrants should keep a copy of the entry, as no entries will be returned.
- Each entry should be accompanied by a separate detached page giving the author's name and contact details and a short biography. No identification of the author should appear on the entry itself.
- The decision of the judging panel will be final and no correspondence will be entered into. The judging panel will retain the discretion not to award the Prize. No feedback or reasons will be provided.
- A copy of each entry should be submitted electronically (in Word format), typed, double-spaced and on A4 paper-size.
- Airfares, accommodation and entry to the IPSANZ Conference are non-transferable and not redeemable for cash. In the case of a winning entry from a country other than Australia or New Zealand a monetary contribution representing the cost of a return economy airfare from Sydney to the capital city in which the conference is to be held, will be made.
- No extensions of the closing date for entries will be granted to anyone under any circumstances.
- **Closing date for entries is Friday, 14 May 2021.**

### Entries should be sent to:

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# Editorial – Fiona Rotstein and Fiona Phillips

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**Fiona Rotstein**  
Co-Editor



**Fiona Phillips**  
Co-Editor

**W**elcome to the 121st issue of *Intellectual Property Forum*. This issue covers the broad spectrum of intellectual property (“IP”), from designs and trade marks to patents and copyright. It also features an update on the New Zealand Wai 262 Indigenous IP claim, as well as a review of the impact of “Brexit” on IP and a spotlight on the protection of IP rights in China.

We start with a profile of Sydney barrister and a Director of Human Rights Watch Australia, Laura Thomas. In a candid conversation with Fiona Rotstein, Laura discusses her career path, future challenges in IP law and the intersection between patents and access to pharmaceuticals especially in a pandemic. As Laura notes:

*Pharmaceutical companies have a role to play to ensuring access to medicine, but it’s a secondary role. It’s the obligation of governments to ensure access to health care, including by appropriate funding and appropriate regulation. We can all look around the world and see examples of where that’s working and where it’s not working.*

Laura also provides insights on a range of topical issues, including reconciliation and social justice for Indigenous Australians and sexual harassment in the legal profession.

Our first article is *Redesigning Designs: The Future of Design Protection in Australia* by Michael Campbell and Lana Halperin. Designs is often an overshadowed area of IP law, so we are pleased to feature it front and centre. IP Australia

recently completed an extensive review of the Australian design economy. This article explores the changes IP Australia is undertaking in response to the review’s findings and other areas for future consideration.

We then move to *The Decision of the Full Federal Court of Australia in Kraft v Bega and its Implications for the Use of Unregistered Trade Marks* by Adam Liberman. The article examines the judgment in *Kraft Foods Group Brands LLC v Bega Cheese Limited* [2020] FCAFC 65. According to Liberman, the implications of the case for future trade mark and commercial practice are more complex than may first appear. Both the judgment and its ramifications for unregistered trade marks are analysed in detail.

This is followed by Paul Nolan’s *Artificial Intelligence: Inventorship and Patent Ownership – Are The Planets Lining Up?* The article examines who should own patents that are the result of inventive artificial intelligence (“AI”) or those that are AI-assisted. Nolan considers AI inventorship by looking at new amendments to the *Patents Act* 1990 (Cth) and various judgments by the High Court of Australia. He also

reviews recent decisions on the DABUS patent applications by the European Patent Office, the United Kingdom IP Office and the United States Patent and Trademark Office.

We then feature *Updates on the Protection of Intellectual Property Rights in China: Primary Challenges, Recent Developments and Best Practices* by Dan Plane and Grace Chen. The authors provide an update on the latest IP legislation and an overview of the IP provisions in the recent *Economic and Trade Agreement between the United States of America and the People's Republic of China*. The article makes for fascinating reading on the enforcement of IP rights in China given the country's often opaque judicial system.

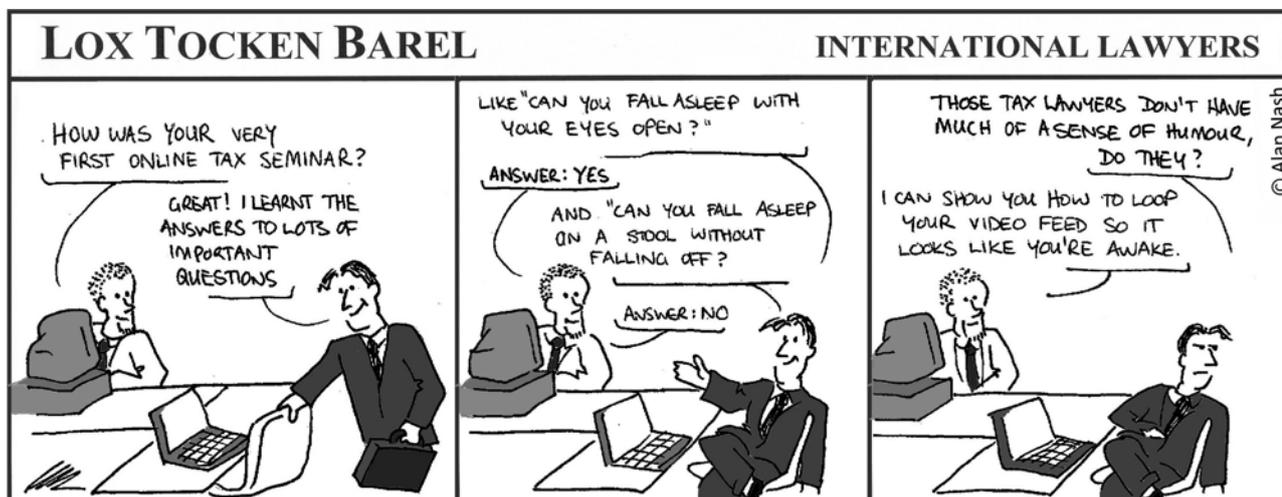
Our final article is *Insights into the World After "Brexit" and the Implications for Intellectual Property* by Stephen Jones. As Jones explains, the United Kingdom ("UK") is now in the final months of a transitional period. While no longer a member state of the European Union ("EU"), it remains subject to the EU's laws. On 31 December 2020, the UK will leave, without trade and other agreements with the EU yet in place. Jones explores the outcomes for IP rights and considers the issues that are still outstanding.

We also feature two reports. First is an interview with Francis Gurry, Director General of the World Intellectual Property Organization ("WIPO"). Gurry discusses the introduction of WIPO PROOF, a new digital business service that provides a date and time-stamped digital fingerprint of any file, proving its existence at a specific point in time. Second is Lynell Tuffery Huria's *Wai 262 and Intellectual Property: What You Need to Know*. Tuffery Huria examines the New Zealand Wai 262 flora, fauna and Indigenous IP claim. She also explores the background to the claim, the Wai 262 report, the Crown's response and the wide-ranging impacts of the claim.

We then have three book reviews on a range of topics. Emeritus Professor Sam Ricketson AM reviews *The Making Available Right: Realizing the Potential of Copyright's Dissemination Function in the Digital Age* by Cheryl Foong. According to Ricketson, the book's "subject matter is complex", and Foong's "coverage is both comprehensive and lucid." Next is Dr Evana Wright's review of *Research Handbook on Intellectual Property and Digital Technologies* edited by Tanya Aplin. As Wright aptly notes, "The rapid growth of digital technologies has resulted in novel legal issues that push against the established boundaries of IP law and theory." This is followed by Genevieve Wilkinson's review of *Dutfield and Suthersanen on Global Intellectual Property Law* by Graham Dutfield and Uma Suthersanen. Wilkinson uses the COVID-19 pandemic to frame her analysis of the book.

Lastly, we have 13 updates on current developments in IP across Australia, New Zealand, Asia, Europe and North America. These include, among other matters, a decision by the IP High Court of Japan regarding a trade mark application for I♥JAPAN; the launch of an initiative to accelerate the grant of patents in Singapore; and a ruling by the Court of Justice of the EU whether copyright can subsist in the functional shape of a folding bicycle.

In these challenging times, we thank our regular correspondents and their teams for keeping us abreast of the latest, important developments in the world of IP. As always, we welcome emails at [editors@ipsanz.com.au](mailto:editors@ipsanz.com.au) regarding submissions to the journal and providing feedback on its content. Take care and enjoy the issue.



# In Conversation with Laura Thomas

Fiona Rotstein<sup>1</sup>

Laura Thomas is a barrister at Nigel Bowen Chambers, in Sydney. Before commencing practice at the Bar, she was a researcher in the Health and Human Rights Division at Human Rights Watch. Laura's clients include Pfizer and Gilead so she is perfectly poised to discuss the connexion between patents and access to pharmaceuticals particularly in the midst of a pandemic. Laura was also Associate to the Honourable Michael Black AC QC, then Chief Justice of the Federal Court of Australia (the "Federal Court"). In June 2020, Laura discussed with Fiona Rotstein her own career path, future challenges in intellectual property ("IP") law, sexual harassment in the legal profession and much more.



Laura Thomas

Photo by Widad 2020

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

**A:** It is a bit embarrassing to admit this – I did a lot of debating at school and people who were good at debating seemed to go to law school. I have no lawyers in my family, so my idea of what lawyers actually do probably came from (1990s BBC television drama) *This Life*. There was always a lot of discussion about social justice in our house, so I probably had notions of law as a profession that could be used to advance social justice.

**Q:** You also hold a biochemistry degree. Why did you take that direction and has that informed your understanding of inventions in your work as an IP barrister?

**A:** That is easier to remember – I did a science degree because I loved science at school. Genetics was a very hot topic and I was fascinated by it. I started degrees in science and law together. I thought that I might eventually drop out of law, get a PhD, and become a research scientist.

In my second year, I studied as an exchange student in Sweden for my science degree. We spent most of the day, every day, in the lab and from that experience I learned that I am not patient enough to be a research scientist. So I started to consider law more seriously as a potential career.

Understanding the scientific process in definitely helpful in patent cases. Whenever you're working with scientific experts, being able to "speak their language" can help – often you need to translate what they are saying into plain English and some will take

you more seriously if they see that you understand what they are talking about. But there are plenty of people working in IP who know a lot about science despite never having studied it.

**Q:** You obtained a Master of Laws from Harvard Law School. Tell me about some of the highlights of your studies.

**A:** I was at Harvard in 2008 and 2009, which was a great time to be there. I was taught by many incredible Professors and I remain close friends with many of my Harvard classmates, who are now scattered around the world.

Soon after we arrived in Boston, David Hume (now also a member of the Sydney Bar) and his wife, Gillian White, persuaded me to get up early one morning to catch a bus to New Hampshire and watch one of the Democratic primary candidates giving a stump speech, just standing around in a field. It was Barack Obama – I barely knew who he was when I arrived in August, but we ended up spending a lot of time that semester watching his debates against Hillary Clinton and then John McCain. Election night was definitely memorable.

The Honourable Elena Kagan (now a United States ("US") Supreme Court Justice) was the Dean of Harvard Law School when we arrived. She left in early 2009 to become the Solicitor General in the new Obama administration. I can remember going to her office with some other students to discuss a project we were working on and she was very warm and down-to-earth. I ran into her later on the train to New York. She was chatting to some college students

who happened to sit next to her – she just told them that she was a Professor, so I wonder whether they now realise that they spent hours talking to a woman who was soon to become a Supreme Court Justice.

Most of the subjects that I took at Harvard were about human rights and social justice, and also US constitutional law. There were many opportunities to learn outside the Law School. For example, I took a class called *Community organising for social and economic rights*, taught by Professor Lucie White. For that class, I got credit for going to New Orleans for a month and working at a non-government organisation, the New Orleans Workers Centre for Racial Justice. As you can imagine, this was very important preparation for practising at the commercial Bar.

**Q:** Prior to commencing practice at the Bar, you were Associate to the Honourable Michael Black AC QC, then Chief Justice of the Federal Court. What did you learn from that experience?

**A:** That was my first full-time job, so Chief Justice Black has had a big influence on my approach to practice. He was a model of how personal values and intellectual honesty are combined in legal practice. He was unfailingly civilised in his approach to work, to all of his colleagues, and to litigants. Litigation can become a blood sport at times, so it's important to have those countervailing values. It was because of that experience of seeing barristers and judges at work that I eventually decided to return to Australia to come to the Bar.

**Q:** You were then a solicitor at the Public Interest Advocacy Centre (“PIAC”). Tell me about your work in that role.

**A:** I was a solicitor in the Indigenous Justice Program. It was my one and only year working as a solicitor and when I look back at that time, I cannot believe some of things that I was doing, given how young and inexperienced I was. Most of my work was about two issues – children unlawfully in police custody and the Stolen Generations.

Working in those types of settings can give junior solicitors amazing experience, because you are given a lot of responsibility – running small matters with minimal supervision. I went to Canberra to give evidence at a Senate Committee inquiry about compensation for members of the Stolen Generations, with Andrea Durbach, who had been the Chief Executive of PIAC and is now a Professor of Law at the University of New South Wales.

I have been thinking about my PIAC clients a lot in the last few weeks, because of the mass protests against police brutality and systemic racism. My clients included Aboriginal children who had been taken into police custody for minor offenses – things like stealing chocolate and throwing rocks at neighbours' homes – behaviour that might not be thought of as criminal if other children had done it. I also had many clients who were members of the Stolen Generations and had suffered terrible physical and sexual abuse in residential schools or when they were working as domestic servants or farm hands – positions that the Government placed them in when they were teenagers. This is recent history in New South Wales.

Ultimately, the most valuable thing that I got from working at PIAC is a better understanding of Indigenous history. It helped me to understand that ignorance of Indigenous history, a more truthful version of Australian history, is a major reason why our progress is so slow on reconciliation and achieving economic and social justice for Aboriginal people.

**Q:** Why IP?

**A:** Both patent and copyright law are fundamentally about issues that I am interested in. In patent law, it's how do we fairly reward scientific endeavour without stifling future scientific endeavour? In copyright, it's how do we reward past creative efforts without stifling future creative output? Not every case is fascinating, but in IP practice we get a relatively high proportion of cases that raise these issues in interesting ways. I also enjoy learning about how new technologies and industries work, and there is a lot of that in IP practice.

**Q:** You also have a particular interest in medical disciplinary matters and inquests. Why?

**A:** Medical disciplinary matters are another setting in which I can use my background in the biological sciences. This is a pretty small part of my practice but it keeps me in touch with the type of work that I did before coming to the Bar. A lot of cases involve people grappling with very difficult situations – mental health and substance abuse, the death of their family members in tragic circumstances, or deaths that they may have caused or contributed to. Inquests are the only court proceedings that I have been involved in that are able to give participants an experience that is in the nature of restorative justice. They can be difficult but positive experiences for family members and other people who witness, or were involved in, a death.

**Q:** You grew up in South Australia and were working in New York as a researcher for Human Rights Watch before you came to the Bar. How collegiate a community is the Bar compared to others you have encountered?

**A:** The Australian Bar is collegiate, but that is particularly the case for the IP Bar – it's small so most people know each other. A few key people, especially David Catterns QC, had an important role in establishing that culture. We are also fortunate to have a relatively high proportion of women at the IP Bar, including as senior counsel. I have had an enormous amount of support from both men and women throughout my legal career, but women at the Bar go out of their way to look out for each other and that's important, given that we are still seriously outnumbered.

**Q:** How inclusive a workplace is the Bar for women?

**A:** I hope that the sexual harassment allegations about the Honourable Dyson Heydon AC QC (former Justice of the High Court of Australia) are causing a lot of soul-searching. They have caused me to reflect on behaviour that I tolerated when it was directed at me and also when it was reported to me.

One thing that I have noticed when I have complained about behaviour directed towards me is that the response – from both women and men – is sometimes unsolicited advice about how to deal with that behaviour. The advice is usually to confront the perpetrator firmly but politely, or to respond with humour. The message that sends is that the target of the behaviour is responsible for managing it. We need to get past that kind of thinking because the target of the behaviour is the only person who should not be responsible for changing it. Perpetrators are responsible for their own behaviour, but in the legal profession, we are all responsible for the culture that values polite deference more than we value workplaces that don't tolerate predation, bullying and harassment.

Litigation partners who are aware of inappropriate behaviour by barristers – whether it's directed at solicitors or other members of the Bar – should hold the person accountable for that behaviour. If it's an ongoing problem, they should stop briefing the person concerned.

Ultimately, we can choose to genuinely make room for women, especially young women starting their careers, or we can continue to preserve space practitioners who engage in bullying and harassment. I think that what needs to be done is actually pretty obvious – we just need to commit to that choice and act on it.

**Q:** You are a Director of Human Rights Watch Australia and a member of the Australian Committee for Human Rights Watch. What does this work entail?

**A:** I worked at Human Rights Watch as a Fellow in the Health and Human Rights division in 2009 and 2010, based in New York. At that time, Human Rights Watch was in the process of opening an office in Australia. There were no staff based here when I returned to Sydney in 2011, so I became involved in those efforts, which were surprisingly difficult. In 2013 we finally got all the Government permissions that we needed to open the office here.

A friend of mine, Elaine Pearson, returned from New York to become the Director of the Australian office. She is a prolific and powerful advocate, so we are lucky to have her here. Human Rights Watch's reporting or advocacy was mentioned about 9000 times in the Australian media last year. Five staff members support all that advocacy, and the work that lies behind it, in Australia. It's a very impressive effort for a small office.

As a Director of Human Rights Watch Australia, I do the things that all Company Directors do – making sure that we have enough money to pay our staff and are compliant with regulation. The Australia Committee for Human Rights Watch is a larger group that plays a similar role to most non-profit boards – contributing to fundraising and advocacy strategy and decisions about what issues we should be working on. Because the office here is small, there are plenty of opportunities for everyone to chip in – this week I have been interviewing people about their experiences being unable to visit relatives in nursing homes during the coronavirus pandemic, because Human Rights Watch is doing some advocacy on that issue.

**Q:** Has your work with Human Rights Watch given you a different perspective on the role of IP in protecting human rights – i.e. the intersection between patents and access to pharmaceuticals especially in the midst of a pandemic?

**A:** Two of my clients – Pfizer and Gilead – are getting a lot of press at the moment for their efforts to develop vaccine and treatment options for COVID-19. That is not something that we would want to rely on governments to do.

Pharmaceutical companies have a role to play to ensuring access to medicine, but it's a secondary role. It's the obligation of governments to ensure access to health care, including by appropriate funding and appropriate regulation. We can all look around the world and see examples of where that's working and where it's not working.

It's particularly inspiring to see that some countries in Africa and Asia have been able to draw on their experience combating infectious diseases like HIV, Tuberculosis and Ebola in responding to COVID-19. There is a lot that developed countries could learn from countries that have spent decades using community-based responses to fight infectious disease, because that is pretty much all we have at the moment.

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

**A:** It is problematic when copyright law is not aligned with the reality of how art and music is made. I do not think that we have found the right way to protect copyright works without stifling future creative endeavours. Music litigation in the US is particularly illustrative of this – i.e. artists' estates have received multi-million dollar verdicts because of similarities between recent hit songs and songs that were hits decades ago, or even fairly obscure music. The question of whether the objective similarity between the two works is indicative of copying is a matter of impression on which (at least in some cases) reasonable minds may differ. In any case, in many of those matters, the musicians were not doing anything that musicians generally would recognise as illegitimate or unfair and the verdicts were a windfall for the estate, in the sense that the creation of the new song was not prejudicial to the estate's ability to make money from the old song. Having said that, I think that Lizzo did the right thing when she gave a Twitter user a credit for the lyric about taking a DNA test.

I will also be watching with interest the litigation about the Internet Archive's National Emergency Library. The advocacy being conducted through the media will probably ultimately be more important than the litigation itself. The coronavirus pandemic has given the Internet Archive an ideal advocacy opportunity to advance its agenda – it could not invent more favourable facts than schools, universities and libraries closed because of a pandemic of infectious disease. It will be interesting to see how the publishers navigate their response.

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

**A:** Over the years, there have been many potential answers to that question. If I could start again now, I would love to be a neurologist. I considered applying to do a Master of Public Health immediately after my Master of Laws. In the last couple of months, with the pandemic raging, I have wondered where I might have ended up if I had done that.

What happened was that I discussed the option of going to public health school with Mindy Roseman, then Academic Director of the Human Rights Program and a Lecturer at Harvard Law School. She suggested that I apply for a Fellowship to work with the Health and Human Rights Division at Human Rights Watch instead. She knew Joe Amon, who was the Director of the Division. Joe became my boss (he is now a Clinical Professor and Director of the Office of Global Health at the Dornsife School of Public Health at Drexel University, in Philadelphia). Joe is an epidemiologist and worked in Africa during the worst period of the HIV epidemic, so he really knows what he is talking about. Joe ended up sending me to Africa several times, including a few times after I came back to Sydney to come to the Bar – to Kenya, Namibia, Zambia and Morocco. So Mindy's suggestion was definitely a good one – I'm glad I asked her.

<sup>1</sup> Thank you to Melissa McGrath for the suggestion of interviewing Laura Thomas and for her assistance in the preparation of this interview. Melissa is a Principal Lawyer at Coleman Greig Lawyers, Sydney.

# Redesigning Designs: The Future of Design Protection in Australia

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## Introduction

IP Australia recently completed a year of research into the Australian design economy. This article outlines the drivers behind undertaking that research, various methodologies we employed throughout, and key findings that we uncovered. It also outlines some of the major and minor reforms that we are now undertaking in response to our findings, as well as areas open for further exploration. In the short term, we are making changes to improve access to the online filing system and access to information and support to reduce barriers to design protection and commercialisation. Other potential changes (including virtual and partial protection) are still being explored. This article should be seen as a snapshot of a moment in time – to provide a picture of where we have been and where we are going. It is important to underline at the outset that this is not the end of the story. While the review phase has officially concluded, we will continue to expand our understanding of the design economy and collaborate with the community to make improvements and address challenges.

Investment and employment in innovative and creative industries is essential as Australia diversifies its economic base to a sophisticated knowledge-economy. The Australian Government has long viewed the intellectual property (“IP”) system as an economic tool in place to “support innovation by encouraging investment in research and technology in Australia and by helping Australian businesses benefit from their good ideas.”<sup>3</sup> The registered design right system contributes to Australian innovation, investment and the production of creative works. It is intended to encourage greater innovation, competition, investment, and access to genuine products.

The purpose of the *Designs Act 2003* (the “Designs Act”) is to support Australian innovation by giving designers an exclusive right for a limited time and by providing an accessible register of existing designs, while balancing the interests of designers, consumers, manufacturers and retailers. According to the Australian Law Reform Commission, the objective of the design right is “to encourage innovation in Australian industry to Australia’s net economic benefit.”<sup>4</sup>

Given the need to ensure balance and equity in the IP system, a leading driver of our research was to maintain a broad and holistic perspective to best capture a variety of viewpoints. The design ecosystem is extensive; as an industry based around innovation, it is also expansive by its very nature. Subsequent to us completing our research phase, the COVID-19 pandemic threw into sharp focus the way technology can play a key role as we adapt to new ways of working, new ways of doing business and new

ways of engaging with each other as a society. Through the designs review, we wanted to better understand the role of design rights today, amid global change and technological advancement.

## Background to the review

There were three key catalysts for IP Australia’s designs review. The first catalyst was to fill evidence gaps pointed out by two prior reviews into the IP system and the registered design system.<sup>5</sup> The second was to respond to a joint economic study between IP Australia and the Intellectual Property Research Institute of Australia (“IPRIA”) which had data not available to the previous reviews and found that the design ecosystem was productive but lagging other countries in both relative use of the registered design system and relative design employment.<sup>6</sup> The third was to respond to a growing chorus in the design community seeking reform.<sup>7</sup>

Taken together, these factors made a persuasive case that there were evidentiary gaps in the design system that needed to be addressed. By building on prior reviews, conducting further targeted issues research, and engaging extensively with members of the design community, a more comprehensive review could give us a better understanding of the disparate needs of a very diverse design community, highlight where changes might encourage innovation, and paint a clearer picture of the opportunities to grow the design economy.

## About the review

Our four guiding principles for this review came from the Australian Productivity Commission (“PC”) which provides

a framework for reviewing IP systems. IP systems should be effective, efficient, adaptable, and accountable. An *effective* system is one that promotes “the creation and dissemination of genuinely new and valuable innovation and creative works, which in the absence of such a system would not have occurred.”<sup>8</sup> The key question, then, is whether the presence of the IP system leads to additional innovation. Effective IP systems need to balance different needs. On the one hand, incentives for creators (by providing them exclusive rights for a limited time); and on the other hand, costs to consumers (who may pay more due to market access being restricted for certain products).<sup>9</sup> If this balance is not achieved it can lead to flow-on costs to society. Achieving this balance would result in an *efficient* system. With the advent of new and emerging technologies, IP systems need to be *adaptable* to ensure that new types of products that should be able to access the system are not locked out due to inflexible IP arrangements. Finally, evidence-based policy and transparency can ensure that IP arrangements remain *accountable*.

In seeking transparency, we followed a human-centred design methodology, ensuring we were open and collaborative with members of the design ecosystem throughout the research process. We wanted to better understand the design ecosystem, including what drives design innovation. To achieve this, we employed a range of research methodologies throughout the review, including qualitative, economic, empirical and survey research, and discussion forums and idea-generation workshops to provide a broad and rigorous evidence-base.<sup>10</sup> The body of evidence helped to fill information gaps and form the foundation for some of the potential changes discussed in the next section of this article.

The first step in the research was to begin engaging widely with people within the design ecosystem. We conducted more than 80 interviews with people from design-related professions and industries around Australia. We asked about their experiences and roles in the design process, what motivates them to invest in visual design, and what barriers and challenges they face. Those we spoke to within the design ecosystem could be broadly categorised as follows:

- market actors, including designers and design-intensive businesses who did or did not register design rights, industrial or product design consultants, manufacturers, retailers, and input suppliers;
- consumer representatives;
- legal and business advisers, including patent attorneys, IP lawyers and commercialisation advisers;
- design peak bodies;
- design and business academics;
- law academics; and
- design media influencers and commentators.<sup>11</sup>

The primary objective of these interviews was to provide the opportunity for people to share with us their unvarnished experiences within the design ecosystem, the challenges and opportunities they faced and for us to gain their insights and ideas. Consequently we did not approach these interviews with specific policy questions, but rather let the collated experiences from these qualitative interviews show where the challenges and barriers lie.

Two of the major issues uncovered in the qualitative research were design copying, and challenges related to enforcing design protection. To gather more information on these issues, we ran two surveys between January and March 2020 of Australian designers and inventors. The goal of the surveys was to understand methods and motives for protecting designs, experiences of design copying, and any barriers to effective IP enforcement. The first survey was of recent applicants for design rights and patents, and the second was a survey of design-focused businesses.<sup>12</sup> We partnered with peak industry bodies, who helped to distribute the survey to their members. Through this pair of surveys we sought to better understand the methods and motives through which businesses protect their designs, experiences they had with copying and barriers to enforcing their IP. While there are limited ways that IP Australia can respond to issues of copying and enforcement directly, we are working to share our findings across government and industry so that the issues that we uncovered can be further explored and addressed.

Through our research we also wanted to better understand the design landscape in Australia from an economics perspective. The collaborative economic study between IP Australia and IPRIA in 2018 gave us an insight into Australia’s registered design system in comparison to other countries. In order to gain a clearer picture of Australia’s design economy, IP Australia commissioned the Centre for Transformative Innovation (“CTI”) at Swinburne University of Technology to assess the impact of past legislative changes<sup>13</sup> and whether Australia’s design rights system is providing incentives for Australians to invest in design. Using financial records from 1.1 million Australian businesses between 2001-02 and 2016-17, and an in-depth annual “Business Characteristics Survey” of 50,000 Australian businesses from the Australian Bureau of Statistics, the study covered all active Australian businesses.

Some of the key findings from our research include:

- Design activity in Australia is much larger than what is protected by design rights. Design-related industries and workers more broadly contribute approximately AU\$67.5 billion per annum to the Australian economy – more than 3.5 per cent of gross domestic product.
- Less than 0.5 per cent of Australian businesses have held a design right in the last 16 years.

- Not all businesses can expect an economic benefit from having design rights. Economic analysis shows owning a design right predicts productivity gains for a narrow segment of the economy: businesses in a limited set of “design rights-intensive” industries, primarily in manufacturing and some in wholesale trade.
- Awareness of design rights is low and the system is difficult to understand and use. Many in the design ecosystem have no or very limited knowledge of design rights, their purpose, or how to make use of them. Even experienced users find the registration process difficult, and incompatible with the iterative nature of design.
- Design rights provide their value as part of a broader business strategy. A broader strategy that includes design rights often also includes being a part of global value chains, having strong competitive strategies, and using informal design protection methods.
- Design rights work in tandem with patents and trade marks. Australian businesses with an IP portfolio that combines design rights with patents and/or trade marks are seen to live longer, have more employees, and have a higher average profit per employee than just having design rights on their own.<sup>14</sup>

Having completed the research phase in March 2020, IP Australia has started working to address some of the major challenges uncovered through the research. The review phase allowed us to understand more clearly some of the major issues within the design industry and economy (the design ecosystem), especially the needs of those who register and are impacted by design rights. It also helped to identify and address key evidentiary gaps as we work towards reforms that will best ensure that the design rights system is effective, efficient, adaptable and accountable. The next section outlines some of the ways we are responding to what we discovered about the design ecosystem.

### Changes we are making

#### *Improving the usability of the online filing system*

The process for a designer to register for design protection is not intuitive. Our research and engagement through the review validated that the online filing system requires significant improvement and is a frustration for those registering design rights, restricting access to the system.

Those who register design rights in their current form have told us that filing in Australia is disproportionately time consuming. This may deter filings or undermine the value of having design rights. These difficulties are both in comparison to filing design applications with IP Offices in other countries and filing other IP rights (in particular, patents and trade marks) in Australia. “Designs are the hardest IP to file. Lowest value for the applicant and it’s

harder and more expensive [time-wise] to file,” was the point made in one of the interviews.<sup>15</sup>

IP Australia is undertaking a large-scale digital transformation to modernise our web services. This includes replacing IP Australia’s legacy online transaction system (“eServices”) with a new customer-facing transactional platform. In recognition of the research and the potential for a significantly improved filing experience for our current and future customers, IP Australia has made the decision to fast-track the development and implementation of the new online filing system for designs, meaning design applicants will be among the first to benefit from the new system.

A key point of frustration that the new system will address is how eServices allows customers to provide the representations of the design they are applying for (i.e. the images). This issue was the most pressing concern for several customers interviewed in the research, particularly from attorneys who file designs on behalf of clients frequently. There was also a general lack of confidence that what was filed through the online system reflects what is ultimately received, assessed, and registered by the Office.

Those designers and businesses who file their own designs applications – i.e. without an attorney – were far less vocal in interviews about their experiences with the online filing system. However, it was clear through conversations that many had struggled through the process, made avoidable mistakes, or the registered design did not match what they had intended to protect. After the filing process, we heard stories of applicants not realising important correspondence from IP Australia had arrived, risking their design application lapsing or never becoming registered.

Where the current online filing system is potentially creating barriers, our enhancements will enable a more streamlined and intuitive process. Through this digital transformation we are improving access to the system and aiming to produce a better experience for customers.

#### *Access to the right information*

Understanding of design rights is low, even within the design community.<sup>16</sup> Frequently throughout our review we were able to confirm that this is the case for many within the design community. Even from IP professionals, we heard: “[i]t is so rare that anyone actually asks to register designs, most aren’t even initially aware that designs exist.”<sup>17</sup>

In our surveys of Australian designers and inventors, we asked questions about awareness of different types of IP. For both the industry survey and the applicant survey, the awareness of design rights was significantly lower than other IP rights. The industry survey, for example, reported only 66 per cent being aware of design rights, whereas 100 per cent of respondents were aware of copyright, 99 per cent were aware of trade marks and 98 per cent were aware of patents.<sup>18</sup>

These survey results reflect what we heard while engaging with the design community as part of our research phase. We heard repeatedly that many had never heard of design rights, or only became aware of design rights when seeking legal advice after they had experienced copying, rather than at a point early enough in the design's lifecycle to secure registered protection. Those who had heard of design rights typically did not understand them – even those who have read IP Australia's website and have registered designs. Many people we spoke to who held design rights were not sure about core details (such as how long design rights last, what a design right protects, when a design right is enforceable) and most were not certain about what the purpose of a design right was. However, they were much more likely to have a better understanding of patents, trade marks and copyright, which means the issue is not simply about IP literacy more broadly, but design rights – or at least the way information about them is currently communicated.

We are now in the process of a comprehensive audit of designs-related content IP Australia makes available, both on the agency's website and in our correspondence. This will ensure we are providing targeted content that is accurate, up to date, and consistent, and reflects the needs of the design audience as identified through our research and engagement. We want to be proactive in keeping our information relevant, especially for such a fast-moving industry.

There is limited relevant information available about what to do *after* taking the step of registering for design protection. "The big issue is what happens next [after registering a design] ... I couldn't find info on how to bring the design to market."<sup>19</sup> This was particularly a concern for small businesses, who found the process of protecting, marketing and commercialising their products overwhelming; there was little in the way of holistic, unified and coherent advice to draw on. Since many small design firms are doing the design work as well as running the business, it can often be challenging to find the time to piece everything together, especially when commercialisation and overall business strategy does not tend to be a significant part of design training.<sup>20</sup>

The PC review alluded to the fact that there is considerable information available on commercialisation, business strategy, and IP protection. Any new information and education campaigns would consequently, as recommended by the PC, be targeted carefully.<sup>21</sup> In order to address this, we are working to ensure that designs-related content is fed into existing business education platforms within federal and state governments, universities and peak industry bodies where relevant. We want designers and businesses to have the tools they need to make informed, proactive decisions about their IP needs, and be confident in the role that IP can play as part of their commercialisation strategy. This starts with ensuring that the right information is easily accessible

for those who need it, at an early enough point of a design's lifecycle.

### *Access to design protection*

The CTI econometric study provided us with a stronger understanding of who uses design rights most intensively, and what value they get from them. The data shows that design rights benefit a small segment of the business population who make extensive use of them, typically as part of a broader global commercialisation strategy. What remains unknown is whether design rights could be more effectively utilised by the broader business population in Australia; if greater access to the design rights system could deliver greater net benefit to the economy.

The CTI study assessed industries for their design rights intensity: that is, the number of active design rights per employee. Design rights intensity in the CTI study was defined as the industries "ranked highest for design rights per employee, selected to create a sample comprising 5% of all Australian businesses."<sup>22</sup> For businesses within these industries, the study found that having more design rights is an indicator of higher productivity; however this was not the case for businesses within the wider Australian economy. Design rights were also a leading indicator of greater research and development spending (which was found across all industries), suggesting that design and research and development are complementary activities.

The broader industry category that owns the most design rights per employee was manufacturing. Other industries that tended to be prolific users of design rights are construction, retail trade, agriculture, and rental hiring and real estate services.<sup>23</sup> Businesses within design rights-intensive industries were more likely to participate in global value chains.<sup>24</sup>

These findings showed us a very engaged pocket of the design ecosystem actively using design rights as part of a broader commercialisation strategy. Those industries that do use design rights most intensively are reaping tangible benefit from participating in the system.

Based on the results from our surveys, we estimated that products with design protection have a higher private value than those that do not. We found that:

- Designs without a design right in Australia or overseas have a mean estimated value of AU\$678,227 and a median value of AU\$78,000 (though these values are from a small sample).
- Designs with a design right in Australia but not overseas have a mean estimated value of AU\$3.7 million and a median value of AU\$675,000.
- Designs with a design right overseas have a mean estimated value of AU\$5.8 million and a median value of AU\$1.5 million.<sup>25</sup>

The question that remains is what this might mean for those who are currently not using design rights or are unable to access them. Design rights applications filed by Australian residents have not grown over time. The number of applications per employee, meanwhile, has been decreasing.<sup>26</sup> Design rights play a niche role in the Australian economy, with only one business in every 297 holding a design right in 2017.<sup>27</sup> In our applicant survey, roughly a quarter of respondents (26 per cent) indicated that they “had not typically sought to protect their designs.”<sup>28</sup> This supports what we heard in interviews, where even businesses that have design rights were only getting protection for a very small selection of their products. In our industry survey, nearly half of all respondents (47 per cent) indicated that they “had not typically sought to protect their designs.”<sup>29</sup>

We know that design activity in Australia is much larger than what is protected by design rights. While this disparity is not in itself a problem – and may in part be attributed to a simple lack of awareness of design rights by businesses who could be registering them – we also recognise that parts of the design community are unable to benefit from the design rights system in its current form. There are several reasons for this which we uncovered in our research, including that design rights are not compatible with many business’ design processes, especially developing in iterations and making designs public before registering.

That the design rights system is incompatible with how many businesses do design work was frequently confirmed throughout our research phase. For example, we heard stories of small fashion design houses who would often work on garments until the last possible moment before a runway show, where the design is photographed and shared on social media instantly, leaving no practical opportunity to file a design right application – despite a general desire from these businesses to protect their designs.<sup>30</sup> Other reasons include the kinds of products being designed, especially in the technology sector, as well as broader problems around the scope of protection itself. We heard from businesses who said their highly valuable design work seemed to “fall between the cracks” of the different IP systems, and so remains unprotected by any formal registered IP.<sup>31</sup>

Regarding the publication issue: a significant upcoming legislative change being proposed to help address this is the grace period for those applying for design rights. This is expected to be a significant step to remove barriers for many who are prevented from participating in the design rights system and to create new opportunities for those seeking to protect their designs. This change has been published in an exposure draft of the Government’s proposed designs amendment legislation.

Introducing a prior art grace period would protect designers who publish their design before seeking legal protection, whether inadvertently or due to practical commercial

realities. Submissions to our consultation on the new designs bill strongly supported an automatic 12-month grace period, and this option has been published in the exposure draft legislation. It is worth noting, however, that the introduction of a prior art grace period also has consequences for third parties, as third parties would face a longer period in which it is unclear if registration will be sought until a design is registered and published on the register. To mitigate this, a prior use defence was proposed to protect third parties against infringing someone else’s registered design if they started using their own design before the priority date of the registered design. Many submissions favoured an exemption modelled on section 119 of the *Patents Act* 1990 (Cth), which is the model that has been published in the exposure draft legislation.

### Changes we are exploring

We expect the changes we are making in the short term will break down some accessibility barriers for many who work within the design community. However, our focus on the bigger picture continues through longer-term initiatives and possible legislative reforms. There are several potential changes that could be made, but we do not yet have a clear enough understanding of the overall benefits and consequences – noting, as highlighted above, that IP settings needs to balance a variety of differing needs, such as designers, consumers, manufacturers and retailers. This section outlines some of the ideas that have emerged through our research which need further investigation and consultation with the designs community and across government.

### *Access to design protection for virtual products*

Referring back to the PC principle of *adaptability*, there have been questions for some time as to whether the registered designs system can respond to rapid changes in technology.<sup>32</sup> IP Australia has been exploring whether design rights in their current form can or should accommodate non-physical or “virtual” products, such as Graphical User Interfaces (“GUIs”), screen displays or screen icons, or whether to expand the scope of the right more generally. Expanding design rights to accommodate emerging technology may stimulate further innovation in these industries; however, we do not yet have clear evidence whether those industries need or want this type of support, if it would lead to additional incentives in the design ecosystem, or whether these products are best suited to other forms of protection outside of the design rights system.

There is currently some uncertainty about virtual design protection under the Designs Act, and there is support from some areas of the design ecosystem for introducing protection of virtual designs using design rights. IP attorneys we spoke to as part of our designs review were very much in favour of extending design right protection to virtual designs, and largely explained this from two perspectives:

- International inconsistency: especially where multinational corporations are disappointed they cannot get equivalent formal registered protection for virtual designs in Australia that they can register in other jurisdictions.
- Being unable to offer design rights to prospective local clients designing virtual products who are proactively seeking options to protect their work, but struggling to find a place within the existing IP framework in Australia. Some suggested relying on copyright was not clear enough and design rights have the advantage of making ownership unambiguous, which would result in a preferable outcome for clients.

Some larger businesses whose products are mostly physical, but have a screen or digital component (such as medical devices and kitchen appliances), and currently register design rights for their physical products, also suggested through interviews they would be interested in virtual design protection if it was made available to them. Nonetheless, businesses with this view typically told us they would continue investing in this design work regardless because it creates better products that customers prefer.

In this review, we could not establish a clear connection between the (in)ability to secure design rights for purely virtual designs and the incentive / motivations for Australians to keep doing innovative virtual design. Virtual designers we spoke to directly through the interview process had very limited knowledge about design rights (if any at all) but typically felt that protecting the *overall visual appearance* of any virtual product would not capture or protect what is valuable to them, which might be more likely to include the dynamic aspects of a product, or how a user interacts with it.

We were cautioned that design choices for GUIs can be quite limited based on what customers know how to operate, or to work on specific devices. There were concerns raised that designers could be prevented from using standard accepted visual cues when designing websites or apps, which may in fact impede their ability to keep innovating.

There are therefore outstanding questions around whether technology businesses would welcome, or even benefit from, being drawn into the design rights system. As highlighted above, in the industry survey nearly half of the respondents (47 per cent) indicated they had not typically sought to protect their designs by any means – formal or informal.<sup>33</sup> Survey data suggested that technological innovators tend to rely on lead-time advantage and secrecy, rather than protection through formal IP systems. This is consistent with the (albeit limited) stories we heard through qualitative interviews about virtual designs.

Before a firm decision can be reached around progressing protection of virtual products, we need to consult more widely and gain additional evidence to better understand

whether businesses in these industries use informal protection methods because they work best for these industries, or simply because formal protection through design rights is not available. That is to say: would we *impede innovation* by bringing these industries under the umbrella of design protection (and consequently restricting freedom to operate), or would access to the registered designs system *stimulate additional innovation* in these industries?<sup>34</sup>

### ***Access to design protection for parts of products***

Another change we are considering that would potentially impact the scope of design protection is around protection for parts of products. Under the current Designs Act, design protection relates to the overall visual appearance of a product.<sup>35</sup> A *partial* design would allow design rights to be registered for parts of designs, such as the handle of a mug. This might enable designers to have specific access to design protection, and simplify and streamline their interactions with design rights. For example, if a handle is particularly unique, and used across a whole family of products, a designer would only need to get protection for that handle, rather than for each individual product in which the handle is used.

In consultation on this issue, there was much support for partial designs to protect *signature features* of products. A positive aspect of introducing this kind of protection is that many of our key trading partners, including the European Union, United Kingdom, United States of America, Canada, Singapore, Japan and South Korea already offer similar protections. Although harmonisation with other jurisdictions may assist Australians filing designs overseas, partial design protection is likely to increase complexity for businesses to determine their freedom to operate and/or challenge the validity of relevant designs. There is also limited consistency in the international approaches used for partial design protection.

As with virtual designs, feedback within the design community was mixed on the best method to implement partial protection. Any change to the current definitions in the legislation to accommodate protection for partial designs would involve multiple and complex legislative changes, and so we will continue to consult widely and build the evidence base before deciding whether to proceed with partial protection.

### ***Access to greater certainty about design protection***

IP Australia has been investigating an area that has caused some confusion and uncertainty in the design community, which is the terminology of “registered” and “certified” designs. These terms indicate if a design has passed a formality check and examination, respectively. Design rights are only legally enforceable if “certified”. Through interviews, many who owned design rights were thoroughly confused by, or completely unaware of, this distinction. We heard reports of

people sending and receiving letters of demand, taking steps to enforce designs that were just registered and not certified. This was seen across business in different sectors and of different sizes, with and without legal representation.

It may be the two-step process itself that is the source of confusion, and so changes to terminology would mitigate the complexity to only a limited degree. A potential solution to this problem may be to remove the two-step process entirely. A move to substantively examining every application would effectively eliminate the source of this confusion and increase certainty about the validity and enforceability of designs that people seek to protect. It is recognised that Australia is one of very few countries operating under the hybrid system for design rights – most other jurisdictions either operate under a “deposit” system or a substantive examination system.

It may be the case that for some applicants this hybrid system is leading to uncertainty about design protection. While this change would potentially lead to increased costs for designers (as they will have to pay for substantive examination) it remains an issue that is worth further consideration – especially given the feedback received through this research phase about the confusion people experience. Our information updates and public education and awareness activities will also help to reduce confusion regarding the application process. We will continue to explore the issue, consult with those who register design rights, and evaluate our entire suite of reforms to strengthen our evidence base.

### Conclusion

The review process has provided invaluable insights for IP Australia as we work to reform the design right. We sought to better understand the role that IP can play in the wider design ecosystem; this necessitated a holistic perspective. Other reviews have helped to shed light into the design rights system itself, and the boundaries of that system. Our review has confirmed many of the challenges raised in those prior reviews in both the registered design right system *and* on the boundaries (the designs/copyright overlap remains a source of confusion for many, and was identified in our review as an issue requiring further attention over the long term).<sup>36</sup> Our broad research has also captured, and allowed us to share, findings and insights outside the boundaries of the design right, and that therefore go beyond IP Australia’s role as the administrator of design rights, patents, trade marks, and plant breeder’s rights in Australia. The published reports from our review are available on our website, and we will continue working to further explore our findings and discuss them with the design community.

When thinking about the challenges uncovered in our research, a word which ties them all together is *access*. Accessibility challenges from different perspectives are evident in many of our research findings – for example, access to the design rights system itself, access to personalised advice about

design protection and commercialisation; access to justice in situations where copying is believed to have occurred, and access to good design and products in the Australian market at a price that consumers are willing and able to pay. For many in the design community, the true value of design and any competitive advantage lies *beyond* what a final product looks like, and therefore what design rights currently protect. Answers to some of these challenges – particularly around copying and enforcement – lie outside the design rights system. IP Australia will continue to explore this with industry and help clarify the role that design rights can play in the bigger picture. To make sure those findings that are beyond our remit do not get overlooked or forgotten, we will continue to engage with industry and across government so that relevant solutions can be identified and implemented by those that are best able to do so.

Issues of access that we identified have helped us to shape the reforms we are currently prioritising. Trouble in accessing the online filing system has been a barrier for many, effectively acting as a barrier to design protection itself. Trouble accessing the right information has been a barrier for those trying to make informed decisions about how they can best use the design right as part of a competitive strategy to protect their ideas and grow their business. By ensuring our information is up to date and placing design information in business and commercialisation education materials across government and within industry, we are working to improve access to information. More broadly, our research has shown that many people do not have access to design protection because of the nature of their design process, or the kind of products they design. Legislative changes that are in process (including introducing a grace period) will help designers in the short term, and we are continuing to investigate the scope of the right over the longer term so that we can answer the question: *who should the registered design rights system be working for?*

Our review gave us positive insights that showed design rights working for a small segment of the population, within traditional industries. But in a progressive economy with advancing technology and changing needs, we will continue to investigate what role design rights can and should play as we seek to provide opportunities for businesses to benefit from good ideas.

# Redesigning Designs: The Future of Design Protection in Australia

- 1 Assistant Director, Designs Reform Project, IP Australia.
- 2 Assistant Director, Designs Reform Project, IP Australia. We appreciate all the generous feedback we received whilst drafting this article. Sincere thanks to Michael Schwager (Director General, IP Australia); our Project Board: Paula Adamson (General Manager, Trade Marks and Designs Group); Benjamin Mitra-Kahn (Chief Economist and General Manager, Policy and Governance Group); Gemma Smith (General Manager, People and Communication Group); Graeme Jones (A/g CIO and General Manager, Innovation and Technology Group); Kieran Sloan (Deputy CFO and Assistant General Manager, Financial Management Office); and our Project Manager: Ramila Clugston (Assistant General Manager, Design Reform Project).
- 3 See Explanatory Memorandum, *Intellectual Property Laws Amendment (Raising the Bar) Bill 2011* (Cth) 8 <[http://www8.austlii.edu.au/cgi-bin/viewdoc/au/legis/cth/bill\\_em/iplatbb20112012527/memo\\_0.html](http://www8.austlii.edu.au/cgi-bin/viewdoc/au/legis/cth/bill_em/iplatbb20112012527/memo_0.html)>.
- 4 Australian Law Reform Commission, *Designs* (Report no. 74, 1995) 3.2 <<http://www.austlii.edu.au/au/other/lawreform/ALRC/1995/74.html#3fnB1>>.
- 5 This included a review of the Designs Act by the Advisory Council on Intellectual Property (“ACIP”) from 2012 to 2015. Several of the recommendations from that review were accepted by the Australian Government and are included as part of the Designs Amendment (Advisory Council on Intellectual Property Response) Bill 2020 and the *Designs Amendment (Advisory Council on Intellectual Property Response) Regulations 2020*. See ACIP, *Review of the Designs System* (Final Report, March 2015) <[https://www.ipaustralia.gov.au/sites/default/files/acip\\_designs\\_final\\_report.pdf](https://www.ipaustralia.gov.au/sites/default/files/acip_designs_final_report.pdf)> (“ACIP Review”). For the Government response see <[https://www.ipaustralia.gov.au/sites/default/files/government\\_response\\_-\\_acip\\_designs\\_review\\_-\\_final\\_pdf.pdf](https://www.ipaustralia.gov.au/sites/default/files/government_response_-_acip_designs_review_-_final_pdf.pdf)>. The Productivity Commission reviewed the entire IP system between 2015 and 2016. Several areas relevant to the design right were highlighted for further consideration, such as continuing to build the evidence base for virtual (or non-physical) designs, so that the designs system can adapt to emerging technology. There were also concerns raised in that review about the limited understanding and knowledge of the design rights system within the design community. See Productivity Commission, *Intellectual Property Arrangements* (Report No. 78, 23 September 2016) ch. 11 <<https://www.pc.gov.au/inquiries/completed/intellectual-property/report/intellectual-property.pdf>> (“PC Review”).
- 6 IP Australia undertook a research project with IPRIA in late 2018 which provided quantitative evidence not available at the time of the ACIP Review. The findings indicated Australia is lagging other countries in both relative use of the registered design system and relative design employment. The findings further suggested that Australia’s design economy is productive: Australia is close to the expected level of design IP intensity given its design labour intensity. However, based on 2011–16 data, Australia lags its competitors both in the rate at which our design labour force is growing and in our rate of increase in design IP generation. This was a critical piece of work that enabled IP Australia to survey the landscape and gain some understanding of where Australia was standing relative to other countries. See M Falk, *Designs Law and Practice: Design Within Australia and How Australia Compares with its International Peers* (IP Australia Economic Research Paper 08, 2019) <[www.ipaustralia.gov.au/sites/default/files/reports\\_publications/designs\\_law\\_and\\_practice\\_0.pdf](http://www.ipaustralia.gov.au/sites/default/files/reports_publications/designs_law_and_practice_0.pdf)>.
- 7 There were growing calls for change from the design community and attorney profession, either directly or through the media. These included diverse issues such as Australian designers’ ability to access international markets: see, eg, Mark Pullen, ‘Registered Designs’, *Watermark* (Web Page, 9 June 2016) <<https://www.watermark.com.au/registered-designs/>>; protections for virtual technologies, see, e.g., Mark Williams, ‘A (non-physical) apple spoils the bunch? A potted history of non-physical designs in Australia’, *Phillips Ormonde Fitzpatrick* (Blog Post, 27 November 2017) <<https://www.pof.com.au/non-physical-apple-spoils-bunch-potted-history-non-physical-designs-australia/>> and design copying and replica furniture, e.g. Cathy Pryor, ‘Is it time to redesign the law around ‘replica’ furniture?’, *ABC* (Web Page, 16 February 2015) <<https://www.abc.net.au/radionational/programs/blueprintforliving/is-it-time-to-redesign-the-law-around-replica-furniture/6072198>>; Kylie Pappalardo and Karnika Bansal ‘Explainer: can you copyright furniture?’, *The Conversation* (Web Page, 4 September 2018) <<https://theconversation.com/explainer-can-you-copyright-furniture-100336>>; Amy Bainbridge and Mark Doman, ‘Online “pirates” ripping off Australian designers, prompting calls for “urgent” law update’, *ABC* (Web Page, 9 August 2016) <<https://www.abc.net.au/news/2016-08-08/online-pirates-ripping-off-australian-designs-from-instagram/7586664>>.
- 8 PC Review 78.
- 9 PC Review 87.
- 10 Our research was ultimately collated into five reports. The first report set the context for our research, provided our definition of design, outlined some of the primary motivations to protect designs, and calculated design’s contribution to the Australian economy. See IP Australia, *Defining Design: Design’s Role in the Australian Economy* (Report, 2020) <[https://www.ipaustralia.gov.au/sites/default/files/protecting\\_design\\_ip\\_australia\\_report.pdf](https://www.ipaustralia.gov.au/sites/default/files/protecting_design_ip_australia_report.pdf)>. The second report summarised the insights and experiences of members of the design community learned through our qualitative research. See IP Australia, *Talking Design: Views from Australia’s Visual Design Ecosystem* (Report, 2020) <[https://www.ipaustralia.gov.au/sites/default/files/talking\\_design\\_ip\\_australia\\_report.pdf](https://www.ipaustralia.gov.au/sites/default/files/talking_design_ip_australia_report.pdf)> (“*Talking design*”). The third report summarised the results from an economic study into whether Australia’s design rights system has provided incentives for Australian businesses to invest in design. See IP Australia, *Valuing Designs: The Economic Impact of Design Rights in Australia* (Report, 2020) <[https://www.ipaustralia.gov.au/sites/default/files/valuing\\_design\\_ip\\_australia\\_report.pdf](https://www.ipaustralia.gov.au/sites/default/files/valuing_design_ip_australia_report.pdf)> (“*Valuing designs*”). The full economic report was also published. See Trevor Kollmann, Achinthya Koswatta, Alfons Palangkaraya and Elizabeth Webster, *The Impact of Design Rights on Australian Firms* (IP Australia Economic Research Paper Series 09, 2020). Finally, we also published a report analysing the experiences of Australian businesses turning ideas into products, their methods and motives for protecting designs and their encounters with copying. See IP Australia, *Protecting Designs: Design Innovation, Copying and Enforcement in Australia* (Report, 2020) <[https://www.ipaustralia.gov.au/sites/default/files/protecting\\_design\\_ip\\_australia\\_report.pdf](https://www.ipaustralia.gov.au/sites/default/files/protecting_design_ip_australia_report.pdf)> (“*Protecting designs*”).
- 11 *Talking design* 24.
- 12 *Protecting designs* 4. <[https://www.ipaustralia.gov.au/sites/default/files/protecting\\_design\\_ip\\_australia\\_report.pdf](https://www.ipaustralia.gov.au/sites/default/files/protecting_design_ip_australia_report.pdf)>.
- 13 Two legislative changes that were considered in that study were term of protection and unregistered design protection. Under the Designs Act, the term of protection for designs was reduced to 10 years. Were Australia to consider acceding to the Hague System, this would require that the term of protection be extended to 15 years. Evidence in favour of joining has been otherwise mixed (see, e.g., our public consultation on the costs and benefits of joining the Hague: <<https://www.ipaustralia.gov.au/about-us/public-consultations/ip-australias-response-public-consultation-hague-agreement>>) and was rarely raised by interviewees in our qualitative research. The other legislative change considered in the economic analysis was unregistered protection. This was analysed by proxy through considering the loss of unregistered protection in the form of copyright for two-dimensional designs. “Neither change [term of protection, nor loss of unregistered protection] affected productivity or the level of design rights use, including in the textile, clothing and footwear industry, which is said to have depended on unregistered protection for designs.” See Trevor Kollmann, Achinthya Koswatta, Alfons Palangkaraya and Elizabeth Webster, *The Impact of Design Rights on Australian Firms* (IP Australia Economic Research Paper Series 09, 2020) ch. 7.
- 14 See IP Australia, *Australian Intellectual Property Report 2020* (Report, 2020) ch. 7.
- 15 *Talking design* 13.
- 16 This is an issue that both the previous PC and ACIP reviews also uncovered. See PC Review 342; Advisory Council on Intellectual Property, *Review of the Designs System* (Options Paper, December 2014) <<https://www.ipaustralia.gov.au/sites/default/files/options-paper-for-the-review-of-the-designs-system.pdf>> 27.
- 17 *Talking design* 9.
- 18 *Protecting designs* 10.
- 19 *Talking design* 13.
- 20 *Talking design* 13.
- 21 PC Review 366–7.
- 22 *Valuing designs* 7.
- 23 *Valuing designs* 9.
- 24 *Valuing designs* 12.

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- 25 *Protecting designs* 12.
- 26 *Valuing designs* 5.
- 27 *Valuing designs* 7.
- 28 *Protecting designs* 9.
- 29 *Protecting designs* 9.
- 30 For a recent discussion of issues specific to fashion houses and IP protection, including the benefits and drawbacks of unregistered design protection for fashion, see Violet Atkinson, William van Caenegem, 2019, 'The Fashion Sector: Copyright, Designs or Unfair Competition?' (2019) 14(3) *Journal of Intellectual Property Law and Practice*, 214.
- 31 *Talking design* 12.
- 32 See for example, PC Review ch. 11, ACIP Review s.2.5.
- 33 *Protecting designs* 9.
- 34 There also remain questions around how to best introduce protection for virtual designs: one option would be standalone protection of virtual designs by including virtual designs in the definition of a product. However, protection requiring a link to physical products may introduce problems for enforcement and would be irrelevant for certain virtual designs (such as virtual/augmented reality or holograms). If virtual designs were protected as standalone products, this would require an exception to the current rule that a design must relate to a "product", as the virtual design would be a product in itself. This would therefore require an *expansion of the current definition of designs*, which would be an extensive process. Whilst virtual designs cannot be certified and enforced despite remaining on the designs register, introducing virtual design protection is likely to increase complexity for businesses to determine their freedom to operate and / or challenge the validity of relevant designs. We will continue to build the evidence base and continue consulting widely to ensure all factors are balanced and taken into consideration.
- 35 *Designs Act 2003* (Cth), s.5.
- 36 The interface between copyright and designs has been called "[o]ne of the most troublesome areas in the entire field of intellectual property." See Andrew Stewart, William van Caenegem, Judith Bannister, Adam Liberman and Charles Lawson, *Intellectual Property in Australia* (Lexis Nexis, 6<sup>th</sup> ed, 2018) 213. When the ALRC reviewed the design system in 1995, they found that there was an "unacceptable degree of confusion" that surrounded the overlap between designs and copyright (ALRC, 1995, s.17.3). Ten years on from the ALRC review, ACIP found that the copyright/designs overlap remained "contentious" and "unsatisfactory" (ACIP 2015, 33). For a history of the development of copyright and design legislation see Isabelle Alexander, 'The Copyright/Design Interface in Australia' in Estelle Declaye (ed), *The Copyright/Design Interface: Past, Present and Future* (Cambridge University Press, 2018). For articles suggesting modest changes, see: Jani McCutcheon, 'Too Many Stitches in Time? The Polo Lauren Case, Non-infringing Accessories and the Copyright/Design Overlap Defence' (2009) 20(1) *Australian Intellectual Property Journal* 39; Janice Luck, 'Section 18 of the Designs Act 2003: The Neglected Copyright/Design Overlap Provision' (2013) 23 *Australian Intellectual Property Journal* 68; Eugenia Georgiades, 'Closing the Gap Between Copyright and Designs: An Age of Enlightenment or State of Confusion?' (2013) 22(1) *Information & Communications Technology Law* 45.

# The Decision of the Full Federal Court of Australia in *Kraft v Bega* and its Implications for the Use of Unregistered Trade Marks

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## Introduction

Whilst the decision of the Full Federal Court of Australia (the “Court”) in *Kraft Foods Group Brands LLC v Bega Cheese Limited* [2020] FCAFC 65 (“*Kraft v Bega*”) dealt with a complex factual situation, the judgment at its core largely applied accepted principles of trade mark law, and as such, the outcome should not be that surprising. The implications of the judgment for future trade mark and commercial practice are however more complex than may seem on first impression. Both the decision and its implications will be considered in what follows.

Given the similarity in the parties’ names on the Kraft side of the case, for ease of reference, various descriptors of those parties which would normally only be used once are repeated throughout this article.

## Background

### *Trade mark context*

The background of the case centred around a sale and purchase of business and assets evidenced in an agreement dated 19 January 2017 (sale and purchase agreement, “SPA”) by which relevant members of the Kraft group (Mondelez Global LLC, Mondelez Australia (Foods) Ltd (“MAFL”) and Mondelez Australia Pty Ltd) sold and Bega bought the business and assets of MAFL (formerly known as Kraft Foods Ltd (“KFL”). For relevant purposes that business included developing, manufacturing, marketing and distributing spreads including peanut butter in Australia and the sale was completed on 4 July 2017.

### *“Peanut Butter Trade Dress”*

The principal subject matter in dispute was described as “Peanut Butter Trade Dress” (“PBSD”) which consisted of a jar with a yellow lid and yellow label with a blue or red peanut device with a jar having a brown appearance when filled.<sup>2</sup> It is important to understand that both the primary judge and the Court found that the PBSD operated as an unregistered trade mark and not merely as a diagnostic cue to the Kraft brand – i.e. over time a reputation had developed in the PBSD which was independent of the Kraft brand. Thus, by way of example,

*the undisputed fact was that, once Bega took over KFL’s business and started manufacturing and selling Bega branded peanut butter products using the Peanut Butter Trade Dress, it quickly assumed KFL’s peanut butter market share (over 60 % by volume of sales).<sup>3</sup>*

### *Period 1 – 2007*

The rights in the PBSD were held by KFL at the time it was created in 2007.<sup>4</sup> There was no suggestion that the PBSD

was developed or used by any other entity in the Kraft group.<sup>5</sup>

By 2007, KFL was making, promoting and selling peanut butter products in Australia applying the following trade marks:

- (a) the registered trade mark of the word “Kraft” (registered in the name of KFL);
- (b) the registered trade mark of the Kraft hexagon logo (registered in the name of KFL);
- (c) the registered trade mark of the words “Never Oily, Never Dry” (registered in the name of KFL); and
- (d) the unregistered trade mark PBSD.<sup>6</sup>

### *Period 2 – as at September 2012, immediately before the restructure*

A distinguishing feature of this period was that each of the “Kraft” and Kraft hexagon logo registered trade marks had been assigned by KFL to Kraft Foods Global Brands LLC. Therefore, as at September 2012 (immediately before the restructure – discussed below), KFL produced, promoted and sold peanut butter products in Australia, applying the following trade marks:

- (a) the registered trade mark of the word “Kraft” (registered in the name of Kraft Foods Global Brands LLC (SnackCo IPCo), licensed to KFL);
- (b) the registered trade mark of the Kraft hexagon logo (registered in the name of Kraft Foods Global Brands LLC (SnackCo IPCo), licensed to KFL);
- (c) the registered trade mark of the words “Never Oily, Never Dry” (registered in the name of KFL);

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- (d) various trade marks applied for registration in the name of Kraft Foods Global Brands LLC (SnackCo IPCo), licensed to KFL; and
- (e) the unregistered trade mark PBTD.<sup>7</sup>

## ***Period 3 – October 2012, immediately after the restructure***

A significant feature of the restructure resulted in each of the above registered trade marks “Kraft” and the Kraft hexagon logo being assigned from Kraft Foods Global Brands LLC (SnackCo IPCo) to Kraft Foods Group Brands LLC (GroceryCo IPCo).<sup>8</sup> Therefore, as at October 2012 (immediately after the restructure), MAFL (formerly KFL) produced, promoted and sold peanut butter products in Australia, applying the following trade marks:

- (a) the registered trade mark of the word “Kraft” (held by Kraft Foods Group Brands LLC (GroceryCo IPCo), licensed to MAFL (formerly KFL) via Kraft Foods Global Brands LLC (SnackCo IPCo);
- (b) the registered trade mark of the Kraft hexagon logo (held by Kraft Foods Group Brands LLC (GroceryCo IPCo), licensed to MAFL (formerly KFL) via Kraft Foods Global Brands LLC (SnackCo IPCo);
- (c) the registered trade mark of the words “Never Oily, Never Dry” (registered in the name of MAFL (formerly KFL);
- (d) various trade marks applied for registration in the name of Kraft Foods Group Brands LLC (GroceryCo IPCo), licensed to MAFL (formerly KFL), via Kraft Foods Global Brands LLC (SnackCo IPCo); and
- (e) the unregistered trade mark PBTD.

MAFL’s abovementioned licence to each of the “Kraft” and Kraft hexagon logo registered trade marks expired on 31 December 2017.<sup>9</sup>

## ***Period 4 – after the restructure up to June 2017***

After the restructure and up to June 2017, just prior to the SPA being entered into, MAFL continued its business of making, promoting and selling peanut butter products in Australia under the licensed “Kraft” and Kraft hexagon logo registered trade marks, but also using the PBTD<sup>10</sup> as well as the “Never Oily, Never Dry” registered trade mark. By 2017, Kraft peanut butter comprised approximately 60 per cent by value and 55 per cent by volume of total Australian peanut butter sales.<sup>11</sup>

## ***Period 5 – June 2017***

In June 2017, just prior to completion of the SPA, MAFL (formerly KFL) began to sell peanut butter products without Kraft branding, but using the PBTD in conjunction with the words “The Good Nut”<sup>12</sup> as well as the “Never Oily, Never Dry” registered trade mark.<sup>13</sup>

## ***Period 6 – on and following completion of the SPA, July 2017***

In July 2017, following completion of the SPA, Bega commenced making and selling peanut butter products under the Bega brand, in conjunction with the PBTD and the words “The Good Nut”, as well as the “Never Oily, Never Dry” registered trade mark.<sup>14</sup>

## ***Period 8 – since late 2017***

Since late 2017, Bega sold its peanut butter products under the Bega brand, using the PBTD, with the “Never Oily, Never Dry” registered trade mark.<sup>15</sup>

## ***Period 9 – in about April 2018***

Following a press release issued on or about 24 October 2017 titled, “Kraft returns to Australian stores”,<sup>16</sup> in about April 2018 a Kraft group company began selling peanut butter products in Australia using the PBTD.<sup>17</sup>

## ***Kraft shippers***

Between September 2017 and late March 2018 Bega supplied its Bega branded peanut butter products to supermarkets and food distributors in shippers to which the Kraft hexagon logo registered trade mark was applied.<sup>18</sup>

## ***Kraft restructure***

The Kraft restructure took effect in late September 2012. The aim of the restructure was to create two independent public companies: one to hold Kraft’s global snack business and the other Kraft’s North American grocery business. The effect of the restructure was that:

- (a) Kraft’s global snack business was held in Kraft Foods Inc (SnackCo) as the parent company, with its intellectual property being held principally by Kraft Foods Global Brands LLC (SnackCo IPCo);
- (b) Kraft’s North American grocery business was held in Kraft Foods Group Inc (GroceryCo) as the parent company, with its intellectual property being held principally by Kraft Foods Group Brands LLC (GroceryCo IP Co);
- (c) Kraft Foods Inc (SnackCo) changed its name to Mondelez International Inc and KFL changed its name to MAFL;
- (d) Kraft Foods Global Brands LLC (SnackCo IPCo) assigned the registered trade marks “Kraft” and the Kraft hexagon logo to Kraft Foods Group Brands LLC (GroceryCo IPCo);<sup>19</sup> and
- (e) The licence granted to MAFL (formerly KFL) in respect of the “Kraft” and Kraft hexagon logo, sourced from Kraft Foods Group Brands LLC (GroceryCo IPCo) expired on 31 December 2017.<sup>20</sup>

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## The dispute

Whilst the entirety of the dispute involved determining:

- (a) who was entitled to the rights in the PBTD and therefore who had standing to commence an action for passing off;
- (b) whether Bega was in breach of various contractual obligations;
- (c) whether the relevant parties engaged in misleading or deceptive conduct under the Australian Consumer Law; and
- (d) whether Bega infringed Kraft's trade mark by supplying Bega branded products in shippers bearing the Kraft hexagon logo registered trade mark,

the focus of my analysis will be primarily on the trade mark matters arising from (a) above and to the extent those matters are impacted by contractual obligations, the matters arising from (b) above will also be considered.

## The decision

### ***Who was entitled to the rights to the PBTD and therefore who had standing to commence an action for passing off?***

Each party claimed that it had a right to the PBTD in relation to peanut butter products to the exclusion of the other. The Court identified the following two principles accepted by the parties in deciding the matter under Australian common law:

- (a) *The first principle is that unregistered trade marks or product 'get up', such as the Peanut Butter Trade Dress, are not recognised under Australian common law as a species of property; rather the business goodwill or reputation generated by the use of the unregistered trade marks can be protected by an action for passing off or statutory misleading and deceptive conduct ... Accordingly, when we refer to the "rights in relation to the Peanut Butter Trade Dress", this is a shorthand reference to a company having the requisite reputation with respect to the goods to bring an action for passing off or an action based on the statutory misleading or deceptive conduct provisions in relation to the Peanut Butter Trade Dress.*
- (b) *The second principle is that the goodwill of a business is property capable of assignment, where goodwill is understood to be the "legal right or privilege to conduct business in substantially the same manner and by substantially the same means that have attracted custom to it" ...*<sup>21</sup>

A key principle, which Kraft did however contest, was that under Australian common law, an unregistered trade mark, such as the PBTD "get up" could only be assigned with the goodwill of the business in respect of which the "get up" was used.<sup>22</sup>

Whilst not expressly stated to be an exercise in determining the chain of title relating to PBTD, the Court then proceeded to determine who owned the goodwill associated with the use of the PBTD over the various periods referred to above.

In the context of **Period 1 – 2007**, the Court held that the goodwill associated with the use of the PBTD was held by KFL, particularly in that it was first used by KFL in 2007. Kraft sought unsuccessfully to counter the Court's view, including arguing that Kraft Foods Inc exercised a degree of control over KFL to support the proposition that the rights in relation to the PBTD were held by it or Kraft Foods Global Brands LLC. The Court considered Kraft's "control" in the following terms:

*Kraft Foods Inc had mechanisms in place to control the quality of products produced by the KFL and the marketing of those products. It does not appear to have been in dispute that KFL was an integrated part of the Kraft Foods Inc group. However, we do not consider these matters to be sufficient to indicate that as at 2007 KFL did not hold the rights in the Peanut Butter Trade Dress. As noted earlier ... there is no suggestion ... that the Peanut Butter Trade Dress was used or developed by any other entity in the Kraft Foods Inc group. And while it may be accepted that Kraft Foods Inc exercised control over the operations of KFL, KFL also had its own staff who were responsible for the quality of the products and marketing.*<sup>23</sup>

Ultimately however the Court concluded that, notwithstanding the "control" that Kraft Foods Inc did exercise, in circumstances where KFL developed the PBTD, no one else in the Kraft group used the PBTD and KFL had its own control measures, as at 2007 the rights in relation to the PBTD were held by KFL.<sup>24</sup> As a result, "control" was viewed to be a matter that did not give rise to ownership, but implicitly arose as a consequence of ownership.<sup>25</sup> The Court appeared to view the consideration of "control" as being more appropriate in a licensing context – i.e. where an owner of a trade mark must exercise the appropriate control over the products to which the trade mark is applied in order to ensure that consumers are not misled as to the origin and quality of products, and to ensure that a licensee's use is deemed to be its use in order to rebut allegations of non-use.

In relation to **Period 2 – as at September 2012, immediately before the restructure**, the Court found that none of the intervening events altered the position that as at September 2012 the rights in relation to the PBTD were held by KFL.<sup>26</sup> Amongst the Court's reasoning to come to that conclusion were the following:<sup>27</sup>

- (a) Notwithstanding that two licence agreements – referred to as the 2009 Licence Agreement and the 2011 Licence Agreement – had come into force during that time between Kraft Foods Global Brands LLC (SnackCo IPCo) as licensor and KFL as licensee, the subject matter of those licences did not include the

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PBTD and most tellingly, there was no assignment of the goodwill of the peanut butter business from KFL to Kraft Foods Global Brands LLC (SnackCo IPCo), this being necessary for the PBTD to be assigned as a matter of Australian common law.

- (b) The fact that the licence agreements allowed Kraft Foods Global Brands LLC (SnackCo IPCo) to exercise control over the character and quality of KFL's peanut butter products was due to the requirements of licensing the relevant registered trade marks. That however did not change who held the rights in the PBTD.
- (c) Notwithstanding that the "Kraft" and the Kraft hexagon logo registered trade marks were assigned by KFL to Kraft Foods Global Brands LLC (SnackCo IPCo) in April 2012 and were thereby included in the 2011 Licence Agreement, that did not change who held the rights in the PBTD. They remained with KFL.
- (d) Based on distinguishing the present case from *Revlon v Cripps & Lee Ltd.*,<sup>28</sup> the Court rejected Kraft's submission that any rights KFL held in any of the intellectual property related to the peanut butter products were held on a licence, express or implied from Kraft Foods Inc and that any goodwill in respect of that branded product line inured for the benefit of Kraft Foods Inc.<sup>29</sup>

In summary, as at September 2012, immediately prior to the restructure, KFL's peanut butter products used two registered trade marks that were licensed to KFL by Kraft Foods Global Brands LLC (SnackCo IPCo), one registered trade mark – "Never Oily, Never Dry" – held by KFL and one unregistered trade mark, the PBTD, held by KFL. The use of such multiple trade marks was not a matter of the concern for the Court in that it stated as follows:

*A product can bear and be sold by reference to, more than one trade mark. If those trade marks are registered marks, then those separate trade mark registrations may be owned by more than one person. And if the use of each of the registered trade marks is a licensed use, then each trade mark owner may separately exercise quality control over the relevant goods (and would need to do so). The fact that a business may use a licensed trade mark on its product does not preclude it from owning another trade mark (whether registered or unregistered) that is also used on the goods.*<sup>30</sup>

The difficulty which is however presented by the use of multiple trade marks of more than one owner in relation to the one product, is whose quality control requirements in respect of that product are to be paramount in the case of conflicting requirements? This difficulty is likely to be exacerbated where the different owners are not members of the same company group. In any event it would seem

prudent for there to be an agreement between the multiple owner parties to address such potential conflict. Certainly from the perspective of a licensor of a registered trade mark, it would want to ensure that its requirements were paramount, so that it could properly demonstrate control for the purposes of establishing its rights as an "authorised user" under the *Trade Marks Act 1995* (Cth)<sup>31</sup> (the "Act"). It may however be the case that the primary trade mark in use is not licensed in, such that the owner of that trade mark would want its requirements to be paramount. Thus, reinforcing the use of that primary trade mark both as a badge of origin and badge of quality.

The use of multiple trade marks held by multiple owners in respect of one product could however also present problems in creating deception and confusion in the minds of consumers so as to give rise to a right of rectification under s.88(2)(c) of the Act<sup>32</sup> or the use becoming misleading or deceptive for the purposes of the Australian Consumer Law. The use of multiple trade marks held by multiple owners in respect of the one product therefore needs to properly consider the risks associated with that state of affairs.

In relation to **Period 3 – October 2012, immediately after the restructure**, the issues in dispute were whether under the restructure KFL's business was allocated to SnackCo or GroceryCo, and whether the PBTD was assigned to GroceryCo IPCo as part of the primary Kraft brands used on KFL's peanut butter products.

Determination of these issues was dependent on a proper construction of two documents that gave effect to the restructure: firstly, the "Separation and Distribution Agreement" ("SDA") between Kraft Foods Inc (SnackCo) and Kraft Foods Group Inc (GroceryCo) and secondly the "Master Ownership and License Agreement Regarding Trademarks and Related Intellectual Property" ("MTA") between Kraft Foods Global Brands LLC (SnackCo IPCo) and Kraft Foods Group Brands LLC (GroceryCo IPCo).<sup>33</sup>

In essence, the SDA governed the allocation of the Kraft businesses and assets within the Kraft group and the MTA governed the allocation of the Kraft intellectual property, including trade marks,<sup>34</sup> within the Kraft group consequent upon the restructure.

As it is not relevant to the trade mark issues to be covered in this article, I do not explore in detail the construction exercise undertaken by the Court in relation to the SDA. The outcome however was that contrary to Kraft's contention that KFL's business and assets formed part of the GroceryCo business and assets, the Court held that KFL's business formed part of the SnackCo Business and SnackCo Assets. Simply put the Court took the view that the SDA sought to allocate businesses and assets on a geographic basis rather than a branded product line basis as contended for by Kraft – i.e. "(i)t was clear from the Kraft Foods 10-Q that Australia

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(including the business and operations of KFL) formed part of the Kraft Foods Developing Markets segment which was allocated to SnackCo in the restructure”.<sup>35</sup>

Again, as it is not relevant to the trade mark issues to be covered in this article, I do not explore in detail the construction exercise undertaken by the Court in relation to the MTA. Simply put the Court took the view that the PBTB did not fall within the definition of “GroceryCo Marks” and as such was not subject matter that came within the ambit of what GroceryCo IPCo was entitled to deal with. Suffice it to say that in the context of considering the definition of “GroceryCo Marks”, the first limb of that definition – “GroceryCo Primary Brands” – the Court held that there was nothing in that definition that encompassed trade dress in the nature of the PBTB. The second alternative limb of that definition required that the trade mark primarily related to or was primarily used in relation to the GroceryCo Business. As the Court had earlier held that the PBTB related to the SnackCo Business, and not the GroceryCo Business that also defeated Kraft’s position.<sup>36</sup>

Interestingly, the primary judge took the view that the MTA purported to assign to Kraft Foods Group Brands LLC (GroceryCo IPCo) the goodwill associated with the PBTB, however that assignment was ineffective as a matter of Australian common law because there was no assignment of the business relevant to that goodwill.<sup>37</sup> Whilst the Court did not adopt the primary judge’s reasoning in that regard, because on its construction it did not need to, the position expressed by the primary judge is a matter for valid consideration in all cases where goodwill is purported to be assigned in an unregistered trade mark, but the relevant business is not.

In relation to **Period 4 – after the restructure up to June 2017** and **Period 5 – June 2017**, the Court held that the rights in the PBTB remained with MAFL/KFL immediately before completion of the SPA. Nothing had changed in the interim concerning those rights.<sup>38</sup>

In relation to **Period 6 – on and following completion of the SPA, July 2017**, once it was held that MAFL held the rights in relation to the PBTB immediately before completion of the SPA, it followed that those rights (comprised in the goodwill of the business) were assigned by MAFL to Bega.<sup>39</sup>

On completion of the SPA on 4 July 2017, Bega also entered into a Supplemental Agreement whereby it assumed the obligations of MAFL as licensee of the relevant trade marks that were sourced from GroceryCo IP via SnackCo IPCo under the MTA. Whilst Kraft alleged that as a consequence Bega was in breach of the MTA, as the Court concluded that the MTA did not allocate the PBTB to GroceryCo IPCo and therefore did not grant a licence to SnackCo IPCo, it followed that Bega did not breach the MTA by continuing to use the PBTB following the expiration of the licence on

31 December 2017. This licence included the right to use the registered trade marks “Kraft” and the Kraft hexagon logo.<sup>40</sup>

## The implications

An obvious implication of the decision beyond those mentioned above is, that in the case of unregistered trade marks, one needs to identify how to effectively assign them without goodwill. Section 106 of the Act, allows for that to be achieved in that it permits

*a trade mark whose application is being sought to be assigned ... (to be assigned) with or without the goodwill of the business concerned in the relevant goods and or services.*

That solution whilst simple in its reading can nevertheless deceptively complex in its application.

## Trade mark identification and description

Before considering s.106, the first step one needs to take is to identify the relevant subject matter, such as the PBTB, as a “trade mark” – i.e. is whatever is being considered a “trade mark”? Section 17 of the Act defines a trade mark as

*... a sign used or intended to be used, to distinguish goods or services dealt with or provided in the course of trade by a person from goods or services so dealt with or provided by any other person. [emphasis added]*

Section 6 of that Act then defines a “sign” to include

*the following or any combination of the following, namely any letter, word, name, signature, numeral, device, brand, heading, label, ticket, aspect of packaging, shape, colour, sound or scent.*

The definition is both non exhaustive and contains a diverse range of subject matter. In the case of the PBTB, on the face of it, it could fall within the categories of “aspect of packaging”, “shape” and “colour”. Issues as to proper description, including appropriate colours (e.g. the yellow lid and label), the jar having brown appearance (when filled), blue or red peanut device, and appropriate representation (e.g. in two or three dimensions) also need to be considered.

## Design registration

Additionally, design registration may also need to be considered, given that a “design” in relation to a product is defined under the *Designs Act 2003* (Cth) to mean “the overall appearance of the product resulting from one or more visual features of the product”.<sup>41</sup>

## Section 106 of the Act

Having considered the identification, description and possible design registration aspects discussed above, one then needs to analyse s.106, which in relevant part reads as follows:

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(1) *A registered trade mark, or a trade mark whose application is being sought, may be assigned or transmitted in accordance with this section.* [emphasis added]

(2)...

(3) *The assignment or transmission may be with or without the goodwill of the business concerned in the relevant goods and/or services* [emphasis added]

That analysis is not assisted by any case law or any express guidance from the provision itself and therefore must be considered in the context of the Act as a whole. At least two possible approaches arise.

## **Unconditional Approach to s.106**

First, where one lodges an application for registration of trade mark X, the applicant for that trade mark is allowed to assign the trade mark without the goodwill of the business relating to the goods or services relevant to the trade mark, and this is permitted irrespective of the outcome of the application for registration – e.g. irrespective of whether trade mark X proceeds to registration (the “Unconditional Approach”). Three documents are required:

- (a) the application for registration of trade mark X;
- (b) an agreement between the applicant as assignor and the relevant assignee evidencing the assignment of trade mark X without the relevant goodwill; and
- (c) a form to be lodged with the Trade Marks Office which complies with the Act recording the assignment of the application.

The above agreement will either contain no conditionality as to registration of trade mark X or expressly exclude the need for the registration of trade mark X. The above form would be lodged at a time agreed by the parties and likely dependent which of them is to prosecute the application. Pending such lodgement the assignee could seek to record its interest in the application.<sup>42</sup>

## **Conditional Approach to s.106**

Second, where one lodges an application for registration of trade mark X, the applicant for that trade mark is allowed to assign the trade mark without the goodwill of the business relating to the goods and services relevant to the trade mark and this is permitted only if the application as lodged proceeds to registration (the “Conditional Approach”). Again, three documents are required: the same as mentioned above save that the agreement will at least provide that the assignment is conditional upon registration being effected, that registration being effected within a certain time period and that the registration is identical to the terms of the application or without substantial amendment from that application.

The Unconditional Approach seems to subvert the common law requirement that common law trade marks cannot be assigned except with the goodwill of the business in which those trade marks are used. That would certainly be a surprising outcome although some commentators lean towards that view. The Unconditional Approach would also seem rather pointless if either the applicant or a third party began to use trade mark X. In those circumstances, as the assignee would have no goodwill to protect, it would not have a right to commence an action for passing off until it had established its own reputation in trade mark X.

The Unconditional Approach also seems to place no significance on the process that follows the lodging of an application. Thus, on the face of it, the application could be withdrawn or lapse without having an impact on the purported assignment without goodwill.

Regrettably, s.106 provides much “food for thought” rather than clarity or certainty in the case of the assignment of trade marks without goodwill, although given the choice of the above two approaches, I would certainly favour the Conditional Approach. Ideally, as some commentators have suggested, the policy and drafting of this provision should be revisited.<sup>43</sup> That suggestion is however of no comfort for those seeking to deal with its import now.

## **Pending registration**

Irrespective of which of the above approaches is adopted, but assuming that steps are nevertheless taken to prosecute the application for trade mark X, one also needs to take into account that there is a time lag between lodging any application and the events occurring along that process – e.g. withdrawal, lapse, alteration of the application or rejection of the application – and that the assignee may want to deal with trade mark X, in some way, whether by assignment, licence or enforcement. What rights, if any, would the applicant or assignee have pending a registration outcome? On one view they would have none, as under the Act only a registered trade mark is personal property<sup>44</sup> and at common law unregistered trade marks are not a “species of property”.<sup>45</sup> On another view, applications for registration do create a “species of property”,<sup>46</sup> although that is not a view to which I subscribe.<sup>47</sup> If no property right arises then there is nothing to assign, license or enforce.

The preceding is however the position for any pending trade mark application, save for those applicants who have rights at common law against third parties in passing off or under the Australian Consumer Law. As mentioned above, the assignee of trade mark X would certainly not have those rights without establishing its own reputation in trade mark X. At the very least, during the pending registration period the assignee could, as a matter of administrative practice, transfer its rights in the application to trade mark X. Any right to license would be dependent on the assignee establishing

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its own reputation in trade mark X and whether the licensing of an unregistered trade mark is possible without the need to assign goodwill. That latter issue is yet to be finally resolved by Australian courts, although no doubt a license could be cast in terms which anticipate the registration of trade mark X, including the consequences if that did not occur.

Applying to register an unregistered trade mark in order to avoid the Australian common law principle that an unregistered trade mark may only be assigned with the goodwill of the business in which it used needs a deep and careful consideration of the following matters:

- (a) What can be applied for as a “trade mark” under the Act?
- (b) How that “trade mark” can be best described?
- (c) Should design registration also feature in any strategy?
- (d) What is the proper interpretation of s.106 of the Act?
- (e) What rights arise in parties pending the registration of a trade mark?

Very few of those questions have easy answers, but knowing they exist is a start and having the above commentary may provide some guidance.

## Conclusion

The decision of the Court in this case is not surprising given the position of the Australian common law in relation to unregistered trade marks and their relationship to the goodwill of a business. Any attempt however to deal with those issues simply by lodging an application for registration of the relevant trade mark underestimates the complexities that can arise from that course of action.

- 1 B.Com (with merit) LL.B (UNSW), Director IP Advantage Deloitte; Adjunct Professor of Law, UNSW Law Faculty.
- 2 See *Kraft Foods Group Brands LLC v Bega Cheese Limited* [2020] FCAFC 65 at [1].
- 3 *Kraft Foods Group Brands LLC v Bega Cheese Limited* [2020] FCAFC 65 at [144].
- 4 See *Kraft Foods Group Brands LLC v Bega Cheese Limited* [2020] FCAFC 65 at [122].
- 5 See *Kraft Foods Group Brands LLC v Bega Cheese Limited* [2020] FCAFC 65 at [28].
- 6 See *Kraft Foods Group Brands LLC v Bega Cheese Limited* [2020] FCAFC 65 at [27].
- 7 See *Kraft Foods Group Brands LLC v Bega Cheese Limited* [2020] FCAFC 65 at [39].
- 8 See *Kraft Foods Group Brands LLC v Bega Cheese Limited* [2020] FCAFC 65 at [44]. Also, whilst it is not expressly stated in the judgment, it is assumed that the trade marks for which applications had been lodged – referred to in paragraph (d) of Period 2 above – were also assigned. These trade marks are not however relevant for present purposes.
- 9 See *Kraft Foods Group Brands LLC v Bega Cheese Limited* [2020] FCAFC 65 at [45].
- 10 See *Kraft Foods Group Brands LLC v Bega Cheese Limited* [2020] FCAFC 65 at [46]-[47].
- 11 See *Kraft Foods Group Brands LLC v Bega Cheese Limited* [2020] FCAFC 65 at [49].
- 12 See *Kraft Foods Group Brands LLC v Bega Cheese Limited* [2020] FCAFC 65 at [50].
- 13 See *Kraft Foods Group Brands LLC v Bega Cheese Limited* [2020] FCAFC 65 at [6].
- 14 See *Kraft Foods Group Brands LLC v Bega Cheese Limited* [2020] FCAFC 65 at [7].
- 15 See *Kraft Foods Group Brands LLC v Bega Cheese Limited* [2020] FCAFC 65 at [8].
- 16 See *Kraft Foods Group Brands LLC v Bega Cheese Limited* [2020] FCAFC 65 at [94].
- 17 See *Kraft Foods Group Brands LLC v Bega Cheese Limited* [2020] FCAFC 65 [59] and [253].
- 18 See *Kraft Foods Group Brands LLC v Bega Cheese Limited* [2020] FCAFC 65 at [102]-[104].
- 19 See Period 3 above.
- 20 See Period 3 above.
- 21 *Kraft Foods Group Brands LLC v Bega Cheese Limited* [2020] FCAFC 65 at [117].
- 22 See *Kraft Foods Group Brands LLC v Bega Cheese Limited* [2020] FCAFC 65 at [136].
- 23 *Kraft Foods Group Brands LLC v Bega Cheese Limited* [2020] FCAFC 65 at [139].
- 24 See *Kraft Foods Group Brands LLC v Bega Cheese Limited* [2020] FCAFC 65 at [139].
- 25 See *Kraft Foods Group Brands LLC v Bega Cheese Limited* [2020] FCAFC 65 at [136].
- 26 See *Kraft Foods Group Brands LLC v Bega Cheese Limited* [2020] FCAFC 65 at [148].
- 27 See *Kraft Foods Group Brands LLC v Bega Cheese Limited* [2020] FCAFC 65 at [140]-[142].
- 28 [1980] FSR 85.
- 29 See *Kraft Foods Group Brands LLC v Bega Cheese Limited* [2020] FCAFC 65 at [147].
- 30 *Kraft Foods Group Brands LLC v Bega Cheese Limited* [2020] FCAFC 65 at [143].
- 31 See *Trade Marks Act 1995* (Cth) s.8 and for a more detailed consideration of “authorised use” see Andrew Stewart, William van Caenegem, Judith Bannister, Adam Liberman and Charles Lawson, *Intellectual Property in Australia* (Lexis Nexis, 6<sup>th</sup> ed, 2018) [20.29] [20.30].
- 32 For a more detailed discussion of s.88(2)(c), see Andrew Stewart, William van Caenegem, Judith Bannister, Adam Liberman and Charles Lawson, *Intellectual Property in Australia* (Lexis Nexis, 6<sup>th</sup> ed, 2018) [19.95][19.96], [20.15].

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- 33 See *Kraft Foods Group Brands LLC v Bega Cheese Limited* [2020] FCAFC 65 at [42].
- 34 But excluding patents, trade secrets and related intellectual property. See *Kraft Foods Group Brands LLC v Bega Cheese Limited* [2020] FCAFC 65 at [42].
- 35 See *Kraft Foods Group Brands LLC v Bega Cheese Limited* [2020] FCAFC 65 at [196].
- 36 See *Kraft Foods Group Brands LLC v Bega Cheese Limited* [2020] FCAFC 65 at [209].
- 37 See *Kraft Foods Group Brands LLC v Bega Cheese Limited* [2020] FCAFC 65 at [150] and the primary judgment: *Kraft Foods Group Brands LLC v Bega Cheese Limited (No.8)* [2019] FCA 593 at [322] [338].
- 38 See *Kraft Foods Group Brands LLC v Bega Cheese Limited* [2020] FCAFC 65 at [223].
- 39 See *Kraft Foods Group Brands LLC v Bega Cheese Limited* [2020] FCAFC 65 at [226].
- 40 See *Kraft Foods Group Brands LLC v Bega Cheese Limited* [2020] FCAFC 65 at [230].
- 41 *Designs Act* 2003 (Cth) s.5.
- 42 See *Trade Marks Act* 1995 (Cth) ss.117 and 118. For more detail on these provisions, see Andrew Stewart, William van Caenegem, Judith Bannister, Adam Liberman and Charles Lawson, *Intellectual Property in Australia* (Lexis Nexis, 6<sup>th</sup> ed, 2018) [22.44].
- 43 See Andrew Stewart, William van Caenegem, Judith Bannister, Adam Liberman and Charles Lawson, *Intellectual Property in Australia* (Lexis Nexis, 6<sup>th</sup> ed, 2018) [20.2].
- 44 *Trade Marks Act* 1995 (Cth) s.21(1).
- 45 See *Kraft Foods Group Brands LLC v Bega Cheese Limited* [2020] FCAFC 65 at [117].
- 46 See Mark Davison and Ian Horak, *Shanahan's Australian Law of Trade Marks and Passing Off* (Thomson Reuters, 5<sup>th</sup> ed, 2012) [10.2005].
- 47 See Andrew Stewart, William van Caenegem, Judith Bannister, Adam Liberman and Charles Lawson, *Intellectual Property in Australia* (Lexis Nexis, 6<sup>th</sup> ed, 2018) [22.36].

# Artificial Intelligence: Inventorship and Patent Ownership – Are The Planets Lining Up?

Paul Nolan<sup>1</sup>

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*How do we reconcile the imperative of openness with innovation, on the one hand, with the desire or need of enterprises for closure at some point, and for a proprietary right at some point: This is the major ... strategic and geopolitical question thrown up by AI: How you balance openness and closure.*

Francis Gurry, Director General of the World Intellectual Property Organization (“WIPO”)<sup>2</sup>

## Introduction

Is our patent system sufficient to support the rapid development of Artificial Intelligence (“AI”)? The heart of the patent bargain is rooted in the principle that in exchange for the protection of an invention (and the Lockean notion of reward that may follow), the inventor agrees to disclose the invention so that others may build upon it. The utilitarian theory is the predominant rationale in the patent system.<sup>3</sup> The theory and practice of rewarding innovation to promote invention that benefits society has stood tall for more than 500 years<sup>4</sup> with the foundation of the English patent system dating back to the early 17<sup>th</sup> century.<sup>5</sup> Almost 400 years later, have we arrived at a juncture where the current system will become too outdated to keep pace with modern technology, or is it just in need of fine-tuning to synchronise it with the Fourth Industrial Revolution?

Two prominent features of the system are: (1) inventorship and, (2) patent ownership. Traditionally, this has never troubled the patent system as a human has invariably been named on the patent application as the inventor, whilst ownership vests in an individual or a corporate entity. With rapid advancements in AI, this traditional paradigm is under challenge where AI inventions are growing exponentially, where some have suggested (perhaps hyperbolically) that AI entrepreneurs may be “the world’s first trillionaires”.<sup>6</sup> The question is how far do the existing patent laws and supporting jurisprudence need to be reviewed, and rules for patentability, scope, and infringement realigned, to accommodate this new paradigm?

This article addresses the concept of “inventorship” and “ownership” of an invention that has been created by AI in a world where companies are “not only inventing inventions, they are inventing inventors”.<sup>7</sup>

## A short history of AI

It was in the 1950s that reference was being made to Turing’s Test<sup>8</sup> and Asimov’s Laws of Robotics.<sup>9</sup> That was at a time when the notions of independent machine thinking, robot sentience, and AI was more fiction than science. Turing’s test for AI has long since been the standard for determining a machine’s ability to exhibit human-like intelligent behaviour.

Fast forward to 1994, when Dr Stephen Thaler<sup>10</sup> disclosed an invention called the Creativity Machine.<sup>11</sup> It was able to create and “brainstorm” novel ideas by using a system of artificial neural networks with software that was self-assembling.<sup>12</sup> Thaler, filed a further patent for an invention in his name<sup>13</sup> but later revealed that the Creativity Machine had invented the latter patent’s subject matter.<sup>14</sup> The seeds had been sown.

This was followed by the Invention Machine<sup>15</sup> that used software modelled upon so-called genetic programming. This delivered human-competitive intelligence with a minimum amount of human involvement.<sup>16</sup> Indeed, at that time in 2005, it was noted that “genetic programming passed its first real Turing test: The examiner had no idea that he was looking at the intellectual property of a computer”.<sup>17</sup> Since that time, there has been the development by IBM of their flagship AI system, Watson, currently being used to conduct research into pharmaceuticals, cancer gene analysis, and treatment planning. This is a system that is capable of generating novel, non-obvious, and useful ideas.<sup>18</sup> Further, Watson reads, reasons, learns and makes inferences from the data analysed from its corpus database complemented by datasets for varying fields such as medicine, law, and finance.<sup>19</sup>

Google’s leading system, DeepMind, with its developers is hoping to create Artificial General Intelligence (“AGI”). Unlike Watson, AGI would be able to “successfully perform

any intellectual task a person could do” and be capable of self-improvement, ultimately surpassing human intelligence, to become Artificial Superintelligence (“ASI”). This “intelligence explosion” could have the capacity to innovate across a broad range of science and humanities, “resulting in progress at an incomprehensible rate”.<sup>20</sup>

AI’s technological breakthroughs have dramatically accelerated in the last two decades fuelled by advances in machine-learning algorithms, exponential growth in data availability, and improved and cost-effective computing power. The speed at which AI is developing leaves other industries a distant second. “Google’s AlphaGo has had four different versions since 2015, including moving from using training data, to being able to create its own training data with no more than the input of rules”.<sup>21</sup> As Feldman and Thieme note, the timeline of the patent system does not fit the shelf-life of computer-generated works. The patent system was “designed for industries and actors that moved at glacial pace”.<sup>22</sup>

There is no consensual definition of AI. Some distinguish between weak and strong AI, the demarcation being the capability of the latter being likened to a human, whereas the former can only perform narrow, well-defined, or simple tasks. Some suggest that current AI is somewhere on a continuum between tools that are used for invention, and a completely autonomous system capable of performing the inventive process from start to finish.<sup>23</sup>

Attention needs to be given to the delineation between AI-generated inventions and AI-assisted inventions. Sometimes what is being described may simply be an advanced machine learning algorithm such that “the AI term alone is simply not good enough”.<sup>24</sup> Often there is little assistance in the literature as to a technical explanation of how an AI system was created and, consequently, there is a blurring of the lines between automation and autonomy.<sup>25</sup>

It is also worth noting references to “black box” models when looking at AI, especially those involving deep neural networks where an explanation as to why AI arrived at a certain prediction may not be straightforward. Similar to trying to explain how a great idea is perceived in a human mind, it is not an easily defined or described phenomenon. Nonetheless, despite any limited ability to explain, this does not demonstrate a lack of a causal nexus between the instructions provided and the outcome of the computation.<sup>26</sup>

Clearly, the potential for AI inventorship is limitless. The descriptive term “hubot” is now being deployed<sup>27</sup> and the concept of an electronic personality, or “e-personhood”, has been proposed<sup>28</sup> albeit that the latter met a “robust critique from European AI and robotic experts, industry leaders and law, medical and ethical experts, stressing that the EU Parliament position was based on a superficial understanding of both the relevant and technical landscapes”.<sup>29</sup> It has been

all too tempting and obvious to ascribe life, as we understand it, to an “inventor”, much like efforts to anthropomorphise a robot.<sup>30</sup> That is understandable as humans have traditionally been the genesis of an invention, but inventorship may not remain within the exclusive domain of humans.

No matter how developed AI becomes or even if it reaches levels of sentience, it is unlikely that personhood would be attributed to AI in the foreseeable future under a natural law approach to rights.<sup>31</sup> In the context of inventing, it must be recognised that ownership and employment are legal concepts that are meaningless when applied to AI systems under the broader legal framework.<sup>32</sup>

Experts have cautioned that AI characteristics such as “autonomy” or “self-learning” are “based on an overvaluation of the actual capabilities of even the most advanced robots”.<sup>33</sup> Whilst it is uncertain when AGI will be available, prominent researchers in the AI-sphere predict this could be the year 2099.<sup>34</sup> There has to be strong empirical evidence to underpin any assertion that AI could replicate human cognition when one looks at the weight of cognitive neuroscience and evolutionary anthropology.<sup>35</sup> In the context of AI-generated drugs, one author notes that despite the most sophisticated systems, trust is a significant factor and humans will always be required “especially when it comes to pharmaceutical products and, consequently, human life”.<sup>36</sup>

### **Inventions and inventorship**

For the purposes of this article, the threshold question in determining inventorship is who or what had a material effect on the ultimate concept of the invention. We need to examine in detail whether it is one of human invention with computer assistance, or if the requirements for a patentable invention were performed entirely by an AI machine.<sup>37</sup>

In 2002, it was hypothesised that with AI, difficulties would arise when attempting to determine what part of the procedure is the “invention” and, in some cases, “separating the invention (a patentable discovery) from the inventor (the process of discovery) may become harder as more steps are added, more participants are added”, and complexity is increased.<sup>38</sup> It was recognised then, almost two decades ago, that computers introduced “brute force” into the concept of inventiveness and, therefore, into the question of who was an inventor.<sup>39</sup> An example of that brute force involves human genome sequencing. In 2003, what took 10 years and three billion dollars to sequence was achieved in a week in 2013 with scientists estimating that the costs could get to as low as a thousand dollars.<sup>40</sup> One would expect that both of those figures, particularly the time for the task, would be appreciably lower today.

### **Determining invention**

The concept of “invention” is a legal term of art for the purposes of patent law. Its definition is shaped by policies

adopted over time by the patent legislation as interpreted by the triers of fact. “Invention” is a dynamic notion rather than a static one. It evolves over time and those charged with the task of interpreting it may be presented with issues that were not even conceived at the time when the legislation was enacted.<sup>41</sup> When looking at this element of progress in the context of judicial interpretation, the oft-quoted High Court of Australia (“High Court”) passage from *National Research Development Corporation v Commissioner of Patents* (1959) 102 CLR 252 (“NRDC”) is apposite:

*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.*<sup>42</sup>

Before going further, that is the High Court recognising that science had made “such advances” in 1959. We are now 60 years down the track and with explosive growth of computing power in the interim, it is worth pausing to reflect how the current High Court (and intermediate appellate courts) may interpret the term “inventor” when considering those words, from over half a century ago, as the High Court and the Full Federal Court of Australia have been called upon to do on many occasions since *NRDC* and will do so into the future.<sup>43</sup>

### **The Patents Act, amendments and statutory construction**

The *Patents Act* 1990 (Cth) (“Patents Act”) provides the legislative framework within which the patent system operates in Australia. Perhaps surprisingly, there is no statutory definition of “inventor” within the Act. When identifying an inventor, it has been held that:

*the common theme ... is that a person has entitlement to an invention if that person’s contribution, either solely or jointly with others, had a material effect on the final concept of the invention. A secondary issue is whether the person’s contribution involved a key inventive step.*<sup>44</sup>

Section 18 of the Patents Act outlines the requirements for an invention to be patentable. The invention must be “a method of manufacture within the meaning of Section 6 of the *Statute of Monopolies*”; “novel”; “useful”; involve an “inventive step”; and not “secretly used”.<sup>45</sup> A patent application<sup>46</sup> may be made by a “person” and eventually granted<sup>47</sup> to be “exploited” exclusively by the patentee.<sup>48</sup>

Section 15 provides that a patent may only be granted to a “person”<sup>49</sup> who is either: the inventor or an entitled assignee; a person who derives title from same; or a legal representative of either, if deceased.<sup>50</sup> Under the interpreting legislation,<sup>51</sup> a “person” is relevantly defined as either a human or a corporate entity.<sup>52</sup> It is possible to file a joint application<sup>53</sup> for a single invention with, in certain circumstances, joint inventors both providing an inventive contribution.<sup>54</sup> The Patents Act is replete with references to human involvement but that may simply be the by-product of a time when the Act and *Patents Regulations* 1991 (Cth) were established. The language of statutes around the world is in such a way that they ascribe life to an inventor. (From that, there is an assumption of death, which is something that AI, with the skill of the appropriate technologists over time, may escape.)

Traditionally at the inventive process stage, the deployment of human faculties has been central. With the escalation of AI, this raises a critical issue. Patent law presupposes that an inventor is human, can be an employee (in certain circumstances), and can exercise property rights.

Having said that, and as noted, there is no definition of either “inventor” or “person” within the Patents Act. We have traditionally turned to the common law to define the former. We are able to rely upon the interpreting legislation to define the latter which clearly includes a corporate entity. Is it too much of an extension to query whether a corporate entity (as the owner of inventive AI) can be listed as an inventor?

Computer technology was expressly introduced into the Patents Act in 2018. Section 223A deals with computerised decisions to be made by the Commissioner of Patents. This provision permits the Commissioner to “arrange for the use ... of computer programs for any purposes for which the Commissioner may, or must ... make a decision, or ... exercise any power or comply with any obligation” under the Act.<sup>55</sup>

The *Intellectual Property Laws Amendment (Productivity Commission Response Part 2 and Other Measures) Act* 2020 (Cth) commenced on 26 February 2020, and introduced into the Patents Act, inter alia, an objects provision as follows:

*The object of this Act is to provide a patent system in Australia that promotes economic wellbeing through technological innovation and the transfer and dissemination of technology. In doing so, the patent system balances over time the interests of producers, owners and users of technology and the public.*<sup>56</sup>

Clearly, some legislative progress is being made. In the Explanatory Memorandum, it states that the “clause provides guiding principles that will help ensure that the patent system remains adaptable and fit-for-purpose in the future” and the “objects clause is not intended to narrow or change the subject matter eligibility threshold for grant of a

patent”.<sup>57</sup> The Minister responsible ventured a little further during the Second Reading Speech adding the further words “as new technologies are developed in the future.”<sup>58</sup> Section 2A was not introduced without opposition though with some objecting, both as to its inclusion, and also the use of the descriptive word “technological”.<sup>59</sup>

### **Statutory construction**

Where do these amendments take us? It is necessary to say something briefly about statutory interpretation as it looms large in circumstances where the term “inventor” is not defined within the Act and has traditionally been seen as a human being, not a computer or an AI machine. Without an enacted definition of whom or what an inventor is, we turn to the common law and the principles of statutory interpretation for guidance. It is recognised that Parliament’s legislative intention is the paramount criterion and is “a gatekeeper for the interpretative criteria of the law” when courts are determining alternative constructions that are advanced.<sup>60</sup>

The High Court in *CIC Insurance Ltd v Bankstown Football Club Ltd*<sup>61</sup> referred to the “modern approach to statutory interpretation” which “insists that the context be considered in the first instance, not merely at some later stage”, using “the permissible materials and other aids to interpretation” in the context of the Act as a whole, and “finally to the wider context beyond the Act in question”.<sup>62</sup> Appropriate reference may be had to extrinsic sources (including parliamentary materials) in the process of inferring the legislative purpose.<sup>63</sup> The primary object of statutory construction is to construe the relevant provision so that it is consistent with the language and purpose of all the provisions of the statute.<sup>64</sup> Further, it is not controversial that regard may be had to the consequences (especially any adverse consequences) of a construction that is contended for.<sup>65</sup>

In *Alcan (NT) Alumina Pty Ltd v Commissioner of Territory Revenue*,<sup>66</sup> the High Court held:

*The meaning of the text may require consideration of the context, which includes the general purpose of a provision, in particular the mischief it is seeking to remedy.*<sup>67</sup>

It is arguable that Parliament has introduced the objects provision in the 2020 amendments in full recognition and with full knowledge of the ever-increasing role that AI is playing in the inventive process and seek to remedy a “mischief” that is or will be emerging in the near future, if not already. That mischief would involve humans being identified as inventors, instead of inventive-AI, when that is not the case, so as to comply with the current patent regime. An even greater mischief would be revoking an otherwise valid patent on the grounds that the inventor was wrongly named in the application.

Disputes as to patent entitlement are resolved by the relevant courts and tribunals. Since patent ownership follows inventorship, it is clear that any dispute regarding inventorship (in the absence of legislative intervention defining same) should also be resolved by the courts. Apart from looking at the question of whether AI can be an inventor for the purposes of the Act, incorrect identification of an inventor can provide a ground for opposition or revocation.<sup>68</sup> Unsurprisingly, there is anecdotal evidence of situations where a person has been nominated as an inventor in circumstances where AI has borne the inventive load. As indicated, one reason could be that the putative patentee, possibly after incurring significant expense, did not wish to jeopardise the patent application if indicating that AI, as largely the true inventor, would thwart that.

Giving the term “inventor” a narrow interpretation so as to exclude AI would not be in keeping with the fundamental objectives of the patent system nor would it fully achieve Parliament’s objects and purposes particularly given the recent introduction of the objects provision, that being to promote “technological innovation and the transfer and dissemination of technology”. Again, in a rapidly burgeoning area where corporate entities are afforded legal status and property rights, is it too much of an extension to recognise an AI machine (owned by a corporation) as an “inventor”? This could be achieved judicially by the courts, particularly at a higher appellate level, by interpreting the Act contextually so as to afford the word “inventor” a broad meaning that includes AI. Alternatively, the legislature may see fit to expressly grant AI inventorship.

Abbott promotes a “dynamic interpretation” of legislation as it would be “unwise to prohibit AI inventors on the basis of literal interpretations of texts written when AI-generated inventions were unforeseeable”.<sup>69</sup> Blok advances the argument that AI systems “are and should be treated as tools of inventors and skilled persons, instead of autonomous inventors.”<sup>70</sup> As highlighted by Kim though, much turns on the level of human involvement with the AI (if any), and the capabilities of the AI per se,<sup>71</sup> whilst Gaon opines that recognising computers as patent-eligible entities could encourage scientists to develop more inventive-AI programs that invent automatically unfettered by the human “inventor” requirement.<sup>72</sup>

Patent assigning and ownership will be discussed further but by satisfying the threshold for inventorship, the door to patentability would be opened.

### **The DABUS application**

In 2018, the Artificial Intelligence Project (“AIP”),<sup>73</sup> a global group of AI experts and lawyers, filed in the European Patent Office (“EPO”), the United Kingdom Intellectual Property Office (“UKIPO”), and the United States Patent and Trademark Office (“USPTO”),<sup>74</sup> patents

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for two inventions – a warning light and a food container – nominating a machine, DABUS AI<sup>75</sup> (a system Dr Stephen Thaler built), as the inventor.<sup>76</sup> It was argued that DABUS should rightfully be named as inventor having generated the inventions without any specific human input. DABUS had satisfied the other criteria for the inventions to be patentable.

In January 2020, the EPO published its reasons rejecting the applications.<sup>77</sup> In short, the EPO recognised that “inventorship must be determined before any rights are determined”,<sup>78</sup> however, “in the context of inventorship, reference is made only to natural persons”.<sup>79</sup> It was held:

*Where non-natural persons are concerned, legal personality is only given on the basis of legal fictions. These legal fictions are either directly created by legislation, or developed through consistent jurisprudence. In the case of AI inventors, there is no legislation or jurisprudence establishing such a legal fiction. It follows that AI systems or machines cannot have rights that come from being an inventor, such as the right to be mentioned as the inventor or to be designated as an inventor in the patent application.*<sup>80</sup>

And at [31]:

*AI systems or machines have no legal personality and cannot be party to an employment agreement which is limited to natural persons. Rather than being employed, they are owned.*

Despite making those pronouncements, the EPO application was dismissed as it did not “contain a family name, given names, and full address of the inventor who must be a natural person”.<sup>81</sup>

The International Bureau of WIPO on 23 April 2020 published a corresponding international patent application under the *Patent Cooperation Treaty* (“PCT”)<sup>82</sup> naming DABUS as the inventor and acknowledging it as an AI machine. Given that the EPO rejected the initial DABUS application on a formality rather than a legal issue, it may be that the PCT application is the first published patent application to name an AI system as the inventor.<sup>83</sup>

The USPTO reviewed its DABUS application and published its reasons in April 2020.<sup>84</sup> It held that “interpreting ‘inventor’ broadly to encompass machines would contradict the plain reading of the patent statutes that refer to persons and individuals”,<sup>85</sup> noting that “conception is the touchstone of inventorship, the completion of the mental part of invention”,<sup>86</sup> a “threshold question”, and “only natural persons can be inventors”.<sup>87</sup> The application was dispatched with the USPTO stating that “US patent law does not permit a machine to be named as the inventor in a patent application” and that the “plain language of the patent laws as passed by the Congress and as interpreted by the courts” did not allow for same.<sup>88</sup>

Prior to the decisions of the EPO and the USPTO being handed down, the UKIPO published its reasons in December 2019.<sup>89</sup> It held that there had been “no indications from the courts or legislature that a ‘person’ should be construed as anything other than a natural person” and, consequently, DABUS could not be regarded as an inventor for the purposes of the Act.<sup>90</sup>

Somewhat optimistically though, it stated at [29]:

*I have found that the present system does not cater for such inventions and it was never anticipated that it would, but times have changed and technology has moved on. It is right that this is debated more widely and that any changes to the law be considered in the context of such a debate, and not shoehorned arbitrarily into existing legislation.*

On 15 July 2020, the United Kingdom (“UK”) High Court heard a referral from the UKIPO due to the potential importance of DABUS on future patent law.<sup>91</sup> Judgment has been reserved and regardless of the outcome, there is the possibility of either further appellate review, or perhaps the UK Parliament, by amending the legislation, will have the final say on whether the UKIPO can award the application. UK Supreme Court Judge Kitchin LJ has previously stated:

*If we allow the notion of inventorship to escape from its human boundaries, where will it end? Will the system become swamped by computer-generated inventions and end up stifling human innovation?*<sup>92</sup>

Kitchin LJ, however, did go on to say that “the law may be a little way behind the technology at this stage. But time and again, law makers have met challenges such as these. Now is the time to do so for AI”.<sup>93</sup> On the issue of AI inventorship, that is an encouraging statement.

Several things can be said. In the current climate, with no inventor identified, there is no patent to assign. Nobody suggests that DABUS should own the patent; rather the position is that DABUS is the rightful inventor, whilst Dr Thaler would be the owner of any patent assigned. As stated by Abbott:

*The right approach is for the AI to be listed as the inventor and for the AI’s owner to be the assignee or owner of its patents. This will reward innovative activities and keep the patent system focused on promoting invention by encouraging the development of inventive AI, rather than creating obstacles.*<sup>94</sup>

At first blush, that seems the logical conclusion, but it will be explored further below. What is also clear from all three decisions is that the relevant decision-makers all indicate in the published reasons that this is a matter that can be squarely dealt with by the legislature.

### Some issues

Problems will arise when neither a human nor the AI can be listed as an inventor, thereby the invention may not be patentable at all. The inventor is not human, and the human is not the inventor. Unless resolved, that would be a strong disincentive running counter to the patent system. For example, pharmaceutical companies would be reluctant to invest heavily if, upon a successful breakthrough, they did not have patent protection to recoup their research and development costs. AI is “diagnosing medical conditions and disorders at a rate equal to or better than their human peers whilst developing its own software code and algorithms” to achieve that end. As this continues, it is becoming increasingly more likely that AI will be the entity taking the inventive step.<sup>95</sup>

As AI continues to advance after its initial programming, the question of inventorship and ownership theoretically may be deferred for years after that initial phase. This highlights the importance of having a structured and consistent patent system in place to meet and assess these criteria as they arise. Until this is achieved, trade secrets and non-disclosure of important discoveries may increase. In the field of molecular chemistry, if patent protection was not available and non-disclosure ensued, then in a worst-case scenario, important “crown jewel” molecules could be lost.<sup>96</sup>

As mentioned, an issue could arise if a person falsely declares they are the inventor either to meet the procedural requirements or if they fortuitously stumble upon the AI invention first and claim it as their own, despite making no contribution.<sup>97</sup> Apart from being illegal, that conduct would lead to an unfair patent system whereby undeserving persons may be unjustly enriched.<sup>98</sup>

With the development of ASI and the increased use of AI in research, there is the argument that the hypothetical person skilled in the art may be replaced by the inventive machine with its virtually unlimited innovative capacity and boundless prior art knowledge. That combination would increasingly raise the bar to patentability as most, if not every, invention would become obvious. Unable to satisfy the “non-obvious” or “inventive step” threshold, the current patent system, as we know it, could collapse.<sup>99</sup> (It would be ironic if John Deere<sup>100</sup> were to get a “Dear John”<sup>101</sup> on the issue of non-obviousness).

Whilst at first instance that may seem far-fetched and fanciful, it is within the range of possibilities that the patent system, if it remains unchanged, must be prepared to meet head-on at a future time that may not be so distant.

A more conservative approach may be one where the standard of obviousness is redefined, and the users’ contributions are distinguished, enabling the patentability of inventions as a result of utilising AI as an innovative tool. This proposed standard turns on the effort expended by the inventor when compared with the AI system.<sup>102</sup> Again, it is

important to draw the distinction between inventive AI and AI-assisted inventions. In the latter, the user maintains some level of control over the inventive process and this can be determined as a matter of fact and degree by the court or tribunal. The AI-user analysis reaches beyond the skill of the normal inventor to consider the abilities of the inventor plus AI. This shifts the level of ordinary skill in the art from the machine to the user when the issue of obviousness is to be determined.

Whilst highlighting the need to emphasise the engagement of AI in the inventive activity, it has been pointed out that “it would be less of a conceptual challenge to characterise the skilled person as an average worker using inventive AI rather than replacing the skilled person with inventive AI”.<sup>103</sup>

Whether it be by introducing amending legislation or by judicial pronouncement or by amending the patent application details or by a balancing exercise when AI is involved, one thing remains – on the current state of the law, a human must be involved in the inventive process so that they can be identified as the inventor for the purposes of the patent application process before the issue of patent ownership even arises. This anterior “inventorship” issue must be resolved, and soon.

The lack of clear rules threatens the future patentability of AI inventions. This may impact on the progression of science and useful arts for two reasons. First, there may be a reluctance to invest if patent protection cannot be assured, and, secondly, if the protection cannot be guaranteed, there would be a reluctance to disclose with a potential concomitant increase in trade secrets. Either way, whether it be through lack of funds invested or valuable knowledge not being disseminated, society, as a whole, forgoes a benefit.

Once inventorship is established, what the owner of a patent chooses to do after the grant is something that can be adequately accommodated by well-enshrined legal principles of contract, property, and, if it arises, intestacy law. The next issue though in the context of AI is: Who owns the patent when AI is involved in the inventive process and how?

### A path to ownership

Put simply, for patent ownership and the ability to assign patent rights, a fundamental current prerequisite is identifying an inventor and matching them to the patent rights. Conversely, one looks at the rights to be assigned and proceeds to determine to whom (or what) those rights should initially be assigned. Properly assigning rights is the essential step but, regardless, some form of pairing is required “for the successful completion of the patent rights assignment process.”<sup>104</sup>

Taking a brief retrograde step before looking at ownership. The AIP, who are pursuing the DABUS application, suggest four options on the question of inventorship:

1. name no inventor at all;
2. name a human as an inventor;
3. name the AI system as the inventor; or
4. refuse to grant a patent for any invention made by an AI system.<sup>105</sup>

Of these, they submit that option three would be the most attractive and accurate as it would allow the AI to be the nominated inventor (which would be the truth for the purposes of inventive-AI), whilst the owner of the AI machine could be the default owner of any intellectual property it produces, thereby doing away with another legal fiction.<sup>106</sup>

Broadening this by way of analogy to the employer/employee relationship, this is arguably the most consistent model with current ownership norms surrounding intellectual property where humans are involved.<sup>107</sup> Taking that relationship one step further, Davies looks at the situation where the AI machine is a quasi-employee and upon sale, the new owner, as a quasi-employer, “would be entitled in a secondary nature to any rights generated by the computer.”<sup>108</sup> However, computers, as non-persons without legal personality or independence, cannot own property and are not capable of being recognised as employees.

With AI, there will be situations where the AI owner, developer, and user are different entities, however, as suggested by Abbott, “such parties could negotiate alternative arrangements for invention ownership by contract”.<sup>109</sup> By assigning Watson’s inventions to IBM as owner, that would permit IBM to enter into contractual arrangements for a fee, whereby the user would obtain ownership of the AI inventions individually or in co-ownership with IBM. Either way it promotes innovation and business. Similarly, the ownership assignment provides a direct economic incentive for developers in the form of increased consumer demand for creative computers.<sup>110</sup>

In the case of developers though, it would be logistically difficult to monitor AI inventions in circumstances where they not only may not own or have a share in the AI machine, but they could be geographically remote from it (and each other and whoever utilises the AI system) in any event. In those circumstances, the AI owner would be the preferred owner of the inventions produced, subject to contractual arrangements entered into.

Further, the rapid progress in AI’s autonomous features makes legal responsibility a crucial issue and there are questions as to whether ordinary liability laws are sufficient.<sup>111</sup> Other issues arise such as liability insurance and the inability to punish or deter an inanimate object.<sup>112</sup> One possibility is a compulsory insurance scheme (similar to the Compulsory Third Party scheme in Australia for motor vehicles) possibly supplemented with a fund to ensure that reparation can be made for damages where no insurance coverage exists.<sup>113</sup>

Another option would be to hold the AI itself liable which would require AI being recognised as a legal person or entity. If that were achieved, the ancillary benefit is that AI as a legal entity could then be an “inventor”. Some are against a liability system and argue that a contractual solution, such as an indemnification clause, provides parties with a predictable outcome rather than laboriously exploring who or what is liable, and to what extent, if apportionment is required.<sup>114</sup>

### Possible solutions

One suggestion that often surfaces, is a sui generis model covering situations involving AI-generated inventions similar to the model developed for plant breeders.<sup>115</sup> Yanisky-Ravid and Liu propose a new legal paradigm stating that the current patent system “has become outdated, inapplicable, and irrelevant with respect to inventions created by AI systems”.<sup>116</sup> An open-source system is proposed eliminating patent rights for all AI inventions “for the sake of maximising the disclosure and development of advanced technology”.<sup>117</sup>

Having ownership of AI inventions vest in the AI machine owner seems the preferred outcome when looking at the primary rationale of the patent bargain with the owners being rewarded whilst simultaneously being able to enter into contractual arrangements with developers and users that are mutually acceptable and beneficial to both, and society in general.

A starting point could be threefold: i) default ownership for AI inventions (subject to contract) being vested in the owners, ii) a definition of “inventor” that makes provision for the involvement of AI, and, iii) a reduction in the duration of a standard patent to something appreciably below 20 years for AI-assisted inventions so that patent reward is not manifestly disproportionate to creative input.<sup>118</sup> This would also allow the technology to enter the public domain expeditiously with greater and enhanced knowledge dissemination.<sup>119</sup> With AI significantly contributing to the inventive process (or inventing autonomously), there may need to be a shift from an inventor-focussed system to one which is invention-based which would entail an investment protection approach for ownership, thereby inspiring further investment in AI research, development, and innovation.

The laws were designed for industries in a time where they moved comparatively at glacial pace. The speed at which AI is developing is far exceeding other industries. Twenty-year patent rights could block next generation inventions thereby disincentivising those who would lead the field to even greater heights.<sup>120</sup> A shorter patent period for AI inventions and an accelerated patent process are needed. The patent system needs to keep pace with, for example, drug development as AI has the scope to find patterns in the ever-growing volumes of genetic data, the compound databases of pharmaceutical companies, and clinical trial results. A suggested alternative model is one involving essential

medicines, that are enabled by AI, where the current patent rules are preserved but the exclusivity term is shortened to five years, with the term commencing on the earlier date of marketing approval by the relevant authority, or the date of marketing. Other pharmaceutical companies would be entitled to manufacture and sell the patented product after the expiration of the five-year exclusivity period against a royalty to be paid throughout the patent term.<sup>121</sup>

There also needs to be recognition of the level of AI involvement in the inventive step continuum when looking through the prism of obviousness. It would seem unfair to deny patent protection to an invention that has minimal AI involvement merely by reason of that involvement. Further, if the human element is nil these inventions currently receive no patent protection absent a change in the meaning of the term “inventor” despite the years of work put into creating the AI system. If the definition is broadened, as submitted it should be, that issue will be resolved for the determination of inventorship, but still leaves the question of ownership to be determined. Absent an agreement between the parties, this may simply have to be determined on a case-by-case basis.

Finally, as AI does not need to sleep or eat and does not require incentive to innovate, there is no reason to suggest that there would not be a proliferation of inventions formulated by AI. Put simply, “once trained, a creative computer can produce inventions at extremely high rates, at the cost of electricity.”<sup>122</sup> It would be desirable to have in place safeguards to combat AI “patent trolls” and avoid patent thickets. That would involve ensuring that patents for inventions are either being used or are adequately advancing by whatever entity has ownership.<sup>123</sup> It should be remembered that AI is not as advanced as the bulk of society may think it is – at least not yet. If AI ever arrives at the point where it is capable of establishing its own systems, structures, regimes, and rules, without human involvement, then deciding whether it is fit to be labelled as an “inventor” will be the least of our concerns.<sup>124</sup>

### Conclusion

“Invention via AI is the future of innovation”,<sup>125</sup> however, if the past is any indication, “patent law has reacted slowly to technological change”.<sup>126</sup> How do we manage forms of invention in which AI participates, or even dominates, the inventive process? Currently, the vexed antecedent issue of an “inventor” in the context of AI inventions is yet to be resolved by the courts or the legislature. There is an absence of judicial authority and the legislation remains silent. The legislation does provide though for a patent to vest with someone apart from the inventor, it is just a question of getting to that first point. Due to the large amount of information required by an AI system to begin perceptivity and discernment, data access and ownership are likely to be more pressing issues than that of inventorship.

What is clear is that with the exponential increase in AI inventions, policy and law makers need to be proactive and not reactive, so that the requirements presently imposed can realistically be met. This would clarify the parameters for those involved before there are patent disputes between technology behemoths. This needs to be done in the short term and on a global basis to secure uniformity and harmonisation.

On a positive, never before has humankind had the opportunity or technological capacity and ability to disseminate and process massive amounts of knowledge and data worldwide rapidly.<sup>127</sup> We are in unprecedented times insofar as what can be achieved with that data by utilising AI. This is all running in parallel with the current COVID-19 pandemic where global research is being undertaken as a matter of urgency. The planets for an AI patent law revolution are lining up. Whilst it is beyond the scope of this article to explore the COVID-19 issue further, the following extract is timely:

*The pandemic provides us with an opportunity to rethink the current patent system, especially in regard to the utilization of AI tools to fight the virus. Many patent law implications arise from AI innovations suggesting the inapplicability of the current patent law to AI-made inventions and creative AI systems. We, therefore, urge an innovative model to solve the problem by establishing a completely new patent track model specific for the application and examination of AI inventions.*<sup>128</sup>

Whether that takes place remains to be seen. During this time of burgeoning AI development though, parties involved in using and developing AI should make certain that any agreements relating to AI generated inventions include clear and unequivocal provisions addressing the ownership of all works created.

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# Updates on the Protection of Intellectual Property Rights in China: Primary Challenges, Recent Developments and Best Practices

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China has long been a target of criticism for infringement of intellectual property (“IP”) rights. Over the last 20 or so years, China has not just become the world’s factory ... it has also become the world’s primary source of counterfeit and infringing goods. Indeed, studies conducted as recently as 2018 indicate that more than 80 per cent of fakes on markets<sup>2</sup> originated from the People’s Republic of China (“PRC”). While China has rightly been castigated for a failure to curb this rampant counterfeiting, slowly, but perceptibly, improvements have been observed. Indeed, since its entry into the World Trade Organization in 2001, China has been consistently amending and updating its law to better comply with TRIPS<sup>3</sup> and to respond more directly to the ongoing criticisms.

That being said, enormous gaps remain. As well, new problems have taken root, due mainly to technological advances and seismic shifts in commerce to online trade, fuelled by ever-increasing globalisation. As a result, and although China has continued to update its IP laws, the practical enforcement of those laws by authorities and the courts remains a huge problem, one that consistently frustrates foreign brand owners.

The frustration that had been bubbling away for years finally boiled over in 2018, with United States of America (“US”) President Donald Trump imposing punitive tariffs on PRC imports to the US in response to what was referred to as China’s “IP theft and unfair trading practices”, demanding amongst other things that China make significant changes to its IP enforcement regime. After several rounds of negotiations, the US and China finally reached a preliminary deal, inking a Stage 1 agreement entitled the *Economic and Trade Agreement between the United States of America and the People’s Republic of China* (“ETA”) on 15 January 2020.

Through the ETA, China agreed to boost its future purchases of US goods and services by US\$200 billion over two years in exchange for the US freezing the imposition of customs duties on Chinese goods. In addition, China also committed to strengthening the protection of IP rights, especially in relation to trade secrets, patents and pharmaceutical-related IP, geographical indications, bad-faith trade mark registrations, infringing activities on e-commerce platforms, and enforcement against pirated and counterfeit goods.

China had already revised some laws prior to the ETA to address a number of ongoing complaints and deficiencies. For example, it amended its Trademark Law and issued corresponding Regulations at the end of 2019 to target bad faith trade mark registrations (see further details in

Section B). Further, the E-commerce Law, enacted in 2019, tangentially impacted online counterfeiting by prohibiting vendor anonymity and demanding platforms protect consumer safety. China has already begun revising its laws in other areas, such as patents and trade secrets, to comply with the ETA (also discussed in detail in Section B below), but it is unclear how far these amendments will go and to what extent China will follow through on its commitments under the ETA, rather than merely paying lip service to them through amended laws that are not strenuously enforced in practice. Interestingly, if those commitments are not honoured, and rather than relying on arbitration to resolve any disputes between the countries, the ETA dictates resolution of disputes under the agreement through “a bilateral mechanism”. This calls into question just how effectively and forcefully China’s failure to comply with ETA-mandated obligations can be resolved.

Of course, since the ETA was signed, other events have almost fully eclipsed the US-China trade dispute, with the COVID-19 pandemic, the US’ failure to effectively control its spread within its own borders (along with its desire to class China as responsible for the outbreak), as well as China’s imposition of a National Security Law in Hong Kong in an effort to halt unrest there, acting as natural distractions from China’s Stage 1 commitments. Indeed, it seems doubtful the parties will have the interest or the ability to return to the negotiation table to discuss the originally anticipated Stage 2 agreement (at least before the US’ November elections).

As a result, brand owners would be wise to assume it will remain business as usual in relation to the enforcement of their IP rights in the PRC. Indeed, with COVID-19-related economic distress causing many Chinese firms to go under, an increase in counterfeiting, as cash-strapped PRC factories seek to shore up losses, may well be seen. Accordingly, we

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feel that IP owners may benefit from a brief review of the main challenges they will face in enforcing their rights in China, as well as of some recent developments that could impact their brand-protection strategies in the PRC.

## A. Primary challenges and systemic deficiencies

### 1. *Trade mark hijacking and inadequate remedies to halt the same*

The sheer volume of piracy at the trade mark registry in China is scandalous. This is attributable to a number of causes, including, primarily, China's reliance on a "first-to-file" registration system. That system means that whoever gets an application for a given mark filed with the Trademark Office ("TMO") first is the putative owner of that mark, in spite of ownership of the mark outside China by another. This system heavily rewards enterprising pirates, many of whom scour the internet looking for any and every foreign brand they can identify for which true owners have not yet filed PRC trade mark applications. Indeed, Chinese pirates really do view the PRC's trade mark system as akin to a lottery, with every application a "ticket" that might pay off if/when the foreign brand owner realises his mark has been hijacked.

Often, and even where the true owner has protected their mark in key goods/services classes, trade mark squatters may file their own applications for the mark in respect of unrelated consumer goods or services not offered by the true owners. Trade mark squatters may also register Chinese translations of foreign marks or even create their own Chinese translation to get an even bigger jump on the true owners in an effort to control the PRC market for the brand.

If a trade mark is filed by a squatter in bad faith, the PRC Trademark Law system provides a range of tools that the true owners can use in an effort to remove any pirated marks. The most common tools include the following:

- submitting an interference letter (before preliminarily approval);
- filing an opposition (within three months of preliminarily approval);
- lodging an invalidation (within five years of registration); or
- initiating a non-use cancellation (after three years of registration).

These actions can take at least one year and often longer where appeals are taken. In that regard, and once administrative appeals are exhausted, adverse decisions can be appealed to Beijing Intellectual Property Court and subsequently to Beijing Higher People's Court. As a result, the registration of the true owner's mark could be delayed for two to three years, particularly where the pirate fights back strenuously.

Meanwhile, the true owner's trade mark application will likely be unable to clear registration before the pirate's blocking mark is fully and finally neutralised. This is because Chinese courts and administrative appeals bodies are generally loathe to suspend review of rejected applications pending the outcome of attendant actions. As a result, pirated brand owners are forced to (a) file appeals to keep their applications alive; and/or (b) file new trade mark applications to keep their own filing at the head of the queue (assuming the pirate or others do not also file their own new applications to try to gazump the brand owner).

### 2. *Deficiencies in protection of copyright*

The Copyright Law currently in effect in China was first promulgated in 1991, and amended in 2001 and 2010. As a result, it does not effectively address emerging issues that have arisen with the passage of time and the rapid development of new technologies. This is clearest in respect of its definition of "works", which is narrow and ambiguous, regularly leading to disputes over how to classify "new" content. The law is not fit for purpose from an enforcement perspective, either. Maximum statutory damages available for infringements are only Rmb500,000 (about US\$71,500), an amount insufficient to compensate rights owners or deter pirates. Even more troublesome is the fact that local administrative authorities have very limited enforcement powers for copyright infringement under existing laws. This limits the Copyright Law's use as a (cost) effective tool to inspect and punish infringers for copyright infringement and forces owners to file civil suits to protect their rights.

In addition, and unlike trade marks and patents, it is difficult for the public to check and confirm ownership of works that have been registered with the Copyright Protection Centre of China ("CPCC"). This is troublesome, where infringers regularly take advantage of the fact that CPCC does not conduct substantive review of copyright registrations to file bogus copyrights applications for works belonging to others, using those applications as a shield against enforcement actions or even as weapons in actions against third parties.

### 3. *Insufficient protection of patent rights*

Similar to the PRC's copyright system, the current legal system for protecting patent rights is viewed by most patent holders as insufficient to deter infringers. For example, although the maximum statutory compensation for patent infringement cases is Rmb1 million (about US\$143,000), a paltry sum by international standards, damages commonly awarded by PRC courts in patent infringement cases are shockingly low – around US\$10,000 to US\$30,000.

As well, local administrative authorities' power to conduct enforcement actions against patent infringers is

very weak, permitting them to do little more in practice than conduct “inspections”, and if they feel inclined to do so, conduct mediation between the parties. As a result, few brand owners even bother attempting administrative enforcement of their patents. Instead, resorting to civil proceedings is the only viable means of obtaining an award of damages, importantly, permanent injunctions (where preliminary injunctions are available under the law, but are simply never granted in practice).

#### 4. *Issues with protection of trade secrets*

Currently, it is very difficult to obtain a criminal prosecution for theft of trade secrets unless the victim is able to demonstrate that the stolen trade secrets have been commercialised, that is, after the harm has already occurred.

#### 5. *Other issues related to the PRC’s IP enforcement system*

##### (1) *Civil courts*

Judges in China suffer under very heavy workloads. That does not appear to be changing anytime soon, where the number of lawsuits continues to grow, exacerbated by a diminishing focus on administrative enforcement as an effective tool. As a knock-on effect, the time frames for civil cases are also being blown out, particularly in relation to cases involving foreign parties or related to foreign affairs, where there is no absolute deadline for courts to issue judgments in such cases (as opposed to purely domestic cases, where strict time frames are mandated).

Given that, and the fact that Chinese courts seem utterly loathe to issue preliminary injunctions in even the most egregious IP infringement cases, civil suits are usually ineffective in immediately halting infringement, forcing brand owners to either consider leveraging settlement via the litigation or dig in for a protracted lawsuit.

Discovery is also an issue. In the PRC, there is no true discovery process, and access to evidence from the other side is restricted, with neither party obligated to produce any evidence, particularly materials damaging to their case. This issue is exacerbated by the willingness of Chinese litigants – and their lawyers – to put forward fraudulent evidence, and Chinese courts’ willingness to look the other way. Indeed, few parties or lawyers are punished for production of fraudulent evidence. There is anecdotal evidence that this is changing, with a few Chinese courts assessing penalties, albeit minor ones, where the fraudulent evidence has been deemed particularly material to the case, but these cases are exceptions.

##### (2) *Public Security Bureaux (“PSBs”)*

Generally, the PSBs in China are less willing to act in relation to IP crimes. This is mainly due to a lack of a

clear message from above that counterfeiting should be aggressively punished, and the concomitantly limited resources directed to such cases. It is also likely due to historical reasons, where administrative enforcement has long been the “go to” tool for direct action against infringers. As a result, and speaking practically, PSBs will generally only accept criminal complaints in cases where the victims have already conducted their own in-depth investigations identifying the seller, or more importantly, the manufacturer of the infringing products, and to confirm that the value of the goods involved exceed relevant criminal thresholds for the value of the goods.

##### (3) *Online enforcement*

With the rapid development of computer technology and the meteoric proliferation of the internet, China has witnessed an explosion in online infringement. Although music and video streaming services appear to have effectively curtailed online piracy of copyright works, sale of counterfeit goods online in China is endemic. China’s laws and enforcement authorities have done little to keep pace with the exponential growth of the problem. As to the platforms themselves, they will generally take down listings for clearly fake products, but will balk at doing so in ambiguous circumstances, forcing brand owners to issue civil proceedings to halt the infringement (where the platforms can absolve themselves of civil liability by finally taking down the listing upon notice of the suit). This issue is exacerbated by the ability of infringers to hide their identity. This is in spite of recent provisions in the PRC E-Commerce Law that mandate disclosure of the same, which are not yet being enforced due to a lack of Regulations or clarity as to who is responsible for its enforcement.

## B. Recent developments in PRC IP protection

The Chinese Government is aware of the problems faced by IP owners in protecting their rights and is striving to make improvements, including by continuously revising IP laws. Some recent developments in changes in IP-related laws are discussed briefly below.

### 1. *Trade marks*

#### (1) *Trade mark hijacking*

Following extensive foreign lobbying, as well as pressure from local interests, in 2019, China revised its Trademark Law and issued Regulations clearly targeting bad-faith registrations.

The current version of the Trademark Law now offers a clearer legal basis for actions against pirates. For example, in the past, the China National IP Administration (“CNIPA”) or courts rarely supported oppositions/invalidations on the grounds of “bad

faith” alone. With the revisions, however, bad-faith filings made with an accompanying lack of intent to use (easier to demonstrate where the pirate has filed for hundreds of foreign-owned trade marks, and/or seeks trade mark rights for goods/services outside their registered scope of business) is now a standalone basis for the rejection/invalidation of pirated marks.

The revised Trademark Law also allows administrative fines to be imposed against trade mark squatters and their agents. It even threatens to record such behaviour in China’s nascent social credit system, an effective, if Orwellian, means of controlling conduct in 21<sup>st</sup> century China.

So far, the revised Trademark Law has resulted in the following positive outcomes:

- CNIPA has established an informal internal “blacklist” of particularly pernicious pirates and trade mark warehousemen.
- The TMO has unilaterally rejected hundreds of thousands of applications filed by warehousemen.
- The TMO is now inviting victimised brands to file informal interferences before pirated marks are reviewed and approved.
- Several Market Supervision Bureaux (“MSBs”) are reported to have imposed fines on trade mark pirates and their agents for bad-faith filings, though only in relation to marks tied to the COVID-19 pandemic. So far, there are no reports indicating that MSBs are imposing fines on other type of pirated marks.

As a result of these improvements, victimised brand owners now have a much higher chance of winning legal actions against pirated marks. That being said, there are no reported cases yet where pirates and their agents are feeling the full force of these changes, including by being forced to bear liability for their victims’ legal and investigation costs.

## (1) Trade mark enforcement

The revised Trademark Law increased maximum potential compensation for trade mark infringement dramatically, raising maximum statutory damages from Rmb3 million to Rmb5 million (about US\$715,000). The base level for punitive damages was also increased from three times to five times the underlying damages awarded. It remains to be seen how effective these increases are, however, where average damage awards in trade mark cases run at only around US\$1020,000, and infringers generally safely avoiding paying damages awards against them, regardless.

## 2. Copyright

China published a Draft Amendment to the current Copyright Law for comment in April 2020. Amongst other things, the Draft Amendment seeks to broaden and modernise the law’s scope by modifying or expanding the definitions of “works”. For example, the term “cinematographic works and works created by a process analogous to cinematography” will be expanded to the broader catch-all term “audio-visual works”. This and other proposed amendments are clearly designed to modernise the law to account for continuous technological developments and to better conform with relevant international conventions.

Another significant proposed amendment is the increase of the maximum statutory compensation from Rmb500,000 to Rmb5 million (about US\$715,000), important where the current ceiling on statutory compensation is simply ineffective as a deterrent.

The Draft also looks to grant additional authority to local administrative authorities when conducting raids against copyright infringing activities, permitting them to make enquiries of infringers, arrange onsite inspections, copy relevant materials, seal up relevant sites, and seize infringing goods identified during investigations. The Draft also proposes creation of a streamlined registration system that would allow the public to easily search and confirm the ownership of works.

## 3. Patents

The Second Draft Amendment to the Patent Law was published on 3 July 2020 and was open for public comments until 16 August 2020.

A key development in the Second Draft Amendment is the introduction of partial design protection. It also provides for the extension of design patent protection to 15 years from the current term of 10 years.

In addition, and in line with China’s obligations under the ETA, the Second Draft Amendment also introduces the concept of “patent linkage”. Under this proposal, a patentee or other interested party can challenge the approval of any drug by a generic applicant with a court or CNIPA within 30 days of the announcement of the application for market approval by the National Medical Products Administration (“NMPA”). If no such challenge is raised, the generic drug applicant may in turn request a determination of non-infringement from the court or CNIPA to confirm that the product does not infringe any patents listed on the Approved Drug Patent Registration Platform. The court or CNIPA will need to render a decision within nine months. The NMPA may then rely on that decision in determining whether to grant market approval for a generic chemical drug that has passed technical review.

Another significant change in the Second Draft Amendment is the addition of a supplemental protection period (“SPP”) to compensate for unreasonable delays due to invention patent examination by the CNIPA, and/or for invention patent rights in new drugs that take longer to pass through relevant regulatory review and approval processes.

Finally, the Second Draft Amendment also seeks to increase the level of statutory damages specified in the earlier-issued First Draft Amendment, raising the maximum damages to be awarded up to US\$715,000. Interestingly, it also removes a “minimum” award in respect of statutory damages awards. As a result, some have expressed concern that courts may abuse this “basement”, leading to low damage awards and potentially undercutting the deterrent effect sought by increasing the maximum amount that may be awarded.

#### 4. *Trade secrets*

Through the ETA, China had also promised to amend Criminal Code provisions and judicial interpretations relating to trade secrets. In this regard, the Supreme People’s Court previously published Draft Interpretations on Several Issues regarding Application of Laws in Civil Disputes in Cases regarding Infringement of Trade Secrets. The Draft Interpretations are aimed at facilitating criminal prosecution of trade secret infringers by shifting the burden of proof to them, reducing the threshold for criminalisation of such thefts. It also broadened the definition of “losses” due to infringement.

#### 5. *Online enforcement*

There have been several positive changes afoot in relation to online enforcement against infringements and counterfeits. As noted above, the 2019 E-commerce Law has technically outlawed vendor anonymity (though Regulations dictating how this will be enforced and punished are still awaited). Further, the Zhejiang Higher People’s Court issued an opinion in 2019, which sought to impose a higher legal duty on platforms, a change similarly embodied in the ETA, as well as CNIPA’s own “Action Plan” issued in 2020.

### C. Best practices

With the above challenges and opportunities in mind, IP right owners should consider the following best practices to more effectively protect their IP rights in China and to keep pace with upcoming changes.

#### 1. *Trade marks*

##### (1) *File early and file broadly*

With China’s “first to file” trade mark registration system, it is highly recommended to file trade marks early in China to avoid your marks being pirated by

third parties. Having your mark pirated regularly results in supply chain interruptions and, in the most serious cases, infringement claims being brought against authorised manufacturers and distributors – perhaps even criminal claims.

In addition, broader defensive trade mark applications are also recommended, particularly in relation to goods or services that might be the subject of future business expansion. Pirates regularly file applications in such classes, often to make use of those marks as cover for their infringement of the brand owner’s PRC registered trade mark. This is because the existence of registered rights, even in relation to dissimilar products, is often sufficient to scare authorities off from punishing counterfeiting, concluding the matter is a commercial dispute between competing rights holders.

Chinese marks are also key. Obviously, Chinese is the native language of most people in China, so domestic consumers are much more likely to use, understand and/or respond to a Chinese-language version of foreign marks. As well, and where there is as yet no “official” Chinese translation of a given trade mark, consumers will craft – and pirates will register – their own. For this reason, it is highly recommended that foreign brands seriously consider creating their own Chinese-language version before they enter the Chinese market, obtaining relevant trade mark registrations as soon as possible. When developing a Chinese translation for their brands, foreign brand owners should also consider variations in pronunciation and dialects amongst Chinese-speaking jurisdictions.

##### (2) *Searching/monitoring*

Given the rampant trade mark piracy in China, conducting in-depth clearance searches prior to filing for a given brand is always recommended. These searches will help to identify pirated marks that might pose an obstacle, and permit trade mark owners to potentially design around to identify any blocking marks and take proactive measures to resolve potential conflicts. This is a far more cost-effective and time-saving approach than blindly filing a new application without any clear picture of what might be out there lurking on the register, only finding out after the mark is rejected due to multiple citations.

In addition to trade mark searches, regular monitoring of the PRC Trademark Gazette is also strongly recommended. A solid watch service or regularly scheduled searches for similar marks in key classes will inevitably identify marks of concern, permitting diligent brand owners to potentially curtail piracy and counterfeiting issues before they take root.

### (3) *Copyright registrations*

For logos, local copyright registrations (discussed in greater depth below) are also recommended. Such registrations can be a useful tool against pirated trade marks (where prior rights such as copyright can form a basis for oppositions and invalidations) as well as against counterfeits bearing substantially similar or identical versions of the logo. A copyright can also serve as a shield to defend against enforcement actions brought by pirates. In that regard, proof of superior prior rights such as copyright, along with newly-introduced Trademark Law provisions intended to punish malicious use of pirated trade marks, should help to dissuade authorities from rewarding pirates for their behaviour by declaring a mark's lawful owner a counterfeiter.

### (4) *Customs recordals*

China is the "world's factory" for both genuine and counterfeit products, exporting goods in massive quantities all around the world. Given that, China's General Administration for Customs has been tasked with inspecting not only goods coming into China, but those going out as well. Customs, via an online recordation system, permits IP owners to record trade marks, copyrights and patents to facilitate the seizure of goods infringing those rights at the time of export/import. By recording their IP rights with Customs, brand owners can facilitate the seizure of goods infringing those rights at the time of export/import.

One downside of PRC customs recordals is the potential halting of shipments of genuine products. If suppliers/distributors of such goods do not appear in the brand owner's "white list" in Customs' online system, authorised goods could be held up in transit. This requires careful control and monitoring of the white list to ensure it is accurate and up to date.

## 2. **Copyright**

### (1) *Registration*

Chinese copyright registrations can be obtained for all traditional types of works, including literary works, music, photographic works, and fine art works.

In addition, Chinese courts also regularly recognise copyright in "works of applied arts". This species of copyright is a boon for holders of products not protected by registered designs. For works that possess sufficient aesthetic value, a copyright registration or extrinsic evidence of creation and ownership can provide a basis for the IP rights owner to enforce rights in the design on the basis of copyright. As the term "works of applied art" is not actually recognised under current CPCC policies, the

best practice is to apply for a copyright registration for a "work of fine art," thereafter pressing the claim that it should be treated as a "work of applied art" in civil actions with the courts and in negotiations with the pirate.

### (2) *Proof of copyright ownership*

The CPCC does not substantively examine applications for copyright, permitting registration of nearly any copyright work at all, owned by anyone at all. Copyright registration certificates, however, only serves as prima facie proof of subsistence and ownership. Pirates defending against infringement claims based on those certificates, and courts hearing cases against those pirates, will regularly press for more substantial evidence on those points. This will likely entail production of sufficient extrinsic evidence, evidence which will need to be translated if not in Chinese, and legalised and notarised to comply with PRC evidentiary standards. For commissioned works, works created by external design agencies, and works created by employees of the company, strong consideration should be given to creating contemporaneous agreements confirming the facts on creation and ownership. It is often difficult (or even impossible) to obtain the cooperation of those third parties years later.

### (3) *Infringement claims relating to fonts and photographs*

Outside of lawsuits for piracy of music and movies, the majority of copyright lawsuits in China involve fonts and stock photographs. Litigation firms scour the internet searching for unauthorised uses of those rights, conducting quick preservation of the infringement through Chinese notaries and sending off demand letters, backed by threats of lawsuits. Foreign companies' local offices or marketing companies retained by those offices are regular targets of such claims, where they are lax in clearing copyright before making use of others' content. To avoid such claims, local employees and contractors should be made clearly aware of this risk and required to only use content created by them or lawfully licensed from its owner. For external companies, contracts with those entities should provide for indemnification of the company in the event of any infringement claims and payment of the company's legal fees tied to defending the complaints.

## 3. **Patents**

### (1) *File for patents in China as early as possible*

As with trade marks, early filing for patents in China is recommended, even where the patented product is unlikely to be manufactured or sold in the PRC. This is because for successful products, it is a near certainty

that rip-offs of that product will be manufactured here.

For design patents and utility models, no substantive examination is conducted on applications and registrations are granted immediately. To the contrary, invention patents undergo detailed substantive examination, and as in other countries, can take years to be granted. As a result, and where seeking protection for a new invention, companies should also consider filing applications for both the invention and a utility model covering the same subject matter. The utility model, granted quickly, will be enforceable within at most a year or so, often less. The utility model can be enforced against infringers while awaiting the outcome of the Patent Office's review of the invention patent. When the invention patent is finally granted, the patentee can then simply withdraw the utility model, avoiding any double patenting issues.

#### (2) *Seek "evaluation" of design and utility model patents*

As designs and utility models do not undergo substantive examination, enforcement authorities and courts usually require favourable evaluation reports finding the design or utility model is patentable before they will entertain infringement complaints. Favourable evaluation reports are also helpful in supporting Cease and Desist ("C&D") letters and demands for settlement with infringers.

#### 4. **Trade Secrets**

Unauthorised disclosures of trade secrets can cause companies massive financial harm. Given that, and the sheer difficulty of proving and remedying such breaches in China, proactive steps are vital in reducing the risks of trade secret theft by PRC employees and business partners. These steps include the following:

- Written agreements, executed by the recipient of the trade secrets, acknowledging its confidentiality and undertaking to prevent its disclosure. Such agreements and acknowledgements will ideally be executed before the confidential information is disclosed, as well as upon the termination of the relationship with recipients.
- Secure handling of all trade secret materials, including by clearly marking them as "confidential" and sequestering them in a location (or a format) only accessible by authorised parties.
- Upon termination of the relationship with recipients, return of any confidential information should be pressed. As well, and because it is common for ex-employees and business partners to become dreaded competitors when armed with vital commercial secrets, monitoring and investigation of those parties

in the months following termination is strongly recommended.

If any unauthorised disclosures or theft of trade secrets are identified, companies will need to be prepared to move quickly to confirm the facts surrounding the breach. Take clear note that absent proof of proper classification and handling of the confidential information, along with notarised evidence of the thief's misuse and abuse of the information, police and courts are unlikely to be sympathetic to trade secret theft claims.

#### 5. **Enforcement**

##### (1) *Investigations*

Before conducting enforcement actions, investigations are always required in order to understand the nature and scale of infringing activities and determine appropriate actions. The easiest means of proceeding is with thorough online research, designed to collect as much background information from open sources as possible. After online research is completed, companies can dispatch investigators to conduct market surveys and field visits designed to obtain evidence of infringement.

Notarisations of both the online research and the field investigations (including purchases of samples) are strongly recommended, as they will form the basis of any potential civil litigation, and will be helpful in persuading administrative and police authorities to act.

##### (2) *Consider all available enforcement avenues before deciding on an action plan*

After investigations are completed and sufficient evidence has been obtained and preserved, companies should evaluate the different types of enforcement actions open to them before deciding on the "best" action to take, based on their budget, objectives, and practical challenges they will face. Generally, the most common IP enforcement actions in the PRC include the following:

- Online take-downs requests with platforms to remove content related to infringing activities, such as offers of sales of counterfeits, misuse of trade marks and copyright-protected content, etc.
- C&D letters issued to infringers demanding they halt infringing activities. In-person delivery by lawyers is recommended if budget permits, as this can exert more pressure on the infringers to comply and potentially open channels for negotiation.
- Administrative or criminal enforcement – by filing complaints with MSBs or PSBs requesting that they conduct raid actions against infringers,

# Updates on the Protection of Intellectual Property Rights in China: Primary Challenges, Recent Developments and Best Practices

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investigate infringers and their activities, and issue penalty decisions or court issued criminal judgments.

- Civil proceedings – by filing relevant civil complaints with courts, requesting issuance of permanent injunction against the infringers and orders for payment of compensation, etc.

As companies will undoubtedly face a range of different infringers doing differing degrees of harm, from small fish selling lousy knock-offs, to large kingpins seeking to steal the brand and business entirely, companies will need to consider the full range of the above-listed options to maximise the impact of their enforcement dollars, using the right weapons and tools for any given target.<sup>4</sup>

### (3) Online enforcement

Companies will ideally conduct a broad initial audit before undertaking any online enforcement. This will permit them to identify the full range of infringers they are facing, informing decisions on target selection and prioritisation and budgeting. As a purely practical matter, it should be noted that the PRC is awash with genuine grey market products brought in from overseas (referred to as the “daigou” trade). This will often require brand owners to conduct regular (and often expensive) sample purchases for examination and testing to avoid making claims of counterfeiting against genuine goods. During these sample purchases, information can often be obtained from the sellers, information that could be helpful in later enforcement actions, if and when needed or for exerting greater control on supply chains overseas to limit grey market goods (if required).

For companies just getting started with their online enforcement program, consideration should be given to seeking free or low-cost surveys from online monitoring service providers, such as Incopro, OpSec, Yellow, and Pointer. Those entities are usually happy to provide limited surveys to demonstrate their capability and help to shape initial strategies.

At some point, particularly when the most blatant and egregious infringements have been eliminated via takedown notices, the ability to cheaply and efficiently identify infringing listings and to have those listings easily removed, could be hampered. More sophisticated infringers selling higher-quality – and much harder-to-identify-as-fake – counterfeits may also be present. Given that, and in addition to regularly and systematic online takedowns, companies should be prepared for a range of actions to bring online infringement to heel. Regular takedowns against smaller infringers, C&D letters to larger infringers, and targeted civil suits against

particularly pernicious counterfeiters will likely be warranted. Although time consuming and expensive, these coordinated long-term actions are key to deterring infringers from targeting your brand and will hopefully drive them to rip off less aggressive victims.

### Conclusion

Enforcement of IP in the PRC has always been a challenging proposition. Sustained international pressure on China, over the last few years has seen a number of shifts and changes intended to address the most serious deficiencies in its enforcement systems that may finally result in lasting, institutional changes. This is most true in relation to bad faith trade mark piracy, where significant changes to the law and TMO practice are initially quite promising.

That being said, experienced China practitioners have been here before, and will know to temper their expectations. Improvements on paper in China, via amended laws, regulations and legal interpretations, have regularly failed to live up to their promise when it comes to execution by relevant authorities. Savvy brand owners will therefore be alert to and take advantage of potential opportunities presented by incremental improvements – but be well prepared for disappointments and setbacks. That means maintaining a solid, fundamental IP protection program in China typified by broad filings and proactive monitoring and enforcement measures, upgraded and updated where possible.

- 1 Simone Intellectual Property Services (“SIPS”) Hong Kong. Correspondents for China and Hong Kong.
- 2 Wade Shepard, ‘Meet the Man Fighting America’s Trade War Against Chinese Counterfeits (It’s Not Trump)’, *Forbes* (Web Page, 29 March 2018) <<https://www.forbes.com/sites/wadeshepard/2018/03/29/meet-the-man-fighting-americas-trade-war-against-chinese-counterfeits/#3dd0560f1c0d>>.
- 3 *Marrakesh Agreement establishing the World Trade Organization*, opened for signature 15 April 1994, 1867 UNTS 3 (entered into force 1 January 1995) annex 1C (“*Agreement on Trade Related Aspects of Intellectual Property Rights*”).
- 4 SIPS, ‘Enforcement of IP Rights in China – A Primer’ (Web Page, 31 March 2020) <<https://sips.asia/knowledge/trademark-enforcement/enforcement-of-ip-rights-in-china-a-primer/>>.

# Insights into the World After “Brexit” and the Implications for Intellectual Property

Stephen Jones<sup>1</sup>

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## Introduction

At 23.00 hours GMT on 31 January 2020, more than three and a half years after the result of the referendum of 23 June 2016, the United Kingdom (“UK”) finally left the European Union (“EU”). Admittedly, nothing momentous happened at 11 o’clock that evening. Somewhere there may have been fireworks, but proposals to ring church bells fell flat, and in general the mood was subdued; even if 52 per cent of the country were celebrating, 48 per cent were lamenting the result. Big Ben, the Great Bell of the clock of the Elizabeth Tower, was silent because of restoration works, and the Government’s official celebrations were confined to a projection on the wall of No. 10 Downing Street, which no-one could see directly. The Prime Minister recorded a message the day before and then went to a private party. In Parliament Square, groups of supporters and protesters competed to make the most noise and that scene was replicated in various parts of the country. And on the same day, 31 January, the Chief Medical Officer announced that two cases of the severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2) had been identified at a hotel in York.

Since then, the world has changed. While Boris Johnson and the UK Government basked in the glow of a momentous general election victory in December, and “delivering Brexit” at the end of January, an unseen deadly menace was creeping up on us all. The coronavirus was slowly but surely making its way into the UK, and the resulting COVID-19 pandemic would soon be responsible for more than 45,000 deaths in the UK, as well as hundreds of thousands more worldwide, and would nearly claim the life of Boris Johnson himself.

In the original version of this article, which was written for the Intellectual Property Society of Australia and New Zealand Annual Conference in Noosa in September 2019, I went into some of the history behind the calling of the 2016 referendum. That is an interesting study from a political point of view, but I will not repeat it here. It is reasonable to say that most of the UK and the rest of the world lost interest in Brexit during the pandemic and the resulting disruption caused by self-isolation, lockdown and economic paralysis. So it was that it attracted relatively little attention when the final date for extension of the transitional period was quietly allowed to lapse at the end of June. We are now in the final months of that transitional period, in which, although the UK is no longer a member state of the EU, we remain subject to its laws and Regulations. At the end of the year, we go forth into the Brave New World beyond the EU, without trade and other Agreements with the EU being yet in place.

Last September, the UK was still a member of the EU, and much was at that time still uncertain. The UK has now definitely left, and the transitional period will definitely come to an end on 31 December 2020, so we at least have more certainty. In this revised article I will try to summarise the outcomes for intellectual property (“IP”) rights, and look at the questions that still remain.

## The Impact on IP Rights

### 1. Patents

#### (i) UK and European Patents: “Business as Usual”

The *European Patent Convention* (“EPC”) is not EU legislation and is unaffected by the UK’s exit from the EU. The UK remains a member of the European Patent Organisation; European Patents (UK) obtained through the European Patent Office (“EPO”) remain effective in the UK, and pending applications continue to be processed in exactly the same way. UK-based European Patent Attorneys continue to represent clients in all matters before the EPO.

Holders of European patents therefore retain all their rights, and have no need to change their present arrangements for obtaining patents for the UK and other EPC member states through the EPO, with the assistance of European Patent Attorneys in UK firms. Any business which requires protection for its inventions will thus still be well served by making applications for European Patents via the EPO, which can give protection in the UK and all major markets

in Europe, including the whole of the EU27 and other jurisdictions such as Switzerland, Norway and Turkey. *Patent Cooperation Treaty* (“PCT”)<sup>2</sup> applications are also unaffected, including where protection in the UK is obtained through a UK designation in a European application. There is no effect on UK patents granted by the UK Intellectual Property Office (“UKIPO”), and the UK of course remains a member of the *Paris Convention for the Protection of Industrial Property*.<sup>3</sup> The position in relation to Supplementary Patent Certificates will be considered separately below.

### (ii) *The Unified Patent Court and The Unitary Patent*

The *Unified Patent Court* (“UPC”) Agreement is a pan-European project involving some but not all EU states.<sup>4</sup> It still awaits ratification by Germany to come into effect.<sup>5</sup> Germany’s ratification is being delayed by a challenge lodged at the Bundesverfassungsgericht (Federal Constitutional Court). The Court upheld that challenge on 20 March 2020, on the basis that the Act providing for ratification was not passed with the requisite parliamentary majority. Although it is possible that this could be cured by another vote, the future of the project must now be in doubt.

Despite the referendum result, the UK ratified the *UPC Agreement* on 26 April 2018, but has now withdrawn its ratification. In a statement to Parliament on 20 July 2020, Amanda Solloway (Parliamentary Under Secretary of State, Minister for Science, Research and Innovation) said as follows:

*In view of the United Kingdom’s withdrawal from the European Union, the United Kingdom no longer wishes to be a party to the Unified Patent Court system. Participating in a court that applies EU law and is bound by the CJEU would be inconsistent with the Government’s aims of becoming an independent self-governing nation.*

*The Agreements have not yet entered into force. However, in order to ensure clarity regarding the United Kingdom’s status in respect of the Agreements and to facilitate their orderly entry into force for other States without the participation of the United Kingdom, the United Kingdom has chosen to withdraw its ratification of the Agreements at this time. The United Kingdom considers that its withdrawals shall take effect immediately and that it will be for the remaining participating states to decide the future of the Unified Patent Court system.*

This brings to an end the UK’s involvement in the UPC and Unitary Patent projects. Whether these will continue without the UK remains to be seen. Further amendments will be needed to the *UPC Agreement* and it is not clear if the project will any longer be viable, even if the obstacle to German ratification is overcome. For example, Article 7 of the *UPC Agreement* states that the Central Division of the UPC will have a seat in London dealing with life sciences and human necessities, which will need to be relocated.<sup>6</sup>

The Unitary Patent is to be established under an “enhanced co-operation” Agreement between some EU member states, but is dependent on the establishment of the UPC to deal with disputes based on Unitary Patents, so the future of this project must also be uncertain.

### (iii) *Supplementary Protection Certificates*

Supplementary Protection Certificates (“SPCs”) were introduced in the UK through *EU Regulation (EC) No 469/2009 of 6 May 2009*. SPCs are a form of patent term restoration to compensate for regulatory delays in the approval of medicinal and plant protection products. They have a maximum term of five years, and the holder of the patent and related SPC for a relevant product can enjoy an overall maximum of 15 years patent plus SPC protection from the date when the product first obtained marketing authorisation in the EEA. This is now extended to 5.5 years and 15.5 years if a pharmaceutical product is awarded a paediatric extension under *Regulation EC No 1901/2006*.

The current SPC legal framework in the UK remains in place until the end of the transition period; existing UK SPCs granted under that system continue to be valid, and applications can continue to be made under the current system. SPCs are not granted as EU-wide rights, but rather as national rights; although SPCs derive from an EU Regulation they have effect in relation to national patent rights, including those deriving from European patents. There will therefore be continued protection of existing SPCs in the UK at the end of the transition period, and SPC applications which are still pending at the end of the transition period will be examined under the current framework. Any SPC which is granted based on those applications will provide the same protection as existing SPCs.

From 1 January 2021, applications for SPCs will be made in the same way, by application to the UK IPO, and the same timescales and requirements for documentation and evidence will apply. This will include information on both the UK marketing authorisation and the earliest marketing authorisation for this product in the EEA, if it predates the UK authorisation. SPCs that have already taken effect will remain in force after 31 December 2020, and SPCs granted but not yet in force will take effect at the end of the associated patent term as normal. Pending applications will continue without the need to refile.

An SPC can only be granted if the product is protected by a patent, and covered by a marketing authorisation, in the member state where SPC protection is being sought, so there will be a need for a patent covering the UK (which can be a European Patent (UK)) as well as a marketing authorisation which allows the product to be sold on the UK market. This may be an authorisation granted by the UK Medicines and Healthcare products Regulatory Agency (“MHRA”), or one granted by the European Medicines Agency which

has been converted into an equivalent UK authorisation. This conversion will take place on 1 January 2021, and information on the converted UK authorisation will need to be provided, so that this can be recorded on the register.

### *(iv) The EU Biotechnology Directive*

The *EU Biotechnology Directive*<sup>7</sup> has implications for the patentability of inventions involving biotechnology, and has been implemented in the UK. Although not binding on the EPO, the Rules under the EPC were amended to incorporate a number of the provisions of the Directive. The Boards of Appeal (“BoA”) of the EPO will continue to follow the rulings of the CJEU on the *EU Biotechnology Directive*, and UK Courts will still need to pay attention to BoA decisions. Thus, although UK courts could, in principle, diverge from CJEU precedent in the area of biotechnology inventions, they may still be impacted by the effects of CJEU decisions, even if not directly bound by them.<sup>8</sup>

## **2. Trade Marks**

EU law in relation to trade marks is made by Regulations which have direct effect in Member States without the need for national legislation, or by Directives which must be implemented into national law before they take effect. In the UK, Directives are implemented by Statutory Instruments or Acts of Parliament. Directives that have already been implemented in the UK remain in effect unless the UK Parliament decides to repeal or amend the national laws that transposed them. For example, the changes made in UK trade mark law by the *Trade Marks Act 1994*, and the amendments introduced by the *Trade Marks Regulations 2018*, implementing the most recent *EU Trade Marks Directive 2015/2436*, will not be affected.<sup>9</sup>

After 31 December 2020, EU Regulations will cease to be applicable in the UK. EU trade marks (and Community designs) are administered by the European Intellectual Property Office (“EUIPO”) and governed by an EU Regulation which will therefore no longer have effect in the UK. Since the establishment of the EUIPO, then known as the Office for Harmonisation in the Internal Market, which opened its doors for trade mark applications in 1996, businesses have increasingly relied upon applications to the EUIPO to obtain rights effective in all member states of the EU. Although it has always been possible to obtain trade mark (and registered design) rights separately in individual member states, including in the UK by application to the UKIPO, this was in practice seen as unnecessary by many applicants when there was seemingly no foreseeable prospect of the UK ceasing to be a member of the EU.

From 1 January 2021, EU registrations will no longer have effect in the UK, but the UK IPO will create a comparable UK trade mark for all rights holders with an existing EU trade mark. These new UK rights will be recorded on the UK trade mark register and will have the same legal status as if

they had been applied for and registered under UK law. They will keep their original EU filing dates and priority or UK seniority dates. They will in effect be independent UK trade mark registrations that can be challenged, assigned, licensed or renewed separately from the original EU registration. All this will occur automatically and without the need for the owner to pay any fees. To keep down the administration, no new registration certificates will be issued, but information will be available on the UKIPO website, as for existing UK registrations.

Existing EU registrations will still protect trade marks in EU member states, and UK businesses as well as any others can still to apply to the EUIPO for an EU trade mark, but in future it will be necessary to apply for protection in the UK separately from the remaining EU27 countries.

The UK remains a member of the Madrid Protocol system for international registration of trade marks, and the comparable trade mark mechanism will also be used for EU designations in International Registrations where a Statement of Grant of Protection has been issued in relation to the EU designation.

Things are not however automatic in respect of pending applications. Applicants for registration of EU trade marks which have not been registered by the end of 2020 will be able to re-file for a UK equivalent right, and will have nine months within which to do so. Thus, pending EU trade mark applications will not automatically have a comparable trade mark created, and it will be necessary file an application for a comparable UK trade mark within nine months from 1 January 2021 so as to preserve the same filing, priority and seniority dates as the pending EU application. This will apply also in the case of pending EU designations of International Trade Marks.

## **3. Designs**

### *(i) Registered Designs*

EU rights in respect of designs are also created subject to an EU Regulation,<sup>10</sup> so after 31 December 2020, Registered Community Designs (“RCDs”) will no longer have effect in the UK. In a similar manner to that explained for trade marks, the UKIPO will create a “re-registered design” on the UK design register from 1 January 2021. This will have the same details as the corresponding RCD, including the same priority, expiry and renewal dates. This will also be the case for EU designations in International Registrations.<sup>11</sup> It will be necessary to re-file pending RCD applications at the UKIPO within nine months to claim the same filing and priority dates. Thus the provisions in relation to EU registered designs will work in essentially in the same way as for trade marks, as described above.

### *(ii) Unregistered Designs*

The position in relation to unregistered designs is already quite complex and will get more so as a result of the UK’s

exit from the EU. The *Community Designs Regulation* also provides protection by means of an Unregistered Community Design (“UCD”), which provides protection for both three- and two-dimensional designs for a three-year term from the date when the design was first made available to the public in the EU. The UK has a separate design right provided under national legislation<sup>12</sup> which gives protection without registration for the shape and configuration of three-dimensional articles for up to 15 years from the end of the year in which the design was first recorded or a corresponding article was first made. Thus these rights do not provide equivalent protection, in particular as regards articles in two dimensions, and the protection currently provided by the UCD is important in certain industries such as the fashion industry. To ensure continuance of that protection for designs already covered by the UCD, the UKIPO will create, on 1 January 2021, a “UK continuing unregistered design” which will be derived from the corresponding UCD and retain the same scope of protection and expiry date. Also from 1 January 2021, to ensure that new designs also benefit from that protection, designs first disclosed in the UK will be entitled to a “supplementary unregistered design” which will have the same term and scope of protection as previous UCDs, but only in the UK. Designs first disclosed in the EU will still be protected by the UCD, but only in the EU27 and not in the UK. The Government guidance says: “You should carefully consider how, when and where you first disclose your designs in order to establish unregistered protection in the UK and the EU.”<sup>13</sup>

#### 4. Copyright

The UK will continue to protect copyright (including existing copyrights) in accordance with the *Berne Convention for the Protection of Literary and Artistic Works*<sup>14</sup> and other international treaties. The UK’s continued membership of these international treaties is not affected by leaving the EU, and will ensure that the scope of protection for copyright works in the UK, and for UK works abroad, will remain largely unchanged. Thus most UK copyright works (such as books, films and music) will still be protected both in the EU and the UK because of the UK’s participation in the international treaties on copyright. For the same reason, EU copyright works will continue to be protected in the UK, whether made before or after 1 January 2021.

Copyright is a national right, although harmonised internationally to a large extent by the treaties, and in addition there is a substantial quantity of EU copyright legislation which currently impacts UK copyright law, in particular in relation to cross-border arrangements and reciprocal protections between EU and EEA member states. New Regulations in the UK<sup>15</sup> have been introduced to deal with the consequences of the changes which will come into effect on 1 January 2021, including removing or amending references to the EU, EEA, or member states in UK copyright legislation to preserve the effect of UK law where possible.

The “Explanatory Memorandum” to the Regulations states that the aim is:

*to give continued effect to cross-border mechanisms and their underlying policies wherever possible. Where this is not possible (e.g. because the policy concerns a reciprocal obligation operating between EU Member States), the mechanism is given unilateral effect within the United Kingdom. Where it would not be appropriate to give unilateral effect (as it would create adverse consequences for UK businesses if preserved in a one-sided way), the mechanism is brought to an end.*

After 1 January 2021, the UK will be treated by the EU and EEA as a third country and the reciprocal element of these mechanisms will cease to apply to the UK. Where the EU and UK negotiate new relationships during the transitional period, the Regulations may be amended.

#### 5. Databases

Sui generis database rights were introduced by an *EU Database Directive*,<sup>16</sup> implemented in the UK by the *Copyright and Rights in Databases Regulations* 1997. Only databases made by EEA nationals, residents or businesses are eligible for protection, and UK citizens, residents, and businesses will not be entitled to database rights in the EEA for databases created on or after 1 January 2021. The Government says that UK owners of databases created on or after 1 January 2021 will need to consider whether they can rely on alternative means of protection in the EEA “for example licensing agreements or copyright, where applicable”.<sup>17</sup> UK legislation will be amended so that only UK citizens, residents, and businesses are eligible for database rights in the UK for databases created on or after 1 January 2021. Database rights that exist in the UK or EEA before 1 January 2021 (whether held by UK or EEA persons or businesses) will continue to exist in the UK and EEA for the rest of their duration, as guaranteed under the *Withdrawal Agreement*.

Copyright protection for databases in the UK and EEA and under international treaties will not change after 1 January 2021, but copyright only protects the selection or arrangement of material in a database where this is original, as opposed to database rights which protect the contents of a database.

#### 6. Trade Secrets

The UK provides robust protection for confidential information and trade secrets under its own laws. The UK implemented *EU Directive 2016/943 of 8 June 2016* on the protection of undisclosed know-how and business information (trade secrets) by means of the *Trade Secrets (Enforcement, etc.) Regulations* 2018. A number of the provisions of the *EU Directive 2016/943 of 8 June 2016* were already implemented in the UK by the principles of common law and equity relating to breach of confidence in confidential information, and by statute and court rules. The *Trade Secrets (Enforcement,*

*etc.*) *Regulations* 2018 therefore addressed only areas where any gaps were thought to occur. This entailed no major changes in the protection of trade secrets in the UK, and is unaffected by the UK's exit from the EU.

### **7. Geographical Indications**

The UK will set up its own geographical indication (“GI”) schemes from 1 January 2021<sup>18</sup> to protect the geographical names of food, drink and agricultural products and to fulfil the UK's World Trade Organization obligations. These schemes will protect the geographical names of food, drink and agricultural products (including beer, cider and perry), and wines and spirits, using designations of Protected Designation of Origin (“PDO”), Protected Geographical Indication (“PGI”) and Traditional Speciality Guaranteed (“TSG”). All existing UK products registered under EU GI schemes by the end of the transition period will get UK GI status and remain protected in the UK. The UK schemes will be open to UK, EU and non-EU producers. From 1 January 2021, all UK GIs registered under the EU GI schemes by the end of the transition period will continue to be protected in the EU. New UK products seeking EU GI protection will need to secure protection under the UK schemes first.

### **8. Exhaustion of Rights**

The current situation is that the UK adheres to a principle of regional exhaustion, in which IP rights are exhausted when the goods are put on the market anywhere in the EEA. The UK Government's proposal is that the UK will continue to recognise EEA exhaustion from 1 January 2021, so as to provide continuity in the immediate term for businesses and consumers. This means there will be no change to the rules affecting imports of goods into the UK. However, goods placed on the UK market by or with the consent of the rights holder after 31 December 2020 may no longer be considered exhausted in the EEA. This means that businesses exporting goods from the UK to the EEA would need the rights holder's consent, unless the EU changes its position as a result of any trade deal with the UK.

Thus, for example, parallel imports of goods, such as pharmaceuticals, will be able to continue from the EEA to the UK, but IP rights holders may not provide permission for their goods to be parallel exported to the EEA. The Government is considering options for how the exhaustion regime should operate in the longer term. For the time being there will be no change to the exhaustion regime as regards imports to the UK from non-EEA countries.

### **9. The Court of Justice of the EU**

Upon leaving the EU, the Court of Justice of the European Union (“CJEU”) will cease to have jurisdiction over UK matters and so cease to be binding authority for courts in the UK. In practice however, their decisions may still indirectly influence the UK courts, as much EU law will be retained

in the UK under the *Withdrawal Agreement*. For example, in relation to trade marks, the law as it now applies in the UK under the *Trade Marks Act* 1994, which follows EU Trade Mark Directives, has been largely developed by numerous decisions of the CJEU. Whether the UK courts will see fit to depart from those decisions in the future remains to be seen. It is likely that any such departure would evolve gradually over time as decisions come before the courts. The same considerations apply to the law of designs. The possible implications in relation to the *EU Biotechnology Directive* have been considered above.

The UK Government has recently published a consultation paper on the circumstances in which UK courts and tribunals might depart from retained EU case law. In general, any such departure could only be made by the UK Supreme Court. The consultation seeks views on whether this should be extended to include the Court of Appeal and the High Court in England and Wales, and courts of equivalent jurisdiction in Scotland and Northern Ireland.

### **10. Litigation**

The UK has a sophisticated and highly successful litigation system, including the innovative Intellectual Property Enterprise Court (“IPEC”). The IPEC started life as the Patents County Court (“PCC”) but new rules, enacted in October 2010, were strongly influenced by the final draft of the *European Patent Law Agreement*, a predecessor proposal to the UPC. In 2012, a small claims track was added, and in 2013 the PCC was made part of the High Court, changing its name to IPEC.

IPEC's procedure is governed by a set of rules which set it apart from the procedure elsewhere in the High Court. The main differences are:

- a cap on the costs which the losing party is liable to pay the successful party (UK£50,000);
- a cap on the damages which may be recovered (UK£500,000);
- more detailed pleadings – these must be concise but must identify all arguments to be relied upon as well as the nature of the parties' cases;
- limits on disclosure – specific disclosure can be sought but must be justified and will be limited by reference to one or more issues;
- limits on evidence – expert evidence will only be permitted if the court is satisfied that it is needed; the scope of expert evidence will be also be limited by reference to issues and also sometimes by length;
- more active case management – a Case Management Conference is held before the presiding IPEC Judge; and
- a trial which will normally take less than two days.

The idea behind this type of court was born of a concern that parties who wanted to protect their IP rights were deterred from doing so by the cost of IP litigation. Not least, they were worried by the potential liability in costs payable to the opposing party if the litigation did not go as planned. These were for the most part small and medium enterprises (“SMEs”) and to some extent individuals. The consequence was that such parties’ IP rights were frequently left unenforced and were comfortably ignored by infringers.

The new rules have led to a substantial increase in the use of IPEC. In response to the success of IPEC, the High Court has introduced a Shorter Trials Scheme which translates some of the benefits of IPEC style procedure to cases in the High Court.

The UK court system will continue to provide a fair and balanced system for IP litigation. In addition, alternative dispute resolution methods are well respected and recognised in the UK. The UK has a well-developed arbitration system and London is often chosen as the seat of international arbitration. The UK is signatory to a number of international Conventions in relation to choice of forum, recognition of judgments and arbitration decisions, and conflict of laws (for example the *Hague Conventions*). This will continue following the UK’s exit from the EU and will continue to make the UK a good place to litigate IP disputes. Communications with IP professionals in the UK benefit from legal professional privilege, which allows clients to be open with their legal advisors. There will be no change to these provisions.

### 11. IP Transactions

The UK continues to be a good venue for IP transactional work, with highly qualified, skilled and experienced legal professionals. The law of England and Wales will continue to be a favourable governing law for IP transactional agreements. Business continues as usual, and the English courts can still be specified with confidence as the forum for any disputes. The UK also has an enviable track record in technology transfer.

### Conclusion

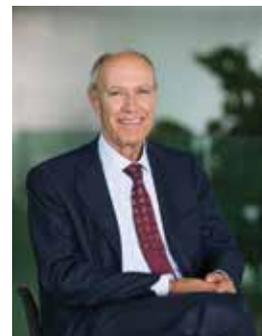
Although Brexit has major implications for the UK’s future and its relationship with the EU and the rest of the world, the impact on IP rights is perhaps less than might have been expected. The EPC is not EU legislation and is not affected by the UK’s exit from the EU. European patent holders will not lose any rights, and patents already obtained via the EPO will remain unaffected. UK-based European Patent Attorneys will continue to represent clients in all work before the EPO. The UK will not participate in the Unitary Patent or in the Unified Patent Court, but enforcement of patents, whether UK national patents or European patents (UK), will continue through the UK’s existing specialist courts. The UK will not be a member of the EU registration systems

for trade marks and designs after 31 December 2020, but continuing registrations and rights for the UK will be put in place so that rights holders will be safeguarded. Other IP rights will similarly continue in force, and the UK will remain an effective forum for litigation and arbitration of IP disputes, and as a choice of law in IP transactions. The UK remains open for business, despite the many challenges we and the rest of the world currently face, and we look forward to continuing to work with you and your clients in Australia and New Zealand.

- 1 Intellectual Property Consultant, London and Exeter, UK. The views and opinions expressed in this article, especially any of a political nature, reflect my personal views only and are not to be attributed to any firm or organisation with which I am now or have at any time been associated. As usual for articles of this nature, it should not be relied on as legal advice or as an authoritative summary of the position in relation to the matters discussed, and in the present context, it should be understood that the position is subject to change. Up-to-date advice should be obtained before any action is taken in relation to any of the matters discussed here.
- 2 PCT, opened for signature 19 June 1970, 1160 UNTS 231 (entered into force 24 January 1978).
- 3 *Paris Convention for the Protection of Industrial Property*, opened for signature 14 July 1967, 828 UNTS 305 (entered into force 26 April 1970).
- 4 Certain EU member states, including Spain and Poland, are not at the moment participating.
- 5 Article 89 of the *UPC Agreement* requires ratification by 13 member states including the “three Member States in which the highest number of European patents had effect in the year preceding the year in which the signature of the Agreement” took place. These are the UK, Germany and France. The *UPC Agreement* has been ratified by the required number of states including France and the UK.
- 6 No doubt there will be plenty of willing contenders to host this branch of the Court, in the same way as the European Medicines Agency has found a new home in Amsterdam.
- 7 *Directive 98/44/EC of the European Parliament and of the Council of 6 July 1998 on the legal protection of biotechnological inventions*.
- 8 The CJEU’s interpretation of the *EU Biotechnology Directive* has caused concern in some quarters, for example in the matter of the patentability of stem cells.
- 9 Another example would include the *Enforcement Directive 2004/48/EC*.
- 10 *Council Regulation (EC) No 6/2002 of 12 December 2001 on Community designs*.
- 11 The UK joined the Hague registration system for designs in 2018.
- 12 Part III of the *Copyright, Designs and Patents Act 1988*.
- 13 Intellectual Property Office and Government Digital Service, ‘Changes to unregistered designs from 1 January 2021’ (Web Page, 30 January 2020) <<https://www.gov.uk/guidance/changes-to-unregistered-designs-after-the-transition-period>>.
- 14 *Berne Convention for the Protection of Literary and Artistic Works*, opened for signature 14 July 1967, 1161 UNTS 3 (entered into force 10 October 1974).
- 15 The *Intellectual Property (Copyright and Related Rights) (Amendment) (EU Exit) Regulations 2019* made under the powers of the *European Union (Withdrawal) Act 2018*.
- 16 *Directive 96/9/EC of the European Parliament and of the Council of 11 March 1996 on the legal protection of databases*.
- 17 Intellectual Property Office and Government Digital Service, ‘Sui generis database rights from 1 January 2021’ (Web Page, 30 January 2020) <<https://www.gov.uk/guidance/sui-generis-database-rights-after-the-transition-period>>.
- 18 Department for Environment, Food & Rural Affairs, ‘Protecting food and drink names from 1 January 2021’ (Web Page, 5 February 2019) <<https://www.gov.uk/guidance/protecting-food-and-drink-names-if-theres-no-brexit-deal>>.

# Introducing WIPO PROOF: An interview with Francis Gurry<sup>1</sup>

In May 2020, the World Intellectual Property Organization (“WIPO”) launched WIPO PROOF, the latest in the Organization’s suite of services to support businesses in the management of their innovative and creative assets. WIPO Director General Francis Gurry introduces the new service and explains how it can support innovators and creators in the digital economy. The Director General also reflects on the broader issue of data governance and the fundamental importance of innovation and creativity in tackling current economic and health challenges.



Francis Gurry

Photo of Francis Gurry by WIPO/Berrad

## ***What is WIPO PROOF?***

In practical terms, WIPO PROOF is like a digital notary. It provides irrefutable proof of the existence of a digital file at a given point in time. In the digital business environment, data needs to be safeguarded and WIPO PROOF helps to do that. Digital businesses are subject to vulnerabilities, including the loss or theft of information and data. WIPO PROOF addresses that vulnerability by providing reliable tamper-proof evidence of the existence of a digital file at a given moment in time. WIPO PROOF creates a digital fingerprint of the file and adds a time stamp to that record. When data files are formally documented in this way, it becomes more difficult for a third party to steal or later claim ownership over them. Such proof can also be critical in securing licensing deals and raising capital.

WIPO PROOF also allows those who contribute to the development of a work, a product, a research project and so forth, to provide proof of their participation. In the digital world, there are countless creative, technological and scientific ventures that involve a great deal of collaboration and the sharing of innumerable data files. For example, many musicians record their music in collaboration with artists in various parts of the world. One records the vocals, sends the digital file to another who adds the instrumentation, and so on. Using WIPO PROOF, artists can provide incontrovertible evidence of their contribution to the exercise. Such evidentiary proof can be extremely important for many individuals, companies and organisations engaged in innovation and creativity by showing that the digital file originated with the person who is purporting to be the owner.

## ***Why is WIPO PROOF important for the digital world?***

WIPO PROOF is an important development as it moves intellectual property (“IP”) protection further into the digital world. The economy is currently undergoing a huge transformation from industrialisation to digitisation. Most

IP rights were developed for the industrial age. While, as statistics suggest, they remain relevant – large numbers of patent applications are filed for digital communications and information technologies, for example – classical IP rights do not necessarily cover all types of intellectual assets, especially with respect to safeguarding data. That makes WIPO PROOF a small but significant step in providing IP services that target the needs of the digital economy.

## ***Are similar services already available?***

Yes. While the service does exist at the national level in certain countries, our market research clearly indicated a need for such a service to be offered by a trusted and impartial international authority. The intense competition surrounding IP in all parts of the world underlines this need. That is why WIPO moved forward in developing WIPO PROOF. Imagine a scenario where two enterprises from two different countries that are experiencing tensions in the area of trade or technology, for example, are engaged in a court battle. If the enterprise in country A presents evidence in the form of a digital file with a date and time-stamped fingerprint acquired in its own country to the courts of country B, it may not be respected as evidence or proof to the same extent as that provided by an impartial international authority.

## ***Can WIPO PROOF support innovators and creators in other ways?***

Yes, WIPO PROOF also addresses the needs of innovators and creators during the period prior to formalisation of IP rights and can be useful in safeguarding intellectual assets at every stage of development, from concept to commercialisation, whether or not they eventually become formal IP rights. Bringing a patentable invention or a creative work to maturity is preceded by a lot of work, and during that development phase, inventors, creators and indeed, start-ups, are quite exposed. In that phase, many will be pitching their ideas to different actors, including venture capitalists or large companies, to secure the financial backing

they need to bring their product to market. While such activity is often governed by non-disclosure agreements, many smaller enterprises, start-ups and individuals do not have the legal advice to conclude such agreements effectively. But with WIPO PROOF they can document the existence of their intellectual asset, and thereby secure irrefutable proof that they controlled their idea or concept, or made a specific contribution to the development of a work, at a given point in time.

### ***What is WIPO's role in administering the service?***

WIPO acts as a trusted authority and provides a user-friendly service for a modest fee to cover operating costs. At minimal cost, individual innovators, creators and start-ups anywhere in the world can establish a record of their work at a given point in time. They simply access the service via the WIPO PROOF website <[www.wipo.int/wipoproof/en](http://www.wipo.int/wipoproof/en)> and with just a few clicks, they can generate a WIPO PROOF token (a unique digital fingerprint with a time stamp) for their file, which, if the need arises, can prove the existence of their work at a given time. WIPO PROOF tokens issued in this way are valid indefinitely.

The service has been built to the highest global standards using robust industry-standard public key infrastructure and encryption technologies, and is backed with a business model that favours small players across the globe and WIPO's credibility as a trusted provider of global IP services.

WIPO PROOF handles digital files, including data sets, in any format and size. WIPO does not copy or store the original file – which stays with the user of the service on their own device. WIPO simply certifies that it existed in that form and was in the possession of the user at a specific time.

### ***Why did you launch the service now?***

For some time, we have been thinking about the need to offer better protection for the huge amount of activity that takes place in the pre-formal IP rights space and indeed, for trade secrets, which are extremely valuable business assets, yet do not enjoy IP protection in the form of a registered right. WIPO PROOF allows us to do that. The pre-formal IP rights space and trade secrets are areas of particular vulnerability for small and medium enterprises and start-ups, which, of course, play an extremely important role in driving innovation and economic performance. As the digitisation of business transactions and economic activity gathers pace, WIPO PROOF offers innovative and creative individuals and enterprises an additional tool with which to manage and safeguard their intellectual assets.

### ***What has been the reaction so far?***

All evidence shows that we have struck the right note in launching WIPO PROOF. After just two weeks, users from a wide range of countries across the globe had taken advantage of the service. This is an indication that WIPO PROOF

fulfills an unmet need and provides a useful service, which people can make use of under appropriate circumstances. I think the uptake will be very good.

### ***What impact will WIPO PROOF have on the global landscape for innovation and creativity?***

WIPO PROOF acknowledges that proof of the existence of data in the form of digital files can be very important in a digitised world where data have value and are widely shared. WIPO PROOF makes a small but important contribution to the process of adapting existing incentive structures, which were forged in the industrial era, to foster innovation and creativity in the digitised world. Of course, many of the classical mechanisms still apply, but there are gaps. Safeguarding data is one of those gaps, which WIPO PROOF addresses.

### ***At the “Road to Bern Second Dialogue: on Data Protection” in April,<sup>2</sup> you spoke of the need for a comprehensive and coherent framework for data protection. Is WIPO PROOF a step towards creating such a framework?***

The need for a comprehensive data governance framework points to the overwhelming complexity of the current governance architecture created by globalisation and interconnectivity. No single actor can regulate a complex problem without collaboration. The same applies when it comes to protecting data, which is integral to the economic and social system as a whole. Data are multi-dimensional – some are of immense social and economic importance and value, and some are of great personal significance and value – and the effective protection of data will require coordination among many different entities and policy approaches. In that huge universe, WIPO PROOF offers a small but meaningful contribution towards helping to ensure the security and confidentiality of data.

### ***How does WIPO PROOF complement WIPO's global IP systems and services?***

Our aim has been to create a full suite of business services for innovation and cultural creativity. Our international filing and registration systems for patents (the *Patent Cooperation Treaty* (“PCT”)),<sup>3</sup> trade marks (the Madrid System), industrial designs (the Hague System) and geographical indications (the Lisbon System) are the classical centrepieces of this offering. Over the past decade, these services have enjoyed increasing global participation (see Figure 1) and demand for them has surpassed global economic growth rates, which is an indicator of the commercial success of the innovation and creative sectors. In 1994, we added dispute resolution services to our offering. If you are an innovative enterprise operating in the market, first you need protection, but then you need to be able to ensure that any dispute arising from the exploitation of your IP right can be resolved in an impartial and credible manner. We have

seen significant growth in the uptake of our Arbitration and Mediation Services in recent years (see Figure 2). And now, as a response to the ongoing digital transformation, with WIPO PROOF we are offering a new service to help digital businesses and other actors safeguard their intellectual assets in the digital environment.

***As the world continues to grapple with COVID-19 and faces economic recession, why is it important for governments and companies to continue to invest in innovation?***

In broad terms, if we want to get out of this crisis, and if we want to have new and effective vaccines and therapeutics, then we need innovation. Innovation is fundamental to the scientific, technological and health management of the crisis. Innovation is also fundamental to recovering from the economic recession caused by the necessary measures taken by governments to control the pandemic.

***But how does such innovation come about?***

It is a very complex process involving a multiplicity of institutions and actors, from educators and the educational system as a whole, through to venture capitalists and financiers. It also has an international dimension. UNESCO estimates that around 70 per cent of global R&D is funded and performed by the private sector and 30 per cent by the public sector. The IP system is the glue that holds all the different players across the innovation landscape together, providing them with the confidence to invest safely in intellectual production, innovation and creativity and the security that their market position will be protected against misuse or misappropriation. And in the current crisis there is an additional dimension, which needs to be taken into account, namely, the fundamental humanitarian considerations raised by health technologies. In dealing with international emergencies like COVID-19, frameworks already exist at the international and national levels to facilitate access to needed medical technologies in appropriate circumstances and on affordable terms. We are now seeing huge investment by both the public and the private sector in the development of vaccines, therapeutics, contact tracing applications and so forth. Therefore, fostering the innovation that is needed means working with the complexity of the innovation landscape as a whole and engaging with all players, public and private, to develop solutions to the global economic and health challenges facing humanity. Simplistic approaches are naïve and won't work.

**Figure 1: A decade of growth for WIPO's IP services.**

SERVICE	2009	2019	10-YEAR GROWTH
PCT (patents)	155,408	265,800	71.0%
Madrid System (trade marks)	36,094	64,400	78.4%
Hague System (industrial designs)	8,166	21,807	167.0%

Source: WIPO Press Release, PR/2020/848.

**Figure 2: Number of WIPO Domain Name Cases and Domain Names.**

YEAR	NUMBER OF CASES	NUMBER OF DOMAIN NAMES
2000	1,857	3,760
2001	1,557	2,465
2002	1,207	2,042
2003	1,100	1,774
2004	1,176	2,599
2005	1,456	3,312
2006	1,824	2,806
2007	2,156	3,545
2008	2,329	3,958
2009	2,107	4,685
2010	2,696	4,367
2011	2,764	4,780
2012	2,884	5,080
2013	2,585	6,191
2014	2,634	5,603
2015	2,754	4,364
2016	3,036	5,354
2017	3,074	6,371
2018	3,447	5,655
2019	3,693	6,298

Source: WIPO Press Release, PR/2020/848 (Annex 9).

- 1 This report is an edited version of an interview published in the June 2020 issue of *WIPO Magazine*. It is reproduced here by kind permission of WIPO.
- 2 See 'WIPO Director General Opens Virtual Symposium on Data Protection', *WIPO* (Web Page, 22 April 2020) <[https://www.wipo.int/about-wipo/en/dgo/news/2020/news\\_0024.html](https://www.wipo.int/about-wipo/en/dgo/news/2020/news_0024.html)>.
- 3 PCT, opened for signature 19 June 1970, 1160 UNTS 231 (entered into force 24 January 1978).

How WIPO PROOF works

# How it works

WIPO PROOF creates tokens using the highest standard of Public Key Infrastructure technology and is compliant with the RFC 3161 protocol.

## Access

1 Connect to the WIPO PROOF web application via the url [wipoproof.wipo.int](http://wipoproof.wipo.int) using any modern browser.

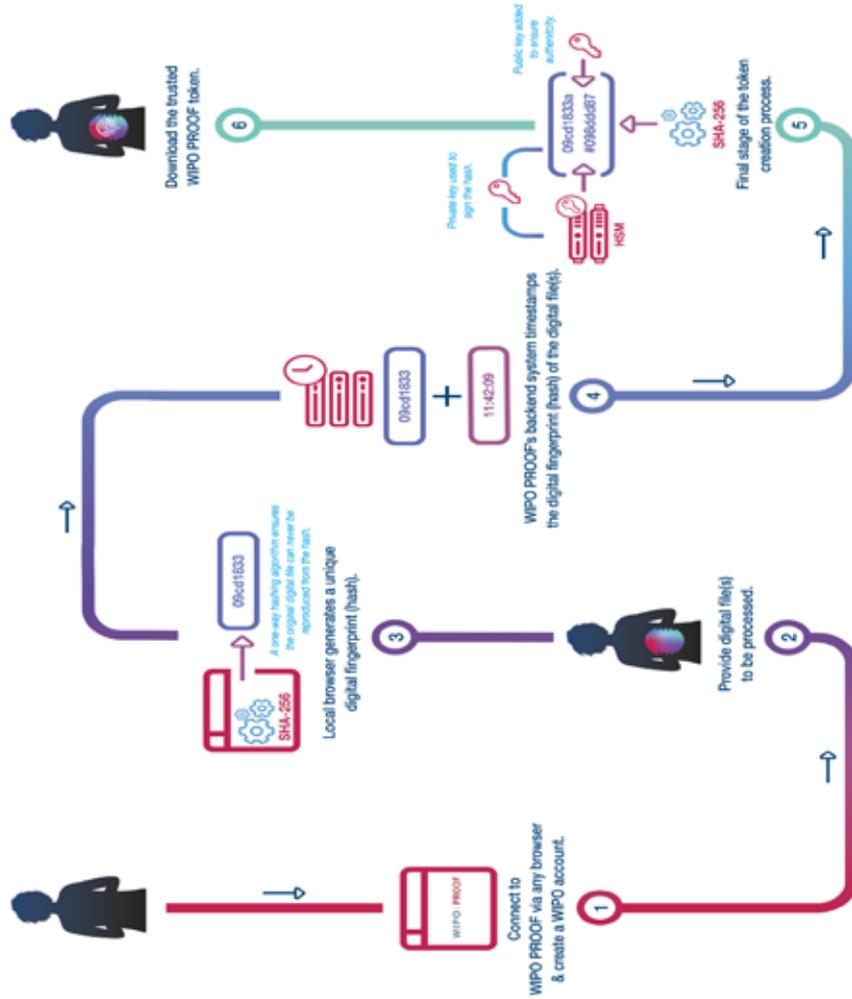
## Request a WIPO PROOF token

- 2 Choose a digital file(s) in any electronic format.  
*NB: A WIPO Account is required to process a purchase request for a WIPO PROOF token.*
- 3 The local browser generates a unique digital fingerprint (a hash) of the file using a strong SHA-2 (256bit), one-way hashing algorithm.  
*NB: At no point in time is the original digital file uploaded to WIPO PROOF. The customer retains full possession of the digital file(s). Only the hash of the digital file(s) that is calculated in the customer's browser is uploaded to WIPO PROOF.*

## WIPO PROOF token creation

- 4 WIPO PROOF's audited and high-integrity backend system, fully compliant with industry standards, timestamps the hash of the digital file(s). The hardware-based timesource used to timestamp the hash is synchronized to the Coordinated Universal Time (UTC).
- 5 The hash is signed with the private key stored in a locked-down Hardware Security Module (HSM) certified to FIPS-140 level 3 standard, creating a digital signature. A public key is added to the digital signature to ensure authenticity.
- 6 Download the resulting WIPO PROOF token which provides unalterable proof of existence of the digital file(s) at the point in time the token was created.

# WIPO PROOF token creation process



# Wai 262 and Intellectual Property: What You Need to Know

Lynell Tuffery Huria<sup>1</sup>

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**M**isuse and misappropriation of Indigenous culture continues around the world today. Organisations look for an edge over their competitors by adopting unique and trendy trade marks, words, or images that feature Indigenous words and images. Similarly, corporations around the world look to Indigenous knowledge to identify active compounds that will form the basis of a new product, invention, and/or patent.

Use of Indigenous words, images, and Indigenous knowledge are often without:

- any compensation to the Indigenous people involved;
- any prior consultation with, or input from, the Indigenous people; and
- without concern for whether such use may be considered suitable by the Indigenous culture.

In this report, I review the claimants in the Wai 262 claim in New Zealand to address this issue of misuse and misappropriation of Māori words, images, and knowledge.

## Background

Māori are New Zealand's first inhabitants or its Indigenous people. In 1840, the *Treaty of Waitangi* was signed by Māori chiefs and representatives of the British Crown in Māori and English. Understanding and giving effect to the *Treaty of Waitangi* has proven difficult, because there are significant discrepancies between the interpretation of the two versions of the *Treaty*.

Since the Court of Appeal's decision in *New Zealand Māori Council v Attorney-General*,<sup>2</sup> the *Treaty's* principles, which are based on a partnership between the Crown and Māori, have been largely settled.

The *Treaty of Waitangi Act* 1975 established the Waitangi Tribunal (the "Tribunal"). Māori, who are, or are likely to be, prejudiced by legislation, Crown policy or practice, or any act of the Crown, which is "inconsistent with the principles of the *Treaty*" can lodge a claim with the Tribunal. If successful, the Tribunal can recommend the New Zealand Government compensate or remove the prejudice.

In 1991, six individuals<sup>3</sup> on behalf of their iwi (tribes) filed the 262<sup>nd</sup> claim before the Tribunal.

## What is Wai 262?

The origins of the claim date back to 1988, when Māori found the Department of Scientific and Industrial Research ("DSIR") had deposited several cultivars of native kumara at a research institution in Japan. These kumara had been

brought to New Zealand by Māori but were no longer available here.

Māori became concerned at the ease with which this native flora and fauna could be lost to overseas interests, and the lack of Māori involvement in the decision-making process. Māori felt the Government and DSIR had ignored Māori rights of tino rangatiratanga (authority) and kaitiakitanga (guardianship) over Indigenous flora and fauna found in New Zealand.

These concerns extended to include the ever-increasing loss of native plants and animals, the destruction of ecosystems, the continuing erosion of mātauranga Maori (traditional Māori knowledge), and the continuing creation and amendment by the Government of intellectual property ("IP") legislation that failed to recognise Māori IP rights.

The claim generated international interest as governments around the world struggled to reconcile the protection of collectively owned traditional knowledge with IP systems based on defined ownership and commercial advantage.

The process of the claim was slow. The claim was filed in 1991. Hearings began in 1998. To focus the inquiry, a statement of issues was circulated in 2006, and the hearings were finally completed in July 2007. The report issued in July 2011, 20 years after the claim was filed.

The report consists of more than 1000 pages divided into nine chapters, and IP is covered in the first two chapters:

- Chapter 1 Taonga Works and IP; and
- Chapter 2: Genetic and Biological Resources of Taonga Species.

## What is in the Wai 262 report?

In the report entitled *Ko Aotearoa Tēnei* ("This is New Zealand"),<sup>4</sup> the Tribunal found that New Zealand's laws originate from two sources. The first source is British law, called Cook's law, and the second source is kawa and tikanga, called Kupe's law.<sup>5</sup>

The Tribunal held that our current IP law framework needed to be updated to better reflect both sources of law.

## Wai 262 and Intellectual Property: What You Need to Know

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Consequently, the Government had failed to comply with its obligations under the *Treaty of Waitangi* to ensure that kaitiaki (custodian) relationships between Māori and their *taonga* were acknowledged and protected. The Tribunal recommended that future laws, policies and practices acknowledge and respect those relationships.

In Chapter 1, the Tribunal made the following recommendations:<sup>6</sup>

- the Māori Trade Mark Advisory Committee should be disbanded and replaced by a new, expert commission with wider powers;
- the proposed commission would have three functions: adjudicative, facilitative and administrative;
- the commission should be empowered to consider all applications to register trade marks and designs that include Māori elements, and consider whether their use would be derogatory or offensive to Māori;
- in its adjudicative capacity, the commission should also hear objections about derogatory or offensive uses of Māori words and images (which could include elements and uses that fall outside realm of trade mark law, such as decorative use) and make binding decisions;
- the commission's main facilitative function would involve the establishment of best practice guidelines for the use, care, protection and custody of mātauranga Māori, taonga works, and taonga-derived works;
- the commission's administrative functions would include the establishment and maintenance of a register of kaitiaki in respect to taonga works and taonga-derived works – the register would be aimed primarily at works that have come into the public domain;
- the commission's decisions would be binding on the Commissioner of Trade Marks;
- all existing IP rights of the current rightsholders would be unaffected with one exception: the derogatory or offensive use of taonga works and taonga-derived works, either existing or in the future, should be prevented, and the commission would determine whether uses are derogatory or offensive or not;
- the future commercial uses of certain taonga works and taonga-derived works or knowledge, for which a *kaitiaki* can be identified, should be the subject of consultation with, and in some circumstances require the consent of, the relevant *kaitiaki*; and
- private and public, non-commercial use of taonga works and taonga-derived works will not be affected, unless the use is derogatory or offensive.

The Tribunal proposed that there be such a commission to protect, and give effect to, the kaitiaki relationship with

taonga works and their associated mātauranga Māori. The Tribunal said the language of the *Treaty of Waitangi* requires that kaitiaki “must have enough authority and control over their taonga works to enable them to meet the obligations and enjoy the benefits of the [kaitiaki] relationship.”<sup>7</sup>

The Tribunal said the commission would need to be multi-disciplinary and should have expertise, “at commission level” and “within the secretariat” in mātauranga Māori, IP law, commerce, science, and stewardship of taonga works and documents. The Tribunal noted that “size, structure, and budget will be for ministers and officials to work through.”<sup>8</sup>

In Chapter 2, the Tribunal made the following recommendations:<sup>9</sup>

- in relation to bioprospecting, the Department of Conservation (“DOC”) was tasked with developing a bioprospecting regime within the conservation estate, including ensuring Māori sit on the decision-making body when dealing with matters relating to the use of native flora and fauna;
- in relation to genetic modification, several proposals were made to give greater recognition to the Māori interest:
  - the Methodology Order overseen by the Environmental Risk Management Authority (“ERMA”) should be aligned with the *Hazardous Substances and New Organisms Act 1996* (“HSNO Act”);
  - section 5 of the HSNO Act should be updated to recognise and provide for the relationship between kaitiaki and their taonga species;
  - the specialist Māori committee (Ngā Kaihautū Tikanga Taiao) that advises ERMA should appoint two members to ERMA; and
  - Ngā Kaihautū should give advice when they consider an application to be relevant to Ngā Kaihautū interests.
- in relation to IP, several amendments were proposed to ensure the kaitiaki relationship with taonga species and mātauranga Māori is protected, including:
  - ensuring mātauranga Māori is a key factor when determining whether a patent application is novel or involves an inventive step;
  - establishment of a Māori Committee to advise the Commissioner of Patents about whether mātauranga Māori or taonga species have contributed in any way to the invention and whether the proposed use is consistent with or contrary to tikanga Māori;
  - the Commissioner of Patents be empowered to refuse patents that are contrary to *ordre public* as well as morality;

- the Commissioner of Patents should be required to take formal advice from the committee, and work in partnership with the committee when making patent decisions that affect the kaitiaki relationship;
- kaitiaki be able to notify their interest in a species or mātauranga Māori by way of a register;
- patent applicants should be required to disclose whether any mātauranga Māori or taonga species have contributed to the research or invention in any way;
- the *Plant Variety Rights Act* 1987 should be updated to include a power to refuse a Plant Variety Right (“PVR”) if the PVR would affect kaitiaki relationships with taonga species; and
- the introduction of a Māori advisory committee to assist the Commissioner of Patents in considering the kaitiaki relationship with taonga species.

Each of the committees included in these recommendations must also be able to assist in the preparation of adequate ethical guidelines and codes of conduct relevant to their field for use by those in research and development and in the education sector. The guidelines and codes of conduct should include guidelines on identifying when an issue arises, including to locating and engaging with kaitiaki. Universities, private research institutions, Crown Research Institutes, DOC, ERMA, and the IP Office of New Zealand would also contribute to the preparation of these guidelines and codes.

### The Crown’s response

To date, the Crown has not issued a comprehensive response to the Wai 262 claim or the recommendations in the Tribunal report. But the Crown has progressed some initiatives in line with the recommendations throughout the report. For example, the *Patents Act* 2013 introduced a new Māori Advisory Committee, which can advise the Commissioner of Patents on whether a patent is “derived from Māori traditional knowledge or from Indigenous plants or animals, and if so, whether the commercial exploitation of that invention is likely to be contrary to Māori values”.<sup>10</sup>

The Government also released *Tē Pae Tawhiti*<sup>11</sup> in August 2019, which proposed three ministerial groups to address the recommendations and issues raised in the Tribunal’s report in the following structure:

#### Kete 1: Taonga works me te Mātauranga Māori

- (a) Kaitiakitanga – How can we better enable kaitiaki to more fully exercise kaitiakitanga over taonga works and mātauranga Māori?
- (b) Protection – Should there be a new legal framework to protect taonga works and mātauranga Māori? What should it look like?

- (c) Partnership – How should we make decisions affecting taonga works and mātauranga Māori in New Zealand and who should make them?
- (d) Stewardship – How should the Crown manage taonga works and mātauranga Māori it holds? How should the Crown approach Māori data stewardship and governance issues? How can the Crown better manage its metadata to enable access to the mātauranga Māori it holds?

#### Kete 2: Taonga Species me te Mātauranga Māori

- (a) Kaitiakitanga – How can we better enable kaitiaki to more fully exercise kaitiakitanga over taonga species and mātauranga Māori?
- (b) Protection – How should we protect taonga species and mātauranga Māori? How might better information systems about taonga species and mātauranga Māori be developed?
- (c) Partnership – How should we make decisions affecting taonga species and mātauranga Māori in New Zealand and who should make them? How we might transition Māori-Crown engagement on taonga species and mātauranga Māori from a transactional, issue-by-issue approach to a relationship-based model?

#### Kete 3: Kawenata Aorere / Kaupapa Aorere

- (a) Māori interests at an international level – How should the Crown work with Māori to identify Māori interests and the nature and strength of those interests when negotiating international instruments and the nature and strength of those interests when negotiating international instruments and participating in international forums?
- (b) Engaging with Māori – How should Government agencies engage with Māori when representing New Zealand?
- (c) Māori representation – How Māori should be represented in international forums?

The breadth of the work program under the three headings extends across Government, and the structure includes a ministerial oversight group to work on any overlapping issues across the three workstreams.

Consultation on the Government’s proposal identified the following key issues for Māori:<sup>12</sup>

- (a) Māori would like some clarity on what the partnership means in practical terms, which will require some upskilling in the Crown, as well as a clear commitment from the Crown to engage with Māori throughout the Wai 262 work.
- (b) Māori would like to see an inclusive process, where the Māori-Crown partnership is reflected at all levels of the kete structure, agreements and processes in place

are honoured, and all issues that are relevant to iwi and Māori are addressed.

- (c) The mana of the original Wai 262 claim needs to be recognised and maintained, as does the importance of the kaitiaki role of the representatives of the original claimants to ensure integrity in the process.
- (d) The Crown needs to ensure that Māori have sufficient resources to be able to engage with the Crown, but also to have Māori-to-Māori conversations.
- (e) The Crown needs to ensure its approach is broad enough to support social and economic parity, and the Crown can engage on the full range of Māori and Crown interests.
- (f) The Crown needs to provide more clarity on the phasing and timeframes of the work program.

### Conclusion

The Wai 262 claim has the potential to significantly impact on not only New Zealand's IP framework, but a number of cross-cutting areas including bioprospecting, genetic modification, science, research, and education in New Zealand.

Little progress is expected for 2020 given that an election is imminent. But next year will mark the 30<sup>th</sup> anniversary of the filing of the claim and 10 years since the report was released. It is hoped that these milestones may finally see some resolutions for Māori and Aotearoa in this space.

- 1 Principal, AJ Park, Wellington.
- 2 CA 54/87 [1987] NZCA 60; [1987] 1 NZLR 641; (1987) 6 NZAR 353 (29 June 1987).
- 3 Haana Murray (Ngāti Kuri), Hema Nui a Tawhaki Witana (Te Rarawa), Te Witi McMath (Ngāti Wai), Tama Poata (Ngāti Porou), Kataraina Rimene (Ngāti Kahungunu), and John Hippolite (Ngāti Koata).
- 4 Available at <<https://waitangitribunal.govt.nz/news/ko-aotearoa-tenei-report-on-the-wai-262-claim-released/>>.
- 5 Kupe is identified as the Polynesian discoverer of New Zealand around the 1300s.
- 6 *Te Taumata Tuarua*, 99-100.
- 7 *Te Taumata Tuarua*, 824.
- 8 *Te Taumata Tuarua*, 96.
- 9 *Te Taumata Tuarua*, 210-12.
- 10 *Patents Act* 2013 s.226.
- 11 See Te Puni Kōkiri, Ministry of Māori Development, 'Wai 262: Te Pae Tawhiti' (Web Page, 21 July 2020) <<https://www.tpk.govt.nz/en/a-matou-kaupapa/wai-262-te-pae-tawhiti>>.
- 12 See Te Puni Kōkiri, Ministry of Māori Development, 'Wai 262: Te Pae Tawhiti - Targeted Engagement Report' (Web Page, 2020) <<https://www.tpk.govt.nz/en/a-matou-mohiotanga/crownmaori-relations/wai-262-te-pae-tawhiti-targeted-engagement-report>>.

# Book Review

Emeritus Professor Sam Ricketson AM<sup>1</sup>

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## *The Making Available Right: Realizing the Potential of Copyright's Dissemination Function in the Digital Age*

by Cheryl Foong

[Edward Elgar Publishing 2019 pp 320. The eBook version is priced from UK£25/AU\$46 from Google Play, ebooks.com and other eBook vendors, while in print the book can be ordered from the Edward Elgar Publishing website.]

Academic writing in law has changed immensely over the past four decades, particularly in the area of intellectual property. At the outset, all that might be reasonably expected of a good legal author was a capacity to synthesise and present a coherent account of a given topic, a task that was often challenging in the face of a mass of conflicting statutory provisions and judicial decisions. In some instances, this black letter law approach might be leavened with a dash of legal history and passing reference to surrounding economic, social and cultural circumstances – but not too much, as the reading audience were typically students, practitioners and courts, whose concerns were typically immediate and practical.

Much more today is expected of academic legal writing, which has moved to a different plateau, as legal academics must comply with the broader demands of their institutions in relation to peer review and respect within the academy (frequently a highly opinionated self-referential group), as well as the expectations of their traditional audiences. This may call for a difficult, and often precarious, balancing exercise, that requires the academic to straddle a number of other disciplines, such as philosophy, economics, statistics, and social and cultural theory, as well as law. And, even so far as “law” is concerned, it may not be enough to deal with one’s local law, but some international and comparative treatment will be required. Aspiring academics are required to be competent, if not expert, in all these fields, in addition to providing some path-breaking insights or reconceptualisations of their own in relation to their chosen topic. It is a hard ask, but overall one that Dr Cheryl Foong, the author of the present monograph, has succeeded well in meeting. Published as part of Edward Elgar’s Law, Technology and Society series, this is an elegantly executed navigation through a number of different jurisdictional and disciplinary perspectives on a topic of some practical significance, the “making available right” in copyright law.

So far as Australia is concerned, this right is less than 20 years old, and has its roots in article 8 of the World Intellectual Property Organization (“WIPO”) *Copyright Treaty 1996* (“WCT”) which, itself, was adopted only four

years previously. Although the language of the article appears reasonably clear on its face, its implementation in national law has given rise to many difficulties: in particular, what is meant by the expressions “made available” and “to the public”?

Dr Foong tackles these questions in a systematic and orderly fashion, beginning in Part I with a consideration of copyright’s history, theory and context. While her account of the history is, of necessity, brief, it is generally accurate and sets the scene in providing an understanding of the way in which copyright laws have developed in tandem with, and usually in response, to technological developments. The same is true of her treatment of the theoretical justifications for copyright, which lead her in turn to identify the two fundamental objectives of copyright law: the protection of authorship and its dissemination function. There is nothing surprising here, in that both objectives can be traced back to the Statute of Anne 1710. Nonetheless, these objectives take on a different character in the age of the internet, and Dr Foong correctly identifies that it is the second (the dissemination function) that assumes particular significance in relation to the making available right and the boundaries that are to be placed around this new exclusive right. In this regard, she draws heavily on the insights to be obtained from Timothy Wu’s conception of “copyright’s communications policy”; echoes of Schumpeter are also to be found here in her references to “creative destruction” and “disruptive technologies”, particularly when

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one considers the alternative routes by which making available (and dissemination) of copyright material may occur. In recent years, we have all been aware of the challenges posed by the act of linking and the phenomenon of cloud computing: the potential of these technologies may only have been dimly glimpsed back in 1996 at the time the WCT was adopted, and others will follow, as surely as night follows day. How to fit copyright protection appropriately within these rapidly changing modes of content generation and dissemination is a continuing puzzle for all involved in policy and law making, in particular the courts, which have to apply the law. Dr Foong is therefore correct to argue that this needs to be approached with close regard to the two objectives she identifies: the protection of authors and the dissemination of works.

In Part II, Dr Foong moves to examine the international, regional and national framework in which the making available right has been adopted and implemented. The international framework is the obvious starting point, as prior to 1996 this right had not really been articulated in any meaningful sense at the national level. While Dr Foong's treatment of the international negotiations leading up to the adoption of the WCT is generally accurate, there is still some mystery around the way in which the making available right came to be adopted in the first place, particularly within such a short timeframe. This might well be the subject of a book in its own right, but it has significant implications in relation to the question of how the right embodied in article 8, WCT, is to be interpreted and applied in national laws. Interestingly, there is no explicit support for the "umbrella solution" of Dr Ficsor<sup>2</sup> in the words of the treaty itself or in the travaux préparatoires, although this is certainly the way in which it has been interpreted subsequently at the national level, notably in the United States of America ("US"). There is an intriguing issue of treaty interpretation that arises here, and it is to be regretted that Dr Foong did not investigate this more fully (although this could be the subject of yet another monograph). However, it is of some significance that the European Union ("EU") and Australia have chosen to implement the making available right in similar terms to those in article 8 of the WCT, whereas the US has done so through reliance on a combination of existing exclusive rights, including reproduction, distribution and public performance. At the very least, this makes the task of determining the boundaries of the making available right more difficult, and drawing lessons from US jurisprudence on these issues can be problematic. Notwithstanding these difficulties, in chapter 4 Dr Foong presents a clear and comprehensive account of the way in which the making available right has been implemented in each of these jurisdictions (US, EU and Australia), together with very helpful tables that summarise these different approaches.

In Part III, Dr Foong tackles the underlying conceptual problems that arise in relation to the making available right: determining the scope of what is meant by the "public"

(chapter 5) and what is the "act" of making available (chapter 6). Her discussion is both thorough and clear, and draws upon a number of different perspectives, including the notion of a "new public" as developed in successive decisions of the Court of Justice of the European Union and that of "volition" as in the US cases, together with an interesting discussion of the issue of causation. These chapters serve well to illustrate the difficulties faced by courts in seeking to apply their different national provisions to the complexities of the changing technological environment, and how easy it is for them to lose sight of the twin objectives of copyright identified above. This then leads Dr Foong into her discussion in Part IV of "solutions and future pathways".

The ultimate answer in Dr Foong's view does not lie in further legislative reforms (although there may be a place for this in some limited form), but rather that courts need to engage in addressing these issues in a "principled" way. This requires more transparency in decision making and, as mentioned above, closer adherence to the twin objectives of author protection and dissemination. To assist in this process, she postulates an "interpretive matrix" which seeks to integrate a number of guiding principles that will bring these matters more fully into focus: these principles are labelled respectively "dissemination rivalries", "technological innovation", "consumer autonomy" and "authorship incentives". These require some elaboration, but potentially each offer courts some useful guidance, or at least timely reminders. For instance, dissemination rivalries refers to the need to interpret the making available right so as to take into account the impact on new rival disseminators and, more specifically, whether the interpretation adopted has the effect of "excluding or limiting the pressures of 'creative destruction' that would otherwise condition the competitive conduct of an incumbent disseminator". In other words, courts need to be aware that a decision to limit or prohibit alternative pathways of dissemination as a consequence of their interpretation of the scope of the making available right may lead to destructive effects on the development of competitive technologies that might otherwise make copyright material more readily available and accessible to consumers, that is, readers, viewers and listeners. This awareness then bleeds into the second and third principles of technological innovation and consumer autonomy, namely the effect that interpretations of the making available right may have on rival dissemination technologies (presumably, a good thing from the perspective of enthusiastic Schumpeterians) and on the freedom of consumers to have access to what they want. These three principles then need to be read together with the fourth principle of authorship incentives, on the basis that "[a]uthorship interests, if situated within a sustainable environment for innovative technologies and business models are more likely to foster respect for the law and encourage new opportunities for the exploitation of copyright content." Dr Foong then provides a diagram illustrating how the four principles support and feed back

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into the twin functions of authorship and dissemination which she has previously argued lie at the heart of copyright law.

No doubt, there will be judges who will gain some comfort from being able to cite an “interpretive matrix” in support of their interpretative decisions in relation to the making available right. Clearly, there is some benefit in the matrix in so far as it exposes clearly the implications and consequences of the interpretative process that courts are called upon to engage in here, in particular the effect on rival technological modes of dissemination that may otherwise be needlessly restricted or barred, the impact on consumers, and the long term effects on authorship incentives that a particular interpretation may involve. These are all salutary and important issues of which courts need to be reminded. On the other hand, it is unclear how this enhanced judicial awareness will lead courts to a particular outcome: if this is a “principled” approach, it is very much at the boundaries, and is a little like reminding someone threading their way through a minefield to be careful of stepping on the mines. At the end of the day, how are courts to weigh these competing principles – or even to formulate them, in the first place? Dr Foong proposes a process, but no clear solutions, although her fourth suggested principle provides the important insight that authorship incentives may be increased, rather than decreased, by opening up the means of dissemination rather than restricting them. It is not clear, however, that courts, in the absence of further guidance, are better placed to make these determinations than legislators; in any event, they will need something firmer to proceed upon than the proposed interpretative matrix which lacks a clear legal basis and which may be applied quite differently by different courts. Ultimately, Dr Foong’s interpretative matrix would be better placed in legislation, with an indication of the weighting that is to be given to its components. Given the flexibility inherent in the framing of article 8 of the WCT, this is certainly one approach that is available to national law and policy makers. A possible model at the local level (though by no means a perfect one) might be found in section 19 of the *Designs Act 2003* (Cth), which sets out the factors to be taken into account by the “informed user” in determining the issue of substantial similarity in relation to registered designs. In an age where objectives are more readily adopted in legislation, to say nothing of lengthy treaty preambles, there would also be no harm in including some in the *Copyright Act 1968* (Cth), starting with Dr Foong’s twin objectives of authorship protection and dissemination. This has recently occurred in relation to patents – see section 2A, *Patents Act 1990* (Cth) – and, in the case of copyright, a clear statement of objectives could assist greatly in the interpretation of provisions, such as that dealing with the making available right.

There has not been the space in this review to do full justice to the range of arguments and analysis deployed in Dr Foong’s book. The subject matter is complex, and her

coverage is both comprehensive and lucid. There is much here of benefit for readers, in particular her treatment of US and EU caselaw. And while I have some reservations, expressed above, as to the utility of her final proposals, there is a great deal here to stimulate thought and discussion about the objectives of copyright law and the way in which law reform might proceed. I therefore strongly commend her book as important background reading to everyone working in copyright law and policy making. As with all Edward Elgar publications, the hard copy version is attractively presented, with clear headings, an easy to read font and a comprehensive index.

- 1 Faculty of Law, University of Melbourne.
- 2 Dr Mihaly Ficsor, then Assistant Director General of WIPO, was the senior WIPO official responsible for the preparations for, and running of, the 1996 Diplomatic Conference in Geneva that led to adoption of the WCT and the WIPO Performances and Phonograms Treaty. He is also the author of a leading commentary on the two treaties: Mihaly Ficsor, *The Law of Copyright and the Internet: The 1996 WIPO Treaties, their Interpretation and Implementation* (Oxford University Press, 2002) in which he elaborates on the “umbrella solution” in some detail in chapters 4 and 7. The “umbrella solution” is discussed by Dr Foong at pages 625 of her monograph.

# Book Review

Dr Evana Wright<sup>1</sup>

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## *Research Handbook on Intellectual Property and Digital Technologies*

Edited by Tanya Aplin

[Edward Elgar 2020 pp. 608. The eBook version is priced from UK£48/AU\$88 from Google Play, ebooks.com and other eBook vendors, while in print the book can be ordered from the Edward Elgar Publishing website.]

Intellectual property (“IP”) plays a critical role in promoting innovation and technological development. The rapid growth of digital technologies has resulted in novel legal issues that push against the established boundaries of IP law and theory. Existing frameworks may operate to hinder technological innovation and regulation of IP rights in relation to digital technologies must operate to balance the competing interests of creators, rights owners, users and the public. The *Research Handbook on Intellectual Property and Digital Technologies*<sup>2</sup> provides a comprehensive overview of how IP rights operate in relation to specific digital technologies and, as Martin Senftleben notes in his contribution on user-generated content, how the divergent interests of stakeholders may be reconciled.<sup>3</sup>

The handbook aims to “provide a scholarly account of the relationship between particular intellectual property rights and relevant facets of digital technology, to reflect on the normative dilemmas these relationships pose and to identify potential future challenges.”<sup>4</sup> Focusing primarily on legal developments in the European Union and the United States of America (“United States”), with some limited discussion of other jurisdictions, the handbook covers a diverse range of issues arising in relation to digital technologies across 27 chapters. Edited by Tanya Aplin, the handbook is structured by IP type into four parts: Part I Copyright and Related Rights; Part II Patents and Trade Secrets; Part III – Trade Marks, Designs and Unfair Competition and Part IV Competition and Enforcement. This approach is particularly useful for readers seeking to focus on a particular area of study or practice. This review provides an overview of key contributions to the handbook across each of the parts.

Part I brings together contributions on copyright issues arising in relation to graphical user interfaces, software and gaming, data and databases, user-generated content, e-books, hyperlinks, and content streaming. In her chapter on “Database producer protection: between rights and liabilities”, Tatiana Eleni Synodinou carefully sets out an analysis of the legal issues arising out of sui generis database protections in the European Union and role of IP in regulating the distribution of information in the digital economy. Synodinou considers how database producer protections interact with contract and unfair competition laws and

observes that “a more balanced form of protection, which respects both the interests of database makers and users, could be achieved by taking some corrective measures.”<sup>5</sup> In conclusion, Synodinou identifies various options for reform of the *European Union Database Directive*, including the introduction of new exceptions and compulsory licensing.

Continuing the theme of data and the digital economy, Alain Strowel questions the characterisation of “big data” as the “new oil” in his chapter titled “Big data and data appropriation in the EU”.<sup>6</sup> Observing that data is a “much more volatile, and much less tradable, asset than oil”, Strowel engages in a review of data regulation in the European Union. This includes consideration of the numerous laws that touch upon data including copyright, database rights, competition law, the *General Data Protection Regulation*, and the *Trade Secrets Directive*. The chapter provides a comprehensive overview of data regulation in the European Union and will be particularly useful for practitioners and scholars seeking to understand this complex area of law.

Part II focuses on patents and trade secrets and contains contributions on the topics of software, business methods, artificial intelligence (“AI”) and big data, digital patent infringement, and trade secrets. The patentability of software and business methods has been debated at length and continues to be a topic of interest following the recent decision of the Federal Court of Australia in *Aristocrat Technologies Australia Pty Limited v Commissioner of Patents*

[2020] FCA 778. Accordingly, IPSANZ members may find the contributions of Matthew Fisher<sup>7</sup> and Trevor Cook<sup>8</sup> especially interesting as they provide useful overviews of approaches to patenting software and business methods in other jurisdictions such as the United Kingdom, European Union and the United States.

Ryan Abbott's chapter on AI and big data is particularly topical. It provides an insightful overview and analysis of current patent regulations dealing with computer-generated works in the United Kingdom, European Union, and the United States. This chapter assesses the policy rationale behind granting patent rights in relation to computer-generated inventions and not only addresses the question of whether such inventions should be patented but who should own such rights in the absence of contractual obligations. Abbott argues that computer-generated works should be patentable subject matter, that computers should be recognised as inventors, and that ownership of patent rights should vest in the owner of the computer as a default.<sup>9</sup>

The proposals set out in Abbott's chapter would have a profound impact on patent law. Recognising something other than a natural person as an "inventor" would challenge the theoretical justifications underpinning patent protection – that incentives are necessary to encourage innovation. Abbott is a key member of the team that made applications to the European Patent Office ("EPO") and United States Patent and Trademark Office ("USPTO") naming an artificially intelligent machine, known as "DABUS", as the inventor – applications that were refused earlier this year due to the absence of a human inventor.<sup>10</sup> Despite these decisions, the World Intellectual Property Organization, the USPTO and EPO are continuing to assess the relationship between AI and IP and the issue of AI inventorship is likely to remain a topic of debate.<sup>11</sup>

The final chapter in Part II deals with the often neglected topic of trade secret protection. In chapter 17, Sharon K Sandeen traces the history and development of the claims for the improper acquisition of trade secrets in the United States and questions whether it is "advisable to create a broad wrongful acquisition tort to protect all types of information?"<sup>12</sup> This analysis is particularly important, given the increased risk of cyber-hacking that may result in the disclosure of information that does not fall within the scope of a trade secret or breach of confidence claim.

Part III covers the topics of trade marks, designs and unfair competition as they relate to digital technologies. David Llewelyn and Prashant Reddy T discuss the relationship between metatags and trade mark law focusing on the extent to which use of a third-party trade mark as a metatag may constitute "use" for the purpose of trade mark law and hence an infringement of trade mark rights with reference to case law in Australia, Canada, Germany, India, New Zealand, the United Kingdom and the United States. The authors provide

a clear technical description of how metatags operate and the extent to which they are used by the algorithms of search engines such as Google and Bing. This technical approach is necessary to understand whether use as a metatag constitutes "use" for infringement. Importantly for practitioners, Llewelyn and Reddy query why lawyers would continue to "advise clients to sue over metatags when it has been known for more than a decade that metatags do not influence the search results of Google".<sup>13</sup> In conclusion, they caution that the "legal profession must do a better job of understanding technology."<sup>14</sup>

Like trade secrets, designs law is an often neglected field of IP. In her chapter, Dinusha Mendis analyses the interaction between designs law and 3D printing technology, in particular the extent to which registered or unregistered designs in the United Kingdom protect computer-assisted design ("CAD") files used in 3D printing.<sup>15</sup> Mendis identifies several reforms to designs law in the United Kingdom to address the issues raised by 3D printing. These reforms include clarifying the protection afforded to CAD files under designs law, reviewing provisions dealing with infringement and exceptions in light of increased personal use of 3D printing, and the introduction of mechanisms to control the reproduction and dissemination of protected CAD files online. This chapter may be of particular interest to scholars and practitioners given the recognition by IP Australia that 3D printing has the "potential to impact IPR examination and infringement in the future".<sup>16</sup>

Part IV of the handbook deals with competition and enforcement issues with digital technologies such as competition in digital markets, exhaustion of rights on digital content, enforcement in a digital context, the role of criminal sanctions in online infringement, and the use of digital tools in IP enforcement. Kimberlee Weatherall explores the interaction between domestic copyright law, general criminal law and transnational cooperation in enforcement proceedings in Australia, New Zealand, the United Kingdom and the United States. Weatherall cautions that further consideration should be given to "just how far we consider it acceptable that foreign criminal prosecutions should reach people, property and assets within our borders, and what limits ought to be applied to ensure appropriate procedural protection for residents and support local policies and values."<sup>17</sup> This will have implications for the negotiation of bilateral and plurilateral agreements in the future. In the Australian context, the Productivity Commission has already signalled that care should be taken to assess the IP policy implications of bilateral and plurilateral agreements.<sup>18</sup>

The diversity of contributions to the handbook is not limited to the topics covered. The editor is to be commended for selecting contributors from a wide range of backgrounds including junior scholars, established academics, members of the judiciary, and legal practitioners. Female scholars contribute 10 out of the 27 chapters. However, the majority

of contributions by female scholars are in the field of copyright with only one contribution from a female scholar in each of the parts covering industrial property – Parts II and III.<sup>19</sup>

The handbook provides a useful guide to IP issues arising in relation to a wide range of digital technologies. Given the focus of the book on the law in the European Union and the United States (with some limited consideration of other jurisdictions), the volume will be of practical relevance to practitioners, academics and policy makers with interest in the experience of the European Union and the United States in dealing with IP issues arising in relation to digital technologies.

- 1 Lecturer, Faculty of Law, University of Technology Sydney.
- 2 Tanya Aplin (ed), *Research Handbook on Intellectual Property and Digital Technologies* (Edward Elgar, 2020).
- 3 Martin Senftleben, 'User generated content: towards a new use privilege in EU copyright law' in Tanya Aplin (ed), *Research Handbook on Intellectual Property and Digital Technologies* (Edward Elgar, 2020) 136.
- 4 Tanya Aplin, 'Preface' in Tanya Aplin (ed), *Research Handbook on Intellectual Property and Digital Technologies* (Edward Elgar, 2020) x.
- 5 Tatiana Eleni Synodinou, 'Database producer protection: between rights and liabilities' in Tanya Aplin (ed), *Research Handbook on Intellectual Property and Digital Technologies* (Edward Elgar, 2020) 81, 106.
- 6 Alain Strowel, 'Big data and data appropriation in the EU' in Tanya Aplin (ed), *Research Handbook on Intellectual Property and Digital Technologies* (Edward Elgar, 2020) 107.
- 7 Matthew Fisher, 'Software-related inventions' in Tanya Aplin (ed), *Research Handbook on Intellectual Property and Digital Technologies* (Edward Elgar, 2020) 277.
- 8 Trevor Cook, 'The prejudice against patenting business methods' in Tanya Aplin (ed), *Research Handbook on Intellectual Property and Digital Technologies* (Edward Elgar, 2020) 302.
- 9 Ryan Abbot, 'Artificial Intelligence, big data and intellectual property: protecting computer generated works in the United Kingdom' in Tanya Aplin (ed), *Research Handbook on Intellectual Property and Digital Technologies* (Edward Elgar, 2020) 322.
- 10 See EP Patent Application No. 18 275 163, filed on 17 October 2018 (refused on 27 January 2020); EP Patent Application No. 18 275 174, filed on 7 November 2018 (refused 27 January 2020); US Patent Application No. 16/524,350, filed 29 July 2019 (denied 17 February 2020). Editors' note: decisions on the DABUS patent applications by the EPO, the USPTO and the United Kingdom IP Office are examined in the Paul Nolan article in the context of AI inventorship and patent ownership.
- 11 See WIPO, 'Artificial Intelligence and Intellectual Property' (Web Page) <[https://www.wipo.int/about-ip/en/artificial\\_intelligence/](https://www.wipo.int/about-ip/en/artificial_intelligence/)>; EPO, 'Artificial intelligence' (Web Page, 8 May 2020) <<https://www.epo.org/news-events/in-focus/ict/artificial-intelligence.html>>; USPTO, 'Artificial Intelligence' (Web Page, 27 April 2020) <<https://www.uspto.gov/initiatives/artificial-intelligence>>.
- 12 Sharon K Sandeen, 'Trade secrets, cybersecurity and the wrongful acquisition tort' in Tanya Aplin (ed), *Research Handbook on Intellectual Property and Digital Technologies* (Edward Elgar, 2020) 363.
- 13 David Llewelyn and Prashant Reddy T, 'Metatags 'using' third party trade marks on the Internet' in Tanya Aplin (ed), *Research Handbook on Intellectual Property and Digital Technologies* (Edward Elgar, 2020) 424.
- 14 David Llewelyn and Prashant Reddy T, 'Metatags 'using' third party trade marks on the Internet' in Tanya Aplin (ed), *Research Handbook on Intellectual Property and Digital Technologies* (Edward Elgar, 2020) 424.
- 15 Dinusha Mendis, 'Fit for purpose? 3D printing and the implications for designs law: opportunities and challenges' in Tanya Aplin (ed), *Research Handbook on Intellectual Property and Digital Technologies* (Edward Elgar, 2020) 445.
- 16 IP Australia, *IP Australia and the Future of Intellectual Property: Megatrends, scenarios and their strategic implications* (July 2017) 23.
- 17 Kimberlee Weatherall, 'Criminal sanctions as a tool against online infringement: national law, international treaties, transnational cooperation' in Tanya Aplin (ed), *Research Handbook on Intellectual Property and Digital Technologies* (Edward Elgar, 2020) 531, 552.
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- 19 See contributions by Sharon K Sandeen 'Out of thin air: trade secrets, cybersecurity and the wrongful acquisition tort' in Tanya Aplin (ed), *Research Handbook on Intellectual Property and Digital Technologies* (Edward Elgar, 2020) 363 and Dinusha Mendis, 'Fit for purpose? 3D printing and the implications for design law: opportunities and challenges' in Tanya Aplin (ed), *Research Handbook on Intellectual Property and Digital Technologies* (Edward Elgar, 2020) 445.

# Book Review

Genevieve Wilkinson<sup>1</sup>

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## *Dutfield and Suthersanen on Global Intellectual Property Law: Second Edition*

By Graham Dutfield and Uma Suthersanen

[Edward Elgar 2020 pp. 576. The eBook version is priced from UK£25/AU\$46 from Google Play, ebooks.com and other eBook vendors, while in print the book can be ordered from the Edward Elgar Publishing website.]

### Using *Dutfield and Suthersanen on Global Intellectual Property Law: Second Edition* to understand intellectual property issues in the COVID-19 pandemic

In a global pandemic, control over intellectual property (“IP”) rights can strongly influence access to life-saving treatments and vaccinations. Patent monopolies can incentivise the development of new pharmaceuticals. At the same time, patent rights can restrict access to pharmaceuticals. Some jurisdictions permit patent protection for methods of medical treatment, and national treatment obligations shape the scope of that protection.<sup>2</sup> Trade marks can be valuable tools for identifying counterfeit goods including pharmaceuticals and personal protective equipment (“PPE”) and restricting their movement across borders. Navigating treatment and prevention in the COVID-19 pandemic entails understanding IP laws and the constraints international law places on states to adapt these laws to best respond to the crisis.

In the second edition of their book *Dutfield and Suthersanen on Global Intellectual Property Law*, Graham Dutfield and Uma Suthersanen provide a valuable guide for understanding the international dimensions of this relationship. The updates to their earlier work reflect significant changes to IP protection, including the increasing relevance of bilateral and regional trade agreements.<sup>3</sup> This book is an important tool for navigating a field of law that is strongly influenced by international law but continues to rely on national systems of protection using national treatment principles. The authors achieve this by clearly and concisely explaining global standards for protection then using examples from different jurisdictions to explain how domestic protection systems operate for copyright, patents, trade marks, designs, geographical indications, plant IP and utility models and innovation patents. Dutfield and Suthersanen give valuable and detailed insight on approaches to protection in both the European Union (“EU”) and the United States of America (“United States”). These are jurisdictions where clients will often prioritise IP protection and the accessible explanations of these IP systems will be useful for practitioners whose clients want to develop and maintain international IP protection. *Dutfield and Suthersanen on Global Intellectual Property Law* will also be valuable for practitioners interested in contemporary thematic issues impacting IP protection such as health, traditional knowledge, human rights and

networked technology. Although the book was completed before the COVID-19 pandemic emerged, its attention to these thematic issues means that the book is a valuable guide for understanding the COVID-19 pandemic and is likely to be useful in navigating future global issues where innovation is important.

The attention given to the role of IP in the COVID-19 pandemic by institutions including the World Health Organization illustrates a central theme in the book that IP is important in global society.<sup>4</sup> In the first chapter, “Globalisation, law and development”, the authors recognise the different impacts of globalisation and the way that local IP laws of powerful countries can become globally enforceable standards resulting in “globalised localism”.<sup>5</sup> However, the authors argue that less powerful states will benefit from working within the global system to craft locally appropriate IP laws, characterising this as “localised globalism”.<sup>6</sup> As the COVID-19 pandemic continues to impact states in diverse ways at different times, local IP differences may have significant impacts on the capacity of states to address their circumstances. In one state, methods of medical treatment of the virus may be patentable, and this could restrict the use of innovative treatment, while another may exclude methods for treatment of the human body from patentability.<sup>7</sup> The authors provide the global context for these local laws in the

first part of the book, “Intellectual Property As Globalised Localism”, analysing issues of international governance, globalisation and development as well as explaining the pluralistic nature of justifications for IP law. Explanations of labour theory, economic rationales and natural rights as justifications for IP that have different importance around the world are clear and readable in the chapter “Justifying intellectual property”, reflective of the style employed throughout the book.<sup>8</sup>

The second part of the book, “Creating and Branding”, explains the key standards relevant to IP protection for a range of subject matter, including copyright, patents, trade marks, designs, geographical indications, plant IP, utility models and innovation patents. Building on their explanation of explain of key international agreements such as TRIPS, the *Berne Convention for the Protection of Literary and Artistic Works*<sup>9</sup> and the *Paris Convention for the Protection of Industrial Property*<sup>10</sup> in “International governance of intellectual property law”, the authors address specific subject matter with reference to domestic examples. Examples of local IP laws from the EU, United Kingdom (“UK”) and United States are frequently used. There is also reference to Australia, Canada and other common law countries but limited reference to emerging economies in this part of the book. The level of detail provided in this part of the book is understandably restricted – the book is already more than 500 pages long.

Along with copyright, patent law receives significant attention in the book, reflecting the authors’ significant expertise in these fields. The detailed explanation of patent law in “Patents” is particularly useful for understanding patent protection for pharmaceuticals in American and European jurisdictions. This will be relevant for COVID-19 treatments and vaccinations where patent protection applies.

Other types of IP considered in the second part of the book are also useful for navigating IP issues emerging in the pandemic. Trade marks can be important tools for detecting counterfeit goods and Interpol links the pandemic to increased seizures of counterfeit pharmaceuticals and PPE.<sup>11</sup> Although the authors recognise the emphasis that TRIPS places on enforcement provisions related to counterfeiting and piracy, the book does not canvas the important and problematic issue of IP enforcement in depth. Enforcement is a particularly important issue in the pandemic, where problems with the effectiveness of counterfeit PPE can have severe impacts on health workers and the capacity of public health systems to manage the pandemic effectively. Designs law may also be relevant, as 3D printing can aid in production of PPE like face shields. Given the small number of designs law cases decided in Australia, the overview of cases from the UK, EU and the United States provided in “Designs” contains useful information for practitioners seeking assistance from international decisions.

The final part of the book, “Shifting Contours”, provides diverse examples from developed and emerging economies to explore tensions between IP rights and other societal interests including health. The health chapter is particularly useful when considering the relationship between IP and COVID-19. Overall, the book provides a useful guide to several related issues that emerge from the pandemic. These issues include the scope and nature of patent protection, compulsory licensing mechanisms and justifications for IP protection. The chapter “International governance of intellectual property” provides useful context for the reader. The explanation of development issues related to global IP in “Globalisation, law and development” is valuable as the pandemic exacerbates development divides.

Pharmaceuticals have already played an important role in treatment of COVID-19. “Health” explains the way that using existing treatments to address new diseases may permit developers to meet patentability thresholds for this new use. The book identifies different approaches to these issues in the European Union, Canada, United States and India. The way that states approach this issue could be particularly relevant in the pandemic where treatment may make new uses of existing invention. For example, the Australian Government has recently fast-tracked provisional approval for the use of remdesivir as a treatment option for COVID-19 in adults and adolescent patients that are suffering severe COVID-19 symptoms.<sup>12</sup> Remdesivir was originally developed for treatment of Filoviridae virus infections such as Ebola.<sup>13</sup>

Compulsory licensing may be a valuable mechanism in emergencies such as the COVID-19 pandemic so that states can facilitate domestic manufacture of patent-protected products where supply is inadequate and royalties are paid to the patent owner.<sup>14</sup> The authors recognise that countries can use the compulsory licensing mechanism found in TRIPS article 31 directly and indirectly. For example, the United States Government used its forced licensing mechanisms to negotiate with Bayer to reduce the price of Cipro (ciprofloxacin) in the Anthrax crisis.<sup>15</sup> The analysis of compulsory licensing in the authors’ health chapter should be a particularly useful aid to understanding how to address problems of supply in the pandemic: a problem that limited supply of remdesivir has already highlighted.<sup>16</sup> However, not all states will be able to use this mechanism as article 31 only permits domestic production. Recognising the limitations of the domestic production requirement in article 31 for access to medicines, World Trade Organization (“WTO”) members agreed to introduce an additional compulsory licensing mechanism. The mechanism found in article 31 *bis* of TRIPS is intended to assist emerging economies who lack the technical capacity to domestically manufacture pharmaceuticals.<sup>17</sup> The authors identify serious problems with the effectiveness of this additional compulsory licensing mechanism and argue that bilateral and multilateral free trade agreements further undermine these multilateral attempts to

support access.<sup>18</sup> Historical low uptake of the mechanism in emerging economies suggests that this mechanism may not be the vehicle that facilitates effective access to medicines in the COVID-19 pandemic.<sup>19</sup>

The book's critique of the effectiveness of compulsory licensing in permitting access to medicine is important for understanding that the way IP might be used to protect a COVID-19 vaccine remains uncertain. Globally, different parties are developing diverse vaccine candidates, and states are supporting vaccine development and attempting to secure doses of the vaccine in return for the partnership. The book recognises the value of ongoing alternative attempts to incentivise pharmaceutical innovation<sup>20</sup> and the significant impact of the COVID-19 pandemic on health and economies may influence further innovative approaches to improving access to medicines. For example, the "Access to COVID-19 Tools (ACT) Accelerator" is a global purchasing pool created by global health and private sector organisations aiming to both accelerate the development and manufacture of COVID-19 vaccines and "guarantee fair and equitable access for every country in the world."<sup>21</sup> Other innovations include an Open COVID Pledge that encourages companies to participate in an open patent pool to make knowledge that patents and copyrights might protect freely available.<sup>22</sup> The different approaches to exploiting IP monopolies that are likely to be adopted by different vaccine developers could demonstrate the range of approaches available for balancing incentives to innovate with public access to science and knowledge. Some of the features that contribute to the cost of a pharmaceutical, including different trials in different countries may be also reduced as a result of multilateral cooperation during the pandemic.

Could the importance of access to pharmaceuticals in the COVID-19 pandemic prompt change to global IP norms? Dutfield and Suthersanen clearly recognise the human rights obligations of states in questions of access to medicines.<sup>23</sup> Yet IP laws and human rights laws remain separate in international law. The book's chapter "Human rights and intellectual property" appropriately recognises the importance of TRIPS articles 7 and 8 in navigating the relationship, characterising them as they first provisions in international IP instruments which have "clear socio-economic objectives and policies".<sup>24</sup> The recent WTO Appellate Body decision in *Australia Tobacco Plain Packaging* further demonstrates the relevance of articles 7 and 8 to interpretation of TRIPS.<sup>25</sup> This may be useful for improving systemic integration of IP and human rights.<sup>26</sup> The determination of the Appellate Body that TRIPS permits states domestic regulatory autonomy to protect societal interests including public health<sup>27</sup> will also be valuable for states who wish to use the localised globalism approach advocated by the authors and limit IP owner rights to protect health interests in the COVID-19 pandemic.

If Article 7 and 8 do "carve out a human rights mandate by providing a neat linkage between IPRs and public health, nutrition, education, environment, innovation and development"<sup>28</sup> then it may be necessary to consider how innovation generated in response to COVID-19 beyond pharmaceuticals and medical devices implicate a range of human rights. Innovations that facilitate effective social distancing in environments like schools may support the right to education. Intersections between innovation and human rights may influence the way that states manage monopolies associated with such innovations, justifying the use of mechanisms such as compulsory licensing by states. The book provides a useful overview of the key human rights protecting authors and inventors. It also introduces readers to other relevant rights to property, including rights to culture and Indigenous rights. The analysis of these rights does not propose a model for reconciling the broader relationship between IP and human rights but provides insightful analysis of specific issues such as the value of human rights law in formulating protection for traditional and local knowledge rights.<sup>29</sup>

The three different parts of the book give readers valuable insight into weighty questions about the implications of adapting international obligations so that IP can be more beneficial to social welfare in a pandemic. The clear explanation of what is patentable helps readers to understand that many pharmaceuticals used in treatment or vaccination for COVID-19 are likely to be eligible for patent protection. The authors also identify important problems with compulsory licensing, the main mechanism to limit patent monopolies. The explanation of the relationship between IP and human rights in the book makes it clear that if the IP system limits health protection in the COVID-19 pandemic, this will engage human rights obligations. TRIPS articles 7 and 8 may permit greater systemic integration between IP and human rights but do not yet provide a clear path to resolving differences between these areas of international law. Importantly, IP continues to provide incentives for innovations in health that may result in important tools to fight COVID-19, if the flexibilities of TRIPS that permit access to innovation in times of emergency operate effectively. The COVID-19 pandemic may force change by demonstrating that compulsory licensing needs to be used more robustly. It may also highlight the importance of alternative incentives for innovations where this has great significance for important societal interests such as health.

Overall, *Dutfield and Suthersanen on Global Intellectual Property Law* is highly relevant for readers who are interested in the global dimensions of IP protection. The authors combine accessible explanations of IP protection in other jurisdictions with expert analysis of contemporary IP concerns. These insights enable readers to navigate new issues where IP protection is important such as the COVID-19

## Book Review: *Dutfield and Suthersanen on Global Intellectual Property Law: Second Edition*

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pandemic. The thoughtful and clear explanations of global IP structures and identification of important societal interests engaged by IP will be of great value for scholars, practitioners and policymakers as the international legal order continues to adapt to change.

- 1 Lecturer, University of Technology Sydney and Barrister. Thanks to Dr Evana Wright for her insightful comments on an earlier version of this review.
- 2 *Marrakesh Agreement Establishing the World Trade Organization*, opened for signature 15 April 1994, 1867 UNTS 3 (entered into force 1 January 1995) annex 1C (*Agreement on Trade-Related Aspects of Intellectual Property Rights* ("TRIPS")) art. 27.3(a) permits exceptions to the basic rule on patentability for diagnostic, therapeutic and surgical methods for the treatment of humans or animals.
- 3 Graham Dutfield and Uma Suthersanen, *Dutfield and Suthersanen on Global Intellectual Property Law* (Edward Elgar, 2<sup>nd</sup> ed, 2020) 72-73.
- 4 World Health Assembly, COVID-19 response, 19 May 2020, WHA73.1 <[https://apps.who.int/gb/ebwha/pdf\\_files/WHA73/A73\\_R1-en.pdf](https://apps.who.int/gb/ebwha/pdf_files/WHA73/A73_R1-en.pdf)>.
- 5 Graham Dutfield and Uma Suthersanen, *Dutfield and Suthersanen on Global Intellectual Property Law* (Edward Elgar, 2<sup>nd</sup> ed, 2020) 3.
- 6 Graham Dutfield and Uma Suthersanen, *Dutfield and Suthersanen on Global Intellectual Property Law* (Edward Elgar, 2<sup>nd</sup> ed, 2020) 3.
- 7 In Australia, methods of medical treatment are patentable: *Apotex Pty Ltd v Sanofi-Aventis Australia Pty Ltd* [2013] HCA 50 [44] per French CJ, [282] per Crennan and Kiefel JJ, [314] per Gageler J.
- 8 Amy Kapczynski, Paul Biddinger and Rochelle Walenski, 'Remdesivir Could Be in Short Supply. Here's a fix.' *New York Times* (Opinion, 28 July 2020) <<https://www.nytimes.com/2020/07/28/opinion/remdesivir-shortage-coronavirus.html>>.
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- 10 *Paris Convention for the Protection of Industrial Property*, opened for signature 14 July 1967, 828 UNTS 305 (entered into force 26 April 1970).
- 11 Interpol, *Global Operation sees a Rise in Fake Medical Products related to COVID-19* (Web Page, 19 March 2020), <<https://www.interpol.int/News-and-Events/News/2020/Global-operation-sees-a-rise-in-fake-medical-products-related-to-COVID-19>>.
- 12 *Therapeutic Goods (Medicines—Remdesivir) (COVID-19 Emergency) Exemption 2020* (Cth); Therapeutic Goods Administration, 'Australia's first COVID treatment approved' (Media Release 10 July 2020) <<https://www.tga.gov.au/media-release/australias-first-covid-treatment-approved>>.
- 13 US Patent No 9724360, filed on 29 October 2015 (issued on 8 August 2017) <<http://patft.uspto.gov/netacgi/nph-Parser?d=PALL&p=1&u=/netacgi/PTO/srchnum.htm&r=1&f=G&l=50&s1=9724360.PN.&OS=PN/9724360&RS=PN/9724360>>.
- 14 *TRIPS* art. 31.
- 15 Graham Dutfield and Uma Suthersanen, *Dutfield and Suthersanen on Global Intellectual Property Law* (Edward Elgar, 2<sup>nd</sup> ed, 2020) 407.
- 16 Amy Kapczynski, Paul Biddinger and Rochelle Walenski, 'Remdesivir Could Be in Short Supply. Here's a fix.' *New York Times* (Opinion, 28 July 2020) <<https://www.nytimes.com/2020/07/28/opinion/remdesivir-shortage-coronavirus.html>>.
- 17 Graham Dutfield and Uma Suthersanen, *Dutfield and Suthersanen on Global Intellectual Property Law* (Edward Elgar, 2<sup>nd</sup> ed, 2020) 406-410.
- 18 Graham Dutfield and Uma Suthersanen, *Dutfield and Suthersanen on Global Intellectual Property Law* (Edward Elgar, 2<sup>nd</sup> ed, 2020) 410.
- 19 Graham Dutfield and Uma Suthersanen, *Dutfield and Suthersanen on Global Intellectual Property Law* (Edward Elgar, 2<sup>nd</sup> ed, 2020) 410.
- 20 Graham Dutfield and Uma Suthersanen, *Dutfield and Suthersanen on Global Intellectual Property Law* (Edward Elgar, 2<sup>nd</sup> ed, 2020) 380.
- 21 World Health Organization, 'More than 150 countries engaged in COVID-19 vaccine global access facility' (Media Release, 15 July 2020) <<https://www.who.int/news-room/detail/15-07-2020-more-than-150-countries-engaged-in-covid-19-vaccine-global-access-facility>>.
- 22 Open COVID Pledge 'Let's share intellectual property to fight COVID-19' <<https://opencovidpledge.org/>>.
- 23 Graham Dutfield and Uma Suthersanen, *Dutfield and Suthersanen on Global Intellectual Property Law* (Edward Elgar, 2<sup>nd</sup> ed, 2020) 346.
- 24 Graham Dutfield and Uma Suthersanen, *Dutfield and Suthersanen on Global Intellectual Property Law* (Edward Elgar, 2<sup>nd</sup> ed, 2020) 335.
- 25 Appeal Report, *Australia – Certain Measures Concerning Trademarks, Geographical Indications and Other Plain Packaging Requirements Applicable to Tobacco Products and Packaging* (WTO Doc WT/DS435/R, WT/DS441/R (9 June 2020)) (*Appeal Report*).
- 26 See Genevieve Wilkinson, 'Tobacco plain packaging, human rights and the object and purpose of international trade mark protection' in Susy Frankel (ed) *The Object and Purpose of Intellectual Property* (Edward Elgar, 2019) 212-16.
- 27 *Appeal Report* [6.647].
- 28 Graham Dutfield and Uma Suthersanen, *Dutfield and Suthersanen on Global Intellectual Property Law* (Edward Elgar, 2<sup>nd</sup> ed, 2020) 336.
- 29 Graham Dutfield and Uma Suthersanen, *Dutfield and Suthersanen on Global Intellectual Property Law* (Edward Elgar, 2<sup>nd</sup> ed, 2020) 348.



# 34th IPSANZ Annual Conference

## 10-12 September 2021

The 34th Annual Conference of the Intellectual Property Society of Australia and New Zealand Inc. is scheduled to be hosted at the Park Hyatt Melbourne, Australia over the weekend 10 – 12 September 2021.

### Friday

2:00 pm – 6:00 pm      Registration  
6:00 pm – 8:00 pm      President's Welcome Drinks

### Saturday

8:30 am – 9:00 am      Registration  
9:00 am – 5:30 pm      Conference Sessions  
6:30 pm – 10:30 pm      President's Dinner

### Sunday

9:00 am – 12:30 pm      Conference Sessions  
12:30 pm – 2:00 pm      Lunch  
2:00 pm                      Close

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# Expressions of Interest

are invited from IP lawyers and writers

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

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

## Some of those who have been profiled include:

### Leading IP Judges –

Chief Justice James Allsop AO  
Justice Arthur Emmett AO  
Justice Andrew Greenwood  
Justice Susan Kenny  
Justice David Harper AM  
Justice John Middleton  
Justice Brendan Brown  
Justice Stephen Burley  
Justice David Yates  
Judge Julia Baird  
Former Chief Justice Robert French AC  
Former Justice William Gummow AC QC  
Former Justice Michael Kirby AC CMG  
Former Justice Ian Callinan AC QC  
Former Justice Susan Crennan AC QC  
Former Justice Dr Kevin Lindgren AM QC  
Former Justice Peter Heerey AM QC  
Former Justice Catherine Branson AC QC  
Former Justice Kenneth Raphael  
Former Justice Dr Annabelle Bennett AC SC  
The late Rt. Hon. Sir Thomas Munro Gault KNZM QC  
The late former Justice Ian Sheppard AO QC  
The late former Justice Alan Goldberg AO QC

### Leading IP Lawyers –

The late Dr John McLaren Emmerson QC  
Andrew Brown QC  
John Katz QC  
David Shavin QC  
Clive Elliott QC  
Angela Bowne SC  
Anthony Franklin SC  
Barry Hess QC  
Katrina Howard SC  
Jack Hodder SC  
Ross Macaw QC  
Brian Kewley  
Des Ryan AM  
Ann Dufty  
Stephen Stern  
Delia Browne  
Dr Terri Janke  
Jim Dwyer OAM  
Katrina Rathie  
Jane Owen  
Benny Browne

Yves Hazan  
Kristin Stammer  
The late Kathryn Everett  
Adam Liberman  
Scott Bouvier  
Wayne McMaster  
Keith Callinan  
The late Margaret Doucas  
Bernadette Jew

### Leading IP Academics –

The late Professor James Lahore  
Emeritus Professor Sam Ricketson AM  
Professor Michael Blakeney  
Professor Kathy Bowrey  
Professor Megan Richardson  
Professor Kimberlee Weatherall  
Dr Francis Gurry  
Dr Christopher Kendall  
Dr Robert Dean  
Professor Andrew Christie  
Professor Natalie Stoianoff  
Professor Graeme Austin  
Professor Susy Frankel

### Leading IP Players –

Emeritus Professor Sir Gustav Nossal AC CBE  
Professor Adrienne Clarke AC  
Professor John Mills AO  
Daryl Williams AM QC  
Frank Moorhouse AM  
Tamara Winikoff OAM  
Rhonda Steele  
Kathy Bail  
Kim Williams AM  
Emeritus Professor Ron McCallum AO  
Anna Funder  
Dr Charlie Day

Initial enquiries or expressions of interest to contribute a Profile are most welcome, and may be directed to:

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# Current Developments — Australia

## IP AUSTRALIA

Roseanne Mannion and Martin Friedgut  
Spruson & Ferguson

### COVID-19 Initiatives

IP Australia will continue to waive fees for various extensions of time for those affected by COVID-19 until at least 31 August 2020. An extension of time of up to three months is available and is free of charge. The usual fee is now waived automatically in eServices. This arrangement applies to most patents, trade marks, and designs extension of time requests. It does not apply to extensions of time for payment of renewal fees. If this arrangement is to cease, IP Australia will provide at least one week's notice.

In addition, IP Australia has launched the Trade Mark COVID-19 Helpline, a free support and assistance service for small and medium enterprises ("SMEs") that have been affected by the COVID-19 pandemic and want information about the options available to register trade marks. It is aimed at businesses which have changed or expanded their businesses due to COVID-19. Businesses will be put in touch with a Trade Mark Examiner who will provide factual information about the trade mark system and how to seek registration for new goods and services in a new application.

### Launch of the SME Portal

IP Australia has launched a SME Portal to provide patent tools, resources and information to small and medium enterprises. Applicants can connect with personnel at IP Australia to discuss any stage of the patent process through the Portal and also access the SME Fast Track expedited examination service. The Portal also provides tools such as "Portfolio View" where details of applicants' trade marks and patents can be accessed easily, information about Austrade services and the Australian Government's "Entrepreneurs' Programme". The Portal can be found on IP Australia's website.

### Public Consultation – Designs

The exposure drafts of the *Designs Amendment (Advisory Council on Intellectual Property Response) Bill 2020* and the *Designs Amendment (Advisory Council on Intellectual Property Response) Regulations 2020* are open to public consultation until 28 August 2020.

The draft legislation proposed the following amendments to the *Designs Act 2003* (Cth) ("Designs Act"):

- new 12-month grace period for inadvertent disclosures made prior to filing;
- expanding the existing limited prior user defences;

- removing the publication option and making registration automatic after six months of filing to simply the design registration process;
- giving exclusive licensees legal standing to sue for infringement in line with other IP rights; and
- a number of technical improvements to the Designs Act.

IP Australia is also developing a new online filing system to smooth out the application process, improving access to information about designs on its website and exploring additional reform measures resulting from the Designs Review Project earlier this year.<sup>1</sup>

Consultations may be submitted via IP Australia's website.

### Changes in *Patent Cooperation Treaty* ("PCT")<sup>2</sup> fees

In accordance with the directives adopted by the PCT Assembly at its Fortieth Session (held from 22 September to 1 October 2009), new equivalent amounts in AUD will be established with effect from 1 August 2020, as follows:

#### *International PCT Fees*

1. Transmittal Fee: \$200
2. International Search Fee: \$2200
3. International Filing Fee: \$2150

If the application contains 30 pages or less including the request form

E-filing reductions

Electronic filings filed in PDF format via ePCT: \$323

Electronic filings filed in XML format via ePCT: \$485

PLUS

For each page in the application in excess of 30 sheets: \$24

4. Cost of Preparing Certified Copy of Basic Document: \$50 per document
5. Copies of Specifications cited in the International Search Report: \$50 per copy

#### *International Preliminary Examination Fees*

1. International Preliminary Examination Fee  
If the International Search was performed by IP Australia: \$590  
If the International Search was not conducted by IP Australia: \$820
2. International Preliminary Handling Fee: \$323  
Total if Search performed by IP Australia: \$913  
Total if Search not performed by IP Australia: \$1143

1 Editors' Note: The designs review and some of the reforms IP Australia is undertaking in response to its findings are examined in the Michael Campbell and Lana Halperin article.

2 PCT, opened for signature 19 June 1970, 1160 UNTS 231 (entered into force 24 January 1978).

**Peter Heerey AM QC**  
Barrister

***Defteros v Google LLC***

**[2020] VSC 219**

**(30 April 2020)**

Mr George Defteros is a solicitor specialising in criminal law. He acted for a number of defendants to criminal charges arising out of Melbourne's Gangland wars of the 1980s and 1990s.

He sued Google LLC for defamation arising out the results of searches made available by Google's search engine.

In essence, Mr Defteros argued that the publications conveyed the defamatory meaning that he had become a friend and confidant of his criminal clients.

The judgment of Justice Melinda Richards in the Supreme Court of Victoria is an admirably lucid and well-structured analysis of a host of legal and factual issues.

Understandably, the bulk of the judgment is concerned with defamation law. However, there are questions of liability for publication via search engines which may arise in an IP context, for example in copyright.

Google argued that it could not be liable because its search engine is fully automated and does not intend the communication of any particular words or images, including any third party web page to which a user might navigate.

Her Honour, citing a number of recent authorities, rejected this argument. She held, at [40], that the Google search engine is not a passive tool. It is designed by humans who work for Google to operate in the way it does, and in such a way that identified objectionable content can be removed, by human intervention, from the search results that Google displays to a user.

No doubt, Google is working toward a completely artificial intelligence run algorithm which might defeat such claims in the future. The best it can hope for until then is to trust in the fact that defamation laws vary greatly from country to country and indeed may not exist in some nations, at all.

In the days of the Soviet Union the Vice-President of the Australian Journalists' Association, now the Media, Entertainment & Arts Alliance, said that the press in that country was more free because of the absence of defamation law. This drew the warm support of an obscure, penniless poet as follows (for context, the late Neil McPhee QC and Jeremy Ruskin QC were prominent defamation barristers, and *Gatley on Libel and Slander* is the standard text on the subject):

In many lands the tyrant's yoke  
Has long oppressed his luckless folk.

Arrest, and jail, and execution,  
Parliamentary dissolution,  
Of Human Rights have not a jot:  
That's life with Stalin or Pol Pot.  
But where the rule's undemocratic  
And freedom is at best erratic  
The saving grace of such a nation  
Is law that's free of defamation.  
There's naught of libel, still less slander,  
In places like Amin's Uganda.  
However cruel an autocrat  
It must be consolation that  
His populace will never see  
A pleading settled by McPhee.  
And torture may be grim and gory  
But Ruskin's interrogatory  
Will not oppress with style vexatious  
And show of learning ostentatious.  
So one might think, it's said quite flatly,  
You're better off with Marx than Gatley.

**Claire Gregg, Michael Caine, Miriam Zanker and Courtney White**

Davies Collison Cave

**Full Court rejects “mental element” test in construction of Swiss-style claims: *Mylan Health Pty Ltd v Sun Pharma ANZ Pty Ltd* [2020] FCAFC 116 (3 July 2020)**

In the recent decision by the Full Federal Court of Australia (the “Full Court”) in *Mylan Health Pty Ltd v Sun Pharma ANZ Pty Ltd* [2020] FCAFC 116, an enlarged five-Judge bench unanimously rejected Mylan’s appeal against Justice Nicholas’ findings that three of its Australian Lipidil (fenofibrate) patents were invalid, and therefore could not be infringed by Sun Pharma’s proposed generic fenofibrate formulations.

In a key aspect of the decision, the Full Court rejected the “mental element” test for infringement of Swiss-style claims. Rather, the relevant question was whether the medicament is *for* the specified therapeutic purpose, which involves consideration of a variety of factors.

### ***Mylan’s fenofibrate patents and formulations***

Mylan was the licensee of the following patents relating to its fenofibrate products (collectively, the “Mylan Patents”), which it had sold in Australia under the name Lipidil:

- Patent No. 2006313711 (the “711 Patent”), which related to the manufacture of a medicament comprising fenofibrate to prevent/treat retinal damage arising from diabetic complications (i.e., Swiss-style claims);
- Patent No. 2003301807 (the “807 Patent”), which broadly related to nanoparticulate fenofibrate formulations, and the use of surface-stabiliser compounds to prevent agglomeration (clumping) of such formulations; and
- Patent No. 731964 (the “964 Patent”) which provided an immediate-release, micronised fenofibrate composition.

In April 2016, Mylan commenced proceedings against Sun Pharma (formerly Ranbaxy Australia) alleging that its proposed launch of generic fenofibrate products threatened to infringe each of the Mylan Patents. Sun Pharma denied infringement and argued that the patents were invalid on various grounds, including lack of novelty and inventive step.

### ***The alleged infringement***

The Swiss-style claim ultimately at issue before the Full Court related to the use of fenofibrate for the manufacture of a medicament for the prevention and/or treatment of retinopathy, in particular diabetic retinopathy, in specific dosages (claim 5 of the 711 Patent). Relevantly, the indications listed in the Product Information (“PI”) for Lipidil on the Australian Register of Therapeutic Goods (“ARTG”) included diabetic retinopathy.

Mylan alleged that Sun Pharma threatened to infringe claim 5 of the 711 Patent by listing its own fenofibrate products on the ARTG (the “Ranbaxy Products”), the PI for which stated that they are bioequivalent to Lipidil. However, diabetic retinopathy was not included among the indications listed in the PI for the Ranbaxy Products, which was amended during the course of proceedings to specify hypercholesterolaemia, various types of dyslipidaemia and dyslipidaemia associated with type two diabetes, as the only indications.

### ***Validity***

At first instance, Nicholas J held that all three Mylan Patents were invalid. In summary, his Honour held that:

- the 711 Patent was invalid for want of novelty and inventive step, and that Mylan had not established threatened infringement;
- the 807 Patent lacked an inventive step; and
- some claims of the 964 Patent were invalid, and he was not satisfied that Mylan had established its case on threatened infringement for the other relevant (valid) claims.

The findings of Nicholas J in relation to validity were upheld on appeal. In particular, in relation to the 711 Patent, the Full Court confirmed that “reasoned hypotheses” in relation to the outcome of the clinical trial, as well as double-blind clinical trials (in which neither the investigator nor the patient knew whether they were receiving the active agent or a placebo), published before the priority date of a patent may anticipate method of treatment claims.<sup>1</sup> Moreover, an invention will generally be obvious if a skilled person would be directly led to try it in the expectation that it might well produce a useful result, even if the result or outcome is not certain.

Although the invalidity of the Swiss-style claim at issue was affirmed on appeal, the Full Court nonetheless provided useful guidance on how a Swiss-style claim may be infringed.

### ***Infringement of Swiss-style claims***

A Swiss-style claim typically takes the form “Use of [substance X] in the manufacture of a medicament for the treatment of [condition Y]”, the patentability of which frequently arises from the discovery of a new therapeutic use for a known substance. The use of the medicament as it emerges as a product of the manufacturing process for this therapeutic indication, and this indication alone, defines the monopoly of a Swiss-style claim.

While Swiss-style claims emerged in Europe to address specific patentability requirements under a previous iteration of the *European Patent Convention*, they have been widely embraced in Australia as providing an avenue for recourse against manufacturers of a competing pharmaceutical products, including products manufactured overseas and

imported into Australia. This contrasts with method of medical treatment claims, which are directly infringed by administration of the relevant pharmaceutical product.

### *The “mental element” test*

At first instance, Nicholas J considered that a Swiss-style claim imports a “mental element” with respect to the manufacturer’s intention.<sup>2</sup> Thus, the relevant question in determining whether the Ranbaxy Products infringed the relevant Swiss-style claims (including claim 5 of the 711 Patent) was whether the manufacturer of the Ranbaxy Products objectively intended them to be used for the treatment of retinopathy (particularly diabetic retinopathy).

According to Nicholas J, the relevant factors to be taken into consideration in ascertaining the manufacturer’s objective intention include the PI and any product labelling, as well as the nature, size and other pertinent characteristics of the market into which the product is to be sold.<sup>3</sup> However, His Honour held that there was no threatened infringement of Mylan’s Swiss-style claims because insufficient evidence was provided to establish the objective intention of the manufacturer of the Ranbaxy Products.

In contrast, Nicholas J found that the corresponding method of treatment claims were indirectly infringed because it was reasonably foreseeable that a significant portion of the Ranbaxy Products would be used by medical practitioners for treating the same indications as Lipidil.<sup>4</sup>

### *The Full Court decision*

Mylan appealed the first instance decision on the basis that, inter alia, the primary Judge erred in finding that Swiss-style claims import a “mental element” on the part of the manufacturer of the relevant medicament. Mylan also contended that the primary Judge’s finding of non-infringement of the Swiss-style claims was inconsistent with the finding of infringement in relation to the method of treatment claims.

The Full Court agreed that the proper construction of Swiss-style claims does not involve the addition of a further essential feature, namely, the manufacturer’s objective intention.<sup>5</sup> Rather, the relevant question when assessing infringement of Swiss-style claims is whether the medicament is *for* the specified therapeutic purpose.<sup>6</sup> The answer to this question involves consideration of a variety of factors depending on the specific circumstances of the case, no single one of which is determinative of infringement. The factors that may be taken into account include:<sup>7</sup>

- (a) the manufacturer’s intention in producing the medicament;
- (b) the physical characteristics of the medicament (e.g., its formulation and dosage);

- (c) the packaging, labelling and PI for the medicament; and
- (d) the reasonably foreseeable use(s) to which the medicament would be put after its manufacture.

Although the PI for the Ranbaxy Products specified that it is bioequivalent to Lipidil, the evidence established that there was a substantial therapeutic use for the Ranbaxy Products in the treatment of the various disorders listed in the amended PI. Further, while the PI for the Ranbaxy Products did not disclaim their use in the treatment of diabetic retinopathy, this was not considered proof that the medicament is *for* that use.<sup>8</sup>

The Full Court did not consider that the facts pointed persuasively to a conclusion that the Ranbaxy Products are medicaments *for* the treatment of retinopathy (particularly diabetic retinopathy).<sup>9</sup> The Full Court also recognised that a different conclusion may have been reached under European law, which it said, unlike Australian law, treats “Swiss-style” and other purpose-limited claims as *requiring* the achievement of the claimed therapeutic effect, rather than simply the administration of the claimed drug *for the purposes* of the claimed therapeutic end.<sup>10</sup>

Further, the Full Court rejected Mylan’s submission that the primary Judge’s findings in relation to Swiss-style and method of treatment claims were inconsistent, stating that different considerations inform the question of infringement in each case.<sup>11</sup> Accordingly, this decision highlights the importance of including corresponding Swiss-style and method of treatment claims in Australia to provide the broadest scope of protection against potential infringers.

### **Flagrant copyright infringement: *Boomerang Investments Pty Ltd v Padgett (Liability)* [2020] FCA 535 (24 April 2020)**

*Boomerang Investments Pty Ltd v Padgett (Liability)* [2020] FCA 535 is a case of “flagrant” copyright infringement of the musical work in the iconic song *Love is in the air* (“*Love*”). It demonstrates that lyrics are not strictly confined to literary works, as the sound of those lyrics being sung can be taken into account as part of a musical work.

### ***Background***

In 1977, Australian songwriting duo Vanda & Young composed the song *Love*. The song was published by J Albert & Sons Pty Ltd who later assigned the rights to Boomerang Investments Pty Ltd (“Boomerang”) in 2016. Boomerang also licensed rights to the Australasian Mechanical Copyright Owners Society Ltd (“AMCOS”) and assigned rights to the Australasian Performing Right Association Ltd (“APRA”) in 2016.

Sometime between 2008 and 2011, a Portland indie band called Glass Candy composed the song *Warm in the winter* (“*Warm*”) that included the lyrics “love’s in the air”, arguably

to the same melody as *Love*. *Warm* was eventually licensed to Kobalt Music Publishing Australia Pty Ltd. Mr Padgett and Ms Monahan, members of Glass Candy, adapted *Warm* for Air France’s marketing campaign between 2015 and 2018. The adapted song was called *France is in the air* (“*France*”) and it was used by the French airline as their telephone hold music (on Air France’s toll-free Australasian phone line) and on their YouTube channel.

### **Copyright infringement of musical works**

In determining whether the songs *Warm* and *France* infringed the copyright in *Love* in Australia, Justice Perram reinforced the existing approach from *EMI Songs Australia Pty Ltd v Larrikin Music Publishing Pty Ltd* [2011] FCAFC 47 (“*EMI*”):

1. Identify the work in which copyright subsists.
2. Identify the part of the allegedly infringing work which is said to have been reproduced from the copyright work. This step involves answering two questions about the allegedly infringing work:
  - (a) Are the impugned portions of the allegedly infringing work objectively similar to the equivalent portions in the copyright work?
  - (b) Is there causal connection between those parts and the copyright work?
3. Determine whether the part taken constitutes a substantial part.

In contrast to *EMI* where the infringing act was the making of a recording, the applicants in this case took a different course and argued that copyright infringement occurred each time *Warm* and/or *France* was made available for streaming or downloading on a number of online platforms in Australia, including YouTube. (This was because the original recordings of *Warm* and *France* were made in the United States of America (“US”) and therefore would need to be pursued under US, not Australian, copyright law). In addition, the playing of *France* as on-hold music in Australia was alleged to be a breach of the communication right.

This conduct was alleged by Boomerang to breach the copyright owner’s exclusive rights to reproduce a work in material form and communicate a work to the public.<sup>12</sup> Vanda and Young’s claim for infringement of moral rights was barred by s.195AX of the *Copyright Act 1968* (Cth) as the acts of infringement (changing the lyrics in a manner which the authors argued was prejudicial to their honour or reputation) occurred outside Australia.

### **Objective similarity**

A finding of objective similarity is determined by the aural perception of the ordinary, reasonably experienced listener and not by a note-for-note comparison. Justice Perram held the sung line ‘love’s in the air’ in *Warm* is objectively similar to the first two lines of each of the four verses in *Love* (“Love

is in the air, everywhere I look around; Love is in the air, every sight and every sound”). However, Justice Perram did not consider the works to be objectively similar beyond the first two lines, stating “they just do not sound the same to me”.<sup>13</sup>

### **Causal connection**

The judgment at [193] set out the logical possibilities for causal connection, including that Glass Candy had either consciously or unconsciously copied the line and melody from *Love*.

Glass Candy denied having heard of *Love* but the facts otherwise demonstrated the duo had heard *Love* more than once at gigs at which they had performed. Despite Justice Perram highlighting that conscious copying did not automatically follow from their awareness of *Love*, he found Glass Candy knowingly copied the sung lyric “love is in the air” and its accompanying music.

Air France was held to have engaged in flagrant infringement, as it had concurrently sought (but failed to acquire) the licence from the applicants for the use of *Love*, when it acquired the licence for *Warm*.

### **Substantial part**

Quality and quantity are both considered in determining whether there has been a reproduction of a substantial part of the original work (*Ice Tv Pty Ltd v Nine Network Australia Pty Ltd* (2009) 239 CLR 458). However, there is usually a greater emphasis placed on quality rather than quantity (*EMI*).

The five-note length of “love is in the air” was not “too short or too mundane” for this part of the musical work to be considered substantial.<sup>14</sup> Justice Perram held the musical work taken from *Love* (the line ‘love is in the air’ sung to a particular melody) constituted a substantial part of the *Love* original musical work. However, the words “Love is in the air” alone did not constitute a literary work (lyrics alone) in their own right as his Honour held the expression was commonplace and not original.

### **Issue of standing**

Due to the various licenses and assignments of the copyright in *Love*, there was an issue as to whether Boomerang had standing to claim certain acts of infringement. In particular, Boomerang could not make any infringement claim in relation to digital streaming of *Warm* or the on-hold music, as APRA held the digital streaming and communication rights. However, Boomerang and AMCOS both had standing to sue for infringement in relation to digital downloads of *Warm*.

### **Conclusion**

Overall, Boomerang’s claim was only partly successful, and its victory was largely pyrrhic. Boomerang succeeded in its claim in relation to the digital downloads of *Warm*, and AMCOS and Boomerang were entitled to an injunction

restraining Glass Candy from authorising or making available downloads of *Warm* in Australia. However, Boomerang was entitled to monetary relief for only 13 downloads of *Warm* from the Italians Do It Better, Inc and Big Cartel websites. Boomerang's claims in relation to the other conduct, including streaming of *Warm* and *France*, were dismissed on the basis that the streaming was carried out by the platform providers, not Glass Candy or Air France, and the providers were authorised to stream those songs because of the specific terms of the licence they held in respect of *Love*. APRA was also entitled to an injunction against Air France in relation to the on-hold music, as a breach of the communication right.

On 25 June 2020, the Court subsequently refused an application by Boomerang to re-open part of its case and introduce new arguments in relation to the "authorisation" arguments concerning the online streaming platform providers.

### Key points

The decision demonstrates that:

- the sound of the lyrics of a song, (i.e. the way the words are sung), can be taken into account as part of a musical work;
- to qualify as a substantial part of a musical work, the part does not need to be necessarily lengthy; and
- it is of vital importance to correctly identify who owns certain rights to works within copyright material to ensure a case is pleaded correctly and damages can be recovered if the claim is successful.

- 1 *Mylan Health Pty Ltd v Sun Pharma ANZ Pty Ltd* [2020] FCAFC 116 at [104] and [235].
- 2 *Mylan Health Pty Ltd (formerly BGP Products Pty Ltd) v Sun Pharma ANZ Pty Ltd (formerly Ranbaxy Australia Pty Ltd)* [2019] FCA 28 at [102].
- 3 *Mylan Health Pty Ltd (formerly BGP Products Pty Ltd) v Sun Pharma ANZ Pty Ltd (formerly Ranbaxy Australia Pty Ltd)* [2019] FCA 28 at [102].
- 4 *Mylan Health Pty Ltd (formerly BGP Products Pty Ltd) v Sun Pharma ANZ Pty Ltd (formerly Ranbaxy Australia Pty Ltd)* [2019] FCA 28 at [118].
- 5 *Mylan Health Pty Ltd v Sun Pharma ANZ Pty Ltd* [2020] FCAFC 116 at [222].
- 6 *Mylan Health Pty Ltd v Sun Pharma ANZ Pty Ltd* [2020] FCAFC 116 at [222].
- 7 *Mylan Health Pty Ltd v Sun Pharma ANZ Pty Ltd* [2020] FCAFC 116 at [222]-[224].
- 8 *Mylan Health Pty Ltd v Sun Pharma ANZ Pty Ltd* [2020] FCAFC 116 at [227].
- 9 *Mylan Health Pty Ltd v Sun Pharma ANZ Pty Ltd* [2020] FCAFC 116 at [226].
- 10 *Mylan Health Pty Ltd v Sun Pharma ANZ Pty Ltd* [2020] FCAFC 116 at [111].
- 11 *Mylan Health Pty Ltd v Sun Pharma ANZ Pty Ltd* [2020] FCAFC 116 at [224].
- 12 *Copyright Act 1968* (Cth) ss. 31(1)(a)(i), (iv).
- 13 *Boomerang Investments Pty Ltd v Padgett (Liability)* [2020] FCA 535 at [109].
- 14 *Boomerang Investments Pty Ltd v Padgett (Liability)* [2020] FCA 535 at [208].

### Dr Dimitrios Eliades

Barrister<sup>1</sup>

In this edition, I consider an application for interlocutory injunctive relief by the owner of two trade marks, "Porkys" and "Porkies", which was determined by Justice Greenwood on 25 May 2020.<sup>2</sup> The proceeding also revealed a potential trap, which the respondent/cross-claimant fell into and in my view not unreasonably. This related to the 2019 amendments to the grace period before an application for non-use may be brought.

### *Campbell v Sutherland*

[2020] FCA 765

(25 May 2020)

The applicant was the owner of two Australian trade marks: Porkys – registered no. 1538767 and Porkies – registered no.1754576. Both were registered in class 43 in respect of food and drink services including takeaway food and drink services. The respondent had in February 2020, opened a pizza shop in regional Queensland under the name "Porky's Pizza", which had a physical shop presence and an online presence including Facebook.

Greenwood J was willing to accept that there was a serious question to be tried, as to whether or not the mark adopted by the respondent was deceptively similar to the registered marks.<sup>3</sup> The evidence indicated that the applicant had in communications with the respondent, expressed his concern with the name the respondent had chosen as his trading name, prior to the respondent commencing his business operations. Notwithstanding being given express notice of the applicant's trade mark rights, the respondent decided to commence trading under the disputed name regardless. As his Honour expressed, "That may come back to haunt Mr Sutherland at a later date, depending upon how the proceedings emerge and the findings of fact that are made."<sup>4</sup> His Honour found it "odd" that the respondent would consciously proceed to open the enterprise having received notice of the registered trade marks. However, his Honour considered that the respondent, like many other members of the public, may have derived some confidence to resist the applicant's challenge, based on the respondent having registered the name as a business name.<sup>5</sup>

The application was determined on the balance of convenience consideration. His Honour had evidence before him that the respondent would suffer substantial harm and damage in the form of lost sales, if required to remove references to Porky's online and at his physical shop location. This would arise on the respondent's evidence by having to close the shop to carry out any re-branding of the premises and online. In addition to the loss of revenue while his was re-branding, the respondent deposed that he would have to also outlay the actual cost of re-branding, which he

estimated, based upon his set up costs in or about February 2020, to be substantial.

Against this, the applicant submitted a loss in the diminution of the value of his trade marks by this alleged unauthorised use. His Honour determined that in the balance between the real costs identified by the respondent and the diminution in the value of the trade marks as assets, the balance fell, as a matter of fairness, on the side of protecting a respondent from the direct monetary costs which would be incurred by the Court's intervention by an interlocutory injunction.<sup>6</sup> His Honour accordingly dismissed the application for interlocutory injunctive relief. However, his Honour responded to the applicant's concerns regarding the diminution of the value of his trade marks and ordered an expedited remote final hearing using Microsoft Teams on Tuesday, 30 June 2020 at 10.15am.

NOTE: The proceeding had an instructional aspect for trade mark stakeholders and practitioners. In the substantive proceeding the respondent by cross-claim sought removal of the two registered trade marks in suit on both grounds set out in s.92(4)(b) of the *Trade Marks Act 1995* (Cth) ("Trade Marks Act"). Relevantly, the Porkys mark had a priority date 2 February 2013 and could be challenged on the basis of non-use, the cross-claim being filed more than five years from the priority date. However, the Porkies mark had a priority date 25 February 2016, which meant it could not be challenged under s.92(4)(b) until 26 February 2021.

On 24 February 2019 a relevant amendment to the Trade Marks Act commenced by the introduction of the *Intellectual Property Laws Amendment (Productivity Commission Response Part 1 and Other Measures) Act 2018* (Cth). Previously, a trade mark could not be challenged for non-use under s.92(4)(b) until a period of five years from the filing date of the trade mark application.<sup>7</sup>

The amendment reduced the period before a challenge could be made to three years from the date the mark was recorded on the register.<sup>8</sup> However, there was no note inserted after the substituted s.93 of the Trade Marks Act, to put the reader on notice that the amending legislation only applied to applications filed after the commencement date of the provision. The amending legislation contained in Item 46 the following statement which has not been reproduced in the Trade Marks Act:

*Section 93 of the Trade Marks Act 1995, as substituted by this Part, applies to a nonuse application in relation to a trade mark if the filing date in respect of the application for the registration of the trade mark is on or after the day this item commences.*

The result is that a challenge could not be made against the Porkies mark, because its filing date was before 24 February 2019 and the five year grace period still applied. I understand IP Australia will clarify the position in the next round of amendments.

- 1 Barrister, Queensland.
- 2 Ex tempore reasons for judgment of Greenwood J dated 25 May 2020 ("His Honour's reasons").
- 3 His Honour's reasons at [4].
- 4 His Honour's reasons at [5].
- 5 His Honour's reasons at [6].
- 6 His Honour's reasons at [9].
- 7 The repealed s.93(2) of the Trade Marks Act.
- 8 The current s.93(2) of the Trade Marks Act.

# Current Developments – New Zealand

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**Andrew Brown QC**

Auckland

Correspondent for New Zealand

***Geostel Vision Ltd & Ors v Oraka Technologies Ltd & Ors***

Court of Appeal of New Zealand, Courtney J, Ellis J, Brewer J,  
2 March 2020

[2020] NZCA 256

*Intellectual property - Copyright - Infringement - Remedies - Damages - User Principle - Features of User Principle - Licence would have been non-exclusive - Bargaining position of licensor - Relevance of licensee's actual operating profits - Application of the 25 per cent rule - Award substituted by appellate court - Principles governing appellate intervention*

**Facts [1]-[20]**

This was the third appeal in a long running dispute concerning copyright in asparagus grading machinery.

In 2013 the appellants had been found by the Court of Appeal to have infringed the first respondent's copyright in the designs for a cup assembly used in a machine for sorting and grading asparagus. The infringing cup assembly was manufactured and sold to Geostel by a tool-maker and manufacturer, Napier.

The copyright designs were authored by Mr Michael Schwarz, who had also designed the asparagus grading machine in which the cup assemblies were first used. At the time of infringement, the copyright in the designs for the cup assemblies belonged to Mr Schwarz's company, Oraka Technologies Limited ("Technologies"). At that time, however, the business relating to the Oraka asparagus grading machines and the cup assemblies was conducted by another company run (but not owned) by Mr Schwarz, Oraka Graders Limited.

In 2016, following an inquiry as to damages, the High Court awarded Technologies NZ\$4.1 million in damages (including interest). In 2016 the Court of Appeal held that damages by a third party could not be awarded for breach of copyright. The claim needed to be measured on the basis of a notional licence fee — being the amount that the parties would have agreed in return for permission to use the designs if they had negotiated at the time of the first breach of copyright (the "user principle"). The matter was therefore referred back to the High Court.

In the High Court, the Judge applied the user principle and calculated a notional licence fee of NZ\$6.00 for each infringing cup assembly sold, giving a total damages award

of NZ\$510,000.00. This decision was the subject of the appeal.

The issues on appeal were:

- (a) The correct approach to determining an appeal from a judgment fixing the quantum of damages.
- (b) Whether the High Court erred in determining that the reasonable licence fee to use the owner's copyright in the cup assembly was NZ\$6.00 per cup assembly, being a total of NZ\$510,000, and in particular, whether the High Court erred in:
  - (i) identifying Geostel rather than Napier as the licensee for the purpose of the notional negotiation;
  - (ii) finding that the licence fee should be assessed as if the notional licence holder was an exclusive licensee and that a premium should be assessed on that basis;
  - (iii) the weight it gave to the relative bargaining power of the notional licensor and licensee having regard to:
    - i. alternatives available to the parties;
    - ii. competition in the market for asparagus grading machines;
    - iii. the debt owed to Kamber by Technologies; and
    - iv. Technologies' general state of insolvency at the relevant time.
- (c) The reasonable licence fee payable in respect of each infringing use.
- (d) Whether the High Court's costs award in relation to the 2017 hearing should be set aside and reassessed by the High Court in light of the Court of Appeal's judgment.

**Held** allowing the appeal, quashing the High Court damages award and substituting a damages award of NZ\$47,000.

*1. There were material errors in aspects of the High Court's assessment of the evidence that warranted intervention on appeal [83].*

The traditional threshold that a trial Judge's assessment will only be disturbed on appeal if there has been some error of principle or the amount of the damages awarded was so high or so small as to make it, in the court's judgment, an erroneous assessment, does not prevent appellate courts from intervening in appropriate cases.

This was an appropriate case for intervention because in the first instance the Judge erred in her assessment of the

evidence and this had resulted in a departure from the recognised process of judicial estimation based on the available indications [78][83].

*General Tire and Rubber Co v Firestone Tyre and Rubber Co Ltd* [1976] 93 RPC 197 at 214; *New Zealand National Party v Eight Mile Style, LLC* [2018] NZCA 596, [2019] 2 NZLR 352 referred to.

2. *It was entirely open to the Judge to find that Geostel was the appropriate notional licensee [102], but the Judge erred in the calculation because the notional licence would not have been exclusive [108].*

Whether or not the first appellant's notional licence would have been an exclusive one was relevant to setting the notional fee [102], because the terms of any notional licence must reflect the actual infringement. Where the infringer enjoyed exclusivity in practice, the notional licence should accord with reality. Here there was another competing licensee in the form of Oraka Graders Limited (the second respondent) which did in fact, compete with the notional licensee throughout the notional licence period. The Judge's failure to recognise this constituted a material error [108].

3. *Oraka Graders Limited (the second respondent) would not have competed for the notional licence but, rather, have continued to operate (as it in fact did) under its implied licence at no cost [115].*

Oraka Graders Limited was in fact already in possession of an implied licence, for which it was paying Technologies (the copyright owner) nothing. In any notional negotiation Geostel Vision Limited should logically have taken this status quo as its stepping-off point. This would logically diminish the price for a notional licence [115].

4. *The debt owed by Technologies to Kamber was relevant and placed Technologies in a weak notional bargaining position [134].*

At the time of the notional negotiation, Oraka Technologies Limited owed a debt of approximately NZ\$107,000 to Kamber Electronics Limited ("Kamber") (another company owned by one of Geostel's owners, Mr Daynes). Geostel Vision Limited referred to a summary judgment obtained and said that it was relevant that, in the hypothetical negotiation, Kamber could have assigned the debt to Geostel who could have then used it to liquidate Technologies [132]. The Judge erred in finding that this would not have created substantial leverage for the notional licensee [134].

5. *The licence fee should not have exceeded Geostel's actual operating profits [149].*

The High Court had used Geostel Vision Limited's anticipated, rather than actual, profits because the Judge considered that to do otherwise would be to assess the notional licence fee with the benefit of hindsight. However, the "available profits" method used *actual* profits because it

is assumed that the parties would have accurately predicted these profits when negotiating. Geostel Vision Limited's overall actual operating profit (i.e. for the sales of the grading machines and the cup assemblies over the entire infringement period) was only NZ\$294,000 — considerably less than the NZ\$510,000 damages sum awarded. While the Judge's use of anticipated profits did not, by and of itself, involve an error of principle, it was nonetheless wrong to ignore Geostel Vision Limited's actual profits in this case [149].

*Kohler Mira Ltd v Bristan Group Ltd* (No 2) [2015] FSR 9; *Ultraframe (UK) Ltd v Eurocell Building Plastics Ltd* [2006] EWHC 1344 (Pat) referred to.

6. *There was no obvious basis for the use of the 40 per cent royalty figure and, in the absence of any other evidence, the 25 per cent rule should have been used as a starting point [152].*

It would in theory have been open to the Judge to regard the 25 per cent rule as a starting point, rather than an upper limit, and to move upwards from there based on her assessment of the relevant factors. However, because the Judge had expressly rejected the use of the 25 per cent rule, the choice of 40 per cent award appeared to have been impressionistic and without an evidentiary basis.

Not even a generous application of the 25 per cent rule could result in a licence fee that was 40 per cent of either anticipated or actual sales [152]. The only evidence upon which a notional fee could be based is the evidence given by the expert witnesses, namely that the 25 per cent starting point should be adjusted down to between 3 to 5 per cent of Geostel Vision Limited's projected profits or between 2 and 3.325 per cent of sales [155]. This yielded a sum of:

- (a) between NZ\$38,250 and NZ\$63,750, if the Judge's method of assessing gross profits was used; or
- (b) between NZ\$37,880 and NZ\$62,975 if sales were used.

*Dodson Motorsport Ltd v Logiical Performance Ltd* [2019] NZHC 918; (2019) 144 IPR 524 referred to.

7. Given the very limited territorial protection that the notional licence could afford (being limited only to New Zealand) and given the finding that the licence would not have been exclusive, the Court felt unable to place the licence fee above the middle of the two ranges. A reduction in the damages award from NZ\$510,000 to NZ\$47,000 — from approximately NZ\$6.00 per cup to approximately NZ\$5 cents per cup — constituted an appropriate application of the 25 per cent rule in this case.

8. The costs award in Technologies' favour in relation to the 2017 High Court hearing was set aside, with the issue of costs for that hearing remitted back to the High Court to be reassessed in light of the Court of Appeal's judgment.

# Current Developments – Asia

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## CHINA & HONG KONG

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#### The New People’s Republic of China Civil Code

On 28 May 2020, the Thirteenth National People’s Congress of China adopted the long-awaited “Civil Code” – the most extensive and significant legislation in China’s history, one that will replace several existing laws when it comes into effect on 1 January 2021.

Comprised of seven Parts, 84 Chapters and 1260 Articles, the new Civil Code is the only legislation in People’s Republic of China (“PRC”) history that is specifically labelled a “code”. The Civil Code amalgamates the existing civil and tort-related laws and Regulations, codifies a number of relevant judicial interpretations of the Supreme People’s Court, and introduces key new provisions.

This update begins with a brief history of China’s journey through development and enactment of the new Civil Code, provides an overview of the Code’s structure, and finally examines the Code’s intellectual property (“IP”)-related provisions and their impact on IP rights holders.

#### A brief history

China’s quest to establish a comprehensive and unified civil code began almost six decades ago. Due to the political and economic climate at the time, however, the first two attempts, undertaken in the 1950s and 1960s, both failed. Since the launching of its “opening-up” policy in 1978, the Chinese Government has consistently worked on its efforts to create a comprehensive civil code, one designed to meet the demands of a market-oriented economy. Unfortunately, China’s rapid economic and societal transformations throughout that same period made the creation of a complete civil code untenable.

As a result, the Standing Committee of the National People’s Congress (“NPCSC”) opted to proceed with the promulgation of a series of standalone civil law statutes instead, intending to integrate them into an overarching code when circumstances were finally ripe.

The fourth attempt at this amalgamation commenced in 2001 came the closest, when a draft civil code was completed and submitted to the NPCSC for review in 2002. The Chinese legislature eventually shelved this version, however, due to its complexity and controversy, choosing to maintain separate civil laws and substantively revise existing statutes.

The final attempt that led to the Civil Code began in 2014, as a two-pronged approach – first by adopting the General Provisions of the Civil Law in 2017 (which became the General Part of the Civil Code) and second, by separately crafting the remaining sections (the “Separate Parts”). The combined General Part and the Separate Parts were then submitted to the NPCSC in August of 2018, eventually forming the comprehensive and modern new Civil Code.

#### Overview of the new Civil Code

The new Civil Code consists of seven Separate Parts:

- General Part;
- Property;
- Contracts;
- Personality Rights;
- Marriage and Family;
- Inheritance; and
- Tort Liability.

Once effective, the new Civil Code will simultaneously abolish the still-extant General Principles of Civil Law, General Provisions of Civil Law (“GPCL”), Contract Law, Property Law, Tort Liability Law, Marriage Law, Inheritance Law, Adoption Law and Guarantee Law.

As the new Civil Code is an amalgamation of existing laws and regulations, it does not fundamentally change the existing legislation in those laws, and does not therefore alter the legal environment currently faced by foreign companies and rights holders doing business in China. However, specific changes may still affect the business models or compliance practices of foreign companies, so careful examination of relevant provisions to recognise and analyse the potential impact of any changes will be key.

Although this update briefly summarises the outline of the Civil Code, its overall focus is on those provisions dedicated to IP issues.

#### *General Part*

With the exception of a few language changes, the General Part is identical to the GPCL enacted in 2017. The General Part sets out the general principles and provisions of the Civil Code. Among others, these include rules on the types of civil entities, civil rights, and civil legal acts.

#### *Property*

The Part of Property is based on the current Property Law and Security Law. It addresses the ownership, usufructs and security interest over both real and personal property.

### **Contracts**

The longest of all the Civil Code's Parts, the Part of Contracts is based on the PRC Contracts Law, though it includes a significant number of new provisions. It prescribes the general contract law rules, introduces special provisions applicable to nineteen different types of typical contracts, and also states the position of the law on two types of quasi-contracts – negotiorum gestio and unjust enrichment.

Of note, the Part of Contracts have added four types of typical contracts to the original 15 – guaranty contracts, property management services contracts, factoring contracts and partnership contracts.

The changes and additions in the Part of Contracts were promulgated with the dual aims of emphasising principles of good faith and fairness and improving existing transaction rules.

### **Personality Rights**

This is the only Part of the Civil Code that did not have a pre-existing corresponding standalone statute. Instead, it is based on the General Principles of the Civil Law and codifies relevant judicial interpretations and administrative regulations on relevant issues.

Personality rights are defined to include: (1) the rights to life, body and health; (2) the rights of name and title; (3) the right of portraiture; (4) the rights of reputation and honour; and (5) the right to privacy. This Part sets out the general rules governing personality rights first, followed by specific rules on each of the five sets of rights.

### **Marriage and Family**

This Part combines the current Marriage Law and Adoption Law, prescribing rules on marriage, relationships between couples and family members, divorce and adoption.

### **Inheritance**

Based on the Inheritance Law, this is the shortest Part of the new Civil Code. It includes general rules as well as specific provisions on intestate succession, testamentary succession, and wills.

### **Tort Liability**

This Part is generally based on the Tort Liability Law but contains certain structural changes and removes duplicative provisions that are already included in the General Part. This Part sets out provisions on the general principles of tort and rules of tort liability, and special rules applicable to certain specific types of torts, including environmental pollution, traffic accidents, product liability, medical accidents, high-risk activities, damages caused by animals, and damages caused by buildings and objects.

### **The IP provisions**

While the new Civil Code does not include a separate Part on IP, there are a total of 52 Articles that touch on issues concerning IP rights. Those Articles are interspersed throughout the General Part and the Parts of Property, Contracts, Marriage and Family, and Tort Liability.

This section of the update provides an analysis of these amendments and highlights their impact on IP rights holders.

### **General Part**

Article 123 of the new Civil Code retains the current provision in GPCL that defines IP rights verbatim. Specifically, IP rights are defined as the exclusive rights enjoyed by rights holders in accordance with law, in relation to:

- (1) works; (2) inventions, utility models and designs; (3) trademarks; (4) geographical indications; (5) trade secrets; (6) layout designs of integrated circuits; (7) new plant varieties; and (8) other objects as prescribed by law.

While the language remains the same, it is worth noting that this provision has been placed in the new Civil Code under Chapter 5 of the General Part titled, "Civil Rights", along with other important personal and property rights. Thus, the new Civil Code makes clear that IP rights are exclusive and private rights enjoyed by civil entities.

### **Part of Tort Liability – punitive damages provision**

Arguably, the most remarkable of all IP provisions in the Civil Code is Article 1185, set out in Chapter 2 of the Part of Tort Liability. Article 1185 states:

*where the intellectual property rights of another are intentionally infringed upon, and the circumstances are serious, the infringer shall have the right to claim corresponding punitive damages.*

The significance of the above provision is two-fold. First, it fundamentally establishes a punitive compensation system for infringement of *all* IP rights. Second, it clarifies the conditions under which a right to claim punitive damages may arise.

Unlike common law jurisdictions, China's legal system has generally followed the principle of "making one whole", including in respect of IP infringements. This has meant that China's IP laws have emphasised a compensatory system, aimed at either repaying the injured party for its actual losses, requiring the infringer to disgorge any "illegal profits", or attempting to provide an approximate amount for either or both of those through specified statutory damages. With actual losses and the pirate's illegal gains nearly always difficult (if not impossible) to prove, and the specified levels of statutory penalties quite low (though admittedly increasing over the years), rights owners have barely been

compensated for their losses. As well, infringers have come to view damages awards in such cases – almost invariably quite low due to the conservatism of Chinese courts – as merely the cost of doing business.

Beginning with the 1993 Consumer Protection Law, however, China has been gradually introducing clauses allowing punitive damages in specific laws to punish those that violate the law and infringe the rights of others. Similar efforts began in the field of IP with the 2013 amendments to the PRC Trademark Law, in which the then-introduced Article 63 provided that in cases of *bad-faith* infringement of another's trade mark rights, where the circumstances are *serious*, the amount of compensation awarded may be between one and three times the amount calculated in accordance with the methods prescribed in this provision (i.e., the loss of the infringed party, the gain of the infringing party, or by reference to licensing fees of the trade mark) – clearly intended to punish the bad-faith infringer for its illegal conduct. The 2019 amendments to the PRC Trademark Law subsequently increased the multiplier for punitive damages to between one and five times the underlying damages award.

The 2015 Seed Law of the PRC (effective 1 January 2016) followed suit, wherein Article 73(3) provides that if infringement of the right to new plant varieties is serious, the amount of compensation may be determined as between one and three times of the amount calculated in accordance with the aforementioned method. The very-recently-amended 2019 PRC Anti-unfair Competition Law also includes an analogous provision in Article 17, which stipulates:

*if a business infringes upon another's trade secret in bad faith with serious circumstances, the amount of compensation may be determined to be more than one time but not more than five times the amount determined by the aforesaid method.*

Similarly, the current draft versions of the Copyright Law and Patent Law both contain corresponding provisions, setting a range of punitive damages between one and five times the amount calculated in accordance with the appropriate method where the infringement of the respective rights is intentional and the circumstances are serious.

### ***Applicability of the punitive damages provision***

While provision for punitive damages has only been made in specific IP laws up till now, the new Civil Code makes clear that under Article 1185 (when read in conjunction with Article 123), infringement of any of the Code's delineated IP rights may trigger exposure to punitive damages, so long as the circumstances are serious and the infringement is intentional.

### ***Elements of the punitive damages provision***

As clarification, Article 1185 of the new Civil Code states that claiming punitive damages require both "*serious*" circumstances and the "*intentional* infringement" of another's IP rights. This language is consistent with the

relevant provisions in the draft Copyright and Patent Laws but differs from the earlier requirement of "bad faith" currently stipulated in the PRC Trademark Law and Anti-Unfair Competition Law.

The change from "bad faith" to "intentional" is generally viewed as lowering the threshold for punitive damages, as acting in bad faith is generally understood to require something beyond the intentional infringement of another's IP rights. For instance, some courts in practice have found "bad faith" where the infringer not only initially intentionally infringed upon another's rights but then continued to do so after being informed that their activities constituted infringement (or suspected infringement).

The second prong of this provision, however, remains the same and requires that the circumstances of infringement be serious before punitive damages may apply. Thus, the second prong acts to limit the scope of this provision, thereby preventing its abuse by rights holders.

In practice, courts have interpreted the second prong to require knowing and repetitive infringement of another's IP rights. For instance, serious circumstances have been found to exist where a party continued to infringe on another's rights after receiving a warning letter and being issued punishment decisions and injunctions by administrative and court authorities. Courts have also deemed the circumstances to be serious where the infringing party engaged in comprehensive imitation of the rights owner's brand or the illegal trading thereof.

Since the first introduction of the punitive damages scheme, court cases where punitive damages have been awarded have been few and far between, due most likely to the lack of clear guidance in the law and, again, the general conservatism of Chinese courts. Regardless, it is hoped that the introduction of Article 1185 and the lowering of the bar for awards of punitive damages will encourage rights owners to seek such awards and courts to grant them moving forward.

### ***Other provisions concerning IP***

The remaining provisions pertaining to IP are set out in the Parts of Property, Contracts, and Marriage and Family, with the vast majority being included in the Part of Contracts. Of these, the provisions in the Part of Marriage and Family (Article 1162) and in the Part of Property (Articles 440 and 444) retain entirely the language of the original provisions in the corresponding individual statutes, with the exception of Article 444, which no longer requires a written contract when pledges of IP rights are made. This change to eliminate written contracts, however, is made to *all* pledges and not just to pledges of IP rights.

### ***IP provisions in Part of Contracts***

Within the Part of Contracts, IP specific provisions are respectively set out in Subpart I, Chapter 2 Conclusion of the Contract; Subpart II, Chapter 9 Sales Contract; and

Subpart II, Chapter 20 Technology Contracts. These changes and additions are generally in favour of IP rights holders.

For instance, Article 501 of Subpart I, Chapter 2 is a general provision that has expanded the contracting parties' confidentiality obligations to include not only trade secrets learned during the conclusion of a contract, but also any other information that *should have been kept confidential*.

Similarly, Article 600 of Subpart II, Chapter 9 clarifies that wherever a subject matter with IP rights attached is sold, the IP rights do not automatically transfer to the buyer, only doing so if otherwise prescribed by law or agreed upon by the contracting parties.

Articles 843 to 887 in Subpart II, Chapter 20 largely track Articles 322 to 341 of the current Contracts Law relating to rules on technology contracts, with the following notable amendments and additions:

- Technology licensing contracts have been separated out from technology transfer contracts, and now constitute an individual form of technology contracts.
- The obligations of the parties in a commissioned development contract are clarified.
- A new provision has been added to address the transfer and licensing of other IP rights. This provision will act as the legal basis for the commercialisation of technology contracts involving other IP rights, such as new plant varieties, layout designs of integrated circuits, etc.

The above amendments are clearly in line with the Government's policy to exert greater efforts on protecting IP rights and to promote the development of IP. Therefore, they serve to rights holders' advantage in general (at least, in theory).

It however remains to be seen just how the PRC Civil Code will be implemented and enforced in practice. Meanwhile, further guidance is expected from the PRC Supreme People's Court in the forms of judicial interpretations this year.

The promulgation of a comprehensive Civil Code, the first "code" ever enacted in the PRC, is a significant milestone in the advancement of China's legal system. It embodies a number of new provisions clearly designed to streamline business transactions and makes clear the Government's commitment to principles of good faith and fairness in these contexts. From an IP perspective, the new Code also strengthens the protection of IP rights, promotes scientific innovation and, importantly for victimised rights owners, should act to increase the cost of infringement for recalcitrant pirates via the imposition of punitive damages in all IP infringement contexts. It remains to be seen whether the courts will follow the Civil Code's lead on that point, however.

## JAPAN

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### ♥Japan Trade Mark Gets No Love from IP High Court of Japan

In Japan, trade marks are meant to be used to identify the source of and to distinguish the goods and services of one seller or provider from those of another and the more commonly a phrase is used, the less likely that the public will use it to identify only one source and the less likely that it will be recognised by consumers as a trade mark.

This approach in denying the trade mark registrability of such common words, symbols or marks was demonstrated by the recent Intellectual Property High Court of Japan ("IPHCJ") decision in *Crewz Company Co., Ltd. v Commissioner of Japan Patent Office*, Case No. Reiwa 1 (gyo-ke) 10164 (17 June 2020) which maintained the Japan Patent Office ("JPO")'s refusal to register the following ♥Japan trade mark ("JTM") application (see below Fig. 1).



*Fig. 1 – JTM application no. 2018-049161*

The trade mark was filed by Crewz Company Co., Ltd. ("Crewz"), an Osaka headquartered company specialising in the planning, manufacturing, and sales of apparel, miscellaneous goods, food, and beauty-related products, on 17 April 2018, for key chains and other goods in class 14; paper and cardboard, stationery, printed matter and other goods in class 16; bags and the like, purses, pouches and the like, vanity cases and other goods in class 18; and woven textile goods for personal use, handkerchiefs, woven fabrics and other goods in class 24.

Notwithstanding that the JPO previously allowed the applicant's trade mark registration for the same mark on clothing, apparel and other goods in class 25 on 27 March 2015;<sup>2</sup> the original trade mark examiner refused the ♥Japan trade mark application under section 3(1)(vi) of the *Trademark Law*<sup>3</sup> and the Board of Appeals of the JPO (the "Board") maintained the refusal.

The main basis for the Board's decision was that in today's society, many consumers are currently accustomed to finding goods bearing the "♥" design followed by a geographical indication, which represents a strong devotion or belonging to that designated geographical area/city in its entirety. The Board found that in fact, the ♥JAPAN design is commonly used on several goods as a symbol to support the Japanese sports team or souvenirs for tourists. If so, the design shall not be exclusively monopolised by a single specific entity. Under the circumstances, the relevant consumers are unlikely to conceive the mark-in-suit as a source indicator of the applicant.

Thus, the mark was correctly rejected under section 3(1)(vi) of the *Trademark Law*<sup>4</sup> and the original examiner did not err. Dissatisfied with the JPO's decision, Crewz filed an appeal with the IPHCJ. Unfortunately for Crewz, the IPHCJ was equally unreceptive to its position and dismissed their appeal entirely, stating that the mark-in-suit gives rise to the meaning of "I love JAPAN".

Presiding Judge Mori Yoshiyuki found the "I♥" logo followed by a geographical indication is a commonly used mark to signify a strong devotion or belonging to an area/city. Moreover many merchants promote goods bearing the I♥JAPAN design as a sign of their support to Japan or various Japanese national sports teams. Accordingly, the relevant consumers and traders would not conceive the common mark-in-suit as a source indicator of goods in question, but merely a symbol to represent their feeling of attachment or belonging to Japan. The symbol is nothing more than recognising the feeling of rooting for something that a person does or recognise as a Japanese souvenir.

Hence the mark-in-suit "does not possess the ability to distinguish itself from other products. Accordingly the mark-in-suit shall not be registrable as it is in violation of section 3(1)(vi) of Japan's *Trademark Law*."<sup>5</sup> Lastly the IPHCJ found the fact of an earlier registration for the same mark in a different class would not affect the distinctiveness of the mark-in-suit since it does not have a legal effect to bind subsequent examination in assessing registrability of a later filed mark under section 3(1)(vi) of Japan's *Trademark Law*.<sup>6</sup>

### Commentary

The "stylized heart" shape is a logograph that is commonly used in both product marketing and general language as an alternative means of expressing the sentiment "love". The red heart symbol was first used in connection with the promotion of tourism in New York<sup>7</sup> and the use of a heart symbol in place of the word "love" has since become commonly used to promote a variety of geographical locations. In fact, the red ♥ is also a commonly used emoji or nonverbal metaphor "representing an expression of love" in communications like texts, posts and emails.<sup>8</sup>

In the IPHCJ I♥JAPAN case, given the extensive non-source identifying nature of the I♥JAPAN mark and its admitted widespread use by various undifferentiated third party traders and merchants on various goods, it is incapable to function as a source of origin as it cannot be used to distinguish itself from other products. Additionally this widespread use of I♥JAPAN by third parties is part of the environment in which I♥JAPAN symbol is perceived by consumers and will influence the meaning of the I♥JAPAN mark to consumers. In the context of the IPHCJ I♥JAPAN case, the Japanese consumer was found to perceive the informational messages that the I♥JAPAN mark expresses positive support, affinity for, positive sentiment for Japan or Japan sports teams, and

not as a source indicating origin, and therefore the I♥JAPAN mark is not registrable as a trade mark.

In Japan, a trade mark has to distinguish one's goods and services, from those of another and this will allowing the marketplace to function smoothly and also avoid consumer confusion in the long-run. The ability of the "I♥" design to fulfill the essential function of guaranteeing a trade mark's origin is now seriously compromised in Japan as the IPHCJ does not grant trade mark protection on marks that are unable to clearly distinguish the product or service from competing products or services or appeal to the consumer.

The current Japanese trade mark practice as demonstrated by the IPHCJ I♥JAPAN decision to prohibit the registration of common words or symbols that are incapable of being able to distinguish the goods of one trader from those of others is also similar to the position in the United States of America<sup>9</sup> and France<sup>10</sup> which have held that "I♥" marks with a geographical location are not distinctive and hence cannot be protected as trade mark registrations.

The IPHCJ I♥JAPAN case is a pro-market and pro-competition decision confirming that Japanese courts are loathe to grant monopolistic rights to commonly used (albeit easily recognisable) words or designs that do not function as a badge of origin. The decision will not unduly restrict and hamper free competitive use of commonplace and commonly used indicia or marks like the "I♥" marks that are non-distinctive and incapable of being able to distinguish the goods of one trader from those of others.

- 1 Any questions about this article should be emailed to John A. Tessensohn at [jtessensohn@shupat.gr.jp](mailto:jtessensohn@shupat.gr.jp). This update reflects only the personal views of the author and should not be attributed to the author's firm or to any of its present or future clients.
- 2 See JTM Registration no. 5752985.
- 3 Law No. 127 of 13 April 1959, as amended.
- 4 Law No. 127 of 13 April 1959, as amended.
- 5 Law No. 127 of 13 April 1959, as amended.
- 6 Law No. 127 of 13 April 1959, as amended.
- 7 Milton Glaser, the renowned graphic designer who created the original iconic I♥NEW YORK design in 1977 died on 26 June 26 2020, some 10 days after the IPHCJ decision that rejected the I♥JAPAN mark was published, see Suzanne Nuyen, 'Milton Glaser, Designer Behind The 'I♥NY' Logo, Dies On 91st Birthday', *National Public Radio* (Web Page, 27 June 2020) <<https://www.npr.org/2020/06/27/884195779/milton-glaser-designer-behind-the-i-ny-logo-dies-on-91st-birthday>>.
- 8 Marcel Danesi, *The Semiotics of Emoji: The Rise of Visual Language in the Age of the Internet* (Bloomsbury Publishing, 2016) 70.
- 9 *D.C. One Wholesaler, Inc. v Jonathan E. Chien*, 120 USPQ2d 1710 (TTAB 2016) (the USPTO Trademark Trial and Appeal Board sustained a successful trade mark opposition to registration of the "I♥DC" marks on the ground that the "I♥DC" marks fail to function as trade marks).
- 10 Yvonne Onomor, 'I love Paris, no more', *MARQUES* (Blog Post, 6 February 2015) <<https://www.marques.org/blogs/class46/?XID=BHA3996>> (reporting the French Supreme Court upholding the invalidation of the French and International Registrations "I♥PARIS" and "J♥PARIS" for being non-distinctive).

## SINGAPORE

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**Sea change in the law on confidence favours prospective plaintiffs**

### **Summary**

In the landmark decision of *I-Admin (Singapore) Pte Ltd v Hong Ying Ting and others* [2020] SGCA 32, the Singapore Court of Appeal modified the traditional three-element approach set out in *Coco v AN Clark (Engineers) Ltd* [1969] RPC 41 for establishing a successful breach of confidence action.

An action for breach of confidence is now presumed once a plaintiff establishes that the information in question has the necessary quality of confidence and has been imparted in circumstances importing an obligation of confidence. The burden then falls on the defendant to prove that it did not deal with the confidential information in a manner that adversely affected its conscience.

The Court of Appeal also endorsed the remedy of equitable damages for breach of confidence cases, particularly where no actionable use of a plaintiff's confidential information could be established, which are to be assessed based on the value of the confidential information by taking into account the time and cost saved by the defendant's taking of the information.

### **Background**

The appeal concerns an action for copyright infringement and breach of confidence by I-Admin (Singapore) Pte Ltd (the "appellant"), which is in the business of outsourcing services and systems software, specifically payroll administrative data processing services and human resource information systems, against its former employees, Hong Ying Ting and Liu Jia Wei, and related parties, Nice Payroll Pte Ltd ("Nice Payroll") and Li Yong (collectively, the "respondents").

Hong and Liu previously worked for the appellant before they resigned to set up Nice Payroll, which offers competing services relating to payroll and human resource systems, with Li. The appellant claimed that the respondents accessed and downloaded the appellant's copyrighted and confidential material and used such materials to develop Nice Payroll's business.

The High Court found in favour of the respondents and held that there was neither copyright infringement nor breach of confidence. In this update, we will focus primarily on the Court of Appeal's findings relating to the appellant's claim for breach of confidence and the implications thereof.

### **High Court's findings on alleged breach of confidence**

The traditional approach for establishing a claim in breach of confidence requires a plaintiff to prove three elements as per *Coco v AN Clark (Engineers) Ltd* [1969] RPC 41: (i) the information must possess the quality of confidentiality; (ii) the information must have been imparted in circumstances importing an obligation of confidence; and (iii) there must have been some unauthorised use of that information to the detriment of the party from whom the information originated (collectively, the "traditional approach").<sup>1</sup>

The High Court Judge found that the respondents owed the appellant obligations of confidence. However, the appellant failed to prove unauthorised use of its materials and thus the appellant's claim for breach of confidence failed on the third limb.<sup>2</sup>

### **Court of Appeal's modified approach to establishing breach of confidence**

On appeal, the Court of Appeal found that the traditional approach explicitly protected a plaintiff's interest to prevent the wrongful gain or profit from its confidential information but not necessarily a plaintiff's interest to avoid wrongful loss, which was the loss occasioned to a plaintiff whose information had lost its confidential character or had that character threatened by the unconscionable acts of a defendant.<sup>3</sup>

The Court of Appeal's judgment was delivered by Chief Justice Menon, who considered that the traditional approach does not adequately safeguard a plaintiff's wrongful loss interest or offer recourse where it has been affected. Menon CJ also found:

*The requirement of unauthorised use and detriment has held back the development of the law by overemphasising the wrongful gain interest at the expense of the wrongful loss interest.*<sup>4</sup>

To address this imbalance, Menon CJ took into account recent developments in England and Australia where the courts have relaxed the prerequisite of use and detriment and found breach of confidence even where a wrongdoer has yet to actually profit from misuse.<sup>5</sup>

Based on these considerations, Menon CJ modified the traditional approach (hereinafter, the "modified approach") as follows: an action for breach of confidence is presumed when (i) the information possesses the necessary quality of confidentiality; and (ii) the information has been imparted in circumstances importing an obligation of confidence.<sup>6</sup> There is no longer a need for a plaintiff to establish unauthorised use of the confidential information to its detriment. The presumption would be displaced on proof by the defendant that its conscience was unaffected, i.e. the defendant did not deal with the plaintiff's confidential information in a manner that adversely affected the defendant's conscience.

Examples of how a defendant may displace the presumption include the defendant coming across the information by accident, being unaware of its confidential nature or believing there to be a strong public interest in disclosing it.<sup>7</sup> This shift in burden of proof is also intended by Menon CJ to address the evidential difficulties often faced by owners of confidential information in bringing a claim in confidence as defendants are often better placed to account for their suspected wrongdoing.<sup>8</sup>

Applying the modified approach, Menon CJ found that it was undisputed that the appellant's materials were confidential and the respondents were under an obligation to preserve their confidentiality. The respondents prima facie breached this obligation by acquiring, circulating and referencing the appellant's materials without permission. The respondents also failed to displace the presumption that their conscience was negatively affected. Accordingly, Menon CJ held that the respondents had acted in breach of confidence.<sup>9</sup>

### ***Equitable damages as a remedy for breach of confidence***

Menon CJ considered a number of possible remedies set out below and found that they were all unsuitable in a situation akin to the present case where no actionable use of the appellant's materials and/or confidential information was established.

- *Injunction or order for delivery up*: the Court of Appeal was of the view that there would be little benefit in or justification for the grant of an injunction or an order for delivery up as the respondent's own software and business material was found by the High Court Judge to be sufficiently distinct from the appellant's materials<sup>10</sup> and are "unsatisfactory remedies by themselves as they do not set right the loss *already* suffered by virtue of the [r]espondents' unconscionable conduct".<sup>11</sup>
- *Account of profits*: the non-use of the appellant's materials presented difficulties in quantifying the portion of Nice Payroll's proceeds which were attributable to the referencing and reviewing of the appellant's materials.<sup>12</sup>
- *Equitable compensation*: as "[t]he restitutionary objective of equitable compensation requires that a plaintiff be restored to the same position they would have been in if the breach had not been effected",<sup>13</sup> such a remedy would be highly speculative in the present case where there has been no actionable use of the appellant's materials.

Instead, Menon CJ preferred the remedy of equitable damages because it affords the court the flexibility to determine the manner in which damages should be assessed. In particular, Menon CJ took guidance from the decisions of *Seager v Copydex* [1967] 1 WLR 923 and *Seager v Copydex (No 2)* [1969] 1 WLR 809 and indicated that one method of quantifying equitable damages is to look at the value of the confidential information.<sup>14</sup>

Applying the above, Menon CJ held that the appellant's injury should be vindicated by an award of equitable damages, which ought to take into consideration the time and expense that the respondents saved by using the appellant's materials as a springboard to develop their own intellectual property and set up a competing business.<sup>15</sup> The determination of the precise measure of damages was remitted to the High Court Judge.

### ***Comment***

The modification of the traditional approach by removing the requirement for unauthorised use and detriment and shifting of the burden of proof, coupled with the endorsement of equitable damages as a remedy for breach of confidence, strongly favours the prospective plaintiff in an action for breach of confidence, particularly where no actionable use of the plaintiff's confidential information could be proven.

This can also be seen by the Court of Appeal's introduction of the language of "conscience" in the modified approach, which is intended to import a broader, equity-based rationalisation for the protection of confidentiality and protect plaintiffs from any kind of improper threat to the confidentiality of their information<sup>16</sup>.

On the whole, these developments align Singapore law on confidence with those of jurisdictions such as England and Australia and would serve to better safeguard the confidentiality of information, especially in light of modern developments which allow vast amounts of information to be accessed, copied and disseminated instantaneously and often surreptitiously.

### ***SG Patent Fast Track Programme***

The Intellectual Property Office of Singapore ("IPOS") has launched a two-year initiative to accelerate the grant of patents in Singapore to support inventors and companies. There is a need for innovation in areas to benefit society such as climate change, food security, public health and how we work and live.

The SG Patent Fast Track Programme ("PFTP") aims to achieve a grant of a patent within six months or less which is substantially shorter than the typical time period required. The PFTP aims to provide innovators with greater certainty to the patentability of their invention and technologies with a short product lifecycle in Singapore, and other countries.

Key features of the PFTP include:

- no additional official fee (until further notice);
- no limitations on the technological field;
- no limitations on the applicant (i.e. the applicant can be local, foreign, an individual, or an organisation);

## Current Developments – Asia

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- the fast-tracked patent application must be first filed in Singapore (i.e. the application cannot have a priority claim and cannot be a divisional application);
- the patent application must be filed between 4 May 2020 and 29 April 2022;
- the request for search and examination and a document stating the reason for acceleration must be submitted on the date of filing;
- it is limited to at most 20 claims;
- there is a cap on the number of fast track requests per month (five per month currently) on a first-come-first-served basis with rollover to the next month of unused capacity;
- there is a limit of 10 requests annually per entity (individual or corporate); and
- there are shortened time limits for responding to Office actions from IPOS.

Applications which are not accepted into the PFTP will automatically be moved to the existing 12 months File-To-Grant programme.

- 1 *I-Admin (Singapore) Pte Ltd v Hong Ying Ting and others* [2020] SGCA at [20]; *Coco v AN Clark (Engineers) Ltd* [1969] RPC 41 at 47.
- 2 *I-Admin (Singapore) Pte Ltd v Hong Ying Ting and others* [2020] SGCA at [20].
- 3 *I-Admin (Singapore) Pte Ltd v Hong Ying Ting and others* [2020] SGCA at [50], [53], [54].
- 4 *I-Admin (Singapore) Pte Ltd v Hong Ying Ting and others* [2020] SGCA at [58].
- 5 *I-Admin (Singapore) Pte Ltd v Hong Ying Ting and others* [2020] SGCA at [59].
- 6 *I-Admin (Singapore) Pte Ltd v Hong Ying Ting and others* [2020] SGCA at [61].
- 7 *I-Admin (Singapore) Pte Ltd v Hong Ying Ting and others* [2020] SGCA at [61].
- 8 *I-Admin (Singapore) Pte Ltd v Hong Ying Ting and others* [2020] SGCA at [62].
- 9 *I-Admin (Singapore) Pte Ltd v Hong Ying Ting and others* [2020] SGCA at [63]-[65].
- 10 *I-Admin (Singapore) Pte Ltd v Hong Ying Ting and others* [2020] SGCA at [69]-[70].
- 11 *I-Admin (Singapore) Pte Ltd v Hong Ying Ting and others* [2020] SGCA at [71].
- 12 *I-Admin (Singapore) Pte Ltd v Hong Ying Ting and others* [2020] SGCA at [72].
- 13 *I-Admin (Singapore) Pte Ltd v Hong Ying Ting and others* [2020] SGCA at [72].
- 14 *I-Admin (Singapore) Pte Ltd v Hong Ying Ting and others* [2020] SGCA at [76].
- 15 *I-Admin (Singapore) Pte Ltd v Hong Ying Ting and others* [2020] SGCA at [79].
- 16 *I-Admin (Singapore) Pte Ltd v Hong Ying Ting and others* [2020] SGCA at [51].

# Current Developments – Europe

## EUROPEAN UNION

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**Can copyright subsist in a functional shape? – The Court of Justice of the European Union outlines when this is possible and further develops its jurisprudence on originality in copyright law – Judgment of the Court (Fifth Chamber) of 11 June 2020 *SI and Brompton Bicycle Ltd v Chedech / Get2Get Request for a preliminary ruling Request for a preliminary ruling from the tribunal de l'entreprise de Liège Case C-833/18***

#### Introduction

Overlapping intellectual property (“IP”) rights in relation to shapes have created fears of overprotection. Different IP rights are based on different rationales which can clash when these rights overlap. The different terms of protection (20 years for patents, 25 years for registered designs, 70 years post mortem auctoris for works protected by copyright, to potentially perpetual protection for trade marks) showcase this clash quite graphically. The situation with the European Union (“EU”) context is more complex than within other jurisdictions due to the different levels of harmonisation, the ongoing activity of the EU legislator and the development of jurisprudence of the Court of Justice of the European Union (“CJEU”) in the field.

In order to regulate overlaps, IP rights sometimes provide for legislative measures which arguably aim at delineating the rights from one another, such as the functionality exclusions in trade mark<sup>1</sup> and design law.<sup>2</sup> In copyright law the originality criterion has been increasingly employed to complete this task. The following decision can be regarded as yet another ruling in the string of the CJEU’s jurisprudence on the development of EU copyright law, in particular in carving out and solidifying the concept of EU originality which started with a bang in the *Infopaq* decision<sup>3</sup> 10 years ago. The discussed decision particularly follows well after the CJEU recent decision in *Cofemel*<sup>4</sup> which was discussed in Issue 118 of *Intellectual Property Forum*<sup>5</sup> and will have ramifications on EU copyright law and beyond.

#### Background

Brompton’s iconic foldable bicycles have been sold in their current form since 1987. The bicycles are distinctive in that the bike can be folded into three particular positions (a folded position, an unfolded position and a stand-by position enabling the bicycle to stay balanced on the ground). The

mechanism was invented by Andrew Ritchie and Brompton Bicycle received patent protection for it in the late 1970s which expired in the ’90s. The present case is based on a preliminary reference from the Tribunal de l’Entreprise de Liège (Companies Court, Liège, Belgium (the “Liège Court”). On the 21 November 2017, SI and Brompton brought a case against Get2Get, inter alia, claiming the infringement of Brompton’s copyright. The allegedly infringing product the “Chedech” bicycle (Fig 1) marketed by the Korean company is visually similar to Brompton’s bike (Fig 2) and can also be folded in three positions. Get2Get stated that they deliberately adopted the folding technique of the expired patent as it was the most functional method.



(Fig 1)



(Fig 2)

The Liège Court decided to refer the following questions to the CJEU:

- (1) *Must EU law, in particular Directive 2001/29/EC of the European Parliament and of the Council of 22 May 2001 on the harmonisation of certain aspects of copyright and related rights in the information society, which determines, inter alia, the various exclusive rights conferred on copyright holders, in Articles 2 to 5 thereof, be interpreted as excluding from copyright protection works whose shape is necessary to achieve a technical result?*
- (2) *In order to assess whether a shape is necessary to achieve a technical result, must account be taken of the following criteria:*
  - *The existence of other possible shapes which allow the same technical result to be achieved?*
  - *The effectiveness of the shape in achieving that result?*
  - *The intention of the alleged infringer to achieve that result?*
  - *The existence of an earlier, now expired, patent on the process for achieving the technical result sought?*

#### The Advocate General’s opinion

Advocate General (“AG”) Campos Sánchez-Bordona handed down his opinion on 6 February 2020. In essence, the referring court queried whether a work “whose shape is

necessary to achieve a technical result” could be protected by copyright law.<sup>6</sup> This would entail an analysis of the impact of a cumulation of different IP rights as to their different aims and underlying interests. In relation to the patents and designs, the AG outlined the commonalities of both areas of IP law. Both rights would have a practical application, would require publication, and would have the common objective of promoting innovation<sup>7</sup> by striking a balance between private and public interests.<sup>8</sup> Before discussing the actual questions at hand, the AG charted the current state of affairs in relation to the cumulation between copyright and design rights. While the statutory law would allow a cumulation of rights (e.g. Article 17 of *Directive 98/17*),<sup>9</sup> this would need to be contextualised with the recent case law of the CJEU, in particular the *Cofemel* decision.<sup>10</sup> There, the CJEU weakened this stance on cumulation holding, inter alia, that such “concurrent protection can be envisaged only in certain situations” and that both IP regimes follow different rationales.

In relation to the first question, the AG relied on the previous opinion of AG Maciej Szpunar in *Cofemel*,<sup>11</sup> as well as the decision of the CJEU. The important contribution of the CJEU was that originality of the purported work could not be linked to its aesthetic elements. Mooted by the reference of the Liège Court, the AG then queried whether “the requirements derived from the criterion relating to the achievement of a technical or functional result can be relied on as a ground for refusal to protect a work by copyright.”<sup>12</sup> The case law of the CJEU stipulated that the criterion of originality would not be met where the subject matter is dictated by their technical function<sup>13</sup> and where “technical considerations, rules or constraints [...] leave no room for creative freedom”.<sup>14</sup> This consideration would not raise issues where technical constraints are so dominant that they would “nullify [...] any room for creativity” but rather where the design in question entails functional and aesthetic features.<sup>15</sup>

In order to answer this particular query with regard to mixed designs, the AG then applied an analogy from trade mark law. Trade mark protection is not available for any sign consisting of the shape of goods which is necessary to obtain a technical result. He emphasised the importance of the *Lego* decision by the CJEU where it held that “the terms ‘exclusively’ and ‘necessary’, that provision ensures that solely shapes of goods which only incorporate a technical solution, and whose registration as a trade mark would therefore actually impede the use of that technical solution by other undertakings, are not to be registered.”<sup>16</sup> The CJEU added that the incorporation of “a major non-functional element, such as a decorative or imaginative element” would not be refused trade mark protection.

The second query related to the viability of several criteria submitted by the referring court to assess whether a shape is necessary to achieve a technical result. In relation to the

existence of an earlier patent, the AG found that while the industrial property would not take precedence over copyright protection, it might “serve to determine whether there were technical constraints which dictated the shape of the product”<sup>17</sup> and that the particular shape “was effective to obtain the desired functionality.”<sup>18</sup> The AG also followed AG Saugmandsgaard Øe’s opinion<sup>19</sup> and the CJEU’s elaborations in *Doceram*<sup>20</sup> and stated that alternative shapes would not be a decisive factor in establishing whether the shape in question would be exclusively dictated by its function. However, this criterion could likewise not be completely dismissed.<sup>21</sup> The intention of the alleged infringer to achieve that technical result would not be relevant per se according to the AG. But “the court is entitled to explore the inventor or designer’s original intention rather than that of the person who reproduces his invention or design.”<sup>22</sup> Finally, the AG did not say much whether the effectiveness of the shape in achieving a technical result would be a viable criterion since the referring court did not provide sufficient information to understand the exact meaning of this query. He added that where “the shape which the designer of the product (in this case, a bicycle) planned were not suitable for attaining the desired functionality, the requirement of future industrial application would not be satisfied.”<sup>23</sup>

His conclusion of the referred questions was as follows:

- (1) *Articles 2 to 5 of Directive 2001/29/EC of the European Parliament and of the Council of 22 May 2001 on the harmonisation of certain aspects of copyright and related rights in the information society do not provide for copyright protection of creations of products with an industrial application whose shape is exclusively dictated by their technical function.*
- (2) *In order to determine whether the specific features of the shape of a product are exclusively dictated by its technical function, the competent court must take into account all the relevant objective factors in each case, including the existence of an earlier patent or design right in the same product, the effectiveness of the shape in achieving the technical result and the intention to achieve that result.*
- (3) *Where the technical function is the only factor which determines the appearance of the product, the fact that other alternative shapes exist is not relevant. On the other hand, the fact that the shape chosen incorporates important non-functional elements which were freely chosen by its creator may be relevant.*

### ***The decision***

The CJEU handed down its decision on 11 June 2020. Similar to the discussion in the *Cofemel* decision, the CJEU reiterated that the concept of work has two conditions. First that it entails “original subject matter which is the

author's own intellectual creation and, second, it requires the expression of that creation."<sup>24</sup> With regard to the element of originality, the CJEU reiterated that "according to settled case-law, where the realisation of a subject matter has been dictated by technical considerations, rules or other constraints which have left no room for creative freedom, that subject matter cannot be regarded as possessing the originality required for it to constitute a work and, consequently, to be eligible for the protection conferred by copyright".<sup>25</sup> The second condition, the work, must entail "subject matter that is identifiable with sufficient precision and objectivity."<sup>26</sup>

The CJEU summarised that a work could be protected by copyright even where the particular subject matter has been dedicated by technical consideration as long as this did not prevent "the author from reflecting his personality in that subject matter, as an expression of free and creative choices."<sup>27</sup> Conversely, originality would not be given where the subject matter in question would only be differentiated by its technical considerations which would then amount to the protection of ideas which was not available under copyright law.<sup>28</sup> The CJEU felt that the particular shape of the Brompton bike would appear to be necessary to obtain a certain technical effect but that it was for the referring court to assess the factual issues as to whether it would constitute an original work. The referring court would have to determine whether "through that choice of the shape of the product, its author has expressed his creative ability in an original manner by making free and creative choices and has designed the product in such a way that it reflects his personality."<sup>29</sup>

On the second question of the Liège Court, the CJEU found that the availability of alternative shapes would not be an decisive factor and found the intention of the infringer to be irrelevant for this assessment.<sup>30</sup> It also mentioned that the existence of a prior patent should only matter "in so far as those factors make it possible to reveal what was taken into consideration in choosing the shape of the product concerned."<sup>31</sup> The CJEU rather advised the referring court to look at "all the relevant aspects of the present case, as they existed when that subject matter was designed, irrespective of the factors external to and subsequent to the creation of the product."<sup>32</sup>

Consequently, the CJEU summarised its answers to the referred question by stating:

*Articles 2 to 5 of Directive 2001/29/EC of the European Parliament and of the Council of 22 May 2001 on the harmonisation of certain aspects of copyright and related rights in the information society must be interpreted as meaning that the copyright protection provided for therein applies to a product whose shape is, at least in part, necessary to obtain a technical result, where that product is an original work resulting from intellectual creation, in that, through that shape, its author expresses his creative ability in an*

*original manner by making free and creative choices in such a way that that shape reflects his personality, which it is for the national court to verify, bearing in mind all the relevant aspects of the dispute in the main proceedings.*<sup>33</sup>

### Comment

The decision's importance is twofold. On the one hand, it provides useful guidelines for national courts to assess originality of functional shapes. The discussion on which criteria to assess or not as stipulated in the response to the second referred question provides them with familiar language and concepts that were developed under other IP rights, like the existence of a patent as an indicator of functionality as first developed within the EU IP context in the *Lego* decision.<sup>34</sup> The CJEU, also, rejected the multiplicity of form doctrine which the referring court mentioned, and which has been applied in Belgian courts as the sole criterion.<sup>35</sup> This can be seen as being consistent with the *Doceram* decision in relation to registered designs.<sup>36</sup> All these decisions may indicate that the CJEU is developing an autonomous horizontal functionality doctrine with regard to the protectability of shapes by IP rights.<sup>37</sup> Another important point is the ongoing fine-tuning of the CJEU's definition of originality under the *InfoSoc Directive*.<sup>38</sup> The nexus of various references from national courts has provided the CJEU with the opportunity to shed light on various aspects of this important criterion in copyright law. And it can be seen that the CJEU is following its own jurisprudence on each occasion. Finally, another interesting aspect is how the United Kingdom ("UK") will embrace the decision as it sees itself after having left the EU but still subject to the *Withdrawal Agreement* which currently lapses at the end of this year. It will be interesting to see how UK courts will react to this decision.

- 1 Article 7(1)(e) *Regulation (EU) 2017/1001 of the European Parliament and of the Council of 14 June 2017 on the European Union trade mark* [2017] OJ L 154, 1–99; Article 4 (1) (e) *Directive (EU) 2015/2436 of the European Parliament and of the Council of 16 December 2015 to approximate the laws of the Member States relating to trade marks* [2015] OJ L 336, 1–26.
- 2 Article 8 Nr 1. *Council Regulation (EC) No 6/2002 of 12 December 2001 on Community designs* 003 (Community Design Regulation) [2002] OJ L 3, 124.
- 3 Case C-5/08 *Infopaq International A/S v Danske Dagblades Forening*, Judgment of the Court (Fourth Chamber) 16 July 2009.
- 4 Case C-683/17 *Cofemel – Sociedade de Vestuário SA v G-Star Raw CV*, Judgment of the Court (Third Chamber) 12 September 2019.
- 5 Marc Mimler, "The Court of Justice of the European Union provides further guidance on the interplay between copyright and design law in works of applied art – Judgment of the Court (Third Chamber) of 12 September 2019 *Cofemel – Sociedade de Vestuário SA v G-Star Raw CV* Request for a preliminary ruling from the Supremo Tribunal de Justiça Case C-683/17" (2019) 118 *Intellectual Property Forum* 758.
- 6 Case C-683/17 *SI, Brompton Bicycle Ltd. v Chedech / Get2Get*, Opinion of AG Campos Sánchez-Bordona, 06 February 2020, para 31.
- 7 Case C-683/17 *SI, Brompton Bicycle Ltd. v Chedech / Get2Get*, Opinion of AG Campos Sánchez-Bordona, 06 February 2020, para 37.
- 8 Case C-683/17 *SI, Brompton Bicycle Ltd. v Chedech / Get2Get*, Opinion of AG Campos Sánchez-Bordona, 06 February 2020, para 40.
- 9 *Directive 98/71/EC of the European Parliament and of the Council of 13 October 1998 on the legal protection of designs* [1998] OJ L 289, 28).

- 10 Case C-683/17 *Cofemel – Sociedade de Vestuário SA v G-Star Raw CV*, Judgment of the Court (Third Chamber) 12 September 2019.
- 11 Case C-683/17 *Cofemel – Sociedade de Vestuário SA v G-Star Raw CV*, Opinion of AG Szpunar, 2 May 2019.
- 12 Case C-683/17 *SI, Brompton Bicycle Ltd. v Chedech / Get2Get*, Opinion of AG Campos Sánchez-Bordona, 6 February 2020, para 61.
- 13 Case C-393/09 *Bezpečnostní softwarová asociace Svaz softwarové ochrany v Ministerstvo kultury*, Judgment of the Court (Third Chamber) 22 December 2010, para 49.
- 14 Case C-604/10 *Football Dataco and Others v Yahoo! UK Ltd and Others*, Judgment of the Court (Third Chamber), 1 March 2012, para 39.
- 15 Case C-683/17 *SI, Brompton Bicycle Ltd. v Chedech / Get2Get*, Opinion of AG Campos Sánchez-Bordona, 6 February 2020, para 68.
- 16 Case C-48/09 P, *Lego Juris AIS v Office for Harmonisation in the Internal Market (Trade Marks and Designs) (OHIM)*, Judgment of the Court (Grand Chamber), 14 September 2010, para 48.
- 17 Case C-683/17 *SI, Brompton Bicycle Ltd. v Chedech / Get2Get*, Opinion of AG Campos Sánchez-Bordona, 6 February 2020, para 80.
- 18 Case C-683/17 *SI, Brompton Bicycle Ltd. v Chedech / Get2Get*, Opinion of AG Campos Sánchez-Bordona, 6 February 2020, para 80.
- 19 Case C-395/16 *Doceram GmbH v CeramTec GmbH*, Opinion of AG Saugmandsgaard Øe, 19 December 2017.
- 20 Case C-395/16 *Doceram GmbH v CeramTec GmbH*, Judgment of the Court (Second Chamber), 8 March 2018.
- 21 Case C-683/17 *SI, Brompton Bicycle Ltd. v Chedech / Get2Get*, Opinion of AG Campos Sánchez-Bordona, 6 February 2020, para 84.
- 22 Case C-683/17 *SI, Brompton Bicycle Ltd. v Chedech / Get2Get*, Opinion of AG Campos Sánchez-Bordona, 6 February 2020, para 92.
- 23 Case C-683/17 *SI, Brompton Bicycle Ltd. v Chedech / Get2Get*, Opinion of AG Campos Sánchez-Bordona, 6 February 2020, para 97.
- 24 Case C-683/17 *SI, Brompton Bicycle Ltd. v Chedech / Get2Get*, Judgment of the Court (Fifth Chamber) of 11 June 2020, para 22.
- 25 Case C-683/17 *SI, Brompton Bicycle Ltd. v Chedech / Get2Get*, Judgment of the Court (Fifth Chamber) of 11 June 2020, 24.
- 26 Case C-683/17 *SI, Brompton Bicycle Ltd. v Chedech / Get2Get*, Judgment of the Court (Fifth Chamber) of 11 June 2020, para 25.
- 27 Case C-683/17 *SI, Brompton Bicycle Ltd. v Chedech / Get2Get*, Judgment of the Court (Fifth Chamber) of 11 June 2020, para 25.
- 28 Case C-683/17 *SI, Brompton Bicycle Ltd. v Chedech / Get2Get*, Judgment of the Court (Fifth Chamber) of 11 June 2020, para 26.
- 29 Case C-683/17 *SI, Brompton Bicycle Ltd. v Chedech / Get2Get*, Judgment of the Court (Fifth Chamber) of 11 June 2020, para 34.
- 30 Case C-683/17 *SI, Brompton Bicycle Ltd. v Chedech / Get2Get*, Judgment of the Court (Fifth Chamber) of 11 June 2020, para 35.
- 31 Case C-683/17 *SI, Brompton Bicycle Ltd. v Chedech / Get2Get*, Judgment of the Court (Fifth Chamber) of 11 June 2020, para 36.
- 32 Case C-683/17 *SI, Brompton Bicycle Ltd. v Chedech / Get2Get*, Judgment of the Court (Fifth Chamber) of 11 June 2020, para 37.
- 33 Case C-683/17 *SI, Brompton Bicycle Ltd. v Chedech / Get2Get*, Judgment of the Court (Fifth Chamber) of 11 June 2020, para 38.
- 34 Case C-48/09 P, *Lego Juris AIS v Office for Harmonisation in the Internal Market (Trade Marks and Designs) (OHIM)*, Judgment of the Court (Grand Chamber), 14 September 2010, para 85.
- 35 Estelle Derclaye, ‘The CJEU decision in Brompton Bicycle – A welcome double rejection of the multiplicity of shapes and causality theories in copyright law’ *Kluwer Copyright Blog* (Blog Post, 2020) <<http://copyrightblog.kluweriplaw.com/2020/06/25/the-cjeu-decision-in-brompton-bicycle-a-welcome-double-rejection-of-the-multiplicity-of-shapes-and-causality-theories-in-copyright-law/>>.
- 36 Case C-395/16 *Doceram GmbH v CeramTec GmbH*, Judgment of the Court (Second Chamber), 8 March 2018, para 32.
- 37 Uma Suthersanen and Marc D Mimler, ‘An Autonomous EU Functionality Doctrine for Shape Exclusions’ (2020) 69(6) *GRUR International* 567-77.
- 38 *Directive 2001/29/EC of the European Parliament and of the Council of 22 May 2001 on the harmonisation of certain aspects of copyright and related rights in the information society* [2001] OJ L 167, 10.

## FRANCE

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### A focus on the new trade mark opposition proceedings

The end of 2019 was subject to many amendments to the French trade mark law as a consequence of the implementation of *Directive (EU) 2015/2436* of 16 December 2015. Opposition proceedings to new trade mark applications have also been heavily impacted.

Among the texts amending opposition proceedings are Decision No. 2019-158 of 11 December 2019 of the Director of the French Industrial Property Office (Institut National de la Propriété Industrielle “INPI”) and Order No. 2019-1169 of 13 November 2019.

- Rationale of opposition proceedings

An opposition is an administrative procedure launched by the owner of prior rights over a “sign” which aims at preventing the INPI from registering either a French trade mark or an international application designating France. It must be filed within a two-month period following the publication of the application within the French official bulletin. Its main benefit lies in the fact that the costs associated with such proceedings are significantly lower than those relating to cancellation proceedings. However, this assertion becomes less relevant considering that the INPI now also has exclusive jurisdiction over cancellation actions. In practice though, opposition proceedings are quicker than cancellation actions given that the INPI must hand over its decision within a limited time frame.

At the time of the introduction of the procedure in 1991, oppositions had to be filed in paper form which has been progressively abandoned in favour of electronically filed oppositions. As part of the new reform, the General Director of the INPI also decided that oppositions should exclusively be filed through the dedicated online platform, including with respect to the filing of any related exhibits.

- Additional earlier rights may ground the opposition

A significant change in this procedure now permits the owners of prior held corporate names, tradenames, shop signs, domain names or geographical indications, or public entities known under a specific name, to also file oppositions. This results from the new articles L. 712-4 and L. 712-4-1 of the *French Intellectual Property Code*. Before 2019, this possibility was only granted to owners of earlier trade marks, or, as the case may be, to owners of well-known (and unregistered) trade marks within the meaning of article 6 bis of the 1883 *Paris Convention for the Protection of Industrial*

*Property.* Needless to say that owners of earlier trade names, shop signs or domain names will need to adduce a substantial quantity of evidence to establish their rights' existence and seniority.

In an effort to align the French procedure with European opposition proceedings, an opponent may also base its opposition on several earlier marks. In the past, it was only possible to file an opposition on a specific mark and not several marks. This will avoid the filing of multiple oppositions by concentrating within a single instance all the earlier rights at stake.

An additional fee of EU€150 per earlier marks invoked shall be added to the main EU€400 fee.

Also, it becomes possible to invoke the extensive protection benefiting well-known marks. Prior to the reform, the INPI had no power to assess whether an application could alter the distinctive character of an earlier reputed mark should the products/services be different.

It should be noted that this extension will in itself increase the number of procedures. This is likely to overburden the INPI and the Courts of Appeal and thus make the procedure somewhat less efficient.

- Significant procedural changes

The reform also significantly amends the procedural law of opposition proceedings.

First, it introduces an instruction phase, which refers to the exchanges between the parties of their respective observations (written and oral, as the case may be).

Secondly, pursuant to the new article R. 712-14 of the *French Intellectual Property Code*, although the opponent still has a two-month time limit to file an opposition, he/she now has an additional month to provide the statement of grounds and related exhibits.

This additional time limit allows the parties time to reach an amicable settlement once the formal statement of opposition has been filed.

However, the reform did not introduce an obligation on the General Director of the INPI to provide reasons for opposition decisions. Indeed, Article L. 712-5 of the *French Intellectual Property Code* maintains the rule that the opposition is reputed to be rejected if the General Director does not rule within three months following the date of the end of the instruction phase according to the article R. 712-16-2 of the *French Intellectual Property Code* (i.e. from the date of the submission of the last written observation or at the end of the oral observations). The preservation of these provisions is unfortunate as it is a source of legal uncertainty, and requires an increased scrutiny from the parties.

- Increased powers granted to the INPI with respect to assessment of genuine use

Last but not least, the INPI has been granted increased powers with respect to the assessment of the genuine use of earlier trade marks having been registered for more than five years. In the past, it was possible for the applicant to request the opponent establish genuine use of its trade mark, however, the INPI had no power or discretion to examine in detail the relevance of the evidence provided with respect to the scope of the trade mark.

With the reform, the INPI will be in a position to assess the scope, duration and location of the evidence adduced by an opponent, and declare, when applicable, that some of the goods or services will not be retained as a basis for opposition. This requires owners of earlier trade marks to select in a more careful manner their earlier marks before filing an opposition.

Therefore, from a basic administrative procedure reserved for owners of earlier trade marks, opposition is now becoming more challenging and will require a more fine-tuned approach from the INPI, with more evidence to be adduced and analysed.

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1 This contribution reflects the personal views of the authors and should not be attributed to the authors' firm or to any of its present and future clients.

### GERMANY

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#### **German Federal Court of Justice increases the requirements for FRAND-objection**

**Report on the Federal Court of Justice's decision in *Sisvel v Haier***

##### ***Introduction***

Since the decision of the European Court of Justice in the case *Huawei v ZTE*, it is clarified that the holder of a standard essential patent (“SEP”) regularly maintains a market dominant position which could be abused by filing an infringement action seeking injunctive relief. Therefore, SEP holders and, in return, the infringer wishing to obtain a licence to the patent must comply with certain antitrust rules. Generally speaking, the SEP holder must first notify the infringement to the infringer. Then the infringer must declare his/her willingness to license. And in the third step, the SEP holder must make a fair, reasonable and non-discriminatory (“FRAND”)-compliant offer. Whether such an offer is FRAND-compliant depends mainly on the terms under which comparable licence agreements have been concluded.

The alleged patent user (for simplicity, called “infringer” in the following, although the patent might not be infringed and/valid and the user might have a right to license) who is sued may raise a FRAND objection. If this objection is successful, the action is dismissed as provisionally unfounded.

In recent years, German courts have gradually clarified the individual obligations and steps of the parties within this “FRAND ping-pong”. This revealed that the requirements of German courts regarding the behaviour of the SEP holder were quite high, while the obligations of the infringer were easier to achieve. For this reason, German case law was often described as not very patentee-friendly.

But now the German Federal Court of Justice (“FCJ”) gave its judgment in *Sisvel v Haier*, which surprised the patent law scene in Germany. The decision noticeably intensified the obligations of the licence seeker and strengthened the position of the SEP holder.

##### ***Background/ History of the legal proceedings***

As the owner of a SEP, Sisvel sued Haier in the District Court of Düsseldorf. The District Court of Düsseldorf sentenced Haier in accordance with the requests of Sisvel. On appeal, the Higher Regional Court of Düsseldorf confirmed the infringement of the patent, but upheld Haier's FRAND-objection and therefore dismissed the claim as unfounded.

According to the Higher Regional Court of Düsseldorf, Sisvel did not make Haier a FRAND-compliant offer. Because Sisvel had concluded a licence agreement with a Chinese state-owned company, which was far cheaper than the offer to Haier. Haier, on the other hand, allegedly behaved in a FRAND-compliant manner.

Sisvel's appeal at the FCJ was directed against the judgment of the Higher Regional Court of Düsseldorf regarding the FRAND-objection. However, since the patent in dispute has been maintained in the parallel nullity action (necessary in the German bifurcated system handling infringement and nullity separately) only to a limited extent in the meantime by the Federal Patent Court and, in the second instance, by the FCJ, Haier filed a subsequent appeal because Haier believed that they did not infringe the patent in dispute in its limited form.

##### ***Reasons of the decision***

The Antitrust Senate of the FCJ ruled in favour of the plaintiff Sisvel. The FCJ also confirmed an infringement, but – in contrast to the Court of Appeal – dismissed the FRAND objection of the defendants. In the opinion of the FCJ, the plaintiff did indeed have a market dominant position, but did not abuse it. This result is based on the significantly stricter requirements which the FCJ now imposes on the infringer's declaration of a willingness to license.

##### ***Market dominant position***

On the question of market dominance, the FCJ was in line with its previous position and concluded on this basis that Sisvel held a market dominant position. It agreed with the Court of Appeal that the mere fact that the patent holder could exclude any third party from using the technical teaching of the plaintiff's patent does not necessarily result in a market dominant position. Rather, several factors must be considered. For example, it should be noted that the patent is an SEP and that a change to another technology is not possible if the defendants want to offer a competitive product.

The Court of Appeal did not ignore that there may be exceptional reasons which rule out market dominance. However, the FCJ did not find any evidence for this. Sisvel, for its part, argued that it was possible for manufacturers of mobile phones to use the disclosed patentable teaching even without a licence. But the FCJ clarified in its decision that market dominance does not result merely from the negotiating power in the negotiation of licence terms. Rather, it results from the legal possibility to prohibit third parties from bringing or keeping patent-infringing products on the market. The patent holder may also enforce this legal possibility in court. On the other hand, it would be unreasonable for companies which use the patent-compliant teaching to operate on the market without prior licensing.

### *Abuse*

Unlike the Court of Appeal, however, the Antitrust Senate of the FCJ denied an abuse of this dominant position. The FCJ found that the defendants did not declare a willingness to take a licence sufficiently. Therefore, Sisvel had not yet been required to submit a FRAND-compliant offer, which is why the defendants could not raise the FRAND objection successfully.

Both, the FCJ and the Court of Appeal confirmed that the plaintiff's notice of infringement was adequate in the present case. It sufficed that the patent as well as the concrete act of infringement were indicated. No detailed technical and legal explanations were required, the infringer only had to be placed in a position to get an idea of the patent holder's entitlement, if necessary with help of an expert. The plaintiff met these requirements by naming the relevant patent and standard and generally offering a licence on FRAND terms. In this context, the FCJ as well as the Court of Appeal considered a notice to the parent companies of the defendants as sufficient.

Unlike the Court of Appeal, however, the FCJ did not consider the enforcement of the injunctive relief and recall claims to be abusive. After all, the findings of the Court of Appeal would not support the assumption that the plaintiff was obliged to make a concrete FRAND offer to enter into a contract because the defendants did not sufficiently express a willingness to license. The FCJ provided detailed explanations to justify its decision. According to the FCJ, an infringement action by a market dominant SEP holder may be abusive if the action could prevent products complying with the standard from entering the market or remaining available there.

However, this does not mean that the SEP holder cannot enforce his/her claims. The SEP holder has to tolerate the use of the patented technical teaching only if he/she allows it or if he/she has to allow it in compliance with the obligation not to abuse his/her dominant position. The latter, in turn, requires that the user of the technical teaching is willing to take a licence on reasonable and non-discriminatory terms.

As a result, an action is abusive if claims are asserted even though the infringer has made an unconditional offer to conclude a licence agreement. In the same manner, however, an action is abusive if the patent holder has not made sufficient efforts to enable the infringer (who is in principle willing to license) to conclude a licence agreement on reasonable terms.

According to the FCJ, this means that the patent holder first has to notify the infringer about the infringement and give the infringer the opportunity to use his/her claim for the conclusion of a licence agreement on reasonable terms. However, the infringer is not immediately in a position to formulate conditions of his/her own accord which the

FRAND-compliant patent holder must grant him/her. Therefore, the patentee is obliged to substantiate his/her licence offer in detail and to provide information to enable the person willing to license to verify whether the offer is FRAND.

The question as to which conditions are FRAND is a question of the individual case. The patentee is not obliged to grant licences at a "uniform tariff". Rather, it is sufficient if the statutory prohibitions of discrimination are complied with. However, since the reasonable conditions, such as a fair price, cannot be determined on its own, but are only the result of (possibly similar) negotiated market processes, the serious and purposeful participation in the negotiations by the company seeking a licence is of decisive importance.

The SEP holder's obligations, such as the obligation to notify of the infringement and to make a FRAND-offer to the infringer, are not an end in themselves. They are intended to make it easier for the infringer to negotiate reasonable terms. Therefore, it is not sufficient that, after an initial notification, the infringer is willing to consider concluding a licence agreement or to enter into negotiations. The infringer must clearly and unequivocally declare his/her willingness to conclude a licence agreement with the SEP holder on any reasonable and non-discriminatory terms and must subsequently participate in the negotiations in a targeted manner. At this point the FCJ quoted with approval the *Unwired Planet v Huawei* decision of the High Court of England and Wales: "a willing licensee must be one willing to take a FRAND licence on whatever terms are in fact FRAND."<sup>1</sup>

Thus, the FCJ now demands significantly more effort on the part of the licence-seeking infringer than was previously usual in German courts. The infringer must now declare unequivocally that he/she will take a licence on any condition as long as these conditions are FRAND. The FCJ has not found such an explicit statement of the defendant in the present case and, thus, the FRAND defence failed.

In the previous instance, there had already been discussions on the date by which the willingness to license could still be declared. However, the FCJ did not answer this question, but instead clarified that an infringer who remains silent for several months on an infringement notice regularly indicates that he/she is not interested in obtaining a licence.

The decisive factor for the FCJ's decision was rather that the defendants did not declare a sufficient willingness to license. None of the defendants' notices met the requirements for a serious and unconditional willingness to take a licence on FRAND terms. The defendants merely expressed the hope that a formal negotiation would be entered into and asked for information about a potential discount. By doing so, the defendants did not clearly and unambiguously express their willingness to enter into a licence agreement on FRAND terms.

Further correspondence showing that the defendants are open to the conclusion of a FRAND licence on the condition that German courts are tasked with determining the infringement and the validity of the patent in suit do not meet these requirements either. The last alleged declaration of willingness to license during the appeal proceedings was also insufficient, as it was pointed out that the own position would remain unchanged. Thus, the objective recipient would get the impression that the previously formulated inadmissible conditions should be maintained.

During the further course of the proceedings the defendants insisted on their own counter-offer and the notification that the offer will not be improved as long as the plaintiff is not willing to substantiate the infringement of the remaining patents in its portfolio. According to the FCJ, such behaviour appears to the objective recipient as a delaying tactic, because no detailed technical and legal explanation is required by case-law. The defendants also cannot expect the plaintiff to provide claim charts for all 450 patents in a portfolio. This would indicate that the defendants want to delay the negotiations until the patent expires.

Whether the defendant's last counter-offer – four weeks before the appeal hearing date – was sufficient was not decided by the FCJ, since the patent in suit had already expired by that time. Thus, the plaintiff's original market dominant position had already lapsed as well and the plaintiff was therefore allowed to deny a licence to the defendants at this point.

### *Governmental pressure as justification for unequal treatment*

Thereafter, the question whether the plaintiff's offer was abusive did not need to be decided. However, the FCJ insisted on clarifying at the end of its judgment that governmental pressure can also constitute a reason for unequal treatment and thus justify an alleged discrimination. Although the plaintiff argued this point, the Court of Appeal did not make any findings in its judgment, since it was of the opinion that intimidation or pressure from a foreign authority could not, even at the outset, be a substantive justification. However, in the FCJ's opinion, it could be economically reasonable – in the absence of other options – to accept an offer that is inadequate as such in response to the threat of personal or other economic disadvantages in order to receive any compensation at all for the use of their property rights and to avoid threats to state authorities.

1 *Unwired Planet International Ltd. v Huawei Technologies Co. Ltd. & Ors*, [2017] EWHC 711 (Pat) at [708].

## UNITED KINGDOM

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### **Trapped: insufficiency deals the final blow to Regeneron's ground-breaking transgenic mouse patents**

***Regeneron Pharmaceuticals Inc (Respondent) v Kymab Ltd (Appellant)***

[2020] UKSC 27

#### ***Executive summary***

On 24 June 2020, the United Kingdom (“UK”) Supreme Court brought an end to the long-running dispute regarding the validity of Regeneron's patents relating to transgenic mice, used ultimately to produce fully human antibodies. The hugely complex and fascinating dispute boiled down to a (relatively) simple question of law asked of the Supreme Court: in a product claim that encompasses a range, is it sufficient that the patent discloses how to make only some, but not all, of the products within that range? The conclusion was no. Their Lordships ruled four to one in favour of Kymab (with Lady Black dissenting), therefore overturning the decision of the Court of Appeal which had included two specialist patent lawyers in the tribunal, including Lord Kitchin (as he now is). The UK's highest court had a firm eye on the balance of the so-called “patent bargain”, and decided that sufficiency requires substantially the whole of the range of products within the scope of the claim to be made by means of the disclosure in the patent at the priority date.

#### ***Technical background***

It is worth noting that by the time of the Supreme Court's judgment, all debate as to the technical disclosure and construction of the patents had fallen away. However, for context and for the general interest of readers not familiar with the technology, a summary is set out in the following paragraphs.

By 2001, the priority date of the patents in issue, transgenic mice were an established tool for discovering therapeutic antibodies. However, transgenic mice with fully human antibody sequences frequently exhibited a poor immune response (something characterised in the litigation as being “immunologically sick”). Regeneron discovered this was because the human constant region of the antibody interacted poorly with the downstream mouse immune response effector proteins. Regeneron's invention, acknowledged as “ground-breaking” by the Supreme Court, was to create an antibody sequence that retained the mouse constant region, and replaced only the mouse variable regions with human counterparts. This was named the “Reverse Chimeric Locus”. The Reverse Chimeric Locus would give rise to hybrid antibodies that comprised human variable regions and

mouse constant regions, which could then be transformed into fully humanised antibodies by a subsequent, known process.

The diversity of antibodies that a body (in this case a mouse) may produce arises in part from recombination of different antibody variable region gene segments (known as “V (variable), D (diversity) and J (joining) gene segments”). At the priority date, it was considered that the more human antibody variable gene segments inserted into the mouse genome, the greater the number and variability of antibodies that would be generated from these gene segments and thus the more efficient and valuable the transgenic mouse.

### **Case background**

In 2001, Regeneron filed process and product patents based on its Reverse Chimeric Locus. Claim 1 of the relevant product patent (European Patent (UK) 2 264 163), upon which the validity of all other claims in issue rested, reads as follows,

*A transgenic mouse that produces hybrid antibodies containing human variable regions and mouse constant regions, wherein said mouse comprises an in situ replacement of mouse VDJ regions with human VDJ regions at a murine chromosomal immunoglobulin heavy chain locus and an in situ replacement of mouse VJ regions with human VJ regions at a murine chromosomal immunoglobulin light chain locus.*

Proceedings were brought by Regeneron in 2013 alleging infringement by Kymab’s product, a transgenic mouse known as “Kymouse”. Kymab counterclaimed that the patents were invalid due to lack of novelty, inventive step and insufficiency of disclosure. An important feature of construction was that at both first instance and on appeal, Claim 1 above was found to extend to a range of mice, which varied in the number of human variable V, D or J gene segments inserted into the mouse genome.

At first instance Henry Carr J found the patents novel, inventive and infringed, but invalid for lack of sufficiency. He held that the methods disclosed in the patents would not have been workable by the skilled person at the priority date without undue burden or invention, as insertion or deletion of large pieces of DNA was not possible at that time.

On appeal, Regeneron presented a new argument that the skilled person would have used his/her common general knowledge (“CGK”) to make adjustments to the methods in the patent so as to introduce smaller inserts of DNA (known as “minigenes”) into the mouse genome in a stepwise manner. Regeneron accepted that these minigenes would only allow the skilled person to make a small range of the mice claimed by the patent (i.e. it would only allow the skilled person to make transgenic mice with a small subset of the human variable region V, D and J gene segments inserted). The

Court of Appeal was persuaded by this argument. Crucially, it also considered that the invention amounted to a “principle of general application”, which might contribute to the art not only in its use in current products, but also in products which might become capable of being made in the future. It was held that every transgenic mouse with a reverse chimeric locus (not just those with the whole human variable region) would benefit from the invention, because the invention essentially cured murine immunological sickness by its retention of the mouse constant region, no matter whether the human variable region inserted was a whole or just part. The Court of Appeal found that this teaching of the Reverse Chimeric Locus was properly taught in the patent, and that it amounted to a new generally applicable principle. The sufficiency requirement was therefore met.

### **Supreme Court**

The question the Supreme Court had to answer was framed as follows by Lord Briggs, who gave the leading judgment,

*whether a product patent, the teaching of which enables the skilled person only to make some, but not all, of the types of product within the scope of the claim, passes the sufficiency test where the invention would contribute to the utility of all the products in the range, if and when they could be made.*

This pure question of law was set against the context of the so-called “patent bargain”: in return for a time-limited monopoly to work his/her patent, the patentee must disclose the invention to the public in enough detail to enable the skilled person to work that invention. Sufficiency is one of the tools (alongside inventive step, for example) that serves to keep in check the patentee’s contribution to the art by reference to what is actually disclosed and can be made by the skilled person. Following a detailed analysis of both European Patent Office and UK case law on the interpretation of sufficiency requirements, at paragraph 56 of the judgment Lord Briggs set out eight inter-related principles which will surely be rolled out in (in)sufficiency pleadings going forwards. Among these, he confirmed that, for a product claim, what must be disclosed is the product and the ability to make the product, rather than the alleged invention / inventive concept (if different). In the context of a patent claiming a range of products, the patentee is required to disclose enough information that, coupled with the CGK, would be sufficient to enable the skilled person to make substantially all of the embodiments of products within the scope of the claim’s relevant range (where “substantially all” provides scope for de minimis arguments, something that was not in issue here). It was also confirmed that a patentee may rely on a principle of general application (i.e. an integer expressed in general terms) if it would appear reasonably likely to enable the whole range of products within the scope of the claim to be made.

Applying these concepts, Lord Briggs ruled that the Court of Appeal had erred in two respects. First, the Court of

Appeal wrongly held that the contribution to the art in this case was the invention, rather than the ability of the skilled person to make the product claimed. Lord Briggs captured this sentiment in the soundbite, “Patents are about products and processes, not pure ideas”. Second, the Court of Appeal had been wrong to say that a patent is sufficient if products within the claim cannot be made, as long as the benefit of the invention would be enjoyed over the whole range of the claim if and when those embodiments could be made in the future.

Regeneron’s patents only enabled the skilled person to make transgenic mice containing a small section of human antibody variable region genetic material. It was accepted at the priority date that transgenic mice containing more human variable region gene segments would be desirable by resulting in the production of more diverse antibodies. This therefore was the relevant range even though it did not affect the alleged invention (the immunological health of the transgenic mice). Thus, it was not possible for the skilled person to make the whole of the claimed relevant range and, specifically, it was not possible for the skilled person to make mice within the more valuable regions of Regeneron’s claim. Returning to the balance of the patent monopoly and the requisite “bargain”, Lord Briggs commented that the Court of Appeal’s decision effectively upheld a monopoly over a more valuable transgenic mouse when the disclosure of the patent (plus the CGK) did not enable that mouse to be made until years after the priority date, following further inventions.

In respect of the Court of Appeal’s reliance on a “principle of general application”, Lord Briggs characterised this as giving a monopoly for unlocking benefits that would be realised in the future. Overturning its decision, he made clear that any such principle must still actually make the embodiments within the claim available to the skilled person. The Reverse Chimeric Locus does not in itself enable the products to be made. Rather, the Reverse Chimeric Locus is the result of successfully making the products, the full range of which could not be done.

Kymab’s appeal was therefore allowed, with Lords Reed, Hodge and Sales agreeing with Lord Briggs’ judgment. Regeneron’s patents were invalid for insufficiency.

### ***Dissenting judgment***

In short, Lady Black agreed with the Court of Appeal that Regeneron’s invention of the Reverse Chimeric Locus was a principle of general application. In her view, the claim was enabled across its scope by the deployment of the general principle that it would cure immunologically sick mice across the range, irrespective of the amount of human material incorporated into its genome. When characterised in a way that focusses on the Reverse Chimeric Locus as a general principle in itself, rather than the quantum of

material replaced, every mouse across the range enjoys the benefit of that aspect of the invention and the claim would be sufficient.

### ***Comment***

The decision will surely be poured over in future debates about sufficiency. However, we see that being due to the clear restating of existing law, not because it suggests anything radical. A key aspect of the disagreement between the Court of Appeal and the Supreme Court (and indeed the first instance judge, and Lady Black within the Supreme Court) seems to come down to a desire to reward a genuinely ground-breaking technology. How could Regeneron have properly claimed its invention in a way that would reward its contribution to such a fast-moving field as genetic engineering, but not be deemed insufficient? Could the claim have been a method claim along the lines of achieving the benefit advocated by Lady Black and the Court of Appeal (“A method of curing immunological sickness in transgenic mice...”) ? Would this obviate the reliance on the underlying understanding of the art that the greater number of inserts possible, the more useful the mouse at producing a variety of antibodies? Or would insufficiencies remain, perhaps based on another ground such as breadth of claim? Lord Briggs himself acknowledged that the patentee might have had to confine itself to “scant and short lived reward for their efforts and ingenuity”, but that what matters is the settled, strict reading of law that a product claim must properly enable the products to be made. This, according to Lord Briggs,

*both reflects and applies the principle that the contribution to the art is to be measured by the products which can thereby be made as at the priority date, not by the contribution which the invention may make to the value and utility of products, the ability to make which, if at all, lies in the future.*

# Current Developments – North America

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## UNITED STATES OF AMERICA

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### **Supreme Court Suggests Claim Preclusion May be Less Relevant to Trade Mark Cases and Questions its Applicability to a Defence Rather than a Claim**

On 14 May 2020, the United States of America (“US”) Supreme Court decided *Lucky Brand Dungarees, Inc., et al. v Marcel Fashions Group, Inc.*, No. 18-1086, addressing the subjects of claim and issue preclusion. The Court held that claim preclusion (or *res judicata*) did not bar a defence that could have been raised in a prior case between the same parties, but was not. The Court based its holding on the conclusion that the alleged conduct and trade marks at issue in each proceeding were different. Although the Court’s holding is straightforward – claim preclusion did not apply because there was no common nucleus of operative facts between the current case and an earlier one between the same parties – the Court’s analysis is important to the issue of claim preclusion in trade mark cases, and to the broader question of whether claim preclusion can apply to a defence at all.

The case stemmed from a longstanding battle between Lucky Brand and Marcel, clothing companies that both use the word “Lucky”, involving two separate lawsuits between the parties, one filed in 2005 and a later one filed in 2011. The Court found that claim preclusion could only bar Lucky Brand from asserting a release defence based on the parties’ prior settlement agreement (from a lawsuit filed in 2001) in the second action if the two causes of action involved the same claim, i.e., if they shared a common nucleus of operative facts. The Court determined that although Marcel had claimed that Lucky Brand infringed its “Get Lucky” trade mark in both the 2005 and 2011 cases, “the 2011 Action challenged different conduct, involving different marks.” In part, the Court’s reasoning was premised on the conclusion that the 2005 case was based on Lucky Brand’s use of “Get Lucky” alone and also with Lucky Brand’s own marks, whereas the 2011 case was based only on Lucky Brand’s use of its own marks and no use of “Get Lucky”.

The Court also highlighted that Marcel’s 2011 claims were based on Lucky Brand’s conduct occurring after the conclusion of the 2005 case. Quoting *Whole Woman’s Health v Hellerstedt*, 579 U.S. \_\_\_, \_\_\_ (2016), the Court explained

that “[c]laim preclusion generally ‘does not bar claims that are predicated on events that postdate the filing of the initial complaint.’” Significantly, the Court then held that “[t]his principle takes on particular force in the trademark context,” because “liability for trademark infringement turns on marketplace realities that can change dramatically from year to year.”

In a footnote, the Court also raised, but did not decide, the question of whether claim preclusion ever applies to bar a defence. Citing C Wright, H Miller & E Cooper, *Federal Practice and Procedure* (3d ed. 2016), §4414, the Court observed that “courts often ‘assum[e] that the defendant may raise defences in the second action that were not raised in the first, even though they were equally available and relevant in both actions.’” The Court pointed to *Cromwell v County of Sac*, 94 U.S. 351, 356 (1877), to highlight various reasons – besides the merits – why defendants may choose not to assert a defence in a given litigation, including for example “the difficulty of obtaining the necessary evidence” and “the expense of the litigation”. Because the Court found claim preclusion did not apply to Lucky Brand’s release defence, it did not resolve whether claim preclusion ever can bar a defence. However, the Court’s statement that it “need not determine when (if ever) applying claim preclusion to defences may be appropriate” suggests the Court may have more to say on this issue in the future, and may bear on possible avenues for defendants to pursue even outside the trade mark context.

### **Supreme Court Holds that Wilfulness is Not a Requirement to an Award of a Trade Mark Infringer’s Profits**

On 23 April 2020, the US Supreme Court resolved a six-six circuit split over whether a defendant must have wilfully infringed a trade mark for a plaintiff to obtain as a remedy the infringer’s profits. In *Romag Fasteners, Inc. v Fossil Group, Inc.*, No.18-1233 (23 April 2020) (“*Romag Fasteners*”), the Supreme Court held that a trade mark owner may recover the defendant’s profits without a finding of wilfulness. The Court held that while an infringer’s mental state may be a highly important consideration in determining whether such a remedy is appropriate, it is not an “inflexible precondition”. Many have predicted that the removal of this prerequisite applied by some courts may signal an avalanche of new trade mark cases, but the decision nonetheless suggests that consideration of the defendant’s wilfulness will still be important in many cases.

This suit arose out of a dispute between Fossil, a designer, marketer and distributor of fashion accessories, including

handbags, and Romag, a manufacturer of magnetic snap fasteners. Romag sells its fasteners under its registered trade mark, “ROMAG”. Fossil agreed to use Romag’s snaps as a component in several Fossil products. Fossil contracted with an independent business in China to manufacture its handbags and the manufacturer bought the component parts, which it then assembled into Fossil handbags. Upon discovering that Fossil’s China manufacturer was using counterfeit fasteners, Romag sued.

Finding Fossil liable for trade mark infringement, a jury issued an advisory verdict that Fossil acted “in callous disregard” of its agreement with Romag, but rejected Romag’s accusation that Fossil had acted wilfully. The district court held that Romag could not recover Fossil’s profits because the trade mark infringement was not wilful. The US Court of Appeals for the Federal Circuit, applying controlling Second Circuit precedent, affirmed and held that wilfulness is a prerequisite to an award of the infringer’s profits under 15 U.S.C. § 1117(a). The Court of Appeals cited *George Basch Co. v Blue Coral, Inc.*, 968 F.2d 1532, 1540 (2d Cir. 1992), which reasoned that such an award would cause an undue windfall to a plaintiff and result in inequitable treatment of an “innocent” or “good faith” infringer.

The Supreme Court held that § 1125(a), which is directed to trade mark infringement, does not and never has required a showing of wilfulness to obtain remedy of the defendant’s profits. In contrast § 1117(a) explicitly requires a showing of wilfulness as a precondition to a profit award when the plaintiff proceeds under § 1125(c) for dilution by blurring or tarnishment. The Court noted the explicit references to wilfulness in other sections of the *Lanham Act* involving remedies. See, e.g., “Section 1117(c) increases the cap on statutory damages from \$200,000 to \$2,000,000 for certain willful violations”; “Section 1114 makes certain innocent infringers subject only to injunctions.” Dismissing Fossil’s contention that the limiting language in § 1117(a), “subject to principles of equity”, imposed a wilfulness requirement, the Court was guided by the general principle that the term “principles of equity” refers to broad and fundamental questions about matters including parties’ conduct, modes of proof, factual defences, and appropriate remedies under the circumstances.

Nevertheless, the Court acknowledged that a defendant’s mens rea figured heavily in the question of whether or not to award an infringer’s profits in many pre-*Lanham Act* cases, and agreed that it should continue to be an important consideration. “Without question, a defendant’s state of mind may have a bearing on what relief a plaintiff should receive.” Indeed, Justice Alito’s concurrence, joined by Justices Breyer and Kagan, notes that “wilfulness is a highly important consideration in awarding profits under § 1117(a), but not an absolute precondition.”

It remains to be seen how the decision will impact trade mark practice, but prior to *Romag Fasteners*, willful infringement was already considered by every circuit for determination of profit awards. Because New York and California see a significant portion of trade mark litigation, and those are two of the jurisdictions that had required wilfulness as a prerequisite for disgorgement of profits, this ruling could herald a broad shift in trade mark practice in the US. Whether the Second and Ninth Circuits incorporate the multifactor analyses seen in other circuits or create new equitable factor tests will inform how trade mark owners approach their litigation strategies and the ensuing volume of new cases. There may also be an increase in written trade mark opinions among the circuits that need to adopt new tests so that this area of the law can be developed. Regardless, the decision is likely to place a greater emphasis on trade mark searches in order to clear new marks and may encourage competitors to invest resources to diligently avoid even negligent infringement of other marks. New mark adopters may even seek litigation insurance in order to protect against the risk of disgorgement.

In sum, the prospect of obtaining an infringer’s profits may tip the balance for some trade mark owners, particularly smaller, more senior mark owners, in considering litigation, but proving wilfulness will continue to be an important factor in determining relief. Nevertheless, the Supreme Court’s *Romag Fasteners* decision provides significant additional leverage to trade mark owners who may view the threat of obtaining the infringer’s profits as an important deterrent.



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