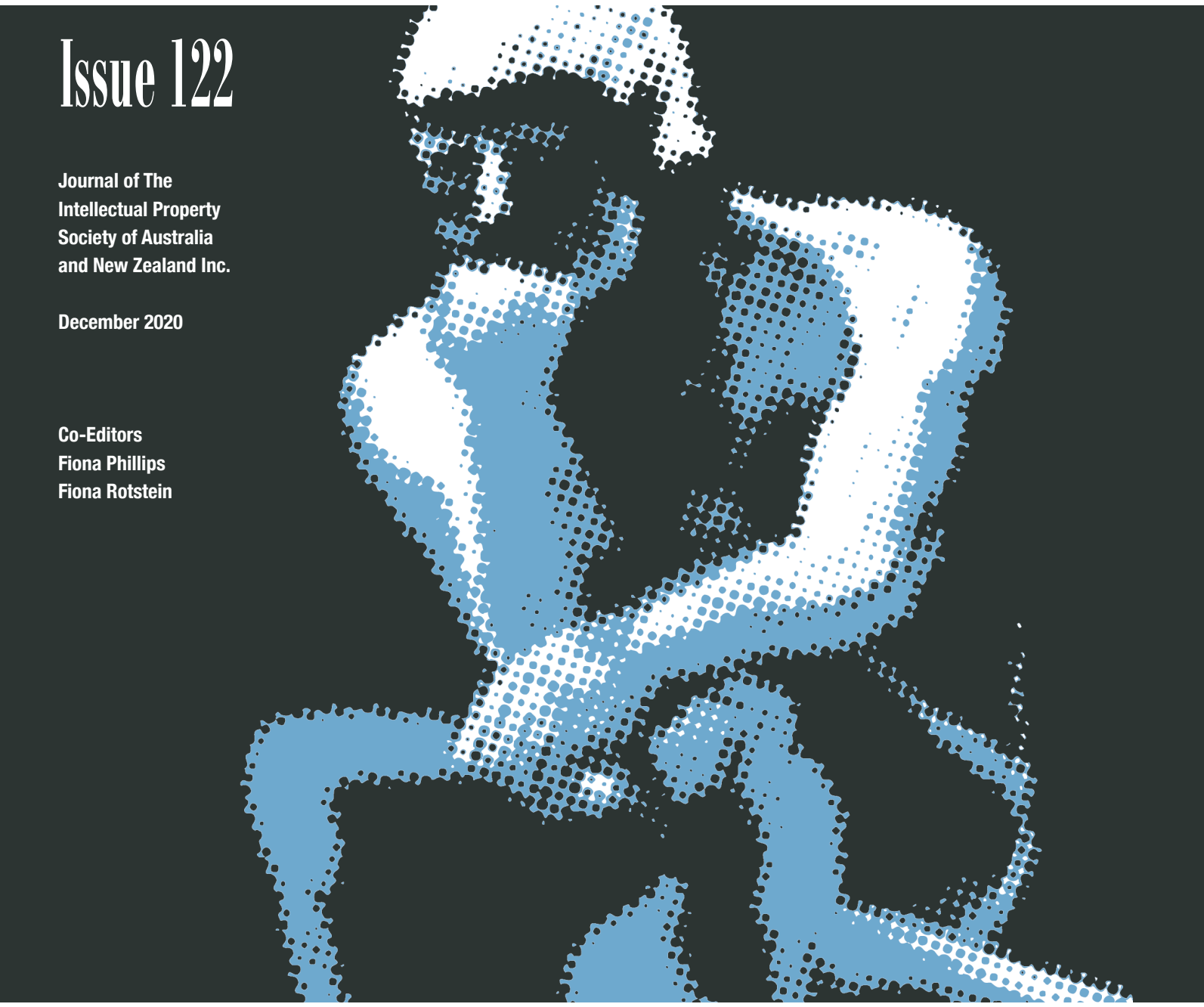
Intellectual Property Forum

Issue 122

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

December 2020

Co-Editors
Fiona Phillips
Fiona Rotstein



Contents

Intellectual Property Forum

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

Subscriptions to the Journal

Four issues of the Journal are published annually.
Membership of the Society entitles you to receive the Journal.

Subscriptions to the Journal can be purchased from the Society. Contact the Society for subscription and membership information:

c/- National Secretariat
The Intellectual Property Society of Australia and New Zealand Inc
GPO Box 2491
Melbourne Victoria 3001 Australia
Telephone: (+61 3) 9761 2833
Email: ipsanz@ipsanz.com.au
Website: www.ipsanz.com.au

Contributions to the Journal

Contributions to Intellectual Property Forum are invited on intellectual property subjects and related issues dealing with commercial law, trade practices, licensing, innovation and technology transfer.

Prospective contributors should write to:

Co-Editors
Fiona Phillips
Fiona Rotstein

c/- National Secretariat
The Intellectual Property Society of Australia and New Zealand Inc
GPO Box 2491
Melbourne Victoria 3001 Australia
Telephone: (+61 3) 9761 2833
Email: editors@ipsanz.com.au

Contributor's Guidelines

By submitting material for publication in Intellectual Property Forum ("the Journal"), you agree to the following terms and conditions:

1. Material submitted for publication in the Journal is critically appraised by the Co-Editors (having regard to the Editorial Policies) who retain absolute discretion as to whether or not the material should be published.
2. Contributors grant to the Intellectual Property Society of Australia and New Zealand Inc. ("the Society") a non-exclusive, irrevocable, perpetual, worldwide licence to publish, reproduce and communicate their copyright material in the Journal and for services, including but not limited to, libraries and educational institutions, as approved by the Society from time to time.
3. The material is submitted by a contributor for publication on the basis that it has not been previously published and is an original work of the contributor.
4. The contributor is responsible for the accuracy of the material, including citations and references.
5. Contributors, in preparing material for publication in the Journal are required to have regard to the following guidelines:
   a. Articles written for the Journal are to be approximately 5,000-10,000 words (including endnotes), with endnotes at the end of the article.
   b. Reports written for the Journal are to be approximately 1,000-4,000 words (including endnotes), with endnotes at the end of the report.
   c. The following information must be included with the material:
   d. the contributor's name, title, contact details: address, telephone and e-mail details and a summary of the article or report (50-100 words).
   e. The material is to be supplied in electronic form and to comply with the Journal's Style Guide.
6. In consideration of the Society publishing the material in the Journal, the contributor agrees that any proceeds for such publication received by the Society may be retained by and vest in the Society.

Submission Dates for Contributions:

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

 ISSN 0815-2098

Contents

IPSANZ
The Intellectual Property Society of Australia & New Zealand Inc.

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 AU$5,000 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 AU$2,000 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 AU$1,000 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:

The Intellectual Property Society of Australia and New Zealand Inc.
GPO Box 2491
Melbourne VIC 3001
Australia

Telephone: (61 3) 9761 2833

Email: ipsanz@ipsanz.com.au

Editorial – Fiona Phillips and Fiona Rotstein

Photo by Claus Huttenrauch 2018

Fiona Phillips
Co-Editor

Photo by James Grant 2018

Fiona Rotstein
Co-Editor

Well, we have made it to the end of 2020 and the final issue of *Intellectual Property Forum* for the year. Most of us, we suspect, will be happy to see the back of this year. However, while 2020 has brought many hardships, it has also shown us something of human resilience and ingenuity – the very stuff of intellectual property ("IP"). For example, while we have not been able to meet in person for most of the year, IPSANZ has brought its members an exciting range of webinars that have kept us both engaged and connected. We hope that this journal is also able to engage, inform and forge a connection amongst the IPSANZ community.

This issue begins with a profile of the Honourable Justice Nye Perram of the Federal Court of Australia ("Federal Court"). Justice Perram was at the forefront of the Federal Court's shift to online hearings at the beginning of the pandemic and so that is a topic he and Fiona Phillips spend some time discussing. They also touch on changes in IP cases during his Honour's time on the bench, the role of the Copyright Tribunal of Australia and the prospect of a judicial complaints commission. We also learn that his Honour originally intended to become an engineer, but was inspired to study law by the television program, *Rumpole of the Bailey*!

With almost daily announcements about a COVID-19 vaccine(s), our first article *Patents and the Pandemic* by John Lee and Simone Hall explores the role of IP, and patents in particular, in developing a treatment for COVID-19. As the authors note, while IP is only a small a small part of the complex matrix of factors playing into a COVID-19 solution, it has brought into focus a debate about the role of the current patent system in providing access to medicines.[1] Following a detailed examination of the patent system in Australia and both sides of the debate, the authors conclude:

> *[t]he debate may in itself have reached its goal, as to date there is no concrete evidence the patent system is hindering the fight against COVID-19 or that it requires immediate review.*

Our next article is no less controversial but relates to a completely different area of IP. In *The Sound of Silence – the Omission of Moral Rights for the Sound Engineer in New Zealand*, this year's John McLaren QC Essay Prize winners, Brandon Hayes and Julius Hattingh, argue in favour of moral rights protection for sound engineers. In the authors' view, the denial of moral rights protection for sound engineers is based on an outdated view of their role. Looking at the

theoretical basis behind moral rights protection, they argue that there is a clear case for extending the regime to sound engineers. Doing so, they contend, would lead to benefits for both consumers and sound engineers alike. We would like to take this opportunity to thank longtime IPSANZ member and friend, the Honourable Justice Stephen Burley, for judging the Prize.

Our next article relates to a more practical issue. In *Has the Repealed Limited Exemption for Intellectual Property Rights in sub-section 51(3) of the Competition and Consumer Act 2010 (Cth) Finally Been Put to Rest?* Dimitrios Eliades examines whether an unintended consequence of the recent abolition of the IP exceptions in Australia's competition legislation is that rightsholders wishing to enforce their rights will be exposed to criminal sanctions for cartel behaviour. The author considers the historical background of the amendment and how when applied to a common litigation scenario, it may give rise cartel conduct. Finally, he offers a solution for how any potential liability might be overcome.

Our final article looks at another aspect of competition policy in Australia. In *Copyright and Competition: a Complementary Approach to Press Publication Rights*, mother and daughter, Mary and Claudia Saywell examine the Australian Competition and Consumer Commission ("ACCC") Proposed News Media Bargaining Code (the "Code"), intended to overcome bargaining imbalances between digital platforms and news media businesses. The authors note that the Code's bargaining framework is not intended to replicate copyright-based policy approaches. While they consider the Code a worthwhile initiative, they conclude that it is unlikely to be a "panacea for the industry's ills" and now is an opportune time to reconsider the exclusive rights for press publications under Australian copyright law.

Rita Matulionyte also examines this initiative in her report, *Proposed News Media Bargaining Code: Why it May Succeed*. Drawing on her background as a European lawyer, her focus is on how the Australian approach compares with initiatives in France, Germany, Spain and the recent enactment of a press publishers' rights as part of European Union copyright law. While an iterative approach to tackling the imbalance of bargaining power between press publishers and digital platforms may be required, Matulionyte concludes that Australia may well be on the right path.

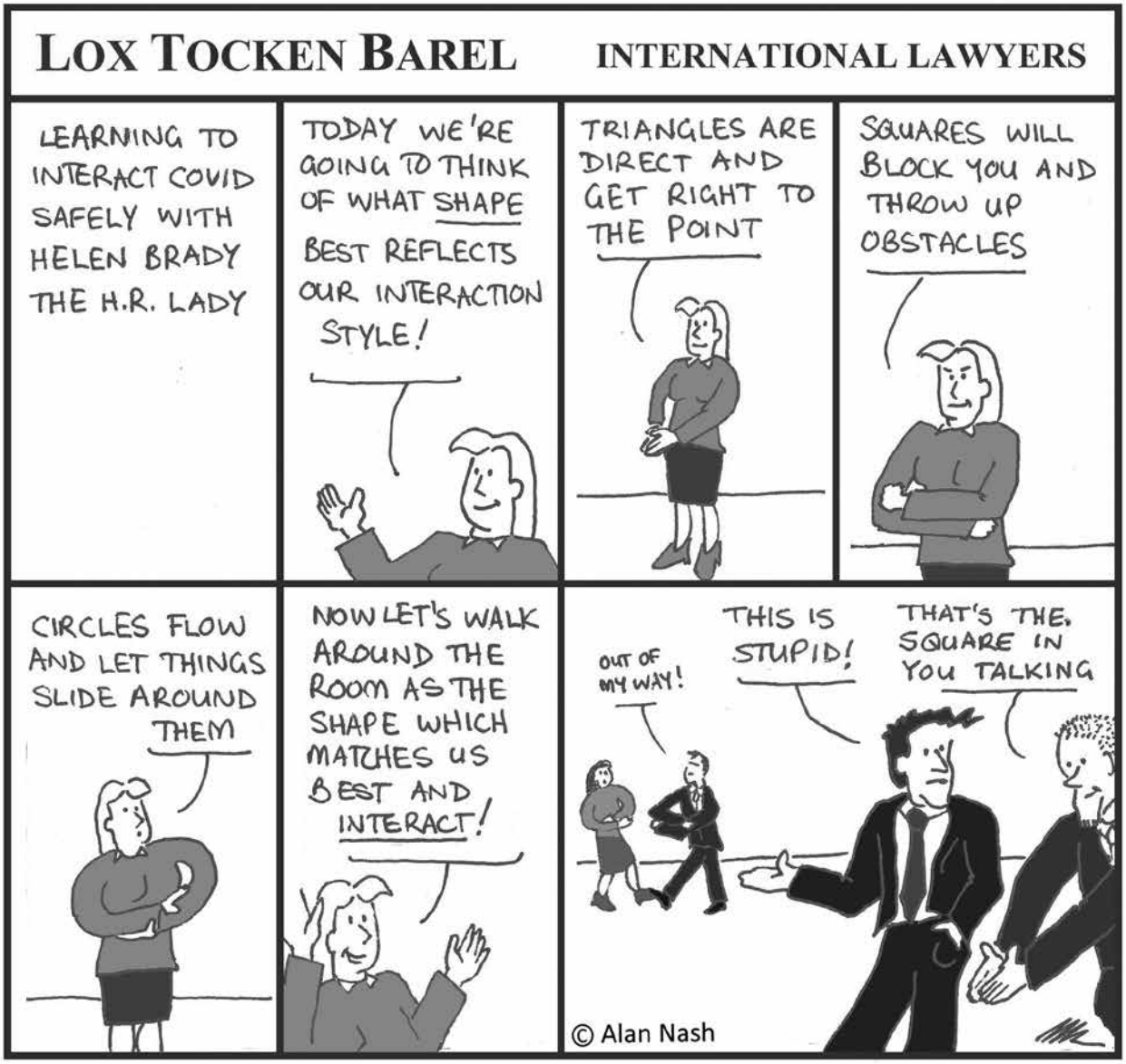
We are also pleased to bring you two book reviews by Arts Law Centre of Australia authors Robyn Ayres, Lee Elsdon and Jack Howard. The authors bring their substantial expertise in the protection of Indigenous IP to bear in their analysis of two recent Edward Elgar publications, *Protecting Traditional Knowledge: Lessons from Global Case Studie*s by Evana Wright and *Traditional Knowledge, Genetic Resources, Customary Law and Intellectual Property: A Global Primer* by Paul Kuruk. They conclude their review with the following observation:

> *Perhaps it is right to be sceptical about the prospect of swift and seismic reforms of traditional knowledge protection in Australia, New Zealand or any individual nation. But what both Wright and Kuruk present to readers is a snapshot view of existing regimes in nations that have decided to afford traditional knowledge holders the respect, protection and autonomy that they deserve.*

As usual, this issue is rounded out by updates on recent developments from Australia, New Zealand and around the world. In addition to local updates, we bring you reports from our correspondents in China and Hong Kong, Japan, Singapore, the European Union, France, Germany, Canada, the United States of America and Africa. They cover topics as diverse as cancellation proceedings in relation to the registration of a Banksy artwork as a trade mark, to the German approach to jurisdictional issues in patent infringement proceedings. At this time when we are separated by territorial borders, we are particularly grateful to our correspondents for keeping us up to date with what is happening in their parts of the world.

Finally, we would like to take this opportunity to thank everyone who has contributed to *Intellectual Property Forum* in 2020. As always, we welcome your feedback and emails to editors@ipsanz.com.au. We wish all our readers a safe and happy festive season and we hope to see you in a "Trans Tasman Bubble" in 2021!

1 As seen, for example, in the African update in the "Current Developments" section of this issue.



© Alan Nash, 2020

In Conversation with the Honourable Justice Nye Perram

Fiona Phillips

In keeping with the times, Fiona Phillips met with Justice Nye Perram of the Federal Court of Australia ("Federal Court") over Zoom, to discuss his Honour's career, intellectual property ("IP"), the role of the Copyright Tribunal of Australia and the challenges of litigation during a pandemic.

Photo © Meg Winton 2020

The Honourable Justice Nye Perram

Q: What drew you to study law?

A: I had originally planned to study engineering. But I liked the television show *Rumpole of the Bailey* and I also became interested in an aspect of the *Constitution* as part of a Year 10 Civics project and so I ended up studying law.

Q: You were called to the Bar shortly after completing your studies and practised there for 15 years prior to your appointment to the Federal Court. During that time, you appeared in many significant cases. What do you regard as some of the highlights of your time as a barrister?

A: I started off working for Robyn Chalmers at Mallesons Stephen Jaques (now King & Wood Mallesons). I had planned to spend two years there before going to the Bar. After about six months, I decided to go straight to the Bar. My thinking was that if the whole thing was a disaster, it was better to get it over with sooner rather than later.

I had the good fortune to come to the Bar during a recession. There was a lot of banking litigation. There were a lot of poor debtors with no money to spend and they were looking for a discount barrister. That was me. I did very well out of that. I got to run quite large cases for a young man.

From a personal satisfaction perspective, I acted for a family in a matter in the District Court of New South Wales. It was a situation where the father had died and just before the limitations period expired, his former business partner alleged an oral agreement whereby the father had agreed to give everything to this fellow. If that had happened, my clients would have been ruined. So, it was a "he said, he said" case where one party was dead. It was quite a challenging trial. We ended up winning and my clients were so happy. That was very satisfying.

The most highbrow case I was in was a High Court case called *Sue v Hill* (1999) 199 CLR 462 which was about Senator Hill, who was a One Nation senator who held a British passport. The issue arose whether she could be elected to the Senate. The question was whether the United Kingdom was a foreign power for the purposes of section 44 of the *Constitution*. That was a big question.

The *Work Choices Case* (*New South Wales v The Commonwealth* (2006) 229 CLR 1) was very entertaining as well. It holds the record for the number of barristers at the Bar table – 38 counsel. It went for five days. There were so many parties that everyone agreed to divvy up different parts of the argument. That meant that everyone got to say something. So, if you were acting for one of the respondents or an intervener, your involvement was only likely to be for an hour. This lent itself to a kind of carnival atmosphere. It was a real social occasion for constitutional lawyers.

Q: Prior to your appointment to the Federal Court in 2008, you did not specialise in IP. Since your appointment, however, you have been one of the Court's IP judges and have also served as a presidential member of the Copyright Tribunal of Australia. What do you think of IP? Do you have a favourite area? Have the matters you are dealing with changed over the last 12 years?

A: I had very little IP experience at the Bar. I think I did two or three passing off cases. I now understand where passing off fits in the IP world. I was very much a "tourist" when I was appointed. So, I was quite traumatised about having to hear IP cases about which I did not know very much. And even more traumatised about having to hear tax cases about which I did not know very much either. In the end, I found easing into IP less daunting than tax.

In the first few years I did quite a few trade mark cases, a bit of copyright. I have never done a designs case. I think all of the registration systems are quite similar, except for patents which is more complex. And of course, copyright is its own special object.

You pick the "lingo" up after a few years. The Honourable Justice Bennett (as she then was) told me to say "patent" not "pay-tent". She said:

> *If you say pay-tent, everyone will know that you don't know what you are talking about.*

That was a useful tip.

From my perspective, the trade mark work seems to have diminished a bit, but that could be a function of the way my docket works. I have been getting more patent work the last few years.

The *Trade Marks Act* 1995 (Cth) is an enduring mystery to me. There are some parts of it which are so complicated. For example, whether you can take into account reputation in considering whether two marks are identical. Some of the case law is quite difficult to understand. A lot of the authorities are quite old and are in fact trial decisions of the High Court of Australia who had original jurisdiction in relation to such matters prior to the establishment of the Federal Court.

One of the things that has happened since I have been on the Federal Court, is that the internet has gone from being on the fringe, to being pretty much what every case is about. For example, a case about walkie talkies or gear boxes is now a case about computer software because of the way the technology functions. And every IP case involves a lot of evidence about the internet.

One of the difficulties that arises is trying to apply traditional approaches to evidence to things as ephemeral and chaotic as web pages. This was seen in the *Dyno Nobel Inc v Orica Explosives Technology Pty Ltd (No 2)* [2019] FCA 1552 which related to whether archived pages from the "Wayback Machine" were admissible as evidence.

Q: On that point, when you were appointed, much was made of the fact that you had a PlayStation and that you were the first member of Generation X to be appointed to the bench. Do you think that has helped you deal with matters relating to the internet and technology?

A: A bit. I studied computer programming at university and was a bit of a computer nerd at high school so I have always felt reasonably comfortable around computers. Interestingly, having always regarded myself as computer literate, I have begun to find in recent years that it is slipping away from me. I need to make more of an effort to keep up with technology, otherwise I will fall behind.

Q: Both Australia and New Zealand have copyright tribunals. The New Zealand Government is currently reviewing the role of the New Zealand Tribunal as part of its broader review of the *Copyright Act* 1994 (NZ) and in Australia, changes to simplify the procedure of the Copyright Tribunal are being considered. Do you have any comment on the role of the Tribunal and how it should ideally function?

A: I have got quite developed views on this topic. The Copyright Tribunal of Australia is an entity that has very little to do with copyright so far as I can see. It is a pricing tribunal which works out a price where there is market failure and it arbitrates a price. It just so happens that the underlying subject matter is a particular species of IP.

There are two other tribunal in Australia who do this: the Competition Tribunal of Australia which does exactly the same thing but as a merits review body rather than a first instance body (except in one case). And there is the Fair Work Commission which also fixes issues between organised labour and employer groups.

One thing that I have noticed is that the same expert witnesses appear before all these bodies and the debates are the same. The other thing is that with the rare exception, nothing comes to the Competition Tribunal which has not been pre-digested by the Australian Competition and Consumer Commission ("ACCC") which has expertise in matters such as price setting. And it has been analysed in a way that is not circumscribed by the rules of evidence. Whereas the poor old Copyright Tribunal gets these matters undigested and tries to sort them out in a highly adversarial environment that looks very similar to Federal Court proceedings.

That seems to me to be a very bad structure. It would make much more sense to have somebody be a first instance price decider. The difficulty of this, of course, is that you would have to set it up. There are so many ways it could be done differently. For example, the Canadian model where the hearing comes at the very end of the process.

The Copyright Tribunal has tried as much as it can to improve things with the Guidelines. But it can't change the Regulations. That is something that the Government needs to do. And that will involve the expenditure of Commonwealth funds so it seems unlikely given the current circumstances.

Q: You were at the forefront of the Federal Court's move to trying matters via video conferencing platform during lockdown. Tell us more about that. Are there any benefits of this model going forward?

A: The Court was in a fortunate situation to have its own IT department which enabled us to get an appropriate platform up and running quickly. On the whole it is working reasonably well. It was a little bumpy to start with back in March/April. Most cases that can be heard this way are being heard this way. Having said that, we don't have much criminal jurisdiction so procedural issues affecting those kind of matters haven't really been an issue for us.

I am in the middle of conducting a six-week class action trial. It is being conducted on Zoom, not Teams. It is a big enough matter to warrant using an external provider. It has worked reasonably well. After the first week, it became the new normal. We have maybe three dropouts a day but people just regroup. It hasn't been a difficult trial to conduct. And I get to hear it from my desk.

I would much prefer to do it in a real courtroom. I don't think once normality resumes (whatever that is) I would choose to do a trial this way. But a number of other things have happened which I think may cause some changes in the future. For example, case management hearings might be better conducted this way (provided there weren't too many parties).

Case management hearings are a lot of the foot traffic in the Court building. I think for a long time we will have traffic restrictions in elevators and so holding these hearings online makes sense.

Q: What about expert testimonies? Hot tubs?

A: I am doing a multi-jurisdictional hot tub this week. It should be ok, as long as the technology holds up. There are some logistical difficulties with different time zones.

Quite a few appeals have been done over Teams. I took part in one a few months ago where the parties and the judges were in different cities. It wasn't a complex appeal. It worked fine although I suspect the judges would prefer to all be in one location.

We may find that there will be big budget cuts in the future. One pretty obvious economy is not flying judges and their staff around the country. I am not advocating that, but it wouldn't surprise me if the bean counters enforced that upon us.

Maybe some interlocutory applications can be heard this way. Or matters that are smaller like an application for security for costs

The interesting discovery is that it is possible. And if we get locked down again, it is not the end of the world [this interview was conducted in July 2020, before the second lockdown in Victoria and South Australia].

Q: In a speech you made in 2009 you noted:

> *There are aspects of the practice of law which are not fun. The profession is hierarchical and the distasteful work, under the force of professional gravity inevitably slides down the greasy pole.*

At the top of that hierarchy which you described is the judiciary. Given the High Court's recent investigation into allegations of sexual harassment by a former Justice of a number of his Associates, what changes do you think can and should be made to effect change?

A: Courts are very unusual bodies from a management perspective. You have a management team, and staff who work for the court and then you have the judges who are in charge of the court but not subject to its management arrangements. That's a recipe for trouble. And that is exacerbated by the power imbalance that exists.

I think that the likely answer is to establish protocols and procedures which would be binding and give staff ways of complaining, for example to external parties. A good outcome will be the establishment of a judicial complaints commission.

There will of course be a debate about judicial independence.

The Federal Court is undertaking a thorough review of its protocols and procedures that relate to workplace conduct and harassment, including sexual harassment.[1]

Q: What are your hobbies? Have you taken up any new ones in the time of COVID-19?

A: I am a very bad piano player and I try and stay fit. I don't have any new hobbies. I found the blurring between work and home during lockdown very difficult. I much prefer working from chambers.

1 See Federal Court of Australia, Public Statement from the Chief Justice (Web Page, 6 July 2020) <https://www.fedcourt.gov.au/news-and-events/6-july-2020-2>.

Patents and the Pandemic

John Lee and Simone Hall[1]

Introduction

The global COVID-19 pandemic has dominated almost every aspect of daily life throughout the world during 2020. In addition to the significant impact on public health, the way people work, socialise and learn has been impacted by the pandemic to a greater or lesser extent depending on their circumstances and geographic location. So far, 2020 has been filled with daily headlines regarding the origin, spread and economic impact of the virus. There is extensive coverage of the significant global efforts to develop and distribute treatments and vaccines, which has sparked greater interest and debate as the pandemic continues.

The global intellectual property ("IP") regime is only a small part of the complex matrix of factors playing into solutions (and for some, perceived problems) related to the global pandemic. However, the race to develop effective treatments and vaccines has resulted in considerable discussion about the potential impact IP, and in particular patents, may have on the ability to produce and distribute medications for the billions of individuals who will require access.

Whether the current patent system will inhibit the common goal of treating and, ideally eradicating, the COVID-19 virus has been the subject of commentary and debate amongst activists, government leaders and in the corporate world. Concerns have been expressed from the perspective of developing countries that more advanced economies, which are at the forefront of scientific development, will leverage the legal and regulatory environments, including the existing patent regime, to ensure their citizens have priority access to vaccines. Further, there is concern that commercial outcomes will become paramount and prevail over those of public health.

Advocates for access to vaccines and other health-related products are also apprehensive about the fact that large private corporations in the life sciences industry may seek to optimise profits at the expense of universal access to treatments or vaccines. These innovators, who make high-risk investments in relation to sophisticated and complicated science, tend to uphold the patent regime as one essential pillar in the overall policy, regulatory and research framework that enables advances in medical science.

The debate about the appropriateness and efficacy of the patent system is not new. Its capacity to achieve the objective of enhancing innovation has been repeatedly challenged over time, including at the height of the HIV/AIDS epidemic in the 1980s.

Given the unprecedented scale and impact of the present pandemic from both health and economic standpoints, it is understandable that the surrounding discourse has become emotive and polarising. It is also understandable, given the subject matter, that some of the well-intended commentary is driven by a misunderstanding of some of the theoretical nuance of patent law, and its operation in practice.

The debate

The two main sides of the argument are clearly drawn. On one side, industry stakeholders and some patents scholars articulate a belief in the system that seeks to incentivise innovation via the bargain at the heart of the regime. This will be dealt with in this article in more detail further; suffice it to state briefly here that it involves a limited monopoly for the patentee in exchange for the ultimate disclosure of the invention at issue, to the benefit of society as a whole.[2]

In contrast, valid concerns around broad access to medical and therapeutic "solutions" or forms of assistance in the wake of such a health crisis have been put forward by some academics and activists who are worried that the patents system will prove to be restrictive, and its beneficial outcomes not shared broadly amongst society, because it may seem to function around the incentive of profit, through the mechanism of the limited monopoly.[3] These opposing assessments actually reflect the critical balance that the patent regime is intended to achieve – encouraging innovation for the benefit of the broader community on the one hand, while rewarding the risks undertaken by innovators in order to achieve that outcome, on the other.

An assessment of the arguments and evidence to date reveals that there is no need for an immediate, fundamental overhaul of the patent system in order to facilitate an effective response to COVID-19. The potential of the patent system to create friction in terms of the universal and equitable distribution of COVID-19 treatments and vaccines are balanced by:

(a) the incentives offered by the patent system to encourage development of new treatments;

(b) provisions in patent regimes to facilitate mandatory access to patented technologies in certain circumstances;

(c) the economic, social and governmental pressures on organisations to act ethically and in accordance with their broader obligations to society; and

(d) the fact that universal distribution of an effective vaccine is essential in order for all countries to be confident that the virus has been controlled.

History: a bargain

Following on from the description of the main arguments, above, the patent system can be described as a contradictory union of principles whereby a balance is struck between monopoly and liberty, public disclosure and ownership of ideas, and economic gain and the common good.[4] This balance is deeply embedded in the origins of the regime and is intended to function as a primary motivator for research and innovation, thereby improving the state of technology.

The origins of Australia's patent system pre-date the COVID-19 pandemic by some 400 years. Our regime traces its beginnings to the United Kingdom ("UK"), where, as Ricketson et al put it, "the system is of considerable antiquity".[5] Scholars generally point to 1623 and the Statute of Monopolies as the first formal codification of the patents system in England.[6] In general terms, the underlying rationale of the system is to encourage investment in research and innovation by providing the innovator with a time-limited monopoly, after which the invention is in the public domain and may be freely accessed and used. The mechanism of disclosure that effectuates the release of the patent to the public, the specification, is discussed in more detail in this article further on.[7]

One way of understanding the character of the patent system is to think of it as a contract or "bargain" with the state, in Australia's case, the Commonwealth. In exchange for an inventor delivering up a new and useful technology, the state will grant that inventor a limited monopoly of up to 20 years. During that period, the patentee may exercise exclusive rights, or control, over their invention; in other words, no other person can exploit the technology without the patent owner's permission. In theory, this gives the patentee significant economic power. In effect, they have no competition, which, in turn, enables them to generate a return on their investment. Thus, the promise of a monopoly for a limited time is intended to encourage investment in innovation, and profits realised during the monopoly period will ideally be re-invested in further innovation, to the advantage of both the economy at large, and society's "innovativeness" overall. The theory suggests that without this incentive, there is no reason for innovators to take the substantial risk of investing in a new technology if, once it goes to market, others can supply competing products and reap the rewards of the innovator's risk and effort.

In the life sciences space, it often takes numerous attempts and significant financial investment to develop and test a new pharmaceutical product or treatment. However, such products are often relatively easy and inexpensive to replicate or copy if one knows how. Therefore, there is a need for an in-built economic mechanism to redress the imbalance between the significant investment of the original developer or innovator, and the concomitantly significant ease of replication and consequent reward. Patents are such a mechanism.[8]

The patentee's contribution

The innovator's side of the bargain is met by their obligation to publish a detailed patent specification describing their invention in full.[9] The specification enables anyone, at the conclusion of the patent term, to freely use, or put the invention into practice.[10] Thus, the whole of society ultimately benefits from the innovator's risk and investment – following the expiry of the patent term the invention is "gifted" to the public.

Patent specifications are published on broadly accessible databases and constitute a vast store of scientific and technical literature which, following expiry, is freely available for exploitation.[11] Even while patents are in force, competitors and/or imitators are entitled to review specifications in order to build on what has been disclosed and, if necessary, work around the scope of the specification to provide an alternative, and potentially improved, technology.[12]

Illustrating this, according to the IP Australia database, there are nearly 900,000 lapsed or expired patents published in Australia alone.[13] This amounts to a very substantial, searchable, categorised database of innovation that anyone is free to mine and exploit.

Throughout its history, there has been debate about whether the patent system in fact achieves its goals. It has always been notoriously difficult to quantitively measure the effectiveness of the system. One of the problems is temporal – a patentee is granted a monopoly today and any broader flow-on benefit to society may not become apparent until years later. The conundrum or debate is often most prevalent in the area of the life sciences because of the importance of the subject matter and its effect on individuals' wellbeing, as well as the substantial commercial returns that can be generated in the industry. Further, sophisticated players in the life sciences have been very successful at leveraging the patent system to achieve commercial outcomes. Patents have become a key strategic plank of their business model and a critical factor in the "race" they run to develop treatments as noted recently by Justice Burley.[14]

International obligations

This article is focused on the Australian context. However, given that the underlying rationale and key aspects of the patent system are common to most jurisdictions, the arguments may be of general application.

One of the issues with which jurisdictions such as Australia have to grapple is the fact that they have entered into multilateral treaties which impose obligations on them in relation to the scope and implementation of domestic IP laws. For example, Australia, along with some 150 other countries, is a party to the World Trade Organization's *Agreement on Trade Related Aspects on Intellectual Property Rights* ("TRIPS").[15] Designed to harmonise and facilitate trade and protection of IP, under TRIPS, Australia is obliged to maintain certain minimum standards in relation to its domestic IP regime. In addition, Australia has in place a number of bilateral agreements with key trading counterparts that impact on our domestic IP regime including, by way of example, treaties with the United States of America ("USA"),[16] Japan,[17] and the Trans Pacific Partnership.[18]

Is it broken?

Following the calls of scholars like Stoianoff,[19] Clark,[20] Thampapillai,[21] and noting that IP Australia, for instance, is compiling the Patents Analytics Hub to assist researchers in identifying know-how, supply and manufacturing resources required during the COVID-19 pandemic,[22] a question arises: does the existing patent system require change in view of COVID-19?

Concerns with the current system

Pandemics past and public health

Communicable diseases have existed throughout history. Increasing urbanisation has accompanied the growth and spread of disease. Recent examples include the "Spanish Flu" in 1918 (resulting in 50 million deaths worldwide);[23] "Asian Flu" in 1957 (resulting in 14,000 deaths in six months);[24], human immunodeficiency virus ("HIV/AIDS") in 1981 (resulting in 33 million deaths worldwide since discovery),[25] Severe Acute Respiratory Syndrome ("SARS") in 2003 and currently the COVID-19 pandemic.

The HIV/AIDS global epidemic highlighted the ambiguities between the terms of the TRIPS Agreement and the need for governments to apply principles of public health.[26] Concerns emerged that patent rights might restrict access to affordable treatments for developing countries. In response, the *Doha Declaration on the TRIPS Agreement*, referenced above, was created.[27]

Notably, developing countries have experienced the greatest mortality and morbidity rates in relation to public health crises, with the highest prevalence rates recorded in sub-Saharan Africa.[28] Although there is no cure for HIV/AIDS, the development of antiretroviral treatment, supported by the patent law system, has greatly reduced the toll of AIDS-related deaths, however, *access* to the treatment is not universal. Importantly, it was only following the agreement of global trade rules in 1994 that developing countries began to offer patents on medicines.[29]

The Doha Declaration on TRIPS and Public Health acknowledged the difficulty in the balance between patent protection and compulsory licensing; the need to ensure access to medication for all versus the need to encourage research and medical development.[30] As a means of attempting to address this balance, Article 31 of TRIPS required consultation and negotiation with a patent owner before compulsory licensing and manufacturing of a drug can take place.[31] Despite such existing provisions within international law, in reality and as a matter of practicality, such provisions are time-consuming to implement and are therefore ill-suited to pandemics, and other health emergency situations.

On the other hand, the development of a vaccine is a risky, complex and costly venture, with no guarantee of success or of any return on investment. Pharmaceutical companies will typically spend many millions of dollars in developing, trialing, testing and manufacturing any viable treatment prior to production (often required on a mass scale), and distribution. In the absence of some capital return on their investment, from the perspective of such companies, it would make little commercial sense to engage in such a venture.

Perhaps for as long as the patent regime has existed, people have questioned whether an appropriate balance is being met or whether, as critics assert, the scales are tipped in the favour of "innovators", which are generally perceived to be large, well-resourced corporate entities, usually from developed countries. Critics consider that the present regime is open to misuse and enables private entities to improperly leverage the patent system for their own commercial interests. These outcomes are unsurprising given the health and life sciences industries' reliance on the patent system to support their very significant growth and commercial reach, particularly over the last half century.[32]

The current situation

A substantial body of commentary during 2020 reflects legitimate anxieties related to patents and the pandemic. Several non-governmental organisations ("NGOs"), governments and individuals have expressed uneasiness about the application of the patent system during the COVID-19 pandemic. Concerns include that:

(a) the patent system will result in restrictions on supply of COVID-19 treatments including vaccines;[33]

(b) that the developers of treatments including vaccines will use the patent system to inflate prices in order to maximise profits and that these pricing strategies will

put essential treatments beyond the reach of much of the global population;[34] and

(c) early innovators will use the exclusivity provided by patents to restrict or constrain the development of follow on or derivative treatments, thereby limiting the range of products available and restricting the breadth of treatments and undermining the fight against the virus.[35]

In response, critiques, inquiries and calls for action have emerged along the following lines:

- Criticism of global patent regimes and calls for open access systems, such as the Open COVID Pledge, to facilitate the sharing of research and knowledge to develop safe and effective medical treatments and vaccines to combat COVID-19.[36]
- Moral challenges to the phenomenon of "treatment nationalism" whereby developed countries' secure "bulk treatments" and therapeutic advantages by using its dominant economic position to monopolise drug supply. Given the global effects of the pandemic, calls to challenge these positions are heightened as reinfection is a possibility.[37]
- Calls for the creation of a patent pool in which researches and patent holders make available their research results and relevant intellectual property, usually for a royalty, to allow third parties to further develop the information, thereby accelerating the development of multiple treatment and vaccine options.[38]
- Calls for a "cash prize" for any firm that develops a successful vaccine (this suggestion, or argument responds to the need to generate private-sector interest in vaccines precisely because pharmaceutical companies are concerned that they will face significant pressure to make a vaccine available too cheaply in light of their costs and we need additional mechanisms or incentives to bring such initiatives to market).[39]

International imbalance

Those fortunate enough to live in countries with advanced health systems can take comfort in the knowledge that they will likely have access to the best available treatments and vaccines if and when they become available. Australia is such a country. Indeed, the Australian Federal Government has already announced that it has entered into a number of arrangements with developers and potential suppliers of vaccines.[40] The Government says it will ensure these treatments are available to every person in Australia, without charge.[41] At the time of writing, reports abound about the Australian Government securing 50 million more potential coronavirus vaccine doses as a result of two new agreements.[42] This demonstrates the Government's commitment to securing a vaccine, and the enduring public interest in the issue.

Universal, free access to a vaccine is not without recent precedent in Australia. The HPV vaccine was developed in Australia from patented technology, [43] and is freely available under the National Immunisation Program.[44]

However, the concerns expressed above are legitimate in relation to people who live in what the World Trade Organization ("WTO") designates "Least Developed Countries" ("LDCs").[45] Unlike Australia or some of our key trading partners, many countries around the world would not have the financial resources or health infrastructure in place to fund, distribute and administer treatments or vaccines if they are subject to the same economic models implemented in relation to ordinary medicines. That is especially the case if the treatments are subject to the usual supply and distribution models which innovators regularly implement in reliance on the patent system.

What steps have been proposed to mitigate the perceive negative effects of the patent system?

There have been a number of initiatives put forward by both the private and public sectors in relation to patent rights and the fight against COVID-19.

Representatives of India and South Africa have been behind a push to modify obligations under TRIPS to enable the development and dissemination of COVID-19 treatments and vaccines.[46] The proposal, which has subsequently been supported by a number of other countries, would allow signatories to the relevant treaties to waive certain enforcement rights including in relation to patents. A substantial number of NGOs such as Medecins Sans Frontieres, Oxfam and dozens of regional groups from Europe Latin America and Africa supported this proposal.[47] The proposal was similar to implementations around the turn of the millennium in response to the HIV aids epidemic, which resulted in modification to TRIPS to enable ready availability of treatments during health emergencies.

Some of the calls for patent reform led to the "OPEN COVID PLEDGE" advocated by Professor Stoianoff and others above.[48] While many organisations have signed up to the pledge, support at a government level and by the key players in life sciences and biotech industries appears to have been less forthcoming.

The "OPEN COVID PLEDGE"

The Pledge calls for immediate action to halt the COVID-19 pandemic and treat those that it has affected. The Pledge calls on organisations to make their IP available free of charge for use in ending the COVID-19 pandemic and minimising the impact of the disease.

The impetus behind it is obviously the devastation that the pandemic has wrought on both developing and developed nations worldwide, affecting as it has, the lives of many millions of people such that life is unlikely to return to normal without effective and sustainable treatment and preventative measures including a vaccine. Calls for an open pledge system are animated by the rationale that with shared resources and innovation without fear of infringement, organisations can work together to develop treatment and vaccine options at an unparalleled pace (and, it follows, this pace may be hampered by patents).

The Pledge came about after the expression of concerns around the impact of patent protection and perceived lack of access to technology on the development of a vaccine.[49] The movement calls on organisations to make their existing IP, including but not limited to patents, copyright and designs for medical devices associated with medical treatment or vaccine research, available to an open patent pool to allow collaboration and cross-use of resources in an effort to halt this global problem. To make the pledge, organisations publicly commit to making their IP relevant to the fight against COVID-19 freely accessible.

The Pledge has attracted a great deal of attention internationally, and significant and well-resourced organisations (such as Facebook, Amazon and Microsoft as Founding Adopters, among others), have supported the initiative.[50] Although not signatories to the Pledge, several organisations have heeded the call for open access to technologies and know-how that may assist in combatting the pandemic, and have promised not to enforce their COVID-19 related patents.

Amongst these is Cambridge-based Biotech company Moderna Inc. ("Moderna") which pledged not to enforce its COVID-19 related patents and also expressed a willingness to license its intellectual property for COVID-19 vaccines to others after the pandemic. Moderna holds seven US patents covering aspects of an mRNA-based candidate vaccine which is currently in Phase 3 clinical trials. Earlier this year, US firm AbbVie announced that it would not enforce its patent on Kaletra, a HIV medicine tested for effectiveness in the treatment of COVID-19,[51] with other biotech companies entering into collaborate partnerships to jointly develop vaccine candidates.[52]

COVAX

An example of an organisation informed by the concept underlying the Pledge is the COVID-19 vaccine global access facility ("COVAX"). COVAX consists of two parts. First, the COVAX Advance Market Commitment ("AMC") is intended to enable the purchase and delivery of vaccines for developing countries based on donor funds in developed nations.[53] The AMC aims to provide guarantees to manufacturers to create global production, purchase the vaccines and help deliver them to developing nations. The second mechanism aims to set up a fund function as insurance to ensure that, should a vaccine candidate in which a country has invested in fail, it will have access to other vaccines for a portion of its population.[54] Australia has joined the COVAX Facility which will allow the Australian Government to access a greater range of vaccine candidates and purchase vaccine doses once available.[55]

Current state of development – is a vaccine imminent?

The worldwide race for a vaccine and medical treatments and devices for the COVID-19 virus began in earnest the moment the World Health Organization ("WHO") declared it a pandemic.[56] Since then, work has proceeded at a hectic pace to meet the unprecedented demand for medical treatment and devices that could provide relief and treat patients diagnosed with the disease. As the global socioeconomic effects of the pandemic have worsened, the push for a vaccine has grown. Production of a vaccine typically requires years of research and testing before clinical trials begin, however, the hope for an effective and safe vaccine has thus far involved 49 vaccines in clinical trials on humans, with at least 11 of those in the final stages of testing.[57]

Given the tremendous amount at stake in terms of human health and economic outcomes, it is not surprising that people are intently following any updates or developments regarding vaccines. Events which would normally be unremarkable, such as a pause of a vaccine trial due to patient illness for instance, are having significant impacts on public health decision making regarding management of the virus and even causing fluctuations in global financial markets.[58] Of these vaccines, the AstraZeneca/Oxford vaccine has attracted global attention after clinical trials were paused because one participant suffered an adverse reaction. Following a safety review, trials have resumed.[59] The results from trials of the AstraZeneca/Oxford vaccine suggest that the vaccine produces the same type of immune response in older adults as in younger volunteers, giving hope for those most vulnerable to the COVID-19 virus.[60]

Both in China and Russia, six vaccines have been approved for early or limited use.[61] Chinese company CanSino Biologics in partnership with the Institute of Biology at the Academy of Military Medical Sciences have approved a vaccine based on an adenovirus called Ad5 and later began running Phase 3 trials.[62] Clinical trials of other vaccines, such as Russia's Gam-Covid-Vac and Sinovac's CoronaVac, have been expedited, with some receiving early use approval prior to completion of Phase 3 trials.[63] Experts have warned that rushing the development of vaccines and approving their use before the results of Phase 3 clinical trials are properly assessed is "really risky".[64] Now more than ever there is a need for public confidence in the effectiveness and safety of any vaccine that is to be produced and distributed globally.

The experience to date

So, with the benefit now of almost 12 months since COVID-19 first came to light, a picture is emerging in terms of the threat or otherwise of the patent system to the rapid development and dissemination of COVID-19 treatments.

It is important to keep in mind that, notwithstanding the significance IP advocates and lawyers place on the patent system, it is only one small part of a very complex puzzle in terms of achieving the common goal of effective management or eradication of the virus. The technical, safety, logistical and philosophical challenges of developing, trialling, testing and disseminating a safe and effective vaccine to more than 7 billion individuals, are for more significant than any debate about IP.

Aside from the incredibly complex science involved in effectively developing a vaccine, the challenge of global distribution is enormous.[65,66] Add to this the fact that in one recent survey only a minority of citizens of the United States of America ("USA") said they would be prepared to have a vaccination,[67] navigating the patent system would seem to be a relatively simple hurdle to overcome.

Collaboration and scientific advances

It is clear that, notwithstanding the perceived constraints imposed by patents, there has been a substantial degree of collaboration and information sharing at the coalface of research. One celebrated example is the Australian researcher who published the gene sequence for the COVID-19 virus in early 2020.[68] As *Nature* noted, there has been a free flow of information and exchange between a range of private and public research institutions across numerous countries including China, the UK and the US, enabling, in a matter of months and sometimes weeks, advances that might otherwise have taken years to be achieved. It is clear the scientific community has embraced the challenge of staving off the global threat the pandemic represents.[69]

Even anecdotally, important advances have been made in a very short space of time in a wide range of health-related disciplines. For instance, in Australia, the science of contact tracing has taken huge leaps forward. Rapid advances in diagnostic testing and analysis have been attained in incredibly short time frames and public health education has become much more sophisticated.[70] There appears to be no concrete evidence any of these advances have been hampered in anyway by the patent system.

Lack of IP reform

However, at government level, particularly in developed economies, there has been a clear reticence to embrace or adopt proposals for wholesale change to existing IP laws and the relevant international treaties that govern global trade. The UK, China, Singapore, and others have declined to adopt wholesale changes to the law.[71]

In what could be described as a "throwing the baby out with the bath water" approach, the leaders of developed, IP-rich economies have been slow to embrace any significant changes to patent law. One possibility is that they have simply not directed attention to it. It is fair to say that Australian governments at both State and Federal level have been pre-occupied by the day-to-day battle to contain the virus while trying to preserve a balance in terms of economic activity. This has been an all-encompassing job for government leaders and ministers, particularly those involved in public health.[72] Not surprisingly, the intricacies of the patent system have to date not been a topic of concern amongst Australian policy makers.[73]

In any event, it appears the leaders of the world's largest economies as well as IP advocates, including at the leading life sciences companies, would argue that changes to the patent system to combat COVID-19 are unnecessary for a number of reasons.

Justifications for the status quo

(a) The bargain theory underlying the patent system is working well.

As set out above it is notoriously hard to asses in any quantitative way whether the patent system effectively achieves the goal of stimulating innovation. However, there is some suggestion that the evidence which supports that theory is most persuasive in the life sciences space.[74]

The leading organisations at the forefront of innovation in life sciences have always relied heavily on the patent system to generate returns and fund future research. They argue that the patent system continues to work effectively in motivating organisations to take risk in seeking to identify and develop treatments and vaccines in relation to COVID-19.

There can be no argument that huge sums and very significant resources have been invested and prioritised in the search for a vaccine. Some of the world's leading life sciences companies have made it their paramount objective.[75] Many would argue that without at least having the option of obtaining patent protection for any breakthrough developments, those sums would not be committed, and the development of treatments delayed.[76]

(b) There are enough inbuilt mechanisms in the patent system to prevent misuse such that access to treatments and vaccines is ensured.

The patent regimes of most countries, including signatories to TRIPS and other multilateral treaties, include compulsory licencing and or State use

exemptions that ensure patented technologies are not suppressed.

The following analysis focuses on Australia.

Crown use

Crown use provisions enable the Commonwealth and State Governments to exploit a patented invention without authorisation where the exploitation is necessary for the proper provision of services of the Commonwealth or State. The rationale behind the provision is it allows the Government to take necessary actions to deal with urgent concerns to the public without the hindrance by the patent regime.

Recent amendments to the *Patents Act* 1990 (Cth) ("Patents Act") have reduced uncertainty and improved transparency and accountability by requiring governments to seek a negotiated outcome with a patent owner first, unless in an "emergency" situation.[77] The amendments introduced a new section 163 which provides that exploitation of an invention is not an infringement if the relevant authority has tried to obtain authorisation, the relevant Minister approves of the exploitation, the invention is exploited for Crown purposes, the authorisation occurs before the exploitation starts and at least 14 days prior to exploitation, the relevant authority gives the patentee a copy of the written approval and statement of reasons for approving exploitation.[78] Although there is no statutory definition of "emergency", the explanatory memorandum provides:

> *[80] An emergency would include an unforeseen occurrence or a sudden and urgent occasion for action. It could include a public health crisis such as a plague or* ***epidemic****, or a medical emergency such as a pandemic. It could also include war, national security situations, perceived threats to law and order, natural disasters and other situations of urgency. It includes, but is not limited to, situations where a state of emergency has been declared by a government. The amendments do not specify any considerations as to what constitutes an emergency, as the nature of emergency situations is inherently unpredictable, and in such situations, it is important that a government can act quickly and that all possible situations are covered by the legislation.*
>
> *[81] It is expected that this would be a rarely exercised power, particularly given that there have only been two reported cases in which Crown use has been contested in court …*[79]

The current COVID-19 pandemic fits the definition of an emergency situation, meaning Crown use provisions may be invoked to aid in the quest for medical treatment and potential vaccines.

Further considerations arise when examining the Crown use provisions and amendments in light of the COVID-19 pandemic, including the meaning of "relevant authority" as described in new section 160A. Section 160A describes that an invention is exploited for Crown purposes if the invention is exploited for the services of a relevant authority and the exploitation is by the relevant authority or a person authorised. Although there is little judicial consideration of "authority of the Commonwealth or of a State", the meaning of "authority" and "public authority" has been considered. Essentially, the characteristic of a "public authority" is that it is constituted under a statue and given powers to be exercised for public objectives. An invention is taken to be exploited for the services of a "relevant authority" if the exploitation is necessary for the proper provision of those services, including services primarily provided by the relevant authority alone or in conjunction with one or more of the States or Territories or the Commonwealth. The relevant authority must notify the applicant or patentee as soon as practical following exploitation of the invention and provide information about the exploitation as reasonably required under section 164. The amendments also provided guidance for the terms of exploitation, including agreement and timing of renumeration and the involvement of the Court.

Compulsory licensing

The provisions as found in Chapter 12 of the Patents Act provide an alternative to invoking Crown use provisions.

Although both the Crown use and compulsory licence provisions have been embedded in the patent system as remnants of the Sovereign's ownership of inventions and granting of rights, the amendments following the COVID-19 outbreak have made the usage of such provisions more easily accessible and guided.

Globally

Compulsory licences have been granted in other jurisdictions on various grounds, including to facilitate access to patented medicines in the public interest.[80] In jurisdictions such as New Zealand,[81] Brazil and China,[82] compulsory licensing and crown use provisions allow governments to use patented inventions for service of the government in a health emergency. Although compulsory licence and crown use provisions may have been in existence, the unprecedented global effect of the COVID-19 pandemic saw nations re-examine their intellectual property regimes to create easier government accessibility to medical devices and treatments. At the height of the pandemic, Canadian parliament passed legislation that amended the patent legislation to allow the Minister of Health to direct the Patents Commissioner to authorise the use of a patent for a public health emergency.[83] Other jurisdictions such as Germany[84] and France[85] have amended legislation to aid governmental use and access to treatment and medical devices, highlighting the ability of governments to ensure access to public health during emergency public health crises.

Experimental use

In Australia, the patent system also provides an avenue for organisations to continue to research, develop, experiment

and modify the subject matter of a patented invention without infringing the patent at issue.[86] The "experimental purposes" exemption, contained in section 119 C of the Patents Act works in parallel with the rationale underlying the patent system in that it allows for an act to be performed that would otherwise infringe a patent if it is undertaken "for experimental purposes relating to the subject matter of the invention", and thus aims to encourage innovation and knowledge sharing by allowing research and development to be undertaken on patented technology. Experimental purposes are defined as including (but are not limited to), determining the properties, scope of a claim, validity of a patent or claim and whether the patent would be or has been infringed through the doing of an act relating to an invention, as well as for improving or modifying the invention.[87]

The effect of this provision in the current COVID-19 climate is that it removes barriers to conducting research and experiments on relevant patented technology so long as the relevant activity is contained within the scope of experimental purposes, thereby allowing researchers and organisations to continue in their quest for a COVID-19 vaccine.

Similar provisions exist in other jurisdictions, including the US patent laws which similarly provide a safe harbour for research and development efforts relating to diagnostics, vaccines and treatments.[88] Although calls for collaboration and open access have gained momentum throughout the pandemic, the existence of internal mechanisms within the patent regimes arguably function to protect researchers, facilitate experimentation and foster innovation.

Competition law rising (and curbing patent rights)

Recent developments in Australia's competition law introduce further limits on the misuse of patents.[89] While some argue these are an overreach and another example of competition policy encroaching on IP, they are a further mechanism to ensure ready access to COVID-19 technologies is not unlawfully constrained.

The overall theme of provisions described above is that they ensure access to patented technologies in return for reasonable compensation to the patent owner. One can see that this results in a degree of fairness. Undoubtedly, it is hard to argue that patented technologies should be compulsorily acquired without some form of compensation, even in the extreme circumstances of the current pandemic.

The approach to patent issues by leading stakeholders to date has mitigated concerns

Private organisations

While of course there will always be exceptions, it appears that many of the key global life sciences stakeholders are, in fact, "playing fair". In addition to those who have signed the COVID-19 pledge discussed above, there have been numerous examples of private entities indicating their preparedness to waive strict compliance with patent rights. For example, US company Moderna, which is at the forefront of vaccine development, has recently pledged to make its IP freely available. There have been numerous Australian examples as well including heavyweight biotech players CSL Behring, ResMed and Cochlear. CSL Behring is one of the largest and fastest growing providers of in-licensed vaccines, and as part of the fight against COVID-19, is one of the founding members of the CoVIg19 Plasma Alliance.[90] The Alliance is an industry partnership dedicated to developing a potential plasma-derived therapy treatment for COVID-19,[91] and notably is developing an anti-coronavirus medicine which is currently undergoing Phase 3 clinical trials. Other large biotech companies such as ResMed, who have allowed the Australian Government to oversee distribution of critical ventilators and respiratory care devices,[92] and BioCurate who have entered agreements with other large biotech companies to accelerate medicinal developments,[93] have pooled resources and established agreements and protocols to facilitate the effective and accelerated development and access to treatment.

Given the exceptionally high-profile nature of the pandemic and the running commentary on the development of treatments and vaccines, it could be argued that it would be commercially very dangerous for any leading organisation to adopt an unreasonable approach in relation to access and pricing of any treatment. Such an approach would likely lead to shareholder, public and government criticism. While this in itself may be insufficient to ensure that all participants behave ethically and equitably, together with the patent access regimes set out above that provide a backstop, what may be regarded as the "public relations" concern may prove to be effective.

Patents governance

Notably, even though they are traditional IP powerhouses, nations such as Israel, Germany and Canada have signalled they will not press patent protection for COVID-19 vaccines given the current global health emergency.[94] Australia has recently committed to AU$500 million in funding to aid the Pacific Islands response to the crisis.[95]

While these government responses are largely driven by philanthropic goals, there may be another agenda at play – self-preservation. It is in every nation's interest that an effective vaccine be universally distributed. Without a high level of successful vaccination globally – the virus will not be controlled. Though percentages differ according to different sources, it seems to be generally accepted that 60-70 per cent of the global population need to be immune to the coronavirus in order that it cease spreading. This amounts to billions of people worldwide, even if the vaccine functions perfectly, otherwise, the goal of eradication will not be reached.[96] If it is not, the only way developed

countries can effectively protect their citizens is to take the unpopular and economically damaging step of closing their borders for extended periods of time. Consequently, there is a significant motivation on the part of all governments to ensure widespread distribution and ready, economical access to a vaccine *for all*. It is likely that this motivation will supersede any apparent hurdles or friction created by the patent system.

Conclusions and the "pudding test"

From the literature available to date, it is difficult to glean any determinative evidence for the proposition that the patent system is creating friction in terms of the speed or cost of development of COVID-19 treatments and vaccines.[97]

Revelatory of the enduring concerns of WTO member states about IP and trade and their relationship with public health outcomes, and arguably reflective of governance within the institution itself, it is also worth noting that, whilst the proposal by India and South Africa for a waiver of certain TRIPS obligations, in front of the WTO in October, was rejected,[98] the organisation is committed to continuing discussion and exchange about COVID-19-related IP; to this end, it has compiled a list of measures.[99] The World Intellectual Property Organization ("WIPO"), and IP Australia, for instance, have also compiled databases of COVID-19-related IP resources, demonstrating attendance amongst peak and IP-administrative bodies to concerns raised in the field about access to technologies and knowledge related to public health.[100]

Certainly, the patent system does not seem to have hampered progress towards the objective of a vaccine and related developments to date given the rapid and extensive scientific response so far. In fact, it is arguable that the system itself has catalysed the rate of development and has bolstered objectives that will, ideally, benefit all. The pace of education about and research into COVID-19 has surpassed anything we have seen in history. In any case, there are much more significant hurdles (scientific and logistical) to be overcome in developing a vaccine than anything that could be imposed by the patent system.

Perhaps it will only be with the benefit of hindsight that a true assessment can be made in terms of which side of the argument ultimately triumphs. Clearly, those holding the reins of power and therefore the legislative control will prevail for now. Certainly, it appears that wholesale change to the patent regime in Australia or within any of our major trading counterparts is unlikely in the immediate future.

It may sound trite, but the proof will be in the pudding. If, and when, an effective treatment or vaccine reaches the market, the extent to which patent holders engage in litigation to constrain supply or seek to profiteer will be some indicator of the extent to which the patent system has hindered the common goal. At the time of writing, the authors have been unable to find any reference to patent litigation relating to COVID-19 specific treatments to date.[101]

If the developers of such technologies can disseminate their products and technology and attain a fair return for the risk they have undertaken and the resources they have invested, that will reflect a patent system functioning harmoniously.

In summary, the COVID-19 crisis has had an immeasurably significant impact on the world in 2020 and its effects will continue well into 2021 and beyond. Unsurprisingly debate has flourished across the globe around the need to balance economic interests with public health outcomes. Discussions about the role of the patent system, which is a small but essential aspect of that overall balance, are reflective of the broader concerns. The debate may in itself have reached its goal, as to date there is no concrete evidence the patent system is hindering the fight against COVID-19 or that it requires immediate review.

1 Partner + Lawyer at Gilbert + Tobin. The authors thank Dr Louise Buckingham.

2 Gary Cox et al, *Patents, Trade Marks & Related Rights* (LexisNexis Australia, October 2020) 15,000. And, see eg, Sam Ricketson et al, *Intellectual Property: Cases, Materials, Commentary*, (LexisNexis Butterworths 6th ed 2020) 659–67.

3 Dorothy R Auth, 'COVID-19 Update: Patent Rights in the COVID-19 Pandemic: How will Industries and Governments Respond?' (2020) X (311) *National Law Review* 309 <https://www.natlawreview.com/article/covid-19-update-patent-rights-covid-19-pandemic-how-will-industries-and-governments>.

4 Australian Law Reform Commission, *Genes and Ingenuity: Gene patenting and human health (ALRC Report 99)* (Report 2 August 2010) <https://www.alrc.gov.au/publication/genes-and-ingenuity-gene-patenting-and-human-health-alrc-report-99/2-the-patent-system/an-outline-of-the-patent-system/>.

5 Sam Ricketson et al, *Intellectual Property: Cases, Materials, Commentary*, (LexisNexis Butterworths 6th ed 2020), 647.

6 Section 6 famously reads: "Provided also and be it declared and enacted that any declaration before mentioned shall not extend to any letters patent and grants of privilege for the term of fourteen years or under, hereafter to be made, on the sole working or making of any manner of new manufactures within this realm, to the true and first inventor and inventors of such manufactures which others at the time of making such letters patent and grants shall not use, so as also they be not contrary to the law, mischievous to the state, by raising prices of commodities at home, or hurt at trade, or generally inconvenient; the said fourteen years to be accounted from the date of the first letters patent or grant of such privilege hereafter to be made, but that the same shall be of such force as they should be if this Act had never been made, and of none other." See Sam Ricketson, et al, *Intellectual Property: Cases, Materials, Commentary*, (LexisNexis Butterworths 6th ed 2020), 648-651 (and reference to K Boehm, *The British Patent System, Vol I: Administration* (Cambridge University Press, Cambridge, 1967), 14-26. And, William van Caenegem, *Intellectual and Industrial Property Law*, (LexisNexis Butterworths 3rd ed, 2019), 147–50.

7 See page 10 of this article.

8 Hon MK Ohlhausen, 'Patent Rights in a Climate of Intellectual Property Rights Skepticism' (2016) 30(1) *Harvard Journal of Law & Technology* 15.

9 Gary Cox et al, *Patents, Trade Marks & Related Rights* (LexisNexis Australia, October 2020) 15,005–30.

10 Gary Cox et al, *Patents, Trade Marks & Related Rights* (LexisNexis Australia, October 2020) 15,000.

11 By way of example, see "AusPat", IP Australia's Australian patent search engine that allows, inventors, industry and researchers to access patent applications (lodged and granted in Australia) <http://pericles.ipaustralia.gov.au/ols/auspat/faqs.html>. The World Intellectual Property Organization's equivalent is "Patentscope" <https://patentscope.wipo.int/search/en/search.jsf>.

12 In Australia, fewer than half of all patents filed are still in force after 10 years (ie, half their potential life): see s.68, *Patents Act* 1990 (Cth) for terms of innovation patent as eight years from the date of the patent. Most are allowed to lapse during their term for failure to pay renewal fees and therefore, most patented technologies will become freely available to the broader community well before their full term: see IP Australia, 'Maintaining your patent', (Web Page, 30 May 2016) <https://www.ipaustralia.gov.au/patents/managing-your-patent/maintaining-your-patent>.

13 IP Australia, 'Search Patents', "AusPat" (Search Engine) <http://pericles.ipaustralia.gov.au/ols/auspat/quickSearch.do>.

14 See *Merck Sharp & Dohme Corporation v Wyeth LLC* (No 3) [2020] FCA 1477 8, [1]: "It is perhaps not inappropriate that, at a time when the world is affected by the COVID-19 pandemic, the present dispute concerns attempts to improve disease immunity. Two pharmaceutical companies are in the race to develop better forms of immunisation against *Streptococcus pneumoniae*, which is a leading cause of meningitis, pneumonia and severe invasive disease in people, especially infants and young children, throughout the world. These proceedings concern an aspect of that race."

15 *Agreement on Trade-Related Aspects of Intellectual Property Rights*, Annex 1C Marrakesh Agreement Establishing the World Trade Organization (15 April 1994) is an international legal agreement between all the member nations of the World Trade Organization.

16 *Australia-United States Free Trade Agreement* (1 May 2019) <https://www.dfat.gov.au/trade/agreements/in-force/ausfta/Pages/australia-united-states-fta>.

17 *Japan-Australia Economic Partnership Agreement* (15 January 2015) <https://www.dfat.gov.au/trade/agreements/in-force/jaepa/full-text/Pages/full-text-of-jaepa>.

18 *Comprehensive and Progressive Agreement for Trans-Pacific Partnership* ("CPTPP") (30 December 2018). Signed by 11 countries, the CPTPP recognises challenges facing small and medium sized enterprises in establishing export markets and includes outcomes to make this an easier task in the CPTPP region <https://www.dfat.gov.au/trade/agreements/in-force/cptpp/Pages/comprehensive-and-progressive-agreement-for-trans-pacific-partnership>.

19 Natalie Stoianoff, 'Whoever invents a coronavirus vaccine will control the patent – and, importantly, who gets to use it' *The Conversation* (online, 29 May 2020) <https://theconversation.com/whoever-invents-a-coronavirus-vaccine-will-control-the-patent-and-importantly-who-gets-to-use-it-138121>.

20 Helen Clark and Winnie Byanyima, 'The world needs a 'people's vaccine' for coronavirus, not a big-pharma monopoly' *The Guardian* (online, 23 July 2020) <https://www.theguardian.com/commentisfree/2020/jul/23/world-needs-coronavirus-vaccine-big-pharma-monopoly-astrazeneca-patent-pandemic>.

21 Dilan Thampapillai, 'The controversy to come? Patent law and a Covid-19 vaccine' (Web Page, 10 June 2020) <https://law.anu.edu.au/research/essay/covid-19-and-international-law/controversy-come-patent-law-and-covid-19-vaccine>.

22 IP Australia, 'Patent Analytics Hub' (Web Page, 2 July 2020) <https://www.ipaustralia.gov.au/tools-resources/patent-analytics-hub>.

23 Douglas Jordan, 'The Deadliest Flu: The Complete Story of the Discovery and Reconstruction of the 1918 Pandemic Virus' *Centers for Disease Control and Prevention* (Web Page, 17 December 2019) <https://www.cdc.gov/flu/pandemic-resources/reconstruction-1918-virus.html>.

24 Claire Jackson, 'History lessons: the Asian Flu pandemic' (2009) 59(565) *British Journal of General Practice* 622.

25 World Health Organization, 'World Health Data Platform' The Global Health Observatory (Web Page, 13 November 2020) <https://www.who.int/publications/data/gho/data/themes/hiv-aids>.

26 World Health Organization, 'The Doha Declaration on the TRIPS Agreement and Public Health' (Web Page, 13 November 2020) <https://www.who.int/medicines/areas/policy/doha_declaration/en/>.

27 See discussion of TRIPS on p. 11 of this article.

28 Paul M Sharp and Beatrice H Hahn, 'Origins of HIV and the AIDS Pandemic' (2011) 1(1) *Cold Spring Harbor Perspectives in Medicine* (Web Page) <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC3234451/>.

29 Ellen Hoen et al, 'Driving a decade of change: HIV/AIDS, patents and access to medicines for all' (2011) 14 *Journal of the International Aids Society* 14.

30 *Declaration on the TRIPS Agreement and Public Health,* WT/MIN(01)/DEC/2 (20 November 2001). See also: World Health Organization, 'The Doha Declaration on the TRIPS Agreement and Public Health' (Web Page) <https://www.who.int/medicines/areas/policy/doha_declaration/en/>.

31 See Article 31 of TRIPS: "Where the law of a Member allows for other use of the subject matter of a patent without the authorization of the right holder, including use by the government or third parties authorized by the government, the following provisions shall be respected… (b) such use may only be permitted if, prior to such use, the proposed user has made efforts to obtain authorization from the right holder on reasonable commercial terms and conditions and that such efforts have not been successful within a reasonable period of time." <https://www.wto.org/english/res_e/publications_e/ai17_e/trips_art31_oth.pdf>.

32 Richard E Gold et al, 'Are Patents Impeding Medical Care and Innovation' (2010) 7(1) *Plos Medicine* (Web Page) <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC2795161/>.

33 Organisation for Economic Co-operation and Development (OECD) 'Treatments and a vaccine for COVID-19: the need for coordinating policies on R&D, manufacturing and access' (29 May 2020) <http://www.oecd.org/coronavirus/policy-responses/treatments-and-a-vaccine-for-covid-19-the-need-for-coordinating-policies-on-r-d-manufacturing-and-access-6e7669a9/>.

34 Kenneth Shadlen, 'Will patents stop Covid drugs from saving lives' (Blog Post, 12 June 2020) <https://blogs.lse.ac.uk/internationaldevelopment/2020/06/12/will-patents-stop-covid-drugs-from-saving-lives/>.

35 Enrico Bonadia et al, 'COVID-19, Patents and the Never-Ending Tension between Proprietary Rights and the Protection of Public Health' (2020) 11 *Cambridge University Press Public Health Emergency Collection* (Web Page) <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC7156563/>.

36 Natalie Stoianoff, 'Whoever invents a coronavirus vaccine will control the patent – and, importantly, who gets to use it' *The Conversation* (online, 29 May 2020) <https://theconversation.com/whoever-invents-a-coronavirus-vaccine-will-control-the-patent-and-importantly-who-gets-to-use-it-138121>.

37 Graham Dutfield, 'Coronavirus: it is morally indefensible for a nation to keep life-saving drugs for itself' *The Conversation* (online, 2 July 2020) <https://theconversation.com/coronavirus-it-is-morally-indefensible-for-a-nation-to-keep-life-saving-drugs-for-itself-141734>.

38 Anja Lunze, 'Patent pools: an easy licensing option for COVID-19 drugs and SARS CoV 2 vaccines?' *TaylorWessing* (online, 22 April 2020) <https://www.taylorwessing.com/en/insights-and-events/insights/2020/04/patent-pools---an-easy-licensing-option-for-covid-19-drugs-and-sars-cov-2-vaccines>.

39 See Lisa Larrimore Ouellette and Daniel Hemel, 'Want a Coronavirus Vaccine, Fast? Here's a solution', Ideas, COVID-19, *Time* < https://time.com/5795013/coronavirus-vaccine-prize-challenge/>; and, prior to the COVID-19 context, see Lisa Larrimore Ouellette and Daniel Hemel, 'Beyond the Patents-Prizes Debate' (2013) 92 (2) *Texas Law Review* 303.

40 Prime Minister, Minister for Health, Minister for Industry Science and Technology, 'Australia secures onshore manufacturing agreements for two COVID-19 vaccines' (Media Release, 7 September 2020) <https://www.pm.gov.au/media/australia-secures-onshore-manufacturing-agreements-two-covid-19-vaccines>; Minister for Health, 'Australia now eligible to purchase COVID-19 vaccine doses

through COVAX' (Media Release, 23 September 2020) <https://www.health.gov.au/ministers/the-hon-greg-hunt-mp/media/australia-now-eligible-to-purchase-covid-19-vaccine-doses-through-covax>.

41 Prime Minister, Minister for Health, Minister for Industry Science and Technology, 'New deal secures potential COVID-19 vaccine for every Australian' (Media Release, 19 August 2020) <https://www.pm.gov.au/media/new-deal-secures-potential-covid-19-vaccine-every-australian>; Paul Jarp, 'Australian government announces Covid vaccine deals to provide 84.8m doses' *The Guardian* (online, 6 September 2020) <https://www.theguardian.com/australia-news/2020/sep/06/australian-government-announces-covid-vaccine-deals-to-provide-848m-doses>.

42 For example, see Rob Harris, 'Australia signs two more COVID-19 vaccine agreements', *The Sydney Morning Herald*, 4 November 2020 <https://www.smh.com.au/politics/federal/australia-signs-two-more-covid-19-vaccine-agreements-20201104-p56biy.html>.

43 AusBiotech, 'Cervical cancer vaccine' (Web Page) <https://www.ausbiotech.org/about-us/30-success-stories/5-cervical-cancer-vaccine>.

44 Department of Health, 'Human papillomavirus (HPV) Immunisation service' (Web Page, 26 September 2019) <https://www.health.gov.au/health-topics/immunisation/immunisation-services/human-papillomavirus-hpv-immunisation-service#do-i-need-to-pay-for-hpv-immunisation>.

45 World Trade Organization, 'Least-developed countries' <https://www.wto.org/english/thewto_e/whatis_e/tif_e/org7_e.htm>; see World Trade Organization 'Members discuss intellectual property response to the COVID-19 pandemic' (Media Release, 20 October 2020) <https://www.wto.org/english/news_e/news20_e/trip_20oct20_e.htm>.

46 World Trade Organization, 'Waiver from certain provisions of the TRIPS Agreement for the prevention, containments and treatment of COVID19: communication from India and South Africa' <https://docs.wto.org/>.

47 Dianne Nicol and Olasupo Owoeye, 'Using TRIPS flexibilities to facilitate access to medicines' *Bulletin of World Health Organization* (18 April 2013) <https://www.who.int/bulletin/volumes/91/7/12-115865/en/>; J Saunders, 'Covid-19 and Human Rights' (Oxfam Discussion Paper, 7 July 2020) 9.

48 See page 12 of this article.

49 Following concerns expressed about patent protection and access to the technology in the face of the pandemic, an international group of scientists and lawyers joined together to establish the pledge: See Natalie Stoianoff, 'Whoever invents a coronavirus vaccine will control the patent – and, importantly, who gets to use it' *The Conversation* (online, 29 May 2020) <https://theconversation.com/whoever-invents-a-coronavirus-vaccine-will-control-the-patent-and-importantly-who-gets-to-use-it-138121>.

50 Other 'Founding Adopters' include: Intel, IBM, Hewlett Packard Enterprise, Sandia National Laboratories, Unified Patents, apheris AI and Fabricatorz Foundation: see <https://opencovidpledge.org/partners/>.

51 Enrico Bonadio, 'Drug companies should drop their patents and collaborate to fight coronavirus' *The Conversation* (Blog, 1 April 2020) <https://theconversation.com/drug-companies-should-drop-their-patents-and-collaborate-to-fight-coronavirus-135241>.

52 For example, the partnership between Pfizer and BioNTech see Pfizer, 'Pfizer and BioNTech announce further details on collaboration to accelerate global COVID-19 vaccine development' (Media Release, 9 April 2020) <https://www.pfizer.com/news/press-release/press-release-detail/pfizer-and-biontech-announce-further-details-collaboration>.

53 Fabrice Delaye, 'A COVID-19 vaccine would pay for itself in -6 days' *Health Policy Watch* (Web Page, 10 August 2020) <https://healthpolicy-watch.news/76270-2/>.

54 Fabrice Delaye, 'A COVID-19 vaccine would pay for itself in 5-6 days' *Health Policy Watch* (Web Page 10 August 2020) <https://healthpolicy-watch.news/76270-2/>.

55 Department of Health, 'Australia's vaccine agreements' (Web Page, 23 October 2020) <https://www.health.gov.au/news/health-alerts/novel-coronavirus-2019-ncov-health-alert/vaccines-and-treatments/australias-vaccine-agreements>.

56 Tedros Adhanom Ghebreyesus, 'WHO Director – General's opening remarks at the media briefing on COVID-19' (Speech, 11 March 2020) <https://www.who.int/dg/speeches/detail/who-director-general-s-opening-remarks-at-the-media-briefing-on-covid-19---11-march-2020>.

57 Jonathan Corum, Sui-Lee Wee and Carl Zimmer, 'Coronavirus Vaccine Tracker' *The New York Times* (online, 3 November 2020) <https://www.nytimes.com/interactive/2020/science/coronavirus-vaccine-tracker.html>.

58 Johnson & Johnson's vaccine trial paused due to adverse reaction in a volunteer see BBC, 'Johnson & Johnson Covid vaccine trial paused due to ill volunteer' *BBC News* (Web Page, 13 October 2020) <https://www.bbc.com/news/health-54521527>.

59 David Cyranoski and Smriti Mallapaty, 'Scientists relieved as coronavirus vaccine trial restarts – but question lack of transparency' *Nature* (online, 14 September 2020) <https://www.nature.com/articles/d41586-020-02633-6>.

60 Sarah Boseley, 'Oxford Covid vaccine works in all ages, trials suggest' *The Guardian* (online, 27 October 2020) <https://www.theguardian.com/world/2020/oct/27/covid-vaccine-uk-oxford-university-astrazeneca-works-in-all-ages-trials-suggest>.

61 Jonathan Corum, Sui-Lee Wee and Carl Zimmer, 'Coronavirus Vaccine Tracker' *The New York Times* (online, 3 November 2020) <https://www.nytimes.com/interactive/2020/science/coronavirus-vaccine-tracker.html>.

62 Jonathan Corum, Sui-Lee Wee and Carl Zimmer, 'Coronavirus Vaccine Tracker' *The New York Times* (online, 3 November 2020) <https://www.nytimes.com/interactive/2020/science/coronavirus-vaccine-tracker.html>.

63 Conditional approval given on the basis of positive results from Phase 3 trials - see Andrew E Kramer, 'Russia Approves Coronavirus Vaccine Before Completing Tests' *The New York Times* (online, 11 August 2020) <https://www.nytimes.com/2020/08/11/world/europe/russia-coronavirus-vaccine-approval.html>.

64 Carl Zimmer, "This is all beyond stupid'. Experts worry about Russia's rushed vaccine' *The New York Times* (online, 11 August 2020) <https://www.nytimes.com/2020/08/11/health/russia-covid-19-vaccine-safety.html>.

65 Anna Nagurney described the subzero temperatures required to effectively store vaccines, which are highly perishable, "just like a piece of fish", noting that logistics companies are investing in storage facilities for cold chain management. See Anna Nagurney, 'Keeping coronavirus vaccines at subzero temperatures during distribution will be hard, but likely key to ending pandemic', *The Conversation* (Web Page, 18 September 2020) <https://theconversation.com/keeping-coronavirus-vaccines-at-subzero-temperatures-during-distribution-will-be-hard-but-likely-key-to-ending-pandemic-146071>.

66 Julia Kollewe, 'Covid vaccine: "8,000 jumbo jets needed" to deliver doses around world' *The Guardian* (online, 10 September 2020) <https://www.theguardian.com/world/2020/sep/10/we-have-too-few-planes-to-deliver-any-covid-19-vaccine-warns-aviation-group>.

67 Shannon Mullen O'Keefe, 'One in Three Americans Would Not get COVID-19 Vaccine' *Gallup* (online, 7 August 2020) <https://news.gallup.com/poll/317018/one-three-americans-not-covid-vaccine.aspx>.

68 Rob Harris, 'Australia commits $500m for COVID-19 vaccine for the Pacific and south-east Asia' *Sydney Morning Herald* (online, 31 October 2020) <https://www.smh.com.au/politics/federal/australia-commits-500m-for-covid-19-vaccine-for-the-pacific-and-south-east-asia-20201030-p56a8v.html>.

69 Sara Frueh, 'Enlisting Science and Technology in the Fight Against COVID-19 – and the Ongoing Struggle for Sustainable Development' *The National Academies of Sciences, Engineering, Medicine*. (Web Page, 20 May 2020) <https://www.nationalacademies.org/news/2020/05/enlisting-science-and-technology-in-the-fight-against-covid-19-and-the-ongoing-struggle-for-sustainable-development>.

70 Olivier Vandenberg et al, 'Consideration for diagnostic COVID-19 tests' *Nature Review* (online, 14 October 2020) <https://www.nature.com/articles/s41579-020-00461-z>.

71 World Intellectual Property Organization, 'COVID-19 Policy Tracker' (Web Page, 1 December 2020) < https://www.wipo.int/covid19-policy-tracker/#/covid19-policy-tracker/access>.

72 The Premier of Victoria, Daniel Andrews, gave a press conference for 122 days running (media commentary noted this at different points, e.g. Patrick Wood, 'Daniel Andrews hits his 50th straight coronavirus

update today – is it time he took a break?' *ABC News* (Blog, 21 August 2020) < https://www.abc.net.au/news/2020-08-21/daniel-andrews-hits-50-daily-coronavirus-updates-for-victoria/12565048>; and, Margaret Simons, 'One hundred days of Andrews' press conferences: What do they tell us about journalism?', *The Age*, (online, October 11, 2020) <https://www.theage.com.au/national/victoria/one-hundred-days-of-andrews-press-conferences-what-do-they-tell-us-about-journalism-20201009-p563lt.html>.

73 It is worth noting that no Premier or Minister of Health has commented on patent issues relating to COVID-19 in 2020.

74 Jorge L Contreras et al, 'Patents: pledging intellectual property for COVID-19', *Nature* (online, 5 October 2020) < https://www.nature.com/articles/s41587-020-0682-1>.

75 BIO, 'Biopharmaceutical Innovators Lead the Charge in Fight Against Coronavirus' (Web Page, 1 December 2020) <https://www.bio.org/policy/human-health/vaccines-biodefense/coronavirus>.

76 Stephen Haber, for example, argues that "there is a causal relationship between strong patents and innovation" (deploying analyses from economic history and empirical microeconomics), in 'Patents and the Wealth of Nations', *George Mason Law Review* (2016) 23 (4), 834 <http://georgemasonlawreview.org/wp-content/uploads/Haber-FINAL.pdf>. Somewhat less stridently, Eric Budish, Benjamin N. Roin, and Heidi Williams contend there is need for "understanding heterogeneity in the relationship between patents and research investments across industries" in their article, 'The Design and Use of Patents: Patents and Research Investments: Assessing the Empirical Evidence': see Eric Budish, Benjamin N. Roin, and Heidi Williams, 'The Design and Use of Patents: Patents and Research Investments: Assessing the Empirical Evidence', *American Economic Review: Papers & Proceedings 2016*, (2016) 106(5) 183, 187; and, they point to a positive relationship between patent terms and investment in medical research and development in 'Do Firms Underinvest in Long-Term Research? Evidence from Cancer Clinical Trials', see: Eric Budish, Benjamin N. Roin, and Heidi Williams 'Do Firms Underinvest in Long-Term Research? Evidence from Cancer Clinical Trials', *American Economic Review* (July 2015) 105(7), 2044-85.

77 *Intellectual Property Laws Amendment (Productivity Commission Response Part 2 and Other Measures) Act 2020* sch 2, pt 1.

78 *Intellectual Property Laws Amendment (Productivity Commission Response Part 2 and Other Measures) Act* 2020 (Cth) sch 2, pt 1 [7].

79 *Intellectual Property Laws Amendment (Productivity Commission Response Part 2 and Other Measures) Act 2020 No. 9, 2020 Explanatory Memorandum* <https://www.legislation.gov.au/Details/C2020A00009>.

80 *Australian Law Reform Commission, Genes and Ingenuity: Gene patenting and human health (ALRC Report 99)* (Report, 2 August 2010) <https://www.alrc.gov.au/publication/genes-and-ingenuity-gene-patenting-and-human-health-alrc-report-99/2-the-patent-system/an-outline-of-the-patent-system/> "compulsory licensing" <https://www.alrc.gov.au/publication/genes-and-ingenuity-gene-patenting-and-human-health-alrc-report-99/27-compulsory-licensing/compulsory-licensing/>.

81 Jessica Lai, 'How patent law and medicine regulations could affect New Zealand's access to a COVID-19 vaccine' *The Conversation* (online, 12 October 2020) <https://theconversation.com/how-patent-law-and-medicine-regulations-could-affect-new-zealands-access-to-a-covid-19-vaccine-147653>.

82 Justin Culbertson and Jason Jardine, 'Compulsory patent licensing in the era of pandemic' *International Bar Association* (online, 30 June 2020) <https://www.ibanet.org/Article/NewDetail.aspx?ArticleUid=36a60309-5a33-4891-8624-86a6d89a251e#_ftn3>.

83 World Intellectual Property Organization, 'COVID-19 Policy Tracker' (Web Page, 1 December 2020) <https://www.wipo.int/covid19-policy-tracker/#/covid19-policy-tracker/access>.

84 Which passed the "Act for the protection of the population in case of an epidemic situation of national importance" to amend previous legislation to authorise the Federal Ministry of Health to use patents to secure the manufacture/delivery of pharmaceuticals and/or medical devices see: WIPO, 'COVID-19 Policy Tracker' (Web Page, 1 December 2020) < https://www.wipo.int/covid19-policy-tracker/#/covid19-policy-tracker/access>.

85 Which introduced Emergency law No, 2020-290 to authorise the Prime Minister to order the seizure of all goods and services necessary to fight against the disaster, temporarily control the price of such products and take any measures to ensure appropriate medicines are available to patients to eradicate the health disaster, see WIPO, 'COVID-19 Policy Tracker' (Web Page, 1 December 2020) <https://www.wipo.int/covid19-policy-tracker/#/covid19-policy-tracker/access>.

86 *Patents Act* 1900 (Cth) s.119C.

87 *Patents Act* 1900 (Cth) s.119C.

88 Jorge L Contreras, 'Research and repair: expanding exceptions to patent infringement in response to a pandemic' (2020) 7(1) *Journal of Law and the Biosciences.*

89 Recent amendments led to the repeal of subsection 51(3) of the *Competition and Consumer Act 2010* (Cth) which, prior to amendment, provided a limited exemption for certain anti-competitive conduct prohibitions in Part IV of the Act in relation to intellectual property (IP) rights: see ACCC, *Guidelines on the repeal of subsection 51(3) of the Competition and Consumer Act 2010 (Cth)* (online, August 2019) <https://www.accc.gov.au/system/files/1619RPT_Guidelines%20on%20the%20repeal%20of%20subsection%2051_FA1.pdf>.

90 CSL Behring, 'CSL's Global Role in Battling COVID-19' (Media Release, 8 October 2020) <https://www.csl.com/news/2020/covid-19-csl-facts>.

91 The Alliance includes industry members Biotest, BioProducts Laboratory, LFB, Octapharma and Takeda see CoVIg-19 Plasma Alliance (Web Page, 1 December 2020) <https://www.covig-19plasmaalliance.org/en-us#recruitment>.

92 ResMed, 'COVID-19:ResMed is ready to respond' (Web Page) <https://www.resmed.com/au/en/healthcare-professional/covid-19-our-response.html>.

93 BiotechDispatch, 'BioCurate inks new MoU with AbbVie' (Media Release, 29 October 2020) <https://biotechdispatch.com.au/news/biocurate-inks-new-mou-with-abbvie>.

94 Dilan Thampapillai, 'The controversy to come? Patent law and a Covid-19 vaccine' (Web Page, 10 June 2020) < https://law.anu.edu.au/research/essay/covid-19-and-international-law/controversy-come-patent-law-and-covid-19-vaccine>.

95 Rob Harris, 'Australia commits $500m for COVID-19 vaccine for the Pacific and south-east Asia' *Sydney Morning Herald* (31 October 2020) <https://www.smh.com.au/politics/federal/australia-commits-500m-for-covid-19-vaccine-for-the-pacific-and-south-east-asia-20201030-p56a8v.html>.

96 See for instance, Anthea Rhodes et al, 'Intention to vaccinate against COVID-19 in Australia', *The Lancet*, (online, September 14, 2020) < https://www.thelancet.com/journals/laninf/article/PIIS1473-3099(20)30724-6/fulltext> and, news sources such as the BBC, for example: James Gallagher, 'Coronavirus vaccine: When will we have one?' *BBC News* (Web Page, 27 October 2020): <https://www.bbc.com/news/health-51665497>.

97 See the summary of 20 October 2020 in 'News' on the World Trade Organization website, "Members discuss intellectual property response to the COVID-19 pandemic" <https://www.wto.org/english/news>.

98 Mentioned above in this article.

99 See World Trade Organization 'COVID-19: Measures regarding trade-related intellectual property rights' <https://www.wto.org/english/tratop_e/covid19_e/trade_related_ip_measure_e.htm>.

100 IP Australia, 'Patents Analytics Hub' <https://www.ipaustralia.gov.au/tools-resources/patent-analytics-hub>.

101 The authors of this article consulted relevant sources of case law most recently on 5 November 2020.

The Sound of Silence – the Omission of Moral Rights for the Sound Engineer in New Zealand

Brandon Hayes[1] and Julius Hattingh[2, 3]

Introduction

The sound recording plays a central role in Western music culture. It is the dominant means by which music is transmitted from artist to listener. It is surprising then, that both the culture, and the law that underpins it, have so little regard for the creativity involved in the creation of these works, above and beyond the contributions of composers and performers. What is crucially missing from this picture is the creative force of the modern-day sound engineer and their craft.

New Zealand has committed itself to the recognition of moral rights for artists. Yet, its conception of what counts as art in this regard does not currently recognise sound recordings as a creative medium. As a result of an outdated conception of record making, the author of the modern recording is assumed to be the person (whether natural or otherwise) responsible for organising and financing a record – and not the human mind behind its particular aesthetic character.

Reflecting this outdated view, the current dominant medium for consuming music – the digital streaming platform – does not have a clear place for the name of the sound engineer(s) who worked on a record. This omission is part of a larger conversation surrounding the deficient attribution practices of streaming platforms which has left many artists unpaid and uncredited, and in turn has led to calls for an overhaul of existing digital accreditation protocols.

Accordingly, rule-makers are presented with a timely opportunity to reconsider who deserves credit for a sound recording under the law. In this article, we argue that the law's silence on sound engineers is unjustified, and that if our commitment to moral rights is serious, we must update the legal conception of the artist.[4]

In Part One we describe current problems faced by the modern music industry and its practices regarding attribution, which in turn motivates our exploration of moral rights for sound engineers. In Part Two we briefly outline what we take to be the core philosophical underpinnings of moral rights and how they differ from those of copyright. Part Three considers the moral rights regime as implemented in New Zealand, and in doing so finds there are immediate reasons to doubt that it accurately reflects their underlying rationale. Part Four substantively analyses the process of creating a sound recording, and assesses whether the traditional assumption regarding sound engineers as mere technicians measures up against their real-world role. We argue that sound engineers, especially those who "mix" records, often make both a substantial and creative contribution to the sound recording work, and therefore fulfil a threshold of authorship that conceptually justifies moral rights protection. Finally, Part Five of the discussion considers whether it is more appropriate to frame the sound engineer's contribution (as outlined in Part Four) under other existing legal mechanisms: in particular, could the engineer have moral rights in a musical work, a performance, or through a sui generis carve-out?

Part One: A Crisis of Attribution in the Modern Music Industry

Recent decades have seen a great shift in how listeners consume music. Whereas it was once consumed through the compact disc, digital streaming platforms such as Spotify are now the dominant medium for disseminating and accessing musical works.[5] One custom from the CD era (and prior) that has struggled to survive the change is the practice of crediting creative contributors of a sound recording. In the pre-streaming era, it was standard industry practice to credit personnel involved in the music production process through the liner notes of a CD, cassette, or vinyl record.[6] Liner notes facilitated a practical means of recognition for producers, recording artists, performers, the post-production team, and any others who performed an essential role in the creation of a song or album. For these extra personnel, liner notes arguably provided a physical infrastructure for recognition and building a reputation within the music industry and community.[7]

Metadata

With the rise of streaming platforms, the music industry has been confronted with a particular problem in relation to inconsistent and incomplete accreditation, which has proved to undermine licensing arrangements at scale. *The Verge* reported in 2019 that there are billions of dollars of unpaid royalties resultant on these issues.[8] The United States of America ("US") song and album analytics firm Billboard estimates that as much as 25 per cent of royalty payments are not paid to publishers at all, or are paid to the wrong entity.[9] The firm also reports that so-called unclaimed "black box" royalties amount to an estimated US$250 million.[10]

This is largely caused by the lack of standardised metadata protocols for streaming platforms. When uploading a song for public release, the label must submit metadata in accordance with the accreditation fields dictated by the particular platform.[11] However, these fields are not necessarily interoperable across platforms due to underlying differences in their code. The result is that, in practice, creative contributors may be incorrectly classified, or worse yet, omitted completely.

The United States Music Industry Notice

In response, groups representing both artists and labels in the United States have called for a more robust and effective system of digital attribution and credits. In March 2019, the Artist Rights Alliance, the Screen Actors Guild – American Federation of Television and Radio Artists, the Recording Industry Association of America, and the American Association of Independent Music jointly hinted at the need for a centralised electronic database dedicated to musical accreditation:[12]

> *For the first time, the music community – including organisations representing both artists and labels – have come together to agree on the importance of attribution for everyone who makes or enjoys music and to look ahead to creating a state of the art credits system for the digital age …*
>
> *Attribution recognises artistic achievement, helps creators connect, collaborate, and appreciate each other's work, opens up new pathways for fans to trace artistic influences and find new music, and aids accuracy in the digital royalty economy …*
>
> *… A multi-media environment should offer new and creative ways to provide this information and context, not limit and shrink it.*

At face value, the metadata issues facing streaming platforms appear to be just an economic issue regarding royalty distributions. However, that same metadata is also the means by which streaming platforms determine to whom a song or album is attributed in the eyes of the public. As the press release issued by the Artist Rights Alliance and others notes, these deficient accreditation processes implicate both the reputations of content creators, as well as their ability to weigh in on the integrity of their work. This further propagates upwards to the cultural integrity of musical genres and movements, affecting the art form as a whole:[13]

> *Where once cover art and liner notes often reflected who contributed to each specific musical recording, including producers, songwriters, and side players, attribution today is less extensive, sometimes identifying only the featured artist or band and the track and album name.*
>
> *Credits are the creator's resume. Knowing what music an artist or songwriter has made or contributed to can help them find more fans and build and sustain their careers over time. Credits are also a learning tool and 'map' to the music ecosystem for fans, creating a more educated music audience to the benefit of the music business as a whole.*

Accordingly, the "attribution crisis" – which has thus far garnered significant attention due to its financial implications – is inextricably entangled with the non-economic, reputational side of this creative industry; and, in turn, the underlying principles of moral rights.

Perspectives of the New Zealand Music Industry

We note that while a serious reconsideration of the current digital attribution infrastructure is underway in the US, the perspective of the New Zealand industry has been much less critical. In April of 2019, the New Zealand music industry issued a submission in response to the Ministry of Business, Innovation and Employment Issues Paper reviewing the *Copyright Act* 1994 (NZ) ("Copyright Act").[14] In that paper, one of the legal questions posed was whether there were any problems or benefits with the current moral rights provisions in the Copyright Act, and if any changes should be considered. The industry responded that it "is not aware of practical problems in the area of moral rights".[15]

We respectfully submit that, given foreseeable developments in the practices adopted by streaming platforms, there is an opportunity to make sure that our legal rules properly reflect the ideals we hold as a society about the creative arts. If digital streaming platforms are going to harmonise with legal duties, then the merit of that exercise would seem to depend on whether the legal rules are themselves justified. The silence from the New Zealand music industry only motivates our analysis of the underlying question: who is entitled to a music credit for the creation and production of a sound recording in New Zealand? What are the philosophical and legal bases for these rights, and are they appropriate in the context of the modern music industry?

Part Two: Copyright and Moral Rights – Different Rules for Different Reasons

To answer these questions, it is helpful to understand the conceptual basis for moral rights and how it differs from that of other important intellectual property rights, particularly copyright. Upon canvassing these underlying rationales, we will then consider how moral rights are implemented as rules in New Zealand and evaluate the consistency of principle with practice.

Copyright

In the Commonwealth and US, intellectual property rules have tended to be rights and justice-based, and derived from a strong emphasis on the proprietary relationship and the freedom of contract. Historically, the purpose of copyright was tied to the concept of authorship in the Lockean sense that a person should be free to reap the fruits of their own labour. Le Chapelier saw the copyright as embodying the

idea that "the most sacred, the most personal of all properties is the work which is the fruit of a writer's thought".[16] The legal enforcement of this "property" prevents other parties from dealing with an individual's intellectual creations without their permission, and in turn, fosters a marketplace of tradable goods.

Accordingly, although authorship is key to establishing rightful ownership, the author is free to dispose how they please of any copyright in their work. Likewise, third parties are free to acquire the full entitlements of the copyright from the author.

Moral Rights

The rationale for moral rights reflects the view that there are some aspects of the authorship status that cannot be traded.[17] The position holds that the artistic act is one in which the subject creates in the object a thing that reflects herself and is imbued with her personality:[18]

> *… [T]he idea [is] that the work of art is an extension of the artist's personality, an expression of his innermost being. To mistreat the work of art is to mistreat the artist, to invade his area of privacy, to impair his personality.*

On the basis that the work is an extension of the subject, the theory holds that the artist has basic personal interests in their creative works, and it is the duty of the law to protect these interests. This natural law basis for moral rights is reflected in Article 27 of the *Universal Declaration of Human Rights*: [19]

> *Everyone has the right to the protection of the moral and material interests resulting from any scientific, literary or artistic production of which he is the author.*

In broad terms, the bundle of rights referred to generally encompasses the right to be attributed as the creator of the artwork and the right to object to its derogatory treatment. In this article, we do not devote much discussion to the particularities of these entitlements – that will be the subject of future discussion. It is sufficient for our purposes to acknowledge that, within the umbrella of moral rights, the rights of attribution and integrity are both grounded in, and serve to protect, a basic personal and non-economic interest that an artist has by virtue of their creative involvement in their work.

Like copyright, moral rights are directly tied to authorship. Yet, the flavour of authorship is different in each case. For the subsistence of copyright, creativity is not determinative. It is generally sufficient that a work originates with the author (and falls within a recognised class of works). In contrast, the conceptual basis of moral rights is the recognition that by virtue of the *creative* act, the artist has externalised themselves in their work, and is thereby deserving of a degree of control and respect in their work. Accordingly, the expressive process of creation is central to the principle of authorship for moral rights.

Part Three: An Overview of Moral Rights in New Zealand

In the late 20th Century, there was a shift felt across the Commonwealth (and, to a lesser extent, the US) toward embracing some of the continental ideas relating to art.[20] The introduction of moral rights by these nations, including New Zealand, was in part an effort to bring domestic legislation in line with commitments made under the *Berne Convention for the Protection of Literary and Artistic Works* of 1886 ("Convention"). Under the Convention, moral rights were recognised as follows:[21]

> *Independently of their copyright or economic rights, and even after the transfer of the said rights, the author shall have the right to claim authorship of the work and to object to any distortion, mutilation or other modification of, or other derogatory action in relation to, the said work, which would be prejudicial to his honour or reputation.*

In 1994, New Zealand introduced moral rights provisions as part of the new Copyright Act, essentially adopting the equivalent United Kingdom provisions.[22] Accordingly, moral rights, in the form of attribution and integrity interests, were granted to the authors of musical, literary, dramatic and artistic works.

The Incongruous Application of Moral Rights in New Zealand

Yet, from the beginning, there have been discrepancies between the moral rights introduced in 1994 and the ideals discussed above. For one, moral rights in New Zealand are capable of being waived and are, therefore, not inalienable in practice. This means that, in practice, they are brought within the economic sphere to the extent they can be traded for consideration.[23] More pressingly for this paper, however, is the way in which moral rights were assigned to some categories of copyright work, and not others.

In line with the international approach, moral rights, when introduced, were granted only to a subset of copyright works deemed "creative" (namely, musical, literary, dramatic, and artistic works), while other works (including sound recordings) did not receive moral rights at all.[24] This separation echoed the historical distinction between "works" and "subject matter other than works" which had existed in New Zealand under the 1962 Act; and in doing so, had the embedded logic of singling out those works deserving of moral rights protection, ie because those are the works which, being the result of a creative process, are an "extension of the artist's personality".[25]

This embedded logic deserves scrutiny. Not least because, historically, creativity has not been a requirement for the creation of a "creative" work and the attendant status of authorship[26] – but also because, under the current regime,

the creator of a phone book, being the author of a literary work, would receive moral rights in the same way as a novelist, irrespective of creative merit.[27]

This application of moral rights in the New Zealand context to the so-called "creative works" opens the door to the corollary question: if moral rights are currently applied to works even if they do not seem to meet a threshold of creativity required in principle, is it similarly the case that some works which do exhibit creativity are denied moral rights based on the current application? Later in Part Four, we consider whether this is the case in sound recordings.

Authorship and Ownership of Sound Recordings and the Traditional Assumption

At this juncture, it is necessary to understand how the traditional view of sound recordings, as a fundamentally non-creative sort of work, permeates the current codified meaning of authorship of sound recordings, as well as its interpretation.

The traditional assumption, as noted, is that the making of a sound recording work – being a recording of sounds from which the sounds may be reproduced – is a merely mechanical process requiring only that a person be in possession of a recording device and that they "press record"; that any particular person could "press record" in more or less the same way; and, therefore, that the resultant sound recording cannot be said to reflect their particular human spirit.[28] The author of a sound recording then, is considered at law to be "the person by whom the arrangements necessary for the making of the recording… are undertaken" ("necessary arrangements test").[29] Though rarely examined, where it has been, this phrase is interpreted to mean the person responsible for the "organisation and financing" of the work.[30] Or, to put the issue more colloquially, "who was it who got the recording made?".[31] The necessary arrangements test is not thought to be a question of who actually created the sounds in the sound recording. In line with this, the law expressly allows for authorship by a body corporate – i.e. the record label who invested in the making of a record.[32]

This view is in contradistinction to the treatment of authorship in, say, a musical work, in which no amount of involvement from a body corporate could ever entitle them to be recognised as an author.[33] While they may commission, employ or otherwise undertake the arrangements necessary for its creation, such works at law can only be created, and thereby authored, by a human mind.[34]

This legal nuance is also consistent with the allocation of moral rights to creative works and not (among other things) sound recording works. As they seek to recognise the expression of personality (i.e. through their free and creative decision-making capacities),[35] moral rights must only be granted to natural persons.[36] Of course, a body corporate may, by virtue of the work-for-hire rule, be considered the first *owner* of a copyright work, should they have the requisite relationship with the author. Yet, importantly, even in such a relationship where copyright ownership in a creative work is assigned immediately on its creation, the moral rights in the work remain with the human author.[37]

By contrast, in the context of sound recordings, by virtue of the lack of moral rights, this distinction between the rightful owner of the copyright and the true author of the work is much less relevant. In this context, authorship is really just a means of determining rightful ownership rather than also being an indicator of whose fingerprint was left in the work. To that end, the necessary arrangements test is understandable: where a recording is made because a record label invested and resourced its creation, we agree that they should presumptively own the work.[38] However, whether the record label can appropriately be titled its *author* here is less understandable: it could just as well be the rightful owner by virtue of work-for-hire and contract provisions, as is the case with creative works.[39] Moreover if the traditional assumption is false, and sound recordings are capable of being creativity imbued, then the question of authorship would indeed be about more than mere ownership, but also about where a hypothetical moral rights interests would reside.

Part Four: Moral Rights in Sound Recordings

In this part, we offer an analysis of sound recording production that challenges the traditional view, and suggests not just that some sound engineering is authorial, but that it is authorial in the moral rights sense, being a medium of artistic expression. In order to do so we first distinguish between "pressing record" instances of the record production and more involved processes of sound engineering. We then argue that the sound engineer's contribution to an existing recording (or set of recordings) is capable of constituting a derivative work. Finally we argue that in such cases the sound engineer has essentially "authored" that resultant record, and may well have done so creatively.

Post-Production as a Non-Mechanistic Means of Making a Recording

Although the traditional assumption regarding sound recordings may have been true of the era where phonograms were a nascent technology, it is now difficult to maintain that the engineering of a sound recording is a non-creative act in principle. To understand why, it is necessary to distinguish between two types of processes for sound recording production.

On the one hand, a sound recording may be produced simply by "pressing record" on a functional microphone. In such a case, the resultant sound recording may be considered the product of a mechanistic and technological process, and thereby justify the traditional view of the sound recording work as essentially non-creative.[40] As we might struggle to see how the person who "pressed record" has imbued the

recording with their personality, moral rights may not seem relevant.[41]

On the other hand, there are many aspects of sound recording production that do not involve merely capturing sounds which exist out there in the world by a microphone. In particular, much of the post-production process involves decision-laden actions of actually building new sounds and crafting existing sounds *directly into the work*, without them first being produced through a live performance.[42] This is often achieved through the use of a digital audio workstation ("DAW"), which is essentially a digital application for storing, editing, manipulating and creating audio files. Specific tools engaged by the DAW are examined closely in the next section. For now, suffice to say that such sound recordings (to the extent they are made with a DAW) are not only "recordings" in the traditional sense that they preserve a record of events that happened elsewhere. Rather, they are the genesis of the actual sounds to begin with.

In this article, when we refer to the sound engineer, we are primarily referring to those whose role it is in the music production pipeline to take one or more existing sound recordings (or "stems"), and to manipulate, or "mix" them into the final master to be released for public consumption.[43] Virtually all successful modern sound recordings will go through this process. For ease of reference, we will refer to the pre- and post-production sound recording(s) as corresponding to the record before and after it has been "mixed".[44] This distinction is fundamental to our argument that authorship of a sound recording can be a creative process.[45] This is because, if we can prove that those deliberative and involved decisions of the sound engineer in post-production are also creative and authorial, then the subsequent work may be viewed as the creation of an artist – and thereby furnish an argument for moral rights.[46]

The Post-Production Sound Recording as a New Sound Recording

The difference between the pre- and post-production sound recording is useful to consider in the language of derivative works. At law, a work that has been substantially changed and altered as the result of an original and creative contribution of a new author may furnish a fresh copyright.[47] For instance, we know that a graphic design, through its (consensual) incorporation of existing imagery into a substantially new and original form, can create a derivative work with new authorship entitlements to its artist.[48] This principle also holds true for post-production sound recording, which, once passed through the hands of the sound engineer, may sound *different* enough to the original work(s) to substantiate a fresh copyright interest (as the subsequent recording is more than a mere copy).[49]

This principle is well-established within the law in relation to the work of a sampling artist who manipulates the basic musical elements in existing pre-recorded snippets of a song to create new melodies, harmonies and rhythms.[50] In such a situation, however, not only is the sound recording substantially altered from the original stem(s), but the underlying *musical work* has also been altered. We discuss the possibility that such rights provide sufficient coverage for the sound engineer in Part Five.

We are interested in the possibility of a derivative sound recording that does not hinge on the creation of a new underlying musical work. In the United States, it has been held that a sound recording will be a derivative work where the "essential character and identity" of the subsequent recording "reflect[s] a level of independent sound recording authorship that makes it a variation distinguishable from the underlying work".[51] And further that:[52]

> *The essential character and identity of a sound recording include, inter alia, the aggregate of the "emphasis or the shading of a musical note, the tone of the voice, the inflection, the timing of a vocal rendition, musical or spoken"… the choice of instrumental, vocal and percussion components; and the subtleties of dynamics and other performance characteristic that together result in "something irreducible, which is one [band's] alone".*

In order to appreciate how the mere manipulation of pre-recorded sounds, without altering the underlying musical work, could embody "something irreducible", a yet further principled distinction needs to be drawn. That is, between the musical elements which exist in respect of a musical work and the *psychoacoustic* elements which subsist in the sounds (as they are recorded or performed). By musical elements, we are referring to the characteristics of the music which are typically held to be part of the copyright in the underlying musical work: this broadly includes the melody, the harmony and the rhythm, but can also include other aspects, like instrumentation and dynamics.[53] By psychoacoustic elements, we mean the qualities of the recorded sound itself, including the timbres, the dynamics and finer articulation, the textures, and the spatial locational aspects of the song.[54] It is the uniqueness of these elements that typically define the difference between performances of the "same" song and allow for interpretations of identical compositions to sound vastly distinct.[55] Although there is overlap between whether the musician or sound engineer manipulates either elements, the modern sound engineer, when they mix a song on behalf of a band or musician, is primarily concerned with the psychoacoustic qualities in a sound recording.[56]

Within the psychoacoustic ambit alone, the potential degrees of freedom for the sound engineer to manipulate the sounds in a record are, by virtue of the DAW, seemingly limitless.[57] We are ill-equipped to give an exhaustive account of this, but by way of example they include:

- **Timbral changes.** The process of equalisation ("EQ") allows the sound engineer to selectively attenuate or boost certain frequencies within individual

stems to emphasise or de-emphasise particular aspects of its tone colour (timbre).[58] This has direct aesthetic implications for the music.[59] Depending on the way the instrument is 'sculpted' through EQ, it could sound brighter and sparklier (higher frequencies above 2kHz emphasised), muddier (low-mid frequencies, anywhere between 250Hz-2kHz emphasised), subbier (16-60Hz emphasised), bassier and boomier (60-250Hz emphasised), etc.[60]

- **Dynamics effects.** The use of compression tools allows for comprehensive manipulation of the properties of a transient (i.e., the initial portion of a sound wave).[61] Used in this manner, compression may alter the transient's *attack* (its initial onset), *decay* (the mid-portion of the transient), *sustain* (the final yet stable portion of the transient) and its *release* (the outset).[62] These affect the perceived articulation of a sound recording. For instance, the instrument which is heavily compressed with a slow attack will sound both highly energetic and punchy, as the perceived loudness will be maximized and the low attack will preserve the snappiness of the transient (e.g., say, in a slapped bassline). As these properties of a transient are measured at the level of milliseconds, precise control over these properties is only truly achievable through the technological intervention of a sound engineer.

- **Spatial locational effects.** The perceived spatiality of a sound can be manipulated in a variety of ways. First, through "panning" a particular track of the record at a certain angle in the stereo field (e.g., the left speaker in a pair of headphones), this gives the listener the auditory illusion that the sound in question emanates from a certain direction.[63] Through the layered use of panning different recorded performances, different aural illusions can be created – for instance, that a single instrument is being performed in a widely-spread or narrowly-spread manner.[64] Finally, as discussed below in relation to sound engineer Andy Wallace – the perceived roominess or ambience of a sound can be altered through the use of effects such as reverb. Depending on the size and shape of the reverb, the sound may be heard as occurring in a small room, a reverberant cathedral, or some other place.

Through the layered use of these and other techniques, the sound engineer has the capacity to substantially change the *sound* of a recording without changing the underlying musical work and without actually recording a new performance.[65] When implemented, these tools can have a significant aesthetic and aural effect. Mixing and mastering cast a particular framing, affective valence or *feel* on the music, influencing its genre and the environment in which it is "best" heard.[66] Ultimately, post-production mediates the original recorded performance and the experience of the listener. As Ed Seay (country singer Garth Brooks' mixer) remarks:[67]

> *… [I]f the acoustics are just sitting there and they're not really driving the thing, and they need to… sometimes playing with compression on the acoustics or auditioning different kinds of compression make it sound like 'boy this guy was into it.'… It's just basically playing with it and trying to put into it that undefinable thing that makes it exciting.*

Granted, the tools detailed above have been held to be presumptively devoid of originality in the context of *remastering*, where the engineer was tasked with making "digitally perceptible changes" to "timbre, spatial imagery, sound balance, and loudness range" to improve the technical fidelity of the recording but without substantially altering the essential sound of the performance. Yet, for a mixing engineer, who applies these same tools to many – often hundreds – of individual recordings (or stems) in creating the final master, the potential for such cumulative changes to alter the essential identity and nature of the resultant record is much more apparent. Further, the "presumption" in relation to remastering engineers precisely implies that such contributions could in principle be significant enough to furnish a derivative work. In either case, it would be through contributions to the psychoacoustic elements of the sound recording, and not necessarily through changes to the underlying musical work, that a substantial contribution would be made.

Of course, whether a post-production sound recording is altered sufficiently in post-production to create a new sound recording work will, in any particular case, depend on the degree to which it is changed (and to that end, whether the originality requirements have been met).[68] Our view is that the proof is in the pudding: at least within modern popular music, the success of a record is largely predicated on its sound production quality — and is, to this extent, dependent on the sound engineer's craft in moulding the psychoacoustic elements of the pre-recorded sounds into the eventual master track.[69]

When the Implementation of Such Techniques is Creative and Authorial

We have noted that the author of a sound recording is thought to be the person who invested financially in the capabilities to make the recording. However, such a conception of authorship in the case of the post-production derivative sound recording seems strange, considering the non-mechanistic contribution of the sound engineer when employing the techniques described. The purpose of framing the post-production work as a potentially new work is to show that, in the case we have been describing, it is really

the sound engineer who has undertaken the arrangements necessary for the making of *that particular* new sound recording. In other words, it is precisely by virtue of the substantial and original contribution of the sound engineer that a derivative work – if one is indeed created – would exist.

It is important to address the charge that the sound engineer is effectively performing an editor's role in post-production, and that this is not truly a case of an artist engaging their creative and authorial intellect. In some cases, this may be true. For instance, where the engineer is "directed wholly to effectively representing the underlying works [and] not to changing or adding anything to those works", it may be appropriate to view the subsequent work as an edited copy of the original.[70] As we have discussed, there are clearly cases where the change in the sound recording is so little that cannot justify an authorial right or the subsistence of a derivative sound recording work.[71] Other times, the change that is made in the sound recording may merely be the result of direct instructions from the band or the record label, in the same way that the editor is engaged to perform narrow and definitive tasks.

However, these scenarios, while realistic, do not exhaust the possible (or even, the likely) role of the sound engineer as a creative and authorial force in record production. The hallmarks of creativity, and indeed authorship, are free and creative choice-making whereby the artist imprints in a work their "personal touch".[72] Given the complex and discretionary nature of the tools described above, and the fact that their contingent and selective implementation can shape the aesthetic quality of the final sound recording, the post-production process appears to meet a principled definition of a creative pursuit.[73] In the words of moral rights scholar Mira Rajan:[74]

> *If art can be defined as the creative exercise of choice, artistry in sound engineering may now be possible as never before. In the digital environment, the sound engineer is much more than a technician; it is perhaps only a matter of time until he can lay claim to being an artist in his own right.*

Accordingly, while the sound engineer may receive direction or ideas, to the extent that the directions lack detail, the onus will be on the sound engineer to take creative control.[75] This is for the same reason that the idea for a drawing does not thereby create an authorship stake in its creation.[76] Granted, if a musician or third party gave sufficiently detailed instructions as to the intended post-production efforts, then those could supplant our argued authorial contribution of the engineer, despite their "wielding the pen". However, we submit that even in that case, the post-production sound recording may still have been creatively authored – it is just that there, the musician or third party would likely claim that title.[77]

The example of Andy Wallace is instructive. Wallace is a sound engineer who played a vital role in creating the alternative rock sound that defined popular rock tracks of the '90s and early 2000s – perhaps most famously exemplified in *Smells Like Teen Spirit* by Nirvana.[78] A centrepiece of Wallace's mixes is his characteristic, high fidelity drum sound.[79] This is achieved by blending the recorded, unaltered (or "dry") drum track with other pre-recorded drum hits, which have been "re-triggered" to match up with the rhythm of the original drummer's performance.[80] The paired drums are then compressed and EQ-ed together, with a time domain effect such as a subtle, roomy reverb usually being subsequently added.[81] The resulting drum sound Wallace achieves is famously ambient, yet also highly polished and minimalist.[82] This in turn, leads to what is overall a brighter mix that can nonetheless be described as fairly transparent, and one where the individual tracks are clearly separated to the ear.

The importance of Wallace's post-production artistry reveals the innovative potential of sound engineering at play within the industry. It further shows that this creativity can exist for sound engineers even when they do not alter the underlying musical work in a sound recording.

Moral Rights in Sound Recordings

The upshot of our analysis is that the making of a sound recording could justify – on principled grounds – the granting of moral rights. Where a sound engineer's creativity contributes to the eventual sound recording, substantially changing it in an original way, this seems to be an example in which the resultant recording is imbued with their personality. To the extent that we are committed to natural moral rights for creative authors, this is a candidate area for the recognition of such rights.

Our analysis further suggests that just like for other creative works, the distinction between rightful ownership and authorship for sound recordings is an important one. While the copyright may (justifiably) vest elsewhere, a principled interpretation of the test for authorship would recognise – at least insofar as there is a derivative work substantiated by the contribution of the engineer – that the engineer is the proper locus of that title.

We note for completeness that, contrary to our framing, it may be more appropriate in some instances to consider the pre- and post-productions recordings to be a single copyright work of which the sound engineer has an arguable joint authorship stake.[83] In such a case, the analysis would not change fundamentally: we would then submit that the sound engineer's efforts could amount to a substantial creative contribution which would, for the same principled reasons, lead to the conclusion that they ought to be considered a joint author of that work, and entitled to a moral right in respect of it.[84]

An important criticism of our analysis is that it does not apply to all, or even most, sound recordings: not all sound recordings involve a sound engineer, and many are made simply by "pressing record" on a device. In other words, while our analysis provides one instance where the sound recording could be a creative act, this does not undermine the general stance that creativity is not necessary for a sound recording. Therefore, in granting moral rights to sound recordings wholesale, people would be granted rights where there is no creative act at all. However, as noted in Part Three, this misapplication of moral rights to non-creative works has already been historically true of other "creative" works. This is not so much then, a critique of our argument, as a critique of the current framing of moral rights in terms of some broad categories of copyright works and not others.[85]

However, there is perhaps something deeper about this critique of our position, namely that it is somewhat misplaced to consider the creative contribution of a sound engineer to the musical record in terms of the sound recording work itself.[86]

Part Five: Alternative Mechanisms for Recognising the Sound Engineer's Creative Input

The granting of moral rights in sound recordings would be in stark conflict with the traditional legal conception of these works. However, there may be scope for the recognition of the sound engineer's creativity through alternative, and perhaps more orthodox, mechanisms. For the remainder of the article, we briefly explore whether the sound engineer could have moral rights through underlying musical works, performers' rights, or a new carve-out right altogether.

Moral Rights in the Underlying Musical Work

It has been noted earlier in the discussion that the contribution of the sound engineer can alter the underlying musical work, through techniques such as sampling. Granted, there are also a multitude of other ways that a sound engineer may alter the melody, harmony or rhythm of a song – for instance, by adding a prominent delay (a time domain effect) onto a guitar melody to double the number of notes heard in the guitar track. In those cases, the sound engineer, as the author of the underlying composition, may receive moral rights. Indeed, underlying musical works credits are already utilised within the industry to protect music producers' intellectual contributions under existing copyright regimes.

It is tempting to argue that this legal mechanism provides sufficient recognition for the creativity of sound engineers, as they already have the right in principle to assert a personal interest in relation to such recordings. It may be argued that only in these instances is there a contribution sufficiently substantial and original to merit a moral rights-laden authorship credit.

However, this approach fails to capture the entire spectrum of the sound engineer's creativity. As outlined earlier, the engineer's input in a song is different in kind to a musician's melodic, harmonic or rhythmic contributions. For instance, the vocal expressions of a singer – i.e., the manipulation of the timbre of their voice – are generally distinct from any underlying musical work. We have labelled some of those distinct qualities as psychoacoustic elements. This suggests then, that those elements may be better characterised as located outside of the musical work, and instead, as existing in the performance.

The Sound Engineer as a Performer

That brings us to performers' rights, which may well provide a viable alternative for the sound engineer's pursuit of moral rights.[87]

Performers' rights are distinct from copyright in that they do not entitle ownership in a physical work. They nonetheless have an economic component, as those rights give the performer the prerogative to authorise the reproduction of a performance by recording it and making copies of that recording.[88] However, with the recent passage of the *Comprehensive and Progressive Trans-Pacific Partnership (CPTPP) Amendment Act* 2018 (NZ), performers in New Zealand are also granted a moral rights interest in their performance under the Copyright Act.[89] In particular, performers are granted rights of attribution and integrity in recorded performances.[90]

Strictly speaking, the sound engineer does not fall under the Act's definition of a performer in their post-production role, as the associated performance must be played *live*.[91] As we explained at the outset, the sound engineer's role is to shape and mould existing recordings, and in this sense, the sounds that they contribute to a recording are not created live. Nevertheless, there is a striking analogy between the engineer's role and that of the performer who brings to life an underlying work through performance.[92] Deconstructed in this manner, the requirement for a live performance appears strange and unnecessary, and if amended, could create a room for the sound engineer's work.

It is submitted that the live performance requirement results in a strange conceptual anomaly. On a literal interpretation of the legislation, an electronic musician would obtain performers' rights for recording themselves playing a melody on a virtual instrument. Yet, if they chose instead to type in the same melody (rather than to record themselves playing it), the electronic musician would not be awarded performers' rights since they would not have given a live performance.[93] Nevertheless, from a functional standpoint, the sounds captured in both recordings may be indistinguishable: a DAW allows for the same melody to be built into the recording, with precisely the same instrument timbre, the same notes, the same velocity and articulation of each note, and so on.

This outcome seems inconsistent: why would moral rights in a recorded performance only be granted to a musician whose "performance" is a real-time act in which they played their part, rather than one in which they carefully sculpted the part over time?

The sound engineer's role in mixing pre-recorded stems is similar to that of an electronic musician who builds a recording, not through a live performance, but through the deliberate manipulation of pre-recorded sounds. Indeed, a DAW does have the functionality allowing for a "mix" to be conducted "live", and in that case, there may be an argument on the current definition of performance that a mixer would qualify.[94] However, in the usual case, the sound engineer, like the electronic musician inputting a melody, would not qualify.

Notwithstanding the criteria that a performance be live, viewing the sound engineer as a performer is clarifying. As we have noted, the sound engineer has at their disposal a complex and wide array of tools with which to mix pre-recorded sounds, and these tools can be used to intimately affect the psychoacoustic qualities of the sound in a recording. Much like the performer who uses their instrument to manifest a particular version of an underlying melody or harmony (but is regardless not considered the author of that underlying composition) – the sound engineer is also able to shape and construct a particular version of an underlying composition which has been first recorded by the musician(s).[95]

Our earlier analysis demonstrated that the engineer's contribution is plausibly both substantial and creative. We then tied this contribution to the sound recording work itself. However, the analogy with the performer suggests there is room for a right here that is distinct from the sound recording work itself. This position would have the benefit of sidestepping issues of whether the record-making process is a technological or creative one, and of who it is that can be said to have undertaken the arrangements necessary for the making of a record. Rather, a moral right could be automatically granted – like it is automatically granted in the case of those recorded performances – to those who make a contribution to the sounds captured in a recording.

A potential criticism here would attack the link between the electronic musician and the sound engineer. While it is true that the live performance requirement poses somewhat of an anomaly for the electronic musician, it may still be conceptually consistent with accepting the musician's careful construction of a melody as satisfying a performance but as not capturing the sound engineer's contribution. "Performance", in its ordinary meaning, implies that some artistic representation is produced from the performer in some extemporaneous manner out of thin air.[96] While it is true that the electronic musician's constructed melody is not fully extemporaneous, in that there is a level of deliberate craft, as opposed to pure spontaneous energy driving the "performance" – the musician still creates this performance from the ether, with their mind and creative intuition as their only guide.

In contrast, in most situations, the sound engineer is not generating their artistic representation from nothingness, but rather has some source material to play and work with. Of course, the distinction between the electronic musician and sound engineer is a fine one indeed,[97] and ultimately demonstrates that a musical performance is underscored by a spectrum of possible artistic representations that vary in their replicability, preparation and spontaneity. However, in its usual form, the sound engineer's role – even if it is creative – is not quite captured by the ordinary meaning of a performance.

The Sound Engineer or their Contributions as its Own Category

Instead of arguing that moral rights should be given to sound engineers in respect of a sound recording, a sui generis carve-out in the moral rights regime could be created for sound engineers specifically.

One such option would be to create a new class of "phonographic work", created in the medium of sound engineering.[98] This strategy somewhat mirrors our derivative works analysis, in that a distinction is made between the pre-production sound recording and the subsequent work created by the sound engineer. The difference with the phonographic work suggestion, however, is that the mix would belong to a different class of copyright work, rather than being a derivative sound recording.[99]

Alternatively, a new category may be created in an analogous manner to that of a film director. Despite not being the technical author of a film under s.5(2) of the Copyright Act, the film director is nonetheless afforded moral rights on a sui generis basis.[100] This recognises the creative contribution of the director, without requiring them to satisfy the traditional interpretation of the necessary arrangements test. Therefore, if an analogy to the sound engineer's creative role is accepted, it may make sense to carve out moral rights recognition to the sound engineer.

A thorough analysis of the benefits and drawbacks of such a mechanism is not within the scope of this article. However, we note that adopting either mechanism could allow sound engineers to obtain moral rights protections without requiring amendments to the pre-existing authorship provisions of a sound recording; and, avoid the conceptual issue of creating tiers of sound recordings works that are respectively worthy and unworthy of moral rights protection.

Concluding Remarks

In this article, we have explored the possibility of principled moral right for the sound engineer for their artistic contribution to the sound recording. We argued that the

sound engineer, in their post-production role in the music industry, is effectively an artist in disguise and that the lack of legal recognition for their artistry conflicts with underlying principle.

If New Zealand is to give serious weight to the principle that art embodies the personality of the artist, then legal development may be required. As New Zealand's moral rights regime is young, we should not assume that it has reached maturity, nor that the recent introduction of performers' rights brings us fully into line with the ideal. While our research has led us to think that moral rights have a place in sound recordings, there are alternative mechanisms available to the rule-maker which may facilitate rights for the sound engineer.

We noted at the outset that the digital streaming platforms, as the media for our current music culture, are lacking not only with respect to credits for sound engineers, but across the board. As the international industry holds their feet to the fire, we submit that it would be wise for the legal rules – which are a source of empowerment for artists – to be brought into line with bedrock principle. The legal recognition of sound engineers as artists could provide guidance for meaningful change, an optimistic outcome of which, might see the fostering of a greater culture of recognition and a reinvigoration of (digital) liner notes. For consumers, the result might be the better acquaintance with those names behind the records that we love. For the sound engineer, it would mean that their personal interest, which they have in those sound recordings in which their personality is reflected, would finally receive recognition under the law.

1 Solicitor, Wilson Harle.

2 Solicitor, Bell Gully.

3 This article is an edited version of the essay that won first prize in the John McLaren Emmerson QC Essay Prize 2020.

4 We are indebted to past works which have argued for the need for moral rights reform for the sound engineer. See: Nicholas Wood, 'Protecting Creativity: Why Moral Rights Should be Extended to Sound Recordings under New Zealand Copyright Law' (2001) 32(1) *Victoria University of Wellington Law Review* 163; Mira Rajan, 'More Than Musicians: Moral Rights and Digital Issues in Music' in *Moral Rights: Principles. Practice and New Technology* (Oxford University Press, 2011) 321.

5 International Federation of Phonographic Industries, *Music Listening 2019: A look at how recorded music is enjoyed around the world* (online, September 2019) 7<https://www.ifpi.org/wp-content/uploads/2020/07/Music-Listening-2019-1.pdf>.

6 Nicholas Wood, 'Protecting Creativity: Why Moral Rights Should be Extended to Sound Recordings under New Zealand Copyright Law' (2001) 32(1) *Victoria University of Wellington Law Review* 163, 183. Although there was no legal mechanism for respecting sound engineer's attribution rights, the engineer in the CD era enjoyed de facto accreditation.

7 Mira Rajan, 'More Than Musicians: Moral Rights and Digital Issues in Music' in *Moral Rights: Principles. Practice and New Technology* (Oxford University Press, 2011) 321, 343: "In the music world, reputation is everything. The proper attribution of music is a key element in the construction of success."

8 Dari Deahl, 'Metadata is the Biggest Little Problem Plaguing the Music Industry', *The Verge* (online, 29 May 2019) <https://www.theverge.com/2019/5/29/18531476/music-industry-song-royalties-metadata-credit-problems>.

9 Ed Christman, 'Publishers Said to Be Missing As Much as 25 Percent of Streaming Royalties', *Billboard* (online, 20 October 2015) <https://www.billboard.com/articles/business/6737385/publishers-songwriters-streaming-25-percent-royalties>.

10 Ed Christman, 'How Much Money is There In Unclaimed Black Box Royalties?' *Billboard* (online, 26 June 2019) <https://www.billboard.com/articles/business/8517816/unclaimed-black-box-royalties-how-much-money>.

11 Dari Deahl, 'Metadata is the Biggest Little Problem Plaguing the Music Industry', *The Verge* (online, 29 May 2019) <https://www.theverge.com/2019/5/29/18531476/music-industry-song-royalties-metadata-credit-problems>.

12 Artists Rights Alliance et al, Music Community Calls For Building A Better Digital Attribution And Credits System (Press Release, 14 March 2019) <https://www.riaa.com/music-community-calls-building-better-digital-attribution-credits-system/>.

13 Artists Rights Alliance et al, Music Community Calls For Building A Better Digital Attribution And Credits System (Press Release, 14 March 2019) <https://www.riaa.com/music-community-calls-building-better-digital-attribution-credits-system/>.

14 *New Zealand music industry submission in response to MBIE Issues Paper* (April 2019) <https://www.mbie.govt.nz/dmsdocument/6731-music-industry-review-of-copyright-act-1994-issues-paper-submission-pdf>.

15 *New Zealand music industry submission in response to MBIE Issues Paper* (online, April 2019) <https://www.mbie.govt.nz/dmsdocument/6731-music-industry-review-of-copyright-act-1994-issues-paper-submission-pdf> at 44.

16 JAL Sterling and T Cook, *Sterling on World Copyright Law* (Sweet & Maxwell, 4th ed, 2015) [801].

17 *Copyright Act 1994* (NZ) s.9. See also: Andrew Brown 'The New Copyright Legislation – an Analysis' in *Intellectual Property. Copyright Act 1994 and GATT Legislation 1994* [1995] 3 *New Zealand Legal Research Foundation Seminar Paper* 13, 26.

18 John Merryman et al, *Ethics and the Visual Arts* (University of Pennsylvania Press, 2nd ed, 1987) 145.

19 *Universal Declaration of Human Rights* (UDHR) 1948, (resolution 217 A), adopted 10 December 1948.

20 Andrew Brown, 'The New Copyright Legislation – an Analysis' in *Intellectual Property. Copyright Act 1994 and GATT Legislation 1994* [1995] 3 *New Zealand Legal Research Foundation Seminar Paper* 13, 26; *Copyright Act* 1962 (NZ) s.62.

21 *Berne Convention for the Protection of Literary and Artistic Works*, signed 9 September 1886, as amended in 1979, S. Treaty. Doc. No. 99-27 (1986) (entered into force 5 December 1887) art 6*bis*(1).

22 Andrew Brown, 'The New Copyright Legislation – an Analysis' in *Intellectual Property. Copyright Act 1994 and GATT Legislation 1994* [1995] 3 *New Zealand Legal Research Foundation Seminar Paper* 13, 25.

23 *Copyright Act* 1994 (NZ) s.94(a).

24 See generally: Nicholas Wood, 'Protecting Creativity: Why Moral Rights Should be Extended to Sound Recordings under New Zealand Copyright Law' (2001) 32(1) *Victoria University of Wellington Law Review* 163.

25 John Merryman et al, *Ethics and the Visual Arts* (University of Pennsylvania Press, 2nd ed, 1987) 145.

26 Cf: *Feist Publications Inc v Rural Telephone Service Company Inc*, 499 US 340 (1991). In the United States, a modicum of creativity is required for a work to receive copyright protection; Australia has followed suit (*Telstra Corporation Ltd v Phone Directories Company Pty Ltd*, [2010] 194 FCR 142). It remains to be seen whether originality will still be assessed according to the "sweat of the brow" approach in New Zealand, although recent case law indicates a potential shift in the courts towards embracing creativity (see: *ESR Group (NZ) Ltd v Burden* [2017] NZCA 217)).

27 Nicholas Wood, 'Protecting Creativity: Why Moral Rights Should be Extended to Sound Recordings under New Zealand Copyright Law' (2001) 32(1) *Victoria University of Wellington Law Review* 163, 173 and 175. It is, however, unclear whether this would still be the case in New Zealand in light of recent United Kingdom developments requiring creativity for copyright to subsist in a literary work.

28 Paul Sumpter, *Intellectual Property Law: Principles in Practice* (Wolters Kluwer, 3rd ed, 2017) 36.

29 *Copyright Act* 1994 (NZ) s.5(2)(b).

30 Paul Sumpter, *Intellectual Property Law: Principles in Practice* (Wolters Kluwer, 3rd ed, 2017) 46.

31 *Bamgboye v Reed* [2002] EWHC 2922 (QB), [85].

32 *Copyright Act* 1994 (NZ) s.5(3).

33 *Copyright Act* 1994 (NZ) s.5(1); *Benchmark Building Supplies Ltd v Mitre 10 (New Zealand) Ltd* [2004] 1 NZLR 26, [41]-[47] (Court of Appeal of New Zealand).

34 We note, however, that developments in artificial intelligence may provide a new reason to doubt this assumption. Cf: Niloufer Selvadurai and Rita Matulionyte, 'Reconsidering creativity: copyright protection for works generated using artificial intelligence' (2020) 15(7) *Journal of Intellectual Property Law & Practice* 536, 537-538.

35 *Football Dataco Ltd v Yahoo! UK Ltd* (Court of Justice of the European Union, Case C-604/10, ECLI:EU:C:2012:115, 1 March 2012) 38–9.

36 Paul Sumpter, *Intellectual Property Law: Principles in Practice* (Wolters Kluwer, 3rd ed, 2017) 34-35; *Benchmark Building Supplies Ltd v Mitre 10 (New Zealand) Ltd* [2004] 1 NZLR 26, [41]-[47] (Court of Appeal of New Zealand).

37 Albeit, subject to the limited exceptions outlined in the *Copyright Act 1994* (NZ) ss.97–100.

38 Mira Rajan, 'More Than Musicians: Moral Rights and Digital Issues in Music' in *Moral Rights: Principles. Practice and New Technology* (Oxford University Press, 2011) 321, 334. See also: Paul Sumpter, *Intellectual Property Law: Principles in Practice* (Wolters Kluwer, 3rd ed, 2017) 35–6.

39 *Copyright Act 1994* (NZ) s.21(3).

40 Hugh Laddie et al, *The Modern Law of Copyright and Design: Volume 1* (Butterworths, 2nd ed, 1995) 431.

41 Cf: *ABS Entertainment, Inc v CBS Corporation*, 908 F 3d 405, [23]. Though we note that even pre-production decisions, ie in relation to microphone placement, may be creative.

42 Dani Deahl, 'The Mixing Secrets Behind Cardi B's Grammy-Winning Album', *The Verge* (online, 15 February 2019) <https://www.theverge.com/2019/2/15/18224351/cardi-b-invasion-of-privacy-album-grammy-leslie-brathwaite-mix-engineer>.

43 Tara Joshi, 'Digital masters: how new initiatives equalise women in sound', *The Guardian* (online, 24 June 2019) <https://www.theguardian.com/careers/2019/jun/24/digital-masters-how-new-initiatives-equalise-women-in-sound>. While the demarcation between sound engineer and producer is increasingly being blurred, "mixing" is its own distinct process.

44 Sopan Deb, 'Confused by Sound Mixing vs. Sound Editing? We've Got You.', *The New York Times* (online, 2 March 2018) <https://www.nytimes.com/2018/03/02/movies/sound-mixing-sound-editing-explainer.html>.

45 A similar distinction was considered (albeit rejected) in *Bassey v Icon Entertainment plc* [1995] EMLR 596 (HC). See, however: LexisNexis New Zealand, *Intellectual Property Law (NZ)* (online, 30 May 2020) [COP 169]. There is good reason to think that this finding would not apply in New Zealand given sections 2 and 169 of the *Copyright Act* 1994.

46 Stephen Stewart, *International Copyright and Neighbouring Rights* (Butterworths, London, 1983) 175. The author notes that the sound engineer is just as creative as the musician.

47 *Interlego AG v Tyco Industries Inc* [1989] AC 217, 263 (Privy Council). Subject to the derivative work not infringing *Copyright Act 1994* (NZ) s 14(2).

48 *Burden v ESR Group* (2015) 113 IPR 594, [190]-[193] (High Court of New Zealand).

49 *ABS Entertainment, Inc v CBS Corporation*, 908 F 3d 405, [14, 15].

50 *Jarvis v A & M Records,* 827 F Supp 282 (D NJ 1993).

51 *ABS Entertainment, Inc v CBS Corporation,* 908 F 3d 405, [14, 15] (citations omitted).

52 *ABS Entertainment, Inc v CBS Corporation,* 908 F 3d 405, [14, 15] (citations omitted).

53 Leonard Meyer, *Explaining Music: Essays and Explorations* (University of California Press, 1973) 9 and 22.

54 Walter Hartmann, 'Psychoacoustics and Contemporary Music' (1983) 8 *Revue d'Acoustique de GALF* 225, 225-226.

55 *Coffey v Warner/Chappell Music* [2005] EWHC 449 (Ch), [5]. Although the limits were not clearly defined, the trial judge held that voice expression (timbre), pitch contour and syncopation were outside the traditional elements protected by music works, thereby rejecting an infringement claim on that basis. However, we note that those elements were considered as relevant to the performance and not the sound recording itself.

56 Walter Hartmann, *Signals, Sound, and Sensation* (Springer, 1997) 15. Modern research in this area tends to focus on uncovering the physiological mechanisms implicated in auditory illusions (e.g., masking effects and missing fundamentals), however, in its broad sense, "psychoacoustics" is a scientific field concerned with evaluating how humans perceive sound. For a detailed history of the field, see Jennifer Lentz, *Psychoacoustics: Perception of Normal and Impaired Hearing with Audiology Application* (Plural Publishing, 2018) 1-15.

57 Jeremy Wallach, 'Engineering Techno-Hybrid Grooves in Two Indonesian Sound Studios' in Paul Greene et al (eds), *Wired for Sound: Engineering and Technologies in Sonic Cultures* (Wesleyan University Press, 2004) 147.

58 Paul White and Matt Houghton, 'What's The Frequency?: A Guide To Effective EQ', *Sound On Sound* (online, December 2008) <https://www.soundonsound.com/techniques/whats-frequency>.

59 Howard Tyrrell, 'Psychoacoustically Informed Spectrography and Timbre' (1997) 2(2) *Organised Sound* 65, 70-71. Although timbre is subjective to individual listeners and difficult to define psychoacoustically, listeners often will often identify timbres between two extremes (e.g., "bright" or "dark", "rich" or "dull").

60 "What is a Graphic EQ?" *PreSonus* (online, 15 May 2020) <https://www.presonus.com/learn/technical-articles/What-Is-a-Graphic-Eq?>.

61 Mike Senior, 'Compression Made Easy: Demystifying Compressor Controls & Parameters', *Sound On Sound* (online at September 2009) <https://www.soundonsound.com/techniques/compression-made-easy>.

62 Will Haas, 'The SOS Guide To Mix Compression: Hitting Harder' *Sound On Sound* (online ed, May 2008) <https://www.soundonsound.com/techniques/sos-guide-mix-compression>.

63 Hyunkook Lee and Francis Rumsey, 'Level and Time Panning of Phantom Images for Musical Sources' (2013) 61(12) *Journal of Audio Engineering Society* 978.

64 Paul White, 'Making The Most Of The Stereo Panorama: Mix Processing Techniques', *Sound On Sound* (online, March 2009) <https://www.soundonsound.com/techniques/making-most-stereo-panorama>.

65 Robert Platz and Frances Wharton, 'More Than Just Notes: Psychoacoustics and Composition' (1995) 5 Leonardo Music Journal 23, 23.

66 Mike Barthel, 'The Loudness Wars: Is Music's Noisy Arms Race Over?', *The Atlantic* (online, 21 July 2011) <https://www.theatlantic.com/entertainment/archive/2011/07/the-loudness-wars-is-musics-noisy-arms-race-over/242293/>. Intensive compression at the mastering stage makes pop records sound more intense.

67 B Owinski, *The Mixing Engineer's Handbook* (Mix Books, 1999) 60.

68 Cf: *Watson v Dolmark Industries Ltd* (1986) 7 IPR 279, 285-286 (Tompkins J). Drawings which were more or less direct copies of another drawing, save for minor alterations, were not copyrightable.

69 See, for example: Greg Milner, 'They Really Don't Make Music Like They Used To', *The New York Times* (online, 7 February 2019) <https://www.nytimes.com/2019/02/07/opinion/what-these-grammy-songs-tell-us-about-the-loudness-wars.html>. The loudness wars was a trend pervading the '90s and 2000s, where excessive compression at the mastering stage was thought to be a prerequisite for radio success.

70 *ABS Entertainment, Inc v CBS Corporation,* 908 F 3d 405, [19, 20].

71 See generally: *ABS Entertainment, Inc v CBS Corporation,* 908 F 3d 405, [19, 20]. See also: *Wiseman v George Weidenfeld & Nicholson Ltd* [1985] FSR 525. Mere alterations or additions to the work, for the purposes of making it more attractive, does not merit joint authorship.

72 *Football Dataco Ltd v Yahoo! UK Ltd* (Court of Justice of the European Union, Case C-604/10, ECLI:EU:C:2012:115, 1 March 2012) 38-39. Creativity was considered in that case for the purposes of originality, but the judicial comment is useful for setting out its conceptual requirements and is consistent with the New Zealand approach (for example, see: *ESR Group (NZ) Ltd v Burden* [2017] NZCA 217). The case was subsequently referred back to the UK for further determinations of fact: *Football Data Co Ltd v Sportradar GmbH* [2012] EWHC 1185 (Ch).

73 Mira Rajan, 'More Than Musicians: Moral Rights and Digital Issues in Music' in *Moral Rights: Principles. Practice and New Technology* (Oxford University Press, 2011) 321, 323-333. Industry practice of hiring engineers as independent contractors, rather than as employees, reflects this. As creative authors, an established sound engineer will be sought out by a record company for their distinctive "sound".

74 Mira Rajan, 'More Than Musicians: Moral Rights and Digital Issues in Music' in *Moral Rights: Principles. Practice and New Technology* (Oxford University Press, 2011) 321, 332.

75 Cf: *ABS Entertainment, Inc v CBS Corporation,* 908 F 3d 405, [18]. The remastering engineers' contributions were trivial and therefore incapable of justifying a derivative copyright, as they were instructed to make remasters which were essentially just brighter and cleaner 'copies' of pre-1972 sound recordings.

76 *Inglis v Mayson* (1983) 3 IPR 588 (High Court of New Zealand).

77 See, by analogy: *Kogan v Martin* [2019] EWCA Civ 1645. The appellant's claim for joint authorship would be precluded if the facts demonstrated that she merely had an editorial role in the creation of the script.

78 Michael Barbiero, 'Andy Wallace: Talking Tech With the Hottest Mixer in Rock', *MixOnline* (Web Page, 1 October 2005) <https://www.mixonline.com/recording/andy-wallace-365554>.

79 Roey Izhaki, *Mixing Audio: Concepts, Practices and Tools* (Elsevier, 2008) 5–7.

80 Paul Tingen, 'Secrets Of The Mix Engineers: Andy Wallace', *Sound On Sound* (online, July 2004) <https://www.soundonsound.com/people/inside-track-linkin-parks-hunting-party>.

81 Roey Izhaki, *Mixing Audio: Concepts, Practices and Tools* (Elsevier, 2008) 5-7.

82 Michael Barbiero, 'Andy Wallace: Talking Tech With the Hottest Mixer in Rock', *MixOnline* (Web Page, 1 October 2005) <https://www.mixonline.com/recording/andy-wallace-365554>.

83 *Kogan v Martin* [2019] EWCA Civ 1645, [80].

84 *Beckingham v Hodgens* [2002] EWHC 2143, [2003] FSR 14 (Ch). In the context of the underlying music work, the session violinist's contribution of a melody line was sufficiently original to warrant a joint authorship credit. See also: *Sawkins v Hyperion* [2005] EWCA Civ 565, [2005] 1 WLR 3281. A musical arranger was entitled to be a joint author as he contributed sufficiently original additions to the notation of classical music pieces.

85 Nicholas Wood, 'Protecting Creativity: Why Moral Rights Should be Extended to Sound Recordings under New Zealand Copyright Law' (2001) 32(1) *Victoria University of Wellington Law Review* 163, 176.

86 Cf: *Coffey v Warner/Chappell Music* [2005] EWHC 449 (Ch). The English and Wales High Court rejected Elizabeth Coffey's claim that, distinct to the underlying music work, Madonna's particular performance of the phrase "does it really matter" (with particular regard to the singer's vocal expression, pitch contour and syncopation) infringed Ms Coffey's copyright. Importantly, the Court held that those aspects, being outside of the underlying music work, were not subject to copyright protection. Contrast with: *Sawkins v Hyperion* [2005] EWCA Civ 565, [2005] 1 WLR 3281.

87 See: *Copyright and Related Rights Act 1995* (Slovenia), art 118(2). In Slovenia, the "sound editor" is considered a performer and may claim performers' rights.

88 *Copyright Act* 1994 (NZ) ss.171-172.

89 New Zealand was required to make these changes to comply with the *WIPO Performances and Phonograms Treaty,* (entered into force 20 May 2020) art 5.

90 *Copyright Act* 1994 (NZ) ss.170A-170G.

91 *Copyright Act* 1994 (NZ) s.169. See definition of "performance".

92 Brendan Anthony, 'Mixing As A Performance: Creative Approaches To The Popular Music Mix Process' (2017) 11 *Journal on the Art of Record Production* <https://www.arpjournal.com/asarpwp/mixing-as-a-performance-creative-approaches-to-the-popular-music-mix-process/>. The sound engineer, through the iterative act of mixing, could be conceptualised as a performer who wields the mixing desk or DAW as their instrument.

93 Cf: *Bamgboye v Reed* [2002] EWHC 2922 (QB), [52].

94 Brendan Anthony, 'Mixing As A Performance: Creative Approaches To The Popular Music Mix Process' (2017) 11 *Journal on the Art of Record Production* <https://www.arpjournal.com/asarpwp/mixing-as-a-performance-creative-approaches-to-the-popular-music-mix-process/>.

95 Brendan Anthony, 'Mixing As A Performance: Creative Approaches To The Popular Music Mix Process' (2017) 11 *Journal on the Art of Record Production* <https://www.arpjournal.com/asarpwp/mixing-as-a-performance-creative-approaches-to-the-popular-music-mix-process/>.

96 Mathilde Pavis, 'Is There Any-Body on Stage? A Legal (Mis) understanding of Performances' (2016) 19 *Journal of World Intellectual Property* 99 at 107. "Performances" are considered to be ephemeral, lacking in tangibility or materiality, and that is why a performance of a work is not a fixation for copyright purposes.

97 Paul Greene, 'Introduction: Wired Sound and Sonic Cultures' in Paul Greene et al (eds), *Wired for Sound: Engineering and Technologies in Sonic Cultures* (Wesleyan University Press, 2004) 1.

98 J A L Sterling, *Intellectual Property Rights in Sound Recordings, Film and Video* (Sweet & Maxwell, London, 1992) 10.

99 See also: Hugh Laddie et al, *The Modern Law of Copyright and Design: Volume 1* (Butterworths, 2nd ed, 1995) 44. The authors suggest that musical "arrangements" should attract a separate copyright distinct from both the underlying music work and sound recording copyright (contra *Coffey v Warner/Chappell Music* [2005] EWHC 449 (Ch)).

100 *Copyright Act* 1994 (NZ) s.94(1).

Has the Repealed Limited Exemption for Intellectual Property Rights in sub-section 51(3) of the *Competition and Consumer Act* 2010 (Cth) Finally Been Put to Rest?

Dr Dimitrios Eliades[1]

Introduction

After many years of scrutiny, the limited exception contained in the *Competition and Consumer Act* 2010 (Cth) ("CCA") Part IV s.51(3) was repealed. The focus had always been on intellectual property rights ("IPR") in licences and assignments as this was generally the limitation contained in the exemption provision itself.

Contrary to earlier thoughts that IPR and competition law were polarised, the reports and conclusions justifying the repeal were based on theoretical conclusions that IPR and competition law were basically compatible, as they both promoted innovation.

This conclusion has underestimated the nature of IPR, in particular the right to take enforcement action, which will in the circumstances of a common litigation scenario, contravene the cartel provisions.

Background

On 13 September 2019, the repeal of the limited exemption for IPR under the CCA, came into effect.[2] Some were relieved that it had finally happened, some were disappointed, but many were and continue to be, unsure as to the practical effects of the repeal.

The current perspective and the impetus behind the Government's repeal of s.51(3), is that competition policy and IPR are now no longer considered to be driven by polarized perspectives.[3] All of the reviews involving this limited exemption focused on licensing IPR and the assignment of those rights. This is understandable as s.51(3) dealt predominantly with conditions in licences and assignments involving IPR.[4]

However, this article considers that there is another IPR which has not been considered in the long debate over s.51(3), which was not caught by the exemption when it existed, but which exposes all IPR owners seeking to enforce their IPR, to potential contravention of the cartel provisions. This IPR is perhaps the "purest" IPR – it is the right to take action to enforce the IPR.

There has been such a preoccupation with conditions in licences and assignments, sometimes referred to as "front-end" intellectual property ("IP"), that there has been a total failure to appreciate the potential exposure of IPR stakeholders in "back-end IP" as it related to Part IV conduct.[5]

This article argues that a commonplace IPR enforcement scenario will contravene the cartel provisions.[6] Corporations and individuals making or giving effect to contracts, arrangements, or understandings containing cartel provisions expose themselves to contravention of both civil and criminal prohibitions. For example, the penalty for a corporation making a contract or arrangement, or arriving at an understanding in which such contract, arrangement or understanding contains a cartel provision may amount to AU$10,000,000 or more depending on the value of the benefits received.[7] Further an offence under s.45AF(1) of the CCA is an indictable offence.[8]

The circumstances arise where, in an IPR enforcement proceeding, a resolution of the dispute results in an agreement which removes the respondent's allegedly infringing product from the market. In certain circumstances, the restraint in the settlement agreement may, in addition, contravene s.45(1) of the CCA by lessening competition. This conduct cannot be dismissed as being outside the radar of cartel conduct because such conduct arguably harms consumers business and the economy by reducing consumer choice.[9]

The scenario involves the resolution of an intellectual property enforcement proceeding before determination by the primary judge. Where a settlement agreement is entered into by the parties to the proceeding, requiring inter alia, that the respondent will cease to manufacture, sell or offer for sale the allegedly infringing product, there appears to be an exposure to the cartel provisions.

The repeal of s.51(3) did not impact on this situation. It seems that this exposure has always been the case. However, it is the attention that s.51(3) has received up to and after it repeal, that has caused IPR professionals to come to grips

with the full exposure of IPR to Part IV of the CCA.
To be clear, this article is not saying that the repeal of s.51(3) has now exposed IPR owners in the common litigation scenario considered to Part IV contraventions. It is saying that in considering the effects of the repeal, a very common occurrence in IPR enforcement litigation, is exposed into the light of Part IV of the CCA conduct, particularly in relation to the cartel provisions. This will have implications for IPR owners and their advisers.

There has been a lot of attention in the last 20 years at least, to the interaction between IPR and competition law. That attention has exclusively considered the position from the perspective of license agreements and to a lesser extent, assignments of IP. For example, in the ACCC Guidelines, all 13 examples relate to licensing situations. There are none relating to assignments.

This article considers the scope of the former s.51(3) of the CCA, as interpreted by the courts, and considered in the more recent reviews being, the Harper Report (2015)[10] and the PC Report (2016)[11], and the Government responses to the recommendations in those reports. This analysis will not be exhaustive. However, it is necessary in order to show that the focus has consistently been on the interaction between IPR and competition law from the perspective of licences and assignments but has not considered the effect of the repeal from a litigation perspective.

The Government adopted the recommendations of the Harper Report and the PC Report to repeal s.51(3), however it did not follow all the recommendations of those inquiries in relation to the repeal, specifically in relation to the cartel provisions. The exposure of IPR to all competition law provisions in Part IV of the CCA gives rise to an exposure to the cartel provisions for IPR stakeholders enforcing their IPR, which was previously not apparent.

To highlight the exposure, this article considers an agreement which often arises in IPR enforcement actions. This scenario is the resolution, before trial, of the dispute whereby the respondent agrees to withdraw its allegedly infringing product from the market. On closer examination, this agreement appears to contravene the cartel provisions in the CCA. In addition, it may also contravene the prohibition against arrangements which have the likely effect of substantially lessening competition. However, as the issue of whether conduct substantially lessens competition is a matter which will depend on several factors, such as the number of alternative product equivalent suppliers, it is not the focus of this article. The focus here is squarely on the cartel provisions and their application to the common litigation scenario proposed in this article.

Finally, the article identifies several courses of action which will minimise, or extinguish in some cases, any risk of contravention. However, ultimately it is a "gap" which will need to be reconsidered by Government and hence the title of this article.

The scope of the former s.51(3) of the CCA

The Australian Competition and Consumer Commission ("ACCC") considered that the precise scope of the exemption under s.51(3) was uncertain.[12] Sub-section 51(3) provided:

> *(3) A contravention of a provision of this Part other than section 46, 46A or 48 shall not be taken to have been committed by reason of:*
>
> *(a) the imposing of, or giving effect to, a condition of:*
>
> *(i) a licence granted by the proprietor, licensee or owner of a patent, of a registered design, of a copyright or of EL rights within the meaning of the Circuit Layouts Act 1989, or by a person who has applied for a patent or for the registration of a design; or*
>
> *(ii) an assignment of a patent, of a registered design, of a copyright or of such EL rights, or of the right to apply for a patent or for the registration of a design;*
>
> *to the extent that the condition relates to:*
>
> *(iii) the invention to which the patent or application for a patent relates or articles made by the use of that invention;*
>
> *(iv) goods in respect of which the design is, or is proposed to be, registered and to which it is applied;*
>
> *(v) the work or other subject matter in which the copyright subsists; or*
>
> *(vi) the eligible layout in which the EL rights subsist;*
>
> *(b) the inclusion in a contract, arrangement or understanding authorizing the use of a certification trade mark of a provision in accordance with rules applicable under Part XI of the Trade Marks Act 1955, or the giving effect to such a provision; or*
>
> *(c) the inclusion in a contract, arrangement or understanding between:*
>
> *(i) the registered proprietor of a trade mark other than a certification trade mark; and*
>
> *(ii) a person registered as a registered user of that trade mark under Part IX of the Trade Marks Act 1955 or a person authorized by the contract to use the trade mark subject to his or her becoming registered as such a registered user;*
>
> *of a provision to the extent that it relates to the kinds, qualities or standards*

> *of goods bearing the mark that may be produced or supplied, or the giving*
>
> *effect to the provision to that extent.*

Section 51(3) therefore provided a limited exemption to contraventions of provisions in Part IV of the CCA in licensing and assignment of IPR. With the exceptions under sections 46, 46A or 48, the contravention would not have been taken to have been committed by reason of a condition in a licence or assignment relating to a patent, registered design, a copyright, EL rights or relating to the right to apply for those rights. There were similar exemptions for provisions in a contract, arrangement or understanding in relation to trade marks. The exemption did not protect:

- a corporation that had a substantial degree of power in a market, from misusing market power by engaging in conduct that substantially lessened competition: s.46;
- a corporation that had a substantial degree of power in the trans-Tasman market, from misusing market power by engaging in conduct that substantially lessened competition: s.46A;
- a corporation or other person who engaged in the practice of resale price maintenance: s.48.

Leaving aside trade marks, which had their own specialised treatment, the exemption did not cover an agreement that involved IPR which was not contained in a licence or an assignment of IPR.

There has been limited treatment of the scope of s.51(3) by the courts. However, in *Transfield Pty Ltd v Arlo-International* Ltd ("*Transfield*"),[13] the High Court considered two provisions in a sub-licence from a corporation associated with the patentee, of a process for the manufacture and erection of steel poles filled with concrete for use in the construction of electricity transmission lines (the "Arlo pole"). The sub-licence granted to the appellant by the respondent was an exclusive licence for the Commonwealth of Australia, its territories and protectorates. This included the Territory of Papua New Guinea, in which to make, use, exercise and vend the patented process for the purpose of electricity transmission lines, poles and any non-loadbearing poles of a like nature.[14]

The dispute revolved around a tender to the Electricity Commission of New South Wales ("the Commission") for the construction of a high voltage transmission line between Picnic Point and Minto, a total distance of some 36 kilometres. The appellant responded to the tender initially with the patentee's Arlo pole, but ultimately, the Commission awarded the contract to the appellant upon the footing that the appellant's pole and not the Arlo pole would be used in the construction.

The respondent claimed inter alia, breaches of two relevant provisions in the sub-licence. Firstly, that the appellant advanced its own power pole and not the Arlo pole, contrary to an obligation to use best endeavors to promote the Arlo pole. Secondly, that information acquired through its sub-licence was utilised in the development and use of the appellant's pole, which was the subject of the successful tender.

The relevant provisions of the sub-licence were:

(a) *Clause 7 stated:*

> *The Licensee covenants during the period of the Power Transmission Line Licence at all times to use its best endeavours in and towards the design fabrication installation and selling of the ARLO PTL pole throughout the licenced territory, and to energetically promote and develop the greatest possible market for the ARLO PTL pole.*

(b) *Clause 11 stated:*

> *Neither the Licensor nor the Licensee shall disclose any of the data supplied hereunder relative to the ARLO PTL pole without the prior consent of the other save and except to the extent necessary for the proper carrying out of the terms and conditions of this Deed.*

The appellant attacked those provisions on the basis that the following legislation provided the appellant with a complete defence:

- the *Patents Act* 1952 (Cth) s.112 which provided for the avoidance of conditions attached to the sale, lease or licence of patented products; and
- the *Trade Practices Act* 1974 (Cth)("TPA") s.45, as amended, which rendered unenforceable, as against a corporation, a provision of a contract which had the purpose, or had or was likely to have the effect, of substantially lessening competition.

Relevantly, the respondent submitted before the High Court, that even if s.45 of the TPA applied to Clause 7 of the sub-licence, s.51(3) would operate to save it.[15] Barwick CJ, Stephen, Mason and Wilson JJ (Murphy J dissenting) dismissed the appeal. In their Honours' reasons, the majority generally considered that there was no evidence to support the appellant's proposition that Clause 7 had the effect of substantially lessening competition.

The primary judge found that s.51(3) did apply, but did not analyse the arguments in detail.[16] In the New South Wales Court of Appeal, in relation to s.45 of the TPA, the Full Court merely affirmed the decision of the primary judge without expressing reasons.[17]

The extent of the exemption, however, and its reason d'etre, were the subject of observations by Mason J (as his Honour then was). Relevantly, his Honour observed:

> *In bridging the different policies of the Patents Act and the Trade Practices Act, s.51 (3) recognizes that a patentee is justly entitled to impose conditions on the granting of a licence, or assignment of a patent, in order to protect the patentee's legal monopoly. Even under American antitrust law, where there is no equivalent exception to s.51(3), the patentee is entitled to exercise some measure of control over the licensee, consistent with the scope of the patent monopoly, though there has been some controversy as to the scope of permissible control: see Donald and Heydon, Trade Practices Law (1978), vol. 1, pp. 117, 118; Ward S. Bowman, Jr., Patent and Antitrust Law (1973), ch. 7 and ch. 8; P. Areeda, Antitrust Analysis, 2nd ed. (1974), pp. 448 et seq. (at p103).*
>
> *Section 51(3) determines the scope of restrictions the patentee may properly impose on the use of the patent. Conditions which seek to gain advantages collateral to the patent are not covered by s.51(3). Section 8(4) of the Restrictive Trade Practices Act, 1956 (U.K.) contained a clause in similar terms to s.51(3) (a) (iii) (see W.M.C. Gummow, Sydney Law Review, vol. 7(1976), 339, at p. 357).*[18] (Emphasis added).

The ACCC Guidelines in relation to the repeal, note his Honour's confirmation that the scope of the protection under s.51(3) did not extend to other provisions in contracts, arrangements or understandings between competitors, which sought to gain an advantage collateral to the IPR.[19] The ACCC Guidelines confirm its position that such collateral advantages beyond the rights associated with the IPR, would not come within s.51(3), particularly the cartel provisions, which applied regardless of their effect on competition.[20]

In *Transfield* Mason J accepted that the justification for s.51(3) was that it was expected that a stakeholder may impose conditions in an assignment, lease or licence "in order to protect the patentee's legal monopoly." It follows from that line of reasoning that the right to take legal action to protect the IPR is also justified and should not be caught by the cartel provisions.

- Specifically, these circumstances arise where an IPR owner, or a party entitled to initiate such an action, such as an authorised user under the *Trade Marks Act* or an exclusive licensee under the *Copyright Act*, commences an action for infringement of their IPR which is subsequently discontinued before final orders by the primary judge, by reason of a settlement on agreed terms which include, the removal of the respondent's allegedly infringing product from the market.[21]

The restraint conditions are legitimately imposed in order to protect the IPR owner's legal monopoly, but which may simultaneously, also contravene the cartel provisions. In such a situation, the right to maintain the IPR monopoly meets the anti-competitive behaviour head on, by removing a potential competitor's product from the market.

Prior reviews of s.51(3)

An earlier review in 1993 identified the tension between on the one hand licensing IPR benefitted the competitive process by accelerating the commercial application of innovations and providing incentive to innovate, whilst also having the capacity to cartelise and strengthen market power.[22] Although the Hilmer Report saw force in the reform and possible removal of the limited IPR exemption, then under the *Trade Practices Act*, it considered that it was not in a position to make expert recommendations on the matter and recommends that the current exemption be examined by relevant officials, in consultation with interested groups.[23]

Similarly, the National Competition Council ("NCC") in its review in March 1999, did not recommend the repeal of s.51(3). The NCC after a careful assessment of the costs and benefits of s.51(3), and of alternatives, recommended that the exemption in s.51(3) be retained, but amended to remove protection of price and quantity restrictions and horizontal agreements. Notably it recommended the extension of the exemption to *Plant Breeder's Rights Act* 1994 (Cth).[24]

Recommendations for the repeal of s.51(3) (of the former *Trade Practices Act* 1974 (Cth)) commenced from at least 2000, when the Intellectual Property and Competition Review Committee conducted its *Review of Intellectual Property Legislation Under the Competition Principles Agreement*, Final Report, (September 2000) ("Ergas Report").[25]

The Ergas Report recommended repealing s.51(3) of the *Trade Practices Act.*[26] The then Government accepted the recommendation, but no legislation was introduced to effect the change.

The Australian Law Reform Commission in 2004, conducting its inquiry on gene patenting, however recommended in relation to s.51(3), that:

> *[t]he Trade Practices Act should be amended to clarify the relationship between Part IV of the Act and intellectual property rights, and the ACCC should issue guidelines to provide further clarification.*[27]

A further call for the repeal of s.51(3) was made in 2013 by the House of Representatives Standing Committee on Infrastructure and Communications *Inquiry into IT Pricing* ("the IT Pricing Inquiry").[28] The IT Pricing Inquiry referred to the ACCC's long-standing position in favour of repealing s.51(3). [29] Specifically, the IT Pricing Inquiry noted the ACCC's position in relation to:

- The potential misuse of the exemption:

  Section 51(3) … provides a limited exception for certain licence conditions from the competition provisions of the CCA (misuse of market power and resale price maintenance are not exempted). While the extent of the exception is unclear, it potentially excludes significant

anti-competitive conduct, with substantial detrimental effects on efficiency and welfare, from the application of the CCA.[30]

- The circumstances originally giving rise to the limited exemption:

  … it was likely that IP laws were believed to confer on the owners of IP a limited economic monopoly. This led to a concern that the unrestrained application of competition law to IP could undermine IP rights. This original rationale is no longer relevant. It is now accepted that, generally, IP laws do not create legal or economic monopolies.[31]

- The ACCC has long held the belief that IPR should be treated the same as any other rights and s.51(3) should be repealed. In its submission, the Commission said that:

  The object of the CCA is to enhance the welfare of Australians through the promotion of competition and fair trading, and provision for consumer protection. While recognising the importance of granting and protecting exclusive intellectual property rights, the ACCC considers that the subsequent licensing or assignment of those intellectual property rights should be subject to the same treatment under the CCA as any other property rights.[32]

Similarly, in 2013, the Australian Law Reform Commission inquiry *Copyright and the Digital Economy* ("ALRC Report")[33] also recommended the repeal of s 51(3) "as an integral aspect of equipping copyright law for the digital economy."[34] In doing so, the ALRC noted the ACCC position as follows:

> *The ACCC considers that intellectual property should be regarded in the same light as other property, and that the authorisation process in the* Consumer and Competition Act *is appropriate in assessing whether licensing activity confers benefits that outweigh anti-competitive effects:*
>
> *It is now accepted that, generally, IP laws do not create legal or economic monopolies. IP laws create property rights and the goods and services produced using IP rights compete in the marketplace with other goods and services.*[35]

This leads to the two most recent reviews – the Harper Report (2015) and the PC Report (2016). The PC Report tables and summarises the various recommendations on s.51(3) of the CCA since 1999. [36]

The Harper Report and the PC Report both recommended that s.51(3) should be repealed.[37] Both inquiries considered that the historical view that IPR and competition law reflected competing policy objectives was now no longer the case. The inquiries concluded, and the Government accepted, that the old view had been superseded by the view that both are largely compatible, as they both encourage innovation. In this regard, the Harper Report noted the ACCC submission to the Harper Inquiry. The Harper Report stated:

> *The Australian Competition and Consumer Commission (ACCC) claims that, in the vast majority of cases, granting an IP right will not raise significant competition concerns:*
>
> *… rights holders are entitled to legitimately acquire market power by developing a superior product to their rivals, and pursuant to the policy purpose of IP regulation, the temporary market power from an IP right provides the very incentive to invest in the production of new IP. Such innovation is also a key goal of competition law. In this respect, IP and the competition law are for the most part complementary, both being directed towards improving economic welfare. (ACCC sub 1, page 59)*
>
> *However, conflicts between the two policies can occur 'where IP owners are in a position to exert substantial market power or engage in anti-competitive conduct to seek to extend the scope of the right beyond that intended by the IP statute' (ACCC sub 1, page 59).*[38] (Emphasis added).

The Harper Report also noted the ACCC submission to the ALRC in these terms:

> *In a recent submission to the ALRC Inquiry into Copyright and the Digital Economy, the ACCC also argued 'it is important that the rights created through IP laws should be subject to competition laws to ensure they are pro-competitive rather than anti-competitive in effect or purpose: Australian Competition and Consumer Commission 2012, ACCC submission to the ALRC Copyright and the Digital Economy Issues Paper, Canberra, page 12.*[39]

The example of an IPR enforcement proceeding highlights that IPR are sufficiently different by their nature from other rights. The difference comes from the nature of IPR. They are negative in nature. The inventor/owner of a patent does not need the Government to give IPR rights to exploit the patent or an author the right to reproduce a literary work. They have that already. The IPR is a negative right in that it preserves the exclusivity of those rights to the IPR holder.[40] The right to a product in specie or even a bare unregistered design for a new chair to not carry with it the granting of a right to exploit the IPR exclusively. In enforcing the IPR the rights holder is enforcing an inherently monopolistic right.

The question which is raised is whether the action of commencing enforcement proceedings to protect the IPR and the conduct resolving the litigation in the example considered below, should give rise to an exposure to the cartel provisions or any Part IV provisions of the CCA.

The Ergas Committee, as noted by the Harper Committee, identified a difference of IPR from other property rights:

> *The Ergas Committee considered that IP rights were sufficiently different from other property rights and assets to warrant special treatment under the (then) Trade Practices*

> *Act 1974 (TPA). However, the existing IP exceptions under subsection 51(3) were 'seriously flawed, as the extent and breadth of the exemptions are unclear, and may well be over-broad'.*[41]

Contrary to the view expressed in the Harper Report and the PC Report, the author considers that the right to preserve that granted exclusivity and to take action to prevent others from exploiting a product or method which encroaches within the field of that exclusive protection betrays a fundamental incompatibility between the IPR and competition policy. This incompatibility is best seen from an enforcement perspective because the IPR holder is necessarily seeking to limit the competition to its product, method work or design. That difference is not answered by an explanation from a competition perspective, that the two cultures have a common goal of encouraging innovation. It is raw. The IPR owner has a statutory monopoly. They have the right to take action to preserve that monopoly. The result of taking that action may be, that an actual or potential competitor is removed from the market, not by court order, but by an agreement.

In the author's experience in a litigated enforcement setting, respondents who have agreed in settlement discussions to a provision in a settlement agreement restraining them from conduct reserved for the IPR holder in relation to the allegedly infringing product, resist vehemently the restraint being made by a specific order of the court. A similar response does not arise where the court notes the settlement agreement in making orders to finalise the matter.

The reason parties resist a court order in the actual terms of the restraint provision or any material provision in the agreement of course, is that if the party does not comply with the action or steps ordered, the other party is left to seek specific performance of the settlement agreement,[42] rather than moving for orders for contempt of court.

However, where the restraint for example, is an order made by consent, which is in injunctive terms restraining the conduct, so that the court is making the injunctive order (as opposed to noting an agreement which contains a restraint), then there is a potential contempt of court case as well as an enforcement of an agreement case.

The author considers that the effect of this difference, that is, having the court order the restraint by consent, removes the threshold requirement for "a provision of a contract, arrangement or understanding" in s.45AD(1). The parties would have up draft orders for the court's consideration by consent, which would include an order restraining, for example, a respondent from reproducing and/or communicating the copyright in an artistic work. In the common scenario which follows, the focus is on conduct which does not "extend the scope of the right beyond that intended by the IP statute". However, in doing so, it can give rise to conduct contravening the cartel provisions in Part IV of the CCA.

Relevant to its recommendation, the Harper Report explained the nature of anti-competitive agreements, arrangements and understanding in terms of horizontal and vertical arrangements as follows:

> *The Competition and Consumer Act 2010 (CCA) prohibits certain types of provisions within agreements, arrangements and understandings between competitors. These types of arrangements are commonly called horizontal arrangements because they occur between competitors trading at the same level of the supply chain. Cartel provisions and exclusionary provisions (where competitors agree not to supply or acquire from particular persons or classes of persons) are prohibited per se. Other provisions are prohibited if they have the purpose, effect or likely effect of substantially lessening competition. The CCA also prohibits certain types of conditions that are imposed as part of trading arrangements between suppliers and their customers. These types of arrangements are commonly called vertical arrangements because they occur between firms that trade at different levels of the supply chain.*

The Harper Report did recommend repeal of s.51(3). However, the committee did recognise and take into account in relation to IPR, that this might unwittingly trigger the cartel provisions because IPR, it was said, were predominantly vertical arrangements. The Harper Panel's full recommendation was to allow the exemption for IPR to remain in relation to cartel provisions. It noted:

> *The Panel considers that the IP licensing exception in subsection 51(3) of the CCA should be repealed. However, as is the case with other vertical supply arrangements, IP licences should remain exempt from the per se cartel provisions of the CCA insofar as they impose restrictions on goods or services produced through application of the licensed IP.* (Emphasis added).

The Government responded to the Harper Report on 7 September 2016. It noted the recommendation and determined it would wait upon the Productivity Commission's review of the intellectual property arrangements before making a final decision on the repeal recommendation.[43]

The PC Report recommended to repeal the exemption under s.51(3) of the CCA, but:

> *at the same time as giving effect to recommendations of the (Harper) Competition Policy Review on the per se prohibitions.*

The PC Report expressed the view that "IP rights holders currently enjoy an exemption from aspects of Australia's competition law; however, the rationale for the exemption has largely fallen away. IP rights and competition are no longer thought to be in 'fundamental conflict'. IP rights

do not, in and of themselves, have significant competition implications."[44]

In accepting the recommendation to repeal s.51(3), the Government also accepted the position that IPR and competition law were not in conflict:

> *It is now generally agreed that there is no fundamental conflict between IP rights and competition policy; rather, they share the purpose of promoting innovation and enhancing consumer welfare. However, where there is evidence of anti-competitive conduct associated with IP licensing arrangements, it is important that such conduct is appropriately regulated. If anti-competitive conduct in this space is nonetheless in the public interest, authorisation will be available under Part VII of the Competition and Consumer Act.*[45]

The Government also accepted the PC Report recommendation to have the ACCC issue guidance on the application of Part IV of the CCA to IP.[46] However, the Government did not adopt the recommendation of both the Harper Report or the PC Report, to continue the exemption for cartel arrangements, citing that it considered "per se prohibitions, authorisations and notifications are already being implemented."[47] By this the Government indicated that the cartel provisions now operate in respect of all contracts, arrangements or understandings which involve IPR.

The Emphasis on Licensing and Assignment

The Harper Report, the PC Report and the ACCC Guidelines, approach the issue of the repeal of the exemption from the perspective of licensing and assignment of IPR. This is understandable as s.51(3) only considered the imposition of conditions in licences and assignments as requiring an exemption from anti-competitive conduct. However, the right to enforce the monopoly and the practical consequence of "shutting down" a competitor, has existed as long as the IPR have existed.

The Harper Report relevantly states:

> *Subsection 51(3) of the CCA provides a limited exception from most of the competition law prohibitions for certain types of transactions involving IP. The exception covers conditions in licences or assignments of IP rights in patents, registered designs, copyright, trademarks and circuit layouts, where broadly, the condition relates to products that are the subject of the application of the IP right.*[48]

The PC Report states:

> ***The exemption for licensing or assignment of IP**: Part IV of the CCA prohibits companies from engaging in certain types of conduct that reduce competition (box 15.1). Section 51(3) of the CCA provides an exemption from part IV for conditions in licences and assignments of patents, registered designs, copyright, or eligible circuit layout rights.*[49]

The ACCC Guidelines have 13 examples to provide guidance and assist IPR stakeholders and their advisers in the transition. The Guidelines exclusively relate to licensing arrangements.[50] None deal with the resolution of the IP enforcement proceedings resulting in the respondent ceasing to make the competitive product. Certainly, s.51(3) only referred to licences and assignments, however the views expressed in favour of the repeal largely speak of IPR in a collective sense. That is, IPR per se, not IPR in the context only of licenses and assignments.

The ACCC also identifies that "[f]ollowing the repeal of subsection 51(3) of the CCA, the prohibitions against cartel conduct now cover all conditions of a licence or assignment, including any that relate to the subject matter of an intellectual property right."[51] Similarly, the ACCC states that it will enforce the cartel prohibitions and sections 45 and 47 of the CCA in respect of:

- the granting of licences, the making of assignments, or the entering into of contracts, arrangements, understandings or concerted practices on or after 13 September 2019, or
- the giving effect on or after 13 September 2019 to conditions in licences, assignments, contracts, arrangements, understandings or concerted practices, even where entered into before 13 September 2019.[52]

The previous exemption was limited to licence and assignment arrangements. It has received, as indicated, a great deal of attention over an extended period. Notwithstanding, this focus on licenses or assignments of IPR, there has been no consideration of the effect of Part IV of the CCA on the actions surrounding the enforcement of IPR. More so, it is difficult to find where any of the examinations considered the litigation aspect of IPR enforcement, let alone from the perspective that the effect of the litigation involving IPR may result in a potential competitor being excluded from the market.

A Common Litigation Scenario

The following litigation scenario is suggested as being a common occurrence in IPR enforcement proceedings:

- Party A has an IPR for Product A which it markets in trade or commerce; for argument, we can say it is a software program protected by copyright.
- Party B accesses the source code of Product A and develops a competitive product equivalent, Product B, for commercialisation. The functionality of Product B is therefore directed to the same performance results as Product A.
- Product B is the only other product equivalent in the market, excepting the product protected by the IPR.
- Product B is launched on the market, but Party A believes and is advised, that Product B infringes the IPR of Product A, and commences enforcement

proceedings to seek, amongst other things, injunctive relief restraining Party B from manufacturing, selling or offering for sale (directly or indirectly), Product B in Australia.[53]

- At the mediation in the proceeding directed by the Court, the parties resolve their dispute by an agreement that, inter alia, provides that Party B will cease to make and sell or offer to sell Product B, or to authorise or participate with anyone else to do so (the Restraint).
- This agreement, now reduced to writing in a deed of settlement, allows Party B to sell off existing stock of the allegedly infringing Product B, but ultimately, within six months of the agreement, Party B agrees not to manufacture, sell or offer for sale Product B any longer.

It is also presumed that in most enforcement actions, the IPR owner is seeking to stop the allegedly infringing conduct rather than co-exist in a manner involving IPR licences or assignments.

The Relevant Provisions of the CCA:

The cartel conduct provisions are found in Part IV Division 1 of the CCA. Section 45AD(1) establishes the foundation of the contravening conduct by its requirement that a cartel provision must have:

- a purpose/effect condition; or
- a purpose condition; and
- a competition condition.

Each of these terms is further identified in the subsequent sub-sections.

A purpose/effect condition is characterised by the conduct set out in s.45AD(2) of the CCA. This sub-section relates to the direct or indirect fixing, controlling or maintaining of a price. This article does not consider this aspect of the contravening conduct, as it is not common in settlement agreements resolving enforcement of IPRs. The most common relief sought is that the respondent cease to infringe the applicant's IPR.

Relevant to this article, s.45AD(3)(a)(i) sets out the purpose condition. It provides that:

> *(3) The **purpose condition** is satisfied if the provision **has the purpose** of **directly or indirectly**:*
>
> *(a) **preventing, restricting or limiting**:*
>
> *(i) **the production**, or likely production, **of goods by any** or all **of the parties** to the **contract, arrangement or understanding**; or*
>
> *(ii) …*
>
> *(iii) …*
>
> *(iv) …*[54]
>
> (Emphasis added).

The competition condition, the second limb requiring satisfaction so as to constitute a "cartel provision", is set out in s.45AD(4). Again, relevantly, this provides:

> *(4) The competition condition is satisfied **if at least 2 of the parties** to the **contract, arrangement or understanding:***
>
> *(a) **are** or are likely to be; or*
>
> *(b) **but for** any **contract, arrangement or understanding**, **would be** or would be likely to be; **in competition with each other** in relation to:*
>
> *(c) …*
>
> *(d) …*
>
> *(e) …*
>
> *(f) if subparagraph (3)(a)(i) applies in relation to preventing, restricting or limiting the production, or likely production, of goods - the production of those goods in trade or commerce; or*
>
> *(g) …*[55]
>
> (Emphasis added).

The ACCC has noted that where conduct does not satisfy the "competition condition", the "purpose/effect condition", or the "purpose condition", as required under the cartel provisions, it may still contravene another section of the CCA if it meets the requirements of that section.[56]

It is convenient therefore to briefly raise the "lessening competition" consideration under s.45 of the CCA. The cartel provisions apply irrespective of the impact on competition.

Section 45(1) provides:

> *(1) A **corporation** must not:*
>
> *(a) **make a contract or arrangement**, or arrive at **an understanding**, if a provision of the proposed contract, arrangement or understanding has **the purpose**, or would have or be likely to have **the effect**, of **substantially lessening competition**; or*
>
> *(b) …*
>
> *(c) ...*
>
> (Emphasis added).

Only a brief consideration will be given to this provision as there may be circumstances where the common litigation scenario may contravene s.45(1), however, the facts given in the common scenario do not give sufficient information to determine whether the conduct meets the substantial lessening of competition threshold.

The questions which arise under the cartel provisions

The cartel provisions make it clear that a purpose condition and a competition condition are both required in order to constitute cartel contravening conduct.

The purpose condition is the first limb. This requires that a provision has the purpose of directly or indirectly, preventing, restricting or limiting the production, or likely production, of goods by any or all parties to the contract, arrangement or understanding.

There is the threshold question, whether the settlement agreement between the parties, usually documented, is a "contract, arrangement or understanding". There can be little doubt that a settlement agreement, whereby Party A agrees to forego a right to prosecute a claimed infringement of the IPR and discontinue the IPR enforcement action and possibly the other party foregoes a revocation action by cross-claim, on certain terms requiring the performance of certain obligations, is at the very least an understanding. The term "contract" is defined to include a covenant,[57] which has been defined to mean "an agreement, usually formal, between two or more persons to do or not do something specified".[58]

The fact that the settlement agreement may be the basis of a party taking further action for failure to perform an obligation under the settlement agreement further supports the case that it is a contract, arrangement or understanding within the meaning of s.45AD.

Secondly, the purpose of the restraint (although it does not have to be the sole purpose),[59] is to directly prevent or restrict the production of Product B by Party B, a party to the contract, arrangement or understanding. The ACCC considers that "Purpose" refers to a firm's intention to achieve a particular result.[60] The particular result Party A intends to achieve with the restraint is stop Party B competing in the market with its allegedly infringing product.

The second limb required to be satisfied in order to constitute cartel infringing conduct, is the competition condition. As the above construction involved s.45AD(3)(a)(i), consideration is directed toward s.45AD(4)(f) to determine if the second and final limb is satisfied by the facts of the common scenario. The competition condition is satisfied where Party A and Party B, the parties to the settlement agreement, are, or are likely to be, or but for the settlement agreement, specifically the restraint, in competition with each other.

In most cases where an IPR owner institutes proceedings for infringement, the parties are, or are likely to be, in competition. It is usually this very reason the IPR owner commences proceedings to protect their monopoly.

The restraint therefore meets the necessary requirements. Namely, it:

- is a provision in a contract, arrangement or understanding – the settlement agreement;
- has the purpose of directly or indirectly, preventing or restricting the production, or likely production, of goods – Product B;
- the said production, or likely production, of goods is by a party to the contract, arrangement or understanding – Party B;
- the parties to the contract, arrangement or understanding are, or are likely to be or but for the settlement agreement, would be or would be likely to be in competition with each other – Party A and Party B; and
- that competition is in relation to preventing or restricting the production, or likely production, of goods in trade or commerce – removing Product B from the market.

There are exceptions, but none of the exceptions apply to the facts of the scenario.[61]

The conclusion is that, in this common scenario of settling the infringement action before trial, an IPR owner has effectively removed from the market a competitor's product equivalent. Surely, this is where IPR and the competition laws collide head on?

Further, it must be remembered that the IPR owner has removed a competitor and their competitive product before a finding of infringement at trial. It may be that in fact it was found that Product B did infringe Product A. However, it may also be the case that Product B did not infringe Product A; or worse, that Party B's cross-claim challenging the IPR succeeds and the IPR is revoked or removed from the register.[62]

Does this mean that IPR enforcement actions cannot be resolved before trial? To suggest that all IPR enforcement actions must go to trial is counterproductive and against all alternative dispute resolution principles. It is the basic entitlement of IPR owners to take action to enforce their statutory monopoly. In doing what Party A is entitled to do, it appears, on this construction, that the parties to settlement agreement will be exposed to the cartel provisions.

The questions which arise under the "lessening competition" provision

As stated above, the common scenario is void of information from which even a preliminary view on whether there is a substantial lessening of competition can be reached. Notwithstanding this, it is plausible to argue that the parties to the settlement agreement in the scenario may be making a contract or arrangement, or have arrived at an understanding, if the Restraint has the purpose, or would have or be likely to have, the effect of substantially lessening competition.

Indeed, leaving aside for the moment the determination of the question of whether the Restraint substantially lessens competition, the other elements of s.45(1) are present in the common scenario. That is, the parties to the settlement agreement are making a contract, arrangement or understanding which contains a provision, which may have or is likely to have, the effect of substantially lessening competition.

In the scenario, Party B is the only other party entering the market and providing a product equivalent to Product A. If there were a number of equivalent products by different suppliers available to the public this may reduce the risk of contravening s.45, but this is only one factor to consider for the question of whether the restraint in the settlement agreement has, or is likely to have, the effect of substantially lessening competition. However, assuming the other factors indicate that the restraint has such an effect, why should A's unfettered right to take action to enforce the IPR, granted under Commonwealth law, be limited by an additional consideration before the proceeding is commenced, of whether its success in stopping Product B from entering the market has, or is likely to have, the effect of substantially lessening competition.

Will Party A be forced to go to trial, even if Party B agrees to the restraint, because the removal of Product B by the Restraint may amount to conduct contravening s.45(1)? Such a limitation is unacceptable and a serious limitation on the IPR. Further there has been no consideration of this effect by the Harper or PC inquiries.

Why is this important?

It is important because it appears that Government has accepted that competition law and IPR are no longer seen as being polarised and consideration has not been given to the impact on settlement agreements in IPR enforcement actions. The current perspective adopted by Government, that IPR and competition law are mainly not polarised but rather have a common goal, does not, it would appear, take into account that the right to take action to enforce the statutory monopoly may necessarily mean the exclusion from the market of a competitor and their product.

It is important because other dealings, other than those involving licences and assignments, such as settlement agreements containing the restraint, are likely to expose the parties to the cartel provision in s.45AD, simply by resolving the enforcement action with a restraint provision removing the competitor. This exposure is not because of the repeal of s.51(3), but because the effects of such an IPR settlement agreement were obscured by the uncertain scope of s.51(3). The Restraint at least in theory, is open to contravene s.45AD of the CCA.

It is important because the parties' legal advisers will have a duty to advise their clients seeking to enforce their IPR, that there is a likely contravention of s.45AD of the CCA, if they resolve the litigation with the restraint.

It is not only a concern for the beneficiary of the restraint ("Party A"), but also the respondent ("Party B"). The CCA provides that a corporation contravenes the cartel provision if the corporation makes a contract or arrangement, or arrives at an understanding and the contract, arrangement or understanding contains a cartel provision.63 Part B is a party to the settlement agreement.

Finally, it is important because the penalties for contravention of a cartel provision are substantial. The ACCC has wide powers which include:

- to investigate cartels' other anti-competitive behavior;
- to compel any person or company to provide information about a suspected breach of the law by providing document or giving verbal evidence,
- to apply for warrants and execute these on companies including the premises of company officers and notify the Federal Police.

The Australian Federal Police have the power to collect evidence using phone taps and other surveillance devices. Additionally, the ACCC may refer serious breaches for prosecution to the Commonwealth Director of Public Prosecutions. The potential penalty for a contravention of Part IV of the CCA is the greater of AU$10 million and three (3) times the value of the benefit obtained from the offence, and 10 per cent of the offender's annual turnover (if the value of the benefit cannot be easily determined).[64]

Is there a solution?

The ACCC has suggested that where a party considers that it may be entering an arrangement which would, or might, contravene the anti-competitive conduct prohibitions of the CCA, they can seek authorisation from the ACCC.[65]

The ACCC has published in March 2019, *Guidelines for Authorisation of Conduct in non-merger situations* ("GAC").[66] The process commences with a meeting with the ACCC officers to discuss the factual basis as to why a party or parties believe they may contravene the anticompetitive conduct prohibitions.[67]

Cartel practices (s.45AD) and concerted practices (s.45) may be authorised,[68] although the ACCC has no power to grant authorisation in relation to conduct engaged before any authorisation.[69] The ACCC encourages applicants to contact it for informal discussions before lodging an application for authorisation.[70]

The party or parties who can apply for the authorisation includes:

- any party intending to engage in conduct that may be at risk of breaching the competition provisions of the Act;[71]

- any party on behalf of other parties for conduct that the applicant and those other parties propose to engage in, such as a professional association on behalf of its members.[72]

It is not necessary for an applicant to show that the proposed conduct for which authorisation is sought, would breach Part IV of the CCA in order to apply for authorisation. Authorisation is available where the conduct the parties intend to engage in, would or might constitute a breach of the relevant provisions of the CCA.[73]

The practical difficulty in the case of the common litigation scenario considered in this article is that:

- Resolution is sought at mediation or a settlement conference, and not subject to obtaining an authorisation, which may take several months to obtain.
- Additional costs will be incurred in the authorisation process, including submissions setting out the perceived contravening conduct as well as attendances at meetings with the ACCC and legal advisers.
- An authorisation would need to be sought in advance of the mediation, so that an authorisation might be available at the mediation, as the ACCC cannot authorise past conduct. In this case, the ACCC could not ratify a settlement agreement after it has been entered into, which is too late.
- It is reasonable to expect that the respondent will not be willing to participate in the authorisation process, because it would telegraph that it would be willing to cease producing the allegedly infringing product; a position which is adverse to any defence to infringement or any cross-claim challenging the IPR.

A more practical solution would be, to have the court order the restraint by consent. This would have the effect that neither s.45AD nor s.45 of the CCA would apply, as there is no contract, arrangement, or understanding enforcing the restraint, but rather, the restraint is the subject of an order of the court.

Respondents may not be willing to submit to such an order, preferring to require the IPR owner to rely on enforcement of the settlement agreement rather than deal with a possible contempt of Court. The potential exposure to the cartel provisions can now provide a basis for the parties to seek to have the restraint ordered by a court, as it will protect both parties. . Another reason for the respondent's reticence to submit to a court order restraining use of the IPR, may also be that, having seen the applicant's case they may wish to continue the conduct but try to work around the IPR. A direct order restraining the respondent from the court as part of the resolution to the litigation, heightens such a risk.

Further, there is no reason why the respondent could not consent to the restraint order without admission. The author has recently put this method into practice in a recent trade mark dispute. The dispute was resolved in mediation a few weeks prior to hearing and the essential terms, including a license to the respondent for his geographic and online locations, were made part of the orders, removing the need for an agreement, which arguably could have triggered the cartel provisions.

Conclusion

There is a live issue exposing parties to an IPR enforcement proceeding from resolving the dispute, where a term of the resolution will require the respondent's allegedly infringing product, being removed from the market.

There does not appear to have been any consideration of this IPR enforcement scenario by either the Harper Report, the PC Report, by Government or in the ACCC Guidelines. There appears to have been a pre-occupation with contracts, arrangements and understandings, specifically licenses and assignments, involving IPR.

The reason for this is that these committees in considering the previous limited exemption, focused upon the rights granted by the IPR statutes, such as the right to "exploit" the invention, or to reproduce or communicate a copyright work.

There seems to be a void in the debate about the fundamental right of the IPR – the right to take enforcement action to preserve the monopoly. Accepting that s.51(3) was limited to licences and assignments, the conclusions reached by the Harper Committee, the PC Report and Government as to the two areas now being compatible, assumes a global approach to all IPR, not a splintered approach limited to licences and assignments.

It is the exercise of the right to enforce IPR, that challenges the conclusion the committees and Government have reached. It is the very right to take action to protect and preserve the monopoly granted, which may give rise to exposure to Part IV of the CCA contravention. This is because invariably, it is the IPR owner's aim is to shut down a potential or actual competitor from marketing its product or services to the public.

The Government should, respectfully, make clear that restraints arising from IPR enforcement processes, should be exempt from Part IV of the CCA.

1 Barrister, Queensland.

2 *The Competition and Consumer Act* 2010 (Cth), in so far as the removal of s.51(3) was concerned, was amended by the *Treasury Laws Amendment (2018 Measures No 5) Act* 2019 (Cth) Schedule 4.

3 *Guidelines on the Repeal of Subsection 51(3) of the Competition and Consumer Act 2010 (Cth),* ("the ACCC Guidelines"): <https://www.accc.gov.au/publications/guidelines-on-the-repeal-of-subsection-513-of-the-competition-and-consumer-act-2010-cth> citing the *Competition Policy Review Final Report 2015* ("the Harper Report") <https://treasury.gov.au/publication/p2015-cpr-final-report>; Productivity Commission, *Intellectual Property Arrangements Inquiry Report No 78*, Canberra, 23 September 2016 ("PC Report"): <https://www.pc.gov.au/inquiries/completed/financial-system#report> .

4 The former limited exemption for trade marks spoke in terms of a "contract, arrangement or understanding": s.51(3)(b) and (c) of the CCA.

5 In this essay "back-end IP" broadly, is that area of intellectual property which deals with enforcement of the IPR as opposed to "front-end IP", which focusses on the exploitation and commercialisation of the IPR, characterised by licensing arrangements involving IPR and assignment of IPR.

6 CCA Part IV, Division 1, particularly s.45AD.

7 CCA s.45AF(3).

8 CCA s.45AF(4).

9 Memorandum of Understanding between the Commonwealth Director of Public Prosecutions and the Australian Competition and Consumer Commission regarding Serious Cartel Conduct 1 [1.1] <https://www.cdpp.gov.au/sites/default/files/MR-20140910-MOU-Serious-Cartel-Conduct.pdf>.

10 *The Competition Policy Review Final Report* – 31 March 2015 ("Harper Report").

11 PC Report.

12 The ACCC Guidelines [1.8].

13 (1980) 144 CLR 83.

14 *Transfield* [1].

15 *Transfield* [22] per Stephen J.

16 *Transfield* per Mason J [2].

17 *Transfield* per Mason J [3].

18 *Transfield* per Mason [24] and [25].

19 The ACCC Guidelines [3.12] and [3.21].

20 The ACCC Guidelines [3.2].

21 The term "product" is used for convenience. The IPR may be a method patent.

22 *National Competition Policy Review* – 25 August 1993 ("Hilmer Report") 150.

23 Hilmer Report 151.

24 National Competition Council, *Review of sections 51(2) and 51(3) of the Trade Practices Act* 1974 (Cth) 243.

25 PC Report<https://www.ipaustralia.gov.au/sites/default/files/ergas_report_september_2000.pdf>.

26 The Ergas Report 215.

27 Australian Law Reform Commission, *Genes and Ingenuity: Gene patenting and human health* ("ALRC Report 99") 2004 <https://www.alrc.gov.au/inquiry/gene-patenting/>.

28 The IT Pricing Inquiry, Recommendation 8, 112. <https://www.aph.gov.au/parliamentary_business/committees/house_of_representatives_committees?url=ic/itpricing/report.htm>.

29 The IT Pricing Inquiry, Recommendation 8, 112 [4.95].

30 IT Pricing Inquiry p.111 [4.92] referencing the Australian Competition and Consumer Commission ("ACCC"), Submission 100, 1.

31 IT Pricing Inquiry 112 [4.94] referencing the ACCC submission to the ALRC *Copyright and the Digital Economy Issues Paper*, November 2012, 31-32

32 IT Pricing Inquiry 112 referencing the ACCC Submission 100, 1.

33 Australian Law Reform Commission *Copyright and the Digital Economy Final Report* ("ALRC Report 122") , 2014 <https://www.alrc.gov.au/publication/copyright-and-the-digital-economy-alrc-report-122/>.

34 ALRC Report 122 [3.98].

35 ALRC Report 122 [3.87].

36 The PC Report 447.

37 The Harper Report Recommendation 7 42.

38 The Harper Report [9] 101.

39 The Harper Report [9.2] 105.

40 *JT International SA v Commonwealth of Australia* [2012] HCA 43 per French CJ [36].

41 The Harper Report 107.

42 *Hafertepen v Network Ten Pty Limited* [2020] FCA 1456 per Katzmann J.

43 Parliamentary Library, Research Paper Series, 2016–17 <https://parlinfo.aph.gov.au/parlInfo/download/library/prspub/4803053/upload_binary/4803053.pdf;fileType=application/pdf>.

44 PC Report 23.

45 *Australian Government Response to the Productivity Commission Inquiry into Intellectual Property Arrangements*, August 2017 ,17 <https://www.pc.gov.au/inquiries/completed/intellectual-property/intellectual-property-government-response.pdf>.

46 *Australian Government Response to the Productivity Commission Inquiry into Intellectual Property Arrangements,* August 2017, 17 <https://www.pc.gov.au/inquiries/completed/intellectual-property/intellectual-property-government-response.pdf>.

47 *Australian Government Response to the Productivity Commission Inquiry into Intellectual Property Arrangements*, August 2017 17 <https://www.pc.gov.au/inquiries/completed/intellectual-property/intellectual-property-government-response.pdf >.

48 Harper Report 105.

49 PC Report 445.

50 The Harper Report states at 41: "The Panel considers it appropriate that commercial transactions involving IP rights, including the assignment and licensing of such rights, be subject to the CCA, in the same manner as transactions involving other property and assets". The PC Report states at p.445 under the heading "The exemption for licensing or assignment of IP": "Part IV of the CCA prohibits companies from engaging in certain types of conduct that reduce competition (box 15.1). Section 51(3) of the CCA provides an exemption from part IV for conditions in licences and assignments of patents, registered designs, copyright, or eligible circuit layout rights."

51 ACCC Guidelines [3.13].

52 ACCC Guidelines [1.7].

53 The author has used general terms of conduct rather than for example, referring to the rights exclusively given in the *Copyright Act* 1968 (Cth), s.31.

54 Note 2 to s.45AD extends the reach of the purpose condition by providing that the The purpose condition can be satisfied when a provision is considered with related provisions – see subsection 45AD(9).

55 The author understands that arguments could be constructed under s.45AD(4)(g)(h) and (i), however, the focus is on the commonest scenario whereby the IPR owner seeks to restrain an actual or imminent direct competitor.

56 ACCC Guidelines [3.4].

57 CCA s.4.

58 Dictionary.com <https://www.dictionary.com/browse/covenant?s=t>.

59 CCA s.4F.

60 ACCC Guidelines [2.10] and [3.7].

61 Conduct notified under a collective bargaining notice (s.45AL of the CCA); authorised conduct (s.45AM of the CCA); contracts, arrangements, or understandings between related bodies corporate (s.45AN of the CCA); joint venture conduct (s.45AO and s.45AP of the CCA); conduct relating to resale price maintenance (section 45AQ of the CCA); conduct relating to exclusive dealing (s.45AR of the CCA); dual listed company arrangements (s.45AS of the CCA); acquisitions of shares or assets (s.45AT of the CCA), and collective acquisitions (s.45AU of the CCA): ACCC Guidelines [3.15].

62 In the common scenario involving copyright where rights are not registered to be effective, the cross-claim could be challenging originality or standing.

63 CCA, s.45AJ.

64 CCA, s.45AF(3) and s.45AG(3); ACCC Guidelines [7.2].

65 ACCC Guidelines [6.1].

66 *Guidelines for Authorisation of Conduct in non-merger situations* ("GAC") <https://www.accc.gov.au/publications/guidelines-for-authorisation-of-conduct-non-merger>.

67 The author has commenced such a process by a letter to the ACCC in mid-February 2020, setting out the factual issue. Although an officer of the ACCC contacted the author to understand the issue further some time after writing, no appointment to discuss the issue has been set up within 6 weeks from writing. In fairness, the restrictions surrounding COVID-19 are in play and the author's experience should not be taken to be the ACCC's usual response which it seeks to do quickly and efficiently: ACCC Guidelines [6.6].

68 GAC [2.8].

69 ACCC Guidelines [6.4].

70 GAC [3.1].

71 GAC [2.5].

72 GAC [2.6].

73 GAC [2.16].

Copyright and Competition: a Complementary Approach to Press Publication Rights

Mary Saywell[1] and Claudia Saywell[2]

Introduction

The bargaining imbalance between digital platforms and news media businesses threatens the viability of press publications. The solution proposed by the Australian Competition and Consumer Commission ("ACCC") following the release of the Final Report of the *Digital Platforms Inquiry* ("DPI Final Report") involves the development of a News Media and Digital Platforms Mandatory Bargaining Code ("Mandatory Bargaining Code").[3] The Mandatory Bargaining Code would be implemented through amendments to the *Competition and Consumer Act* 2010 (Cth) and contains minimum standards, non-discrimination requirements, bargaining rules and compulsory arbitration rules. The bargaining framework is not intended to replicate copyright-based policy approaches pursued in overseas jurisdictions, such as the rights granted to publishers in respect of online uses of their press publications by information society service providers in Article 15 of the European Union's *Directive on Copyright in the Digital Single Market* ("Copyright DSM Directive").[4]

There remains a critical social role for producers of quality journalism in Australia,[5] and this should be supported by both copyright and competition laws. The Mandatory Bargaining Code will operate in conjunction with pre-existing intellectual property rights that may subsist in news content. This is an opportune time to consider whether the exclusive rights granted under the *Copyright Act* 1968 (Cth) ("Copyright Act") in respect of press publications provide sufficient incentive for news production.

Copyright as an incentive for news production

> *… without a news organisation or editor prepared to invest the time and therefore the money allowing journalists to pursue important stories properly, they simply don't get told.*[6]

One objective of copyright law is to provide an incentive for authors (including journalists) to create and disseminate original copyright materials. In *IceTV v Nine Network*,[7] the High Court of Australia said that the purpose of a copyright law respecting original works is to balance the public interest in promoting the encouragement of works by providing a just reward for the creator, with the public interest in maintaining a robust public domain in which further works are produced. Over the years, the legislature and the courts have worked to strike an appropriate balance between competing interests, but this balance has been disrupted by the dissemination of news content by digital platforms without appropriate reward to content creators. The Australian Law Reform Commission's 2014 report *Copyright and the Digital Economy* said that maintaining incentives for creation through appropriate recognition of property rights in copyright material is an important aspect of copyright reform,[8] however the modernisation of technology-specific provisions in the Copyright Act has not kept pace with the digital revolution. This is particularly the case in relation to copyright in press publications.

The fundamental imbalance in bargaining power between Australian news businesses and digital platforms is undermining the ability and incentives for Australian news businesses to produce news content.[9] Public benefits are provided by the production and dissemination of news and a strong independent media is important in a well-functioning democracy. It has become more difficult to differentiate fake news from real, resulting in a degradation of the accuracy and quality of journalism.[10] The editorial policies of digital platforms have come under increased scrutiny due to concerns regarding the quality, accuracy and reliability of disseminated news. Digital media platforms propagate the opinion that free news is a right of the populace in the digital age, when in fact quality content is incredibly expensive to produce.[11]

Roughly 90 per cent of growth in digital advertising is going to Google and Facebook alone.[12] In its response to the *ACCC Digital Platforms Inquiry Issues Paper*, the Australian Associated Press ("AAP") outlined the massive detrimental effect of digital platforms on its business. It was faced with a dramatic loss in revenue as clients cancelled AAP subscription services worth hundreds of thousands of dollars because, in the words of one TV media executive, "We just google it".[13]

Copyright or competition?

> *The problem is simple: Journalists are being paid by their employers to provide original news coverage. Yet the platforms pay nothing to re-use it.*[14]

The broad terms of reference of the ACCC's Digital Platforms Inquiry included an examination of the extent to which platform service providers are exercising market power in commercial dealings with the creators of journalistic content and advertisers and the impact of platform service providers on the level of choice and quality of news and journalistic content to consumers.[15] The comprehensive DPI Final Report was published on 26 July 2019 and contained a number of recommendations, including that designated digital platforms provide a Mandatory Bargaining Code to the Australian Communications and Media Authority ("ACMA").[16] Although the Government accepted this recommendation in substance, it directed the ACCC – not the ACMA – to develop the Code, presumably due to the significant competition issues involved.

Intellectual property rights do not, in and of themselves, have significant competition implications. The Productivity Commission stated, in the context of the repeal of section 51(3) of the *Competition and Consumer Act* 2010 (Cth), that a valid approach is to allow the ACCC to address any anticompetitive conduct, while minimising uncertainty for rights holders and licensees.[17] Competition in markets for copyright material will generally maintain incentives for its wide dissemination and efficient use, and there may be significant costs for economic efficiency and consumer welfare if protections for intellectual property rights are too extensive and not balanced by appropriate exceptions.[18] On the other hand, if insufficient protection is granted to copyright material such as press publications, then the revenue flows may not support public interest journalism.

Consumer welfare lies at the heart of competition law.[19] Facebook has argued that the ACCC:

> *should not use the creation of a mandatory code to construct an entirely new set of legal rights around "use" of digital news content.*[20]

Others might say that it is entirely appropriate to impose minimum standards, non-discrimination obligations, bargaining processes and arbitration rules on digital platforms under the *Competition and Consumer Act* 2010 (Cth). The scope of the copyrights that should be granted in respect of press publications is a question that can be considered separately from the competition issues, although the underlying rationale for legislative or regulatory intervention may be similar.

Article 15 of the Copyright DSM Directive

In Europe, there has been a movement to seek a solution to the problems facing news publishers by restructuring the terms of trade between publishers and search and social media platforms.[21] There was some controversy over the introduction of a press publishers' right, as earlier amendments to copyright laws in Germany and Spain had not bolstered the media sector against the collapse of subscription and advertising revenues in those countries.[22] In April 2019, Article 15 of the Copyright DSM Directive was adopted, introducing protection for online uses of press publications by information society service providers.[23] It sets a standard that European Union member states must meet with their own legislation; each state must implement the rules by 7 June 2021.[24] (The United Kingdom left the European Union on 31 January 2020 and does not propose to adopt the Copyright DSM Directive.)[25] Article 15 is specific to the European Union; there are no equivalent provisions in an international treaty such as the Berne Convention. Article 15 is designed to better ensure that publishers can negotiate a licensing arrangement with digital platforms,[26] and aims to achieve a well-functioning marketplace for copyright.[27]

The press publishers' right is a related right for publishers of press publications intended to secure a sustainable press and to make it easier for publishers to license their material and/or enforce intellectual property rights.[28] The right is to have the reproduction right and communication to the public right apply to digital use of press publications, and is in addition to rights in the content itself incorporated into the publication e.g. the rights of journalists.[29] As a result of the grant of the press publishers' right, news aggregators will have to obtain permission to use content.[30] The right is granted for a term of two years from the publication of the press publication, calculated from 1 January of the year following the date of publication. Article 15 of the Copyright DSM Directive states that the rights granted in respect of press publications leave intact any rights provided for in European Union law to authors and other right holders in respect of the works incorporated in a press publication. A press publication right does not deprive an individual author of their right to exploit their works independently from the press publication in which they are incorporated.

France became the first member state to implement laws creating the new rights of press publishers and news agencies on 23 July 2019.[31] The French legislation requires that digital platforms compensate French publishers for the use of news, with remuneration to be determined by factors including the human, material and financial investments made by the publishers and press agencies, the contribution of press publications to political and general information and the importance of the use of press publications by digital platforms. The ACCC referred to this policy approach in its *Mandatory News Media Bargaining Code: Concepts Paper* ("Concepts Paper") but took care to point out that their

reference was not intended to suggest that the Australian Media Bargaining Code should directly mirror the French provisions.[32]

The reproduction and communication to the public rights granted to publishers of press publications under Article 15 are broader in scope than those currently available to news media businesses under Australian copyright law. The concept of "press publication" in the Copyright DSM Directive covers journalistic publications such as daily newspapers, weekly or monthly magazines of general or special interest (including subscription-based magazines and news websites) and extends beyond literary works to other subject matter such as photographs and videos.[33] There are some limitations on the scope of the rights, for example the DPI Final Report states:

> *While Article 15(1) of this Directive provides that relevant media businesses would be provided with rights to the online use of their press publications by information society service providers, (which would include digital platforms), the Copyright Directive explicitly states that this right shall not apply to the 'acts of hyperlinking' and 'in respect of the use of individual words or very short extracts of a press publication'.*[34]

Similarly, in Australia, a simple act of hyperlinking will not usually constitute the authorisation of an act comprised in the copyright.[35] Further, the use of individual words or very short extracts of a work will not usually be considered an infringement of copyright, either because copyright does not subsist in the individual words or because the infringing act is not being done in relation to a substantial part of a work. The current position in relation to copyright protection of news content in Australia is complex and specific reforms would be required to align Australian copyright law with European Union press publications rights.

Digital Platforms Inquiry Final Report

> *In Australia, and in other jurisdictions, wide-ranging questions are being asked about the role and impact of digital platforms, stretching from alleged anti-competitive conduct to privacy concerns, and from disparity in media regulation to copyright issues.*[36]

Chapter 5 of the DPI Final Report considers the commercial relationships between digital platforms and media businesses focussing on the bargaining power imbalance and the impact of copyright regulation on media businesses' ability to generate revenue from copyright-protected content. Chapter 5 contains two recommendations. Recommendation 7 is that designated digital platforms provide a code of conduct governing relationships between digital platforms and media businesses to the ACMA.[37] Each digital platform's code of conduct should ensure that they treat news media businesses fairly, reasonably and transparently. The ACCC said that the code should contain certain commitments, including that the digital platform's actions will not impede news media businesses' opportunities to monetise their content appropriately on the digital platform's sites or apps, or on the media businesses' own sites or apps.

Importantly for copyright owners, Chapter 5 also contains Recommendation 8 that there be a mandatory ACMA take-down code to assist copyright enforcement on digital platforms. The challenges of enforcing copyright against digital platforms add another layer to the regulatory imbalance between digital platforms and media businesses,[38] and the code will enable rights holders to ensure the effective and timely removal of copyright-protected content from digital platforms. Concerns about the significant legislative changes required to implement substantive copyright reforms appear to underpin the DPI Final Report's recommendations in relation to codes of conduct. The take-down code in Recommendation 8 is arguably a more appropriate mechanism for achieving its stated aims than the Mandatory Bargaining Code in Recommendation 7 as a bargaining code requires significant commercial negotiations; the mandatory code is being implemented because the ACCC's progress report to the Government in April 2020 indicated that the issue of payment was highly unlikely to be resolved through a voluntary process.[39]

One proposal looked at, but rejected, by the ACCC in the DPI Final Report was the introduction of a licensing framework proposed by Copyright Agency that would require digital platforms to pay fair compensation to the creators of news and journalism.[40] Copyright Agency suggested that a collecting society be involved in distributing remuneration using qualitative criteria to ensure that money is distributed so as to further the objectives of Australian media companies, the production of original content and journalists.[41] The licensing arrangement would involve the digital platform paying a collecting society for use of content (including via snippets) with payments distributed to media businesses, however the DPI Final Report stated:

> *The ACCC does not propose to adopt this type of arrangement, for the following reasons:*
>
> - *There would likely be implementation problems in relation to determining which media businesses and digital platforms would be subject to the scheme and the amount of revenue to be distributed. This could lead to distortions in the digital and news markets.*
> - *It is unclear why digital platforms should compensate media businesses for use of content while not offering compensation to other content creators and websites.*
> - *The requirement to pay for content could create incentive problems and negative consequences.*[42]

Copyright Agency has requested that the proposals for a licensing framework remain under consideration, on the basis that they are not inconsistent with the Mandatory

Bargaining Code.[43] In regards to the likely implementation problems, Copyright Agency has stated that the issues are no different to those in the European Union and can be addressed; the beneficiaries of the scheme are businesses and people who produce the news and journalism that the ACCC has identified as a public good. A licensing framework should not be rejected solely on the basis that a digital platform does not want to pay for content.[44] The fact that it is unclear why digital platforms should compensate media businesses for use of content, while not offering compensation to other content creators and websites, indicates the pressing need for clarity around copyright in online uses of press publications.

Furthermore, Copyright Agency has other successful licensing frameworks in place. Media monitoring organisations have developed from hard copy press clipping services into highly sophisticated media intelligence businesses and their licensing arrangements are complex. Copyright Agency licenses media monitoring organisations to legally copy and share Australian newspaper and magazine content with their clients, namely Isentia, Meltwater, Streem, Gerathy & Madison and MyMedia Intelligence. Licensed works include publications of News Corp, Nine Publishing and ARE Media.[45] A downstream licence from Copyright Agency allows the licensee to read and make a hard copy of the newspaper and magazine content received, digitally share the content within an organisation and store the content for up to 12 months. Copyright Agency and Streem have recently announced the signing of a licensing agreement that will give Streem access to the broadest set of licensable news and media content in Australia.[46] Under the agreement, money will flow to publishers for the use of news content by corporate and government clients, be it an item from print, behind-the-paywall online access or digital snippets. There can, however, at times be difficulties with determining the amount payable by media monitoring agencies in copyright fees, for example Isentia has brought proceedings against Copyright Agency in an attempt to reduce copyright fees payable and seek parity in copyright pricing across the Australian media intelligence industry.[47]

Mandatory Bargaining Code

On 31 July 2020, the ACCC released an exposure draft of the *Treasury Laws Amendment (News Media and Digital Platforms Mandatory Bargaining Code) Bill 2*020 (Cth) for public consultation. The Bill establishes a mandatory code of conduct to address bargaining power imbalances between Australian digital platforms and Australian news businesses, by amending the *Competition and Consumer Act 2*010 (Cth) in relation to digital platforms.

Digital platforms must participate in the Mandatory Bargaining Code if the Treasurer has made a determination specifying a designated digital platform corporation (or one or more designated digital platform services).[48] One consultation question was whether a principles-based or list-based approach is preferable in determining which digital platform services are captured by the Mandatory Bargaining Code.[49] The ACCC has adopted a list-based approach, however if this question were posed in relation to copyright a principles-based approach would more likely be adopted.

The Government has announced that Facebook and Google will be designated digital platform corporations (and the Treasurer is expected to specify Facebook News Feed, Facebook News Tab, Instagram, Google Discover, Google News and Google Search as designated digital platform services).[50] Facebook has stated that it is wholly inappropriate for Instagram to be included within the mandatory code, as there is no evidence or prior analysis to suggest that it plays any meaningful role in the distribution of news, and certainly no role that is more significant than other competitors – such as MSN (Microsoft News), Apple News, TikTok, iMessage, WeChat, Twitter, LinkedIn, Snap or Bing – who would not be subject to the code.[51] Apple comprises 54 per cent of the mobile operating system market in Australia.[52] Apple News is a pre-installed application on iOS devices which pushes notifications to its users, allowing users to read headlines from top stories without opening their device. Once in the app, users can read summaries of articles from a large variety of publications, allowing people to skim over the news without ever needing to access the article itself. The Treasurer may subsequently designate other digital platforms where fundamental bargaining power imbalances with Australian news businesses emerge.[53] Given the fast pace of change to the technology and business models used by news media businesses, it is arguable that other digital platforms such as Apple News should be designated.[54]

For a news business corporation to be covered by the Mandatory Bargaining Code, it must be registered with the ACMA nominating the news business and each news source that makes up the news business.[55] A "news source" includes a newspaper masthead, magazine, television/radio program, website or program or audio or visual content designed to be distributed over the internet.[56] The Australian Broadcasting Corporation and Special Broadcasting Service Corporation are able to register with the ACMA and participate in the Mandatory Bargaining Code and benefit from the minimum standards, however they will not be able to bargain about remuneration or participate in compulsory arbitration, because advertising revenue is not the principal source of funding for public broadcasters.[57]

The ACMA is required to register a news business corporation if it meets:

- the revenue test;
- the content test;
- the Australian audience test; and
- the professional standards test.[58]

A news business corporation satisfies the content test if each news source it nominates is predominantly "core news content" created by a journalist that records, investigates or explains issues that are of public significance for Australians, are relevant in engaging Australian in public debate and in informing democratic decision-making or relate to community and local events.[59] By defining "core news content" quite narrowly but including also a broader concept of "covered news content" for bargaining purposes, the draft legislation attempts to address some of the difficulties that have arisen in copyright cases with defining the term "news".[60] The Exposure Draft Explanatory Materials give further guidance as to the meaning of "core news content":

> *1.51 Core news content can relate directly to matters of public policy and government decision making at any level of government. However, it can also include other matters of public importance such as the activities of private sector entities.*
>
> *1.52 Political, court and crime reporting are examples of content intended to be captured by this test.*
>
> *1.53 Core news content can include editorial and opinion pieces, if those pieces are written by journalists.*[61]

The professional standards test requires that every news source is subject to the rules of the Australian Press Council (or another specified body) or substantially equivalent rules regarding internal editorial standards that relate to the provision of quality journalism and has editorial independence from the subjects of its news coverage.[62] The Exposure Draft Explanatory Materials give further guidance on "editorial independence":

> *1.58 A news source will have editorial independence from the subject of its news coverage if it is:*
>
> - *not owned or controlled by a political advocacy organisation (such as a political party, lobby group or a union); and*
> - *not owned or controlled by a party that has a commercial interest in the coverage being produced (for example, a publication that covers a sport that is owned or controlled by the sport's governing body).*[63]

The rise of social media and digital platforms has created challenges for monitoring false and misleading news,[64] and has renewed audiences' appreciation of trusted sources due to the spread of fake news.[65] Digital platforms have no requirement to contribute to industry associations such as the Australian Press Council, nor do they face the costs of ensuring compliance with their standards e.g. the cost of employing fact-checkers to ensure that factual material is accurate and not misleading.[66]

The Mandatory Bargaining Code has four main sets of requirements. These relate to minimum standards, non-discrimination requirements, bargaining rules and compulsory arbitration rules.[67]

Minimum standards

> *Facebook is no longer simply a passive aggregator and disseminator of news and other information. It is unacceptable for Facebook to rely on vague and inconsistently applied rules and a complex computer algorithm to shape the content featured and distributed by what is, in effect, a global news service.*[68]

One issue with the opacity of Facebook and Google's policies and algorithms is that they have significant power as to where and when publications appear on their platforms, meaning that they can "disappear digitally" and an exercise of bias is possible.[69] Responsible digital platforms must comply with minimum standards, which extend beyond core news content to covered news content and require them to:

- provide registered news businesses with advance notification of algorithm changes;
- provide information about the collection and availability of user data (this obligation is not intended to require digital platforms to disclose trade secrets or other intellectual property to news businesses and any disclosure of data must comply with the *Privacy Act* 1988 (Cth));[70]
- develop a proposal to recognise original news; and
- give advance notification of changes affecting the display and presentation of news content.[71]

Responsible digital platforms must consult with registered news business corporations and publish a proposal to appropriately recognise original covered news content within six months of the ACMA registering the first news business corporation.[72] This right is not dissimilar from the moral right of attribution of authorship in Part IX of the Copyright Act. The digital platform then has an ongoing obligation to update its proposal every 12 months.

Non-discrimination requirements

Responsible digital platform corporations must ensure that the supply of the digital platform service does not, in relation to crawling, indexing, ranking, displaying or presenting registered news businesses' news content, discriminate between registered news businesses, or between registered news businesses and those that are not registered.[73] The non-discrimination requirements apply in relation to all news content. These requirements are important, given action that has previously been taken by Google following the enactment of legislation in Germany and Spain to levy Google for the use of content, including using content only where fees were waived and closing Google News in Spain.[74]

Bargaining obligations

If a registered news business indicates an intention to bargain, the digital platform must negotiate with it in good faith.[75] A news business can form a group with one or more other registered news businesses (e.g. a group of smaller,

regional and rural news media businesses) for the purpose of collectively bargaining with a responsible digital platform.[76] Both the digital platform and the bargaining new business may request certain information, and the other party must comply with the information request.[77] A bargaining news business corporation must ensure that the information or data is not used for a purpose other than in relation to bargaining/arbitration,[78] therefore it will not be accessible to underlying rights holders, such as journalists, in their negotiations with new media businesses and it remains to be seen whether a framework that remunerates news media businesses will ensure a sustainable flow of revenue to support journalism.

The framework of the Mandatory Bargaining Code is not intended to replicate copyright-based policy approaches pursued in overseas jurisdictions to address the bargaining power imbalance between digital platforms and news media businesses, but the Concepts Paper stated that it may include a bargaining framework based on negotiations to determine fixed fees "which may be partly influenced by the operation of licence arrangements based on copyright law".[79] Services provided by digital platforms interact with news content in different ways, for example by featuring headlines, hyperlinks or short extracts. Google is of the view that any requirement in the code for Google to make payments to news media businesses that are tied to "uses" would be inconsistent with the Copyright Act, as it would be akin to using the code to create a new copyright for news media businesses.[80] The Mandatory Bargaining Code sidesteps the concept of use by digital platforms of third party content by imposing bargaining obligations in respect of "bargaining issues", however questions around the applicability of pre-existing rights that may subsist in news content, such as copyright, may be relevant to assessing what constitutes a remunerable use of news content.[81] Further, obligations to negotiate in good faith with respect to "bargaining issues" are not inconsistent with the grant of copyright in respect of online uses of press publications.

The Mandatory Bargaining Code enables news media businesses to monetise content,[82] and deals with the payment of remuneration to news businesses corporations not to underlying rights holders. In contrast, Article 15 of the Copyright Directive takes a more expansive approach in that it aims to improve the position of rights holders to negotiate and be remunerated for the exploitation of their content:

> *… authors and performers often have a weak bargaining position in their contractual relationships, when licensing their rights. In addition, transparency on the revenues generated by the use of their works or performances often remains limited. This ultimately affects the remuneration of the authors and performers. This proposal includes measures to improve transparency and better balanced contractual relationships between authors and performers and those to whom they assign their rights.*[83]

Compulsory arbitration rules

If agreement is not reached within three months the matter will be subject to compulsory arbitration about remuneration.[84] The arbitration will only relate to remuneration to be provided by the responsible digital platform corporation to the registered news business corporation in relation to the benefit of making covered news content of registered news business corporations available on designated digital platform services.[85] The panel must make the determination for remuneration no later than 45 business days after the start of arbitration.[86] Matters that the panel must consider in arbitration include:

- the direct and indirect benefits (whether monetary or otherwise) of the registered news business' covered news content to the digital platform service;
- the cost to the registered news business of producing covered news content; and
- whether a particular remuneration amount would place an undue burden on the commercial interests of the digital platform service.[87]

The ACCC released an exposure draft of the legislation on 31 July 2020, with consultation on the draft concluding on 28 August 2020. Final legislation is expected to be introduced to Parliament after conclusion of the consultation process. It is expected that the final code will detail a number of other matters relating to arbitration and allow a news business corporation to elect to not proceed to arbitration.[88] It is also expected to include requirements about providing news businesses with the explicit option to "opt out" of having their news content featured on any individual service operated by the digital platforms.[89]

Both Google and Facebook have been fighting the proposed introduction of the code and are particularly concerned about data sharing. Information about which news stories and ads appear in a Facebook feed or Google search goes to the heart of the digital platforms' business models and, with the rest of the world watching, Google and Facebook do not want a precedent set in Australia.[90] Facebook has publicly threatened to pull articles from its newsfeed in response to the code and Google has stated that the requirement to provide advance notice of changes to its algorithm is unworkable and would force it to stop updating its local search engine; its executive team has also been warning news organisations and the government that it might withdraw from the market altogether.[91]

Subsistence of copyright in news articles

Copyright has a crucial role to play in protecting the rights of journalists and news media businesses. Australian copyright law must remain relevant in the digital age and

should complement the proposed amendments to the *Competition and Consumer Act* 2010 (Cth) arising from the Digital Platforms Inquiry. The Copyright DSM Directive states that, in the absence of recognition of publishers of press publications as right holders, the licensing and enforcement of rights in press publications regarding online uses by information society service providers in the digital environment are often complex and inefficient.[92] This statement is as true in Australia as it is in the European Union. Australian copyright law does not specifically protect press publications and the provisions of the Copyright Act which affect the creation and use of news content have evolved over a long period of time in a changing technological environment.

In Australia, copyright subsists in original literary, dramatic, musical and artistic works that have been reduced to a material form and are sufficiently substantial to be regarded as a work.[93] Copyright does not subsist in facts, information or opinions but only their mode of expression ("the idea-expression dichotomy").[94] The distinction between literary and artistic works, which are the proper subject of copyright protection, and facts and information contained in those works, which are not protected, was included in Article 2 of the *World Intellectual Property Organization Copyright Treaty* 1996:

> *Copyright protection extends to expressions and not to ideas, procedures, methods of operation or mathematical concepts as such.*[95]

More specifically in relation to news, the *Berne Convention for the Protection of Literary and Artistic Works* ("Berne Convention") states:

> *The protection of this Convention shall not apply to news of the day or to miscellaneous facts having the character of mere items of press information.*[96]

News articles will often contain many facts and much information, which can have adverse implications for the subsistence of copyright.

A reader may be drawn to a particular article by a carefully crafted headline, but the headline of a news article will not usually be protected by copyright in Australia. In *Fairfax Media Publications Pty Ltd v Reed International Books Australia Pty Ltd*, Justice Bennett found that the headline of each article functions as the title of the article.[97] She said that headlines generally are, like titles, simply too insubstantial and too short to qualify for copyright protection as literary works, and that the need to identify a work by its name is a reason for the exclusion of titles from copyright protection in the public interest.[98] In the United Kingdom case of *Newspaper Licensing Agency Ltd v Meltwater Holding BV*, the Court of Appeal found that newspaper headlines are capable of being original literary works.[99] Lord Chief Justice Morritt referred to Justice Bennett's decision in *Fairfax Media Publications Pty Ltd v Reed International Books Australia Pty Ltd* and noted that even in that case the court recognised that a headline may enjoy copyright protection.[100] Justice Bennett stated that it may be that evidence directed to a particular headline, or a title of so extensive and of such a significant character, could be sufficient to warrant a finding of copyright protection, but frequently evidence will be "insufficient to overcome the reasoning for the established practice of denying copyright protection to titles which is the apt characterisation for headlines as a class."[101]

Copyright is infringed if copyright material, or a substantial part of it, is used without permission in one of the ways exclusively reserved to the copyright owner.[102] It is not necessary that the whole of a work be copied. Courts determine whether a part is substantial by considering whether it is a distinctive or important part.[103] The part does not necessarily have to be a large part to be substantial for the purposes of copyright law. If copyright subsists in a news article and the copyright owner sues for infringement, an issue that often arises is whether a substantial part of the work has been copied.

Fair dealing for the purpose of reporting news

The *Berne Convention* states that it is a matter for legislation of member countries to determine the conditions under which literary or artistic works may be reproduced and made available to the public for the purpose of reporting current events.[104] In Australia, the exceptions to copyright infringement in the Copyright Act include a fair dealing exception for the purpose of reporting news.[105]

> *It is thought to be in the public interest to reduce obstacles to, and facilitate, the reporting of news. If this exception did not exist, the media would need to obtain permission to use the copyright material, which would slow the process and possibly remove the newsworthy element of the news report. Permission might be contingent on the payment of a fee adding to the cost of reporting. Alternatively, the copyright owner could simply decline permission to use the material with the effect of restricting information that would be made available to the public in the form of news.*[106]

"News" is not defined in the Copyright Act. Courts have given the term its ordinary dictionary meaning but there have long been difficulties with delimiting the concept. The reporting of news is not restricted to current events, and may also include long term reviews or commentary, as in the case of a documentary.[107] *TCN Channel Nine Pty Ltd v Network Ten Pty Limited* ("*The Panel* case") summarised some relevant principles emerging from the authorities involving fair dealing defences, including that news is not restricted to current events and may involve the use of humour (although the distinction between news and entertainment may be difficult to determine in particular situations).[108] Copyright cases such as *The Panel* case consider the term "news" in order to determine the scope of an exception to copyright infringement, rather than the extent of a grant of rights. If

specific copyrights in respect of press publications were to be granted under Australian copyright law then "news"/"press" would need to be defined and consideration might be given to definitions such as "core news content", "covered news content" and "news source" in the *Treasury Laws Amendment (News Media and Digital Platforms Mandatory Bargaining Code) Bill* 2020 (Cth).

The fair dealing exception to copyright infringement for the purpose of reporting news operates as a balance on the exclusive rights granted under the Copyright Act to copyright owners. Whether a dealing is "fair" depends on the facts and involves questions of degree and impression, on which different minds can reasonably come to different conclusions.[109] For this reason, there are often areas of uncertainty around the application of the exceptions to copyright infringement. In order to qualify as an act of fair dealing, it must be for the purposes of the person making the copy.[110] In *De Garis and Matthew Moore v Neville Jeffress Pidler Pty Limited*, it was said that the relevant purpose required by the fair dealing exception is that of the defendant.[111] Digital platforms are generally not in the business of news reporting, therefore there is a view that the exception does not apply to the use by digital platforms of news content.[112]

Copyright ownership of news content

Journalists sit at the creative heart of news media organisations. The ownership provisions in the Copyright Act that apply to original works are expressed in terms of authorship,[113] and an author must have been a qualified person at the time the work was made.[114] A qualified person is an Australian citizen or a person resident in Australia;[115] there is no requirement that the author of a news article be a professional journalist or member of an industry association in order for copyright to subsist.

The general rule is that the author of a literary work is the owner of any copyright subsisting in the work, subject to any agreement to the contrary.[116] This rule will not apply in certain circumstances including if the author was an employee (rather than freelance) and created the work in pursuance of the terms of their employment.[117] The scope of rights of freelance and independent journalists will ultimately depend on the terms of their agreement with the relevant news media organisation.[118]

Usually, journalists employed by news media organisations will not have the right to authorise digital uses of their work in the absence of a written agreement with their employer to the contrary.[119] The importance of the copyright provisions in a contract for service has long been recognised. In 1959, the Australian Journalists' Association made a submission to the Spicer Committee that an employee-journalist should have copyright jointly with their employer in works produced in the course of their employment, in so far as the copyright relates to publication in any newspaper, magazine or similar periodical other than the first one in which it is published.[120] The submission was made, presciently, on the ground that overseas sales and extensive syndication provide a huge and profitable field for the exploitation of material out of all proportion to the wage which is the employee's sole claim to profit from exceptional work. The Spicer Committee rejected the submission and doubted "whether a provision of that nature would make any practical difference to the position of the journalist as a newspaper proprietor could, and doubtless would, ensure that his employee's contract of service provided to the contrary".[121]

The issue of whether employed journalists should control the copyright to their works was also debated in the early 1990s in Australia.[122] There are specific provisions in the Copyright Act for employees of print media publishers, which apply to works created on or after 30 July 1998, the date on which the *Copyright Amendment Act (No 1)* 1998 (Cth) came into effect.[123] The language of section 35(4) refers to a "newspaper, magazine or similar periodical". The terms "magazine" and "periodical" date back at least to *The Copyright Act* 1842 (United Kingdom)[124] (perhaps it is time that these terms be modernised and made technology-neutral).

The law as it stood before the 1998 amendments provided that newspaper proprietors, and proprietors of magazines and similar periodicals, owned the copyright in works written by employed journalists for the purposes of publication in a newspaper or magazine, or for broadcasting. The journalists owned the copyright for all other uses of their works.[125] In *De Garis and Matthew Moore v Neville Jeffress Pidler Pty Limited*, a press clipping service monitored newspapers and other media for articles and distributed them to its clients for a fee. Under the Copyright Act at the time, the newspaper proprietor owned the copyright in so far as it related to publication in a newspaper. It was held that the activity of providing press clippings on a commercial basis was different in character from the activity of publishing a newspaper and it could not be said that the monitoring service was an integral part of the publication of the newspaper, so the journalist was the owner of the relevant copyright.[126] The Copyright Law Review Committee ("CLRC") subsequently produced a *Report on Journalists' Copyright* (1994) recommending that journalists should have no preferred position over other employees and that newspaper and magazine proprietors should own the entire copyright in works created by employed journalists.[127] A compromise was enacted by the *Copyright Amendment Act (No 1)* 1998 (Cth), which reserved limited rights to employed journalists including the "clipping service" right.[128]

The current position is that if a literary work is created under the terms of a journalist's employment for the purpose of inclusion in a newspaper, magazine or similar periodical, then the proprietor is the owner of the copyright but the author retains rights in relation to the reproduction of the

work (i) for the purpose of inclusion in a book and (ii) in the form of a hard copy facsimile made from a paper edition (but not including copies made as part of a process of transmission or a reproduction by the proprietor for a purposes connected with the publication).[129] A "hard copy facsimile" is a facsimile which is in a material form and from which the work is visible to a human being without the use of any device.[130] Therefore journalists retain photocopying rights, but a media proprietor possesses electronic rights, in employed journalists' work. The right retained by employed journalists to make "hard copy facsimiles" has previously prevented media monitoring services from making copies of their work but is of more limited value in a digital world and it is arguably time to revisit the position. Benefits from the ACCC's proposed bargaining framework for news media businesses and digital platforms may trickle down to journalists from news media businesses but it is also important that journalists have appropriate rights and protections under copyright law.

Copyright in published editions

A press publication right is a type of "entrepreneurial copyright", granted not to an individual author but to the publisher as a reward for investment, ingenuity and art involved in production.[131] The grant of copyrights to publishers has a long history that predates copyright legislation. Prior to the enactment of the Statute of Anne in 1710, [132] copying restrictions in Great Britain were enforced by the Stationers' Company, a guild of printers given the exclusive power to print (and the responsibility to censor literary works). Under the Statute, only the author and the printers to whom they chose to license their works could publish the author's works. The Statute is considered a "watershed event in Anglo-American copyright history ... transforming what had been the publishers' private law copyright into a public law grant".[133] The focus of copyright has since remained on author's rights, however copyright provisions that grant specific rights to publishers are not unusual. For example, under the Australian *Copyright Act* 1905 the author of an article was granted the copyright in that article but the proprietor of a periodical in which an article was first published could authorise its publication in the periodical (e.g. a newspaper or magazine) in its original form of publication.[134]

One way of enacting rights in respect of Australian press publications would be to update current copyright protection of published editions. Copyright in a typographical arrangement was enacted by United Kingdom copyright legislation in 1956. In *Newspaper Licensing Agency Limited v. Marks and Spencer plc*, Lord Hoffmann explained that the Publishers' Association sought "protection for typographical arrangements so that a particular edition of a literary or musical work printed by or for a publisher could not be directly and exactly copied by an unscrupulous competitor by photo-lithography or similar means."[135] The Spicer Committee recommended that a similar provision be included in the Australian Copyright Act in 1968:

> *We understand that it is now possible to make reprints of published works by photographic means and that it can be done relatively cheaply owing to the absence of type-setting. We are also given to understand that even before the enactment of section 15 of the 1956 Act it was not uncommon for one publisher to pay another a sum for permission to use a typographical arrangement. In our view, therefore, a copyright in typographical arrangements should be created and provisions along the lines of section 15 should be enacted.*[136]

The rights granted to publishers in respect of press publications under Article 15 of the Copyright DSM Directive are analogous to the rights granted to publishers in respect of published editions under section 92 of the Copyright Act, in that they are both entrepreneurial copyrights. Under section 92, copyright subsists in a published edition of a literary, dramatic, musical or artistic work. The published edition copyright protects the product of skill, labour and judgment in presenting material in an edition. The publisher of an edition is the owner of any copyright subsisting in the published edition.[137] Copyright in a published work can be held by one person while the published edition copyright in relation to the same publication can be held by another person. The term of the copyright in an Australian published edition is 25 years after the year of first publication[138] (much longer than the two-year period granted to publishers of press publications in respect of online uses under Article 15 of the Copyright DSM Directive).

In *Nationwide News Pty Limited and Others v Copyright Agency Limited* the Federal Court of Australia said, a quarter of a century ago, that the term "published edition" (which is not defined in the Copyright Act) applies to a published edition of a newspaper or magazine.

> *Published edition copyright protects the presentation embodied in the edition. This form of copyright, as the legislative history shows, protects such matters as typographical layout. However, it also protects other aspects of presentation, such as juxtaposition of text and photographs and use of headlines. In the present case, a considerable volume of evidence was adduced on the importance of layout and presentation to magazines and newspapers. In modern times, the work of typesetters is shared among sub-editors, layout artists or designers and production editors. It is clear that layout is often extremely important in attracting readers to read a particular story or magazine. It is also clear that the choice of layout, type-size, headings and colour is a skilled operation.*[139]

Although considerable skill, labour and judgment still goes in to the production of news content, newspapers are increasingly presented in digital format. Recently, News Corp Australia has stopped the print editions of more than

100 suburban and regional mastheads.[140] Published edition copyright, initially enacted to protect a publisher who has gone to great trouble and expense to produce, for example, an edition of Shakespeare's plays (by using special type and a well-designed layout)[141] is not easily applied to the protection of news content in a digital format.

The exclusive rights granted to the owner of copyright in a work under the Copyright Act include the right to reproduce the work in a material form.[142] In contrast, the exclusive right granted in respect of an Australian published edition is to make a facsimile copy of the edition,[143] meaning an exact copy of the edition. It is difficult to apply the right to make a facsimile copy of a published edition in the context of newspapers.

> *The notion of reproduction … is sufficiently flexible to include the copying of ideas abstracted from a literary, dramatic, musical or artistic work, provided that their expression in the original work has involved sufficient of the relevant original skill and labour to attract copyright protection. In the case of a typographical arrangement, however, nothing less than a facsimile copy will do. It is in this context that one must ask whether there has been copying of sufficient of the relevant skill and labour to constitute a substantial part of the edition's typographical arrangement.*[144]

The exclusive right is not limited to a "hard copy facsimile", unlike the right granted to journalists to make a facsimile in section 35(4), however some issues that arise are whether: (a) the newspaper is a published edition, (b) the published edition is the whole of the newspaper or each of the articles; and (c) there has there been a copying of a substantial part of the edition. The complexities are compounded if the newspaper is a digital edition, part of which has been copied by a digital platform.

Under Article 15 of the Copyright DSM Directive, the reproduction right and communication to the public right apply to online uses of press publications in Europe. The position in Australia is different as although the exclusive rights of the owner of copyright in a work were extended to the right to communicate the work to the public by the *Copyright Amendment (Digital Agenda) Act* 2000 (Cth), the Australian Government decided that the right of communication to the public should not extend to published editions.

> *Whilst no reason for this decision is given in the Explanatory Memorandum accompanying the Bill, it seems clear that the policy is that the scope of copyright protection for published editions should be confined to the situations which gave rise to its inclusion in the legislation in the first place…*[145]

The decision is inconsistent with a technology-neutral approach to copyright policy, because it restricts the protection granted to published editions to analogue rights, however works in analogue form do not necessarily require greater protection than those in digital form. On the contrary, section 132AK of the Copyright Act states that an offence relating to an infringing copy is an aggravated offence if the infringing copy was made by converting a work or other subject-matter from a hard copy or analogue form into a digital or other electronic machine-readable form.

In its submission to the ACCC *Digital Platforms Inquiry Preliminary Report*, Copyright Agency suggested the creation of a sui generis right that would impose an obligation on the operator of a digital platform to be licensed for the use of that content.[146] A simpler approach might be to reform published edition copyright, which is technology-specific for historical reasons and could be extended to press publications.

Conclusion

> *Australian copyright law … is inevitably trailing the changes wrought by the digital revolution*[147]

Copyright law must be technology-neutral and robust so that it can keep pace with the rapidly evolving digital environment. The exclusive rights currently granted under the Copyright Act do not extend to the grant of specific copyrights in respect of digital uses of press publications and do not provide sufficient incentive for news production. The Mandatory Bargaining Code has the practical benefit of not requiring changes to copyright laws at a time when other copyright modernisation proposals have not progressed and sets the "guard rails of competition",[148] however reducing anticompetitive conduct will not necessarily minimise uncertainty for rights holders and licensees. The Mandatory Bargaining Code's minimum standards, non-discrimination requirements, bargaining rules and compulsory arbitration rules are worthwhile, however it is limited in scope in that it only applies to designated digital platforms/services and only benefits registered news sources/media businesses. Further, the Mandatory Bargaining Code applies to bargaining issues whereas copyright law "focuses more on the content used, on a case by case basis, rather than the aggregated effect" of the uses.[149] Once the Mandatory Bargaining Code has been finalised and implemented its effectiveness will need to be reviewed; it is unlikely to be a panacea for the industry's ills. The extension of Australian copyright law to online uses of press publications would complement the competition initiatives.

1 Solicitor, MinterEllison Flex.

2 Student Commerce/Law at University of New South Wales.

3 Australian Competition and Consumer Commission, *Digital Platforms Inquiry* (Final Report, 26 July 2019) 32.

4 *Directive (EU) 2019/790 of 17 April 2019 on Copyright and Related Rights in the Digital Single Market* [2019] OJ L 130/92 and amending Directives 96/9/EC and 2001/29/EC OJ L 130, 17.5.2019.

5 Fairfax Media, *ACCC Digital Platforms Inquiry – Fairfax Media response to issues paper* (2018) <https://www.accc.gov.au/system/files/Fairfax%20Media%20%28April%202018%29.pdf>.

6 Kerry O'Brien, *A Memoir* (Allen & Unwin, 2018) 234.

7 *IceTV Pty Limited v Nine Network Australia Pty Limited* [2009] 239 CLR 458.

8 Australian Law Reform Commission, *Copyright and the Digital Economy* (ALRC Report 122) 2014, '2. Framing Principles for Reform, Principle 2: Maintaining incentives for creation and dissemination' <https://www.alrc.gov.au/publication/copyright-and-the-digital-economy-alrc-report-122/>.

9 Australian Competition and Consumer Commission, *Treasury Laws Amendment (News Media and Digital Platforms Mandatory Bargaining Code) Bill 2*020 Exposure Draft Explanatory Materials (2020) 3 <https://www.accc.gov.au/focus-areas/digital-platforms/news-media-bargaining-code/draft-legislation>.

10 Australian Competition and Consumer Commission, *Treasury Laws Amendment (News Media and Digital Platforms Mandatory Bargaining Code) Bill* 2020 Exposure Draft Explanatory Materials (2020) 4 <https://www.accc.gov.au/focus-areas/digital-platforms/news-media-bargaining-code/draft-legislation>.

11 The Australian Press Council, 'Submission to the ACCC Digital Platforms Inquiry (2018) 3 <https://www.accc.gov.au/system/files/Australian%20Press%20Council%20%28April%202018%29.pdf>.

12 The Australian Press Council, 'Submission to the ACCC Digital Platforms Inquiry (2018) 3 <https://www.accc.gov.au/system/files/Australian%20Press%20Council%20%28April%202018%29.pdf>.

13 Australian Associated Press, 2018. *Australian Associated Press Response to The ACCC Digital Platforms Inquiry Issues Paper* (2018) 1 <https://www.accc.gov.au/system/files/Australian%20Associated%20Press%20%28April%202018%29.pdf>.

14 Bret Christian, Post Newspapers Pty Ltd, 'Submission to the ACCC's Digital Platforms Inquiry' (2018) <https://www.accc.gov.au/focus-areas/inquiries-ongoing/digital-platforms-inquiry/submissions>.

15 Australian Competition and Consumer Commission, *Digital Platforms Inquiry* (Final Report, 26 July 2019) 537.

16 Australian Competition and Consumer Commission, *Digital Platforms Inquiry* (Final Report, 26 July 2019) 32.

17 Productivity Commission, *Intellectual Property Arrangements Inquiry Report Overview* (2016) 23 <https://www.pc.gov.au/inquiries/completed/intellectual-property/report>.

18 Australian Law Reform Commission, *Copyright and the Digital Economy* (ALRC Report 122) 2014, '2. Framing Principles for Reform, Principle 2: Maintaining incentives for creation and dissemination' <https://www.alrc.gov.au/publication/copyright-and-the-digital-economy-alrc-report-122/>.

19 Google, 'Mandatory News Media Bargaining Code Response to the ACCC's Concepts Paper', (5 June 2020) 2 < https://www.accc.gov.au/system/files/Google.pdf>.

20 Facebook, 'Response to the Australian mandatory news media bargaining code concepts paper' (5 June 2020) 36 < https://www.accc.gov.au/system/files/Facebook.pdf>.

21 United Kingdom Department for Digital, Culture, Media & Sport, *The Cairncross Review: a sustainable future for journalism* (2019) <https://www.gov.uk/government/publications/the-cairncross-review-a-sustainable-future-for-journalism>.

22 Report of the Senate Select Committee on the Future of Public Interest Journalism (5 February 2018) 80 <https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Future_of_Public_Interest_Journalism/PublicInterestJournalism/Report>.

23 *Directive (EU) 2019/790 of 17 April 2019 on Copyright and Related Rights in the Digital Single Market* [2019] OJ L 130/92, art 15.

24 Fenwick & West LLP, 'The EU Copyright Directive: Potential Copyright Liability and a "Best Efforts" Standard for Platforms' (*Lexology*, 22 January 2020) <https://www.lexology.com/library/detail.aspx?g=a15d553e-2c08-46ab-bc28-7a6314a2ce55>.

25 Martin Kretschmer, 'Regulatory divergence post Brexit: Copyright law as an indicator for what is to come' (2020) <http://eulawanalysis.blogspot.com/2020/02/regulatory-divergence-post-brexit.html>.

26 Copyright Agency, 'Submission to the ACCC Digital Platforms Inquiry Preliminary Report' (May 2019) 3 <https://www.accc.gov.au/system/files/Copyright%20Agency%20%28May%202019%29.pdf>.

27 Explanatory Memorandum to 'Proposal for a Directive of the European Parliament and of the Council on Copyright in the Digital Single Market' 2016/0280(COD) [1].

28 Policy Department for Citizens' Rights and Constitutional Affairs, Directorate General for Internal Policies of the Union, 'Strengthening the Position of Press Publishers and Authors and Performers in the Copyright Directive' (2018) 18 <https://www.europarl.europa.eu/RegData/etudes/STUD/2017/596810/IPOL_STU%282017%29596810_EN.pdf>.

29 Simon Stokes, *Digital Copyright Law and Practice* (Hart Publishing, 2019) 75.

30 Dillon Eustace, 'The EU Copyright Directive - Controversial Policing of Online Copyright' (Lexology, 21 May 2019) <https://www.lexology.com/library/detail.aspx?g=08f01210-4e71-427b-832d-d85af4d1f26b>.

31 Fenwick & West LLP 'The EU Copyright Directive: Potential Copyright Liability and a "Best Efforts" Standard for Platforms' (*Lexology*, 2020) <https://www.lexology.com/library/detail.aspx?g=a15d553e-2c08-46ab-bc28-7a6314a2ce55>.

32 Australian Competition and Consumer Commission, *Mandatory News Media Bargaining Code*: *Concepts Paper* (2020) 13 <https://www.accc.gov.au/focus-areas/digital-platforms/news-media-bargaining-code/concepts-paper>.

33 Explanatory Memorandum to 'Proposal for a Directive of the European Parliament and of the Council on Copyright in the Digital Single Market' 2016/0280(COD) [56].

34 Australian Competition and Consumer Commission, *Digital Platforms Inquiry* (Final Report, 26 July 2019) 254.

35 See *Copyright Act* 1968 (Cth) ss.36 and 101, see also *Cooper v Universal Music Australia Pty Ltd* [2006] 237 ALR 714.

36 Australian Competition and Consumer Commission, *Digital Platforms Inquiry* (Final Report, 26 July 2019) 1.

37 Australian Competition and Consumer Commission, *Digital Platforms Inquiry* (Final Report, 26 July 2019) 32.

38 Australian Competition and Consumer Commission, *Digital Platforms Inquiry* (Final Report, 26 July 2019) 174.

39 Australian Competition and Consumer Commission, '*Treasury Laws Amendment (News Media and Digital Platforms Mandatory Bargaining Code) Bill 2020* Exposure Draft Explanatory Materials' (2020) 4 <https://www.accc.gov.au/focus-areas/digital-platforms/news-media-bargaining-code/draft-legislation>.

40 Copyright Agency, 'Submission to the ACCC Digital Platforms Inquiry Preliminary Report' (May 2019) 1 <https://www.accc.gov.au/system/files/Copyright%20Agency%20%28May%202019%29.pdf>.

41 Copyright Agency, 'Submission to the ACCC Digital Platforms Inquiry Preliminary Report' (May 2019) 5 <https://www.accc.gov.au/system/files/Copyright%20Agency%20%28May%202019%29.pdf>.

42 Australian Competition and Consumer Commission, *Digital Platforms Inquiry* (Final Report, 26 July 2019) 253-4.

43 Copyright Agency, 'Response to ACCC Digital Platforms report' (September 2019) 2 <https://consult.treasury.gov.au/structural-reform-division/digital-platforms-inquiry/consultation/published_select_respondent?_b_index=60>.

44 Copyright Agency, 'Response to ACCC Digital Platforms report' (September 2019) 4 <https://consult.treasury.gov.au/structural-reform-division/digital-platforms-inquiry/consultation/published_select_respondent?_b_index=60>.

45 Isentia ASX release (24 April 2019) <https://www.asx.com.au/asxpdf/20190424/pdf/444hzkt4c2y2xd.pdf>.

46 Natasha Gillezeau, Australian Financial Review, 'Media monitor Streem makes peace with publishers' (19 October 2020) < https://www.afr.com/companies/media-and-marketing/media-monitor-streem-makes-peace-with-publishers-20201016-p565un>.

47 *Application by Isentia Pty Limited* [2020] ACopyT 1, [195]. See also Isentia ASX release (24 April 2019) <https://www.asx.com.au/asxpdf/20190424/pdf/444hzkt4c2y2xd.pdf>.

48 Australian Competition and Consumer Commission, '*Treasury Laws Amendment (News Media and Digital Platforms Mandatory Bargaining Code) Bill 2020* Exposure Draft Explanatory Materials' (2020) 8 <https://www.accc.gov.au/focus-areas/digital-platforms/news-media-bargaining-code/draft-legislation>.

49 Australian Competition and Consumer Commission, *Mandatory News Media Bargaining Code*: *Concepts Paper* (2020) 6 <https://www.accc.gov.au/focus-areas/digital-platforms/news-media-bargaining-code/concepts-paper>.

50 Australian Competition and Consumer Commission, '*Treasury Laws Amendment (News Media and Digital Platforms Mandatory Bargaining Code) Bill 2020* Exposure Draft Explanatory Materials' (2020) 9 <https://www.accc.gov.au/focus-areas/digital-platforms/news-media-bargaining-code/draft-legislation>.

51 Facebook, 'Response to the Australian mandatory news media bargaining code concepts paper' (5 June 2020) 6 < https://www.accc.gov.au/system/files/Facebook.pdf>.

52 Statcounter, 'Mobile Vendor Market Share Australia' (2020) <https://gs.statcounter.com/vendor-market-share/mobile/australia>.

53 Australian Competition and Consumer Commission, *Treasury Laws Amendment (News Media and Digital Platforms Mandatory Bargaining Code) Bill* 2020 Exposure Draft Explanatory Materials (2020) 4 <https://www.accc.gov.au/focus-areas/digital-platforms/news-media-bargaining-code/draft-legislation>.

54 Google, 'Mandatory News Media Bargaining Code Response to the ACCC's Concepts Paper', (5 June 2020) 10 < https://www.accc.gov.au/system/files/Google.pdf>.

55 *Treasury Laws Amendment (News Media and Digital Platforms Mandatory Bargaining Code) Bill* 2020 s.52D.

56 *Treasury Laws Amendment (News Media and Digital Platforms Mandatory Bargaining Code) Bill* 2020 s.52A.

57 *Treasury Laws Amendment (News Media and Digital Platforms Mandatory Bargaining Code) Bill* 2020 s.52Y(6) and see also Australian Competition and Consumer Commission, '*Treasury Laws Amendment (News Media and Digital Platforms Mandatory Bargaining Code) Bill 2020* Exposure Draft Explanatory Materials' (2020) 5 <https://www.accc.gov.au/focus-areas/digital-platforms/news-media-bargaining-code/draft-legislation>.

58 Australian Competition and Consumer Commission, *Treasury Laws Amendment (News Media and Digital Platforms Mandatory Bargaining Code) Bill* 2020 Exposure Draft Explanatory Materials (2020) 10 <https://www.accc.gov.au/focus-areas/digital-platforms/news-media-bargaining-code/draft-legislation>.

59 *Treasury Laws Amendment (News Media and Digital Platforms Mandatory Bargaining Code) Bill* 2020 s.52H and see s.52A for definition of "core news content".

60 See *TCN Channel Nine Pty Ltd v Network Ten Pty Limited* [2002] 118 FCR 417.

61 Australian Competition and Consumer Commission, *Treasury Laws Amendment (News Media and Digital Platforms Mandatory Bargaining Code) Bill* 2020 Exposure Draft Explanatory Materials (2020) 12 <https://www.accc.gov.au/focus-areas/digital-platforms/news-media-bargaining-code/draft-legislation>.

62 *Treasury Laws Amendment (News Media and Digital Platforms Mandatory Bargaining Code) Bill* 2020 s.52K.

63 Australian Competition and Consumer Commission, *Treasury Laws Amendment (News Media and Digital Platforms Mandatory Bargaining Code) Bill* 2020 Exposure Draft Explanatory Materials (2020) 13 <https://www.accc.gov.au/focus-areas/digital-platforms/news-media-bargaining-code/draft-legislation>.

64 Senate Select Committee on the Future of Public Interest Journalism (Report, 5 February 2018) <https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Future_of_Public_Interest_Journalism/PublicInterestJournalism/Report>.

65 Australian Broadcasting Corporation, 'ABC Submission to the ACCC Digital Platforms Inquiry' (20 April 2018) 21 <https://www.accc.gov.au/system/files/Australian%20Broadcasting%20Corporation%20%28April%202018%29.pdf>.

66 Australian Competition and Consumer Commission, *Digital Platforms Inquiry* (Final Report, 26 July 2019) 179.

67 Australian Competition and Consumer Commission, *Treasury Laws Amendment (News Media and Digital Platforms Mandatory Bargaining Code) Bill* 2020 Exposure Draft Explanatory Materials (2020) 4 <https://www.accc.gov.au/focus-areas/digital-platforms/news-media-bargaining-code/draft-legislation>.

68 Presscouncil.org.au, 'Media Release 13 Sept 2016' (2016) <https://www.presscouncil.org.au/media-release-13-sept-2016/.

69 The Australian Press Council, 'Submission to The ACCC Digital Platforms Inquiry' (2018) 9 <https://www.accc.gov.au/system/files/Australian%20Press%20Council%20%28April%202018%29.pdf>.

70 Australian Competition and Consumer Commission, *Treasury Laws Amendment (News Media and Digital Platforms Mandatory Bargaining Code) Bill* 2020 Exposure Draft Explanatory Materials (2020) 16 <https://www.accc.gov.au/focus-areas/digital-platforms/news-media-bargaining-code/draft-legislation>.

71 *Treasury Laws Amendment (News Media and Digital Platforms Mandatory Bargaining Code) Bill* 2020 s.52L.

72 *Treasury Laws Amendment (News Media and Digital Platforms Mandatory Bargaining Code) Bill* 2020 s.52T.

73 *Treasury Laws Amendment (News Media and Digital Platforms Mandatory Bargaining Code) Bill* 2020 s.52W.

74 Australian Competition and Consumer Commission, *Digital Platforms Inquiry* (Preliminary Report, 10 December 2018) 279.

75 *Treasury Laws Amendment (News Media and Digital Platforms Mandatory Bargaining Code) Bill* 2020 s.52Y.

76 Australian Competition and Consumer Commission, , 'Q&As: Draft news media and digital platforms mandatory bargaining code' (July 2020) 4 < https://www.accc.gov.au/focus-areas/digital-platforms/draft-news-media-bargaining-code>.

77 *Treasury Laws Amendment (News Media and Digital Platforms Mandatory Bargaining Code) Bill* 2020 s.52ZC.

78 *Treasury Laws Amendment (News Media and Digital Platforms Mandatory Bargaining Code) Bill* 2020 s.52ZD(2).

79 Australian Competition and Consumer Commission, *Mandatory News Media Bargaining Code*: *Concepts Paper* (2020) 11 <https://www.accc.gov.au/focus-areas/digital-platforms/news-media-bargaining-code/concepts-paper>.

80 Google, 'Mandatory News Media Bargaining Code Response to the ACCC's Concepts Paper', (5 June 2020) 25 < https://www.accc.gov.au/system/files/Google.pdf>.

81 Australian Competition and Consumer Commission, *Mandatory News Media Bargaining Code*: *Concepts Paper* (2020) 14 <https://www.accc.gov.au/focus-areas/digital-platforms/news-media-bargaining-code/concepts-paper>.

82 Copyright Agency, 'Response to ACCC Digital Platforms report' (September 2019) 2 <https://consult.treasury.gov.au/structural-reform-division/digital-platforms-inquiry/consultation/published_select_respondent?_b_index=60>.

83 Explanatory Memorandum to 'Proposal for a Directive of the European Parliament and of the Council on Copyright in the Digital Single Market' 2016/0280(COD) [1].

84 Australian Competition and Consumer Commission, *Treasury Laws Amendment (News Media and Digital Platforms Mandatory Bargaining Code) Bill* 2020 Exposure Draft Explanatory Materials (2020) 6 <https://www.accc.gov.au/focus-areas/digital-platforms/news-media-bargaining-code/draft-legislation>.

85 Australian Competition and Consumer Commission, *Treasury Laws Amendment (News Media and Digital Platforms Mandatory Bargaining Code) Bill* 2020 Exposure Draft Explanatory Materials (2020) 8 <https://www.accc.gov.au/focus-areas/digital-platforms/news-media-bargaining-code/draft-legislation>.

86 *Treasury Laws Amendment (News Media and Digital Platforms Mandatory Bargaining Code) Bill* 2020 s.52ZQ.

87 *Treasury Laws Amendment (News Media and Digital Platforms Mandatory Bargaining Code) Bill* 2020 s.52ZP.

88 Australian Competition and Consumer Commission, *Treasury Laws Amendment (News Media and Digital Platforms Mandatory Bargaining Code) Bill* 2020 Exposure Draft Explanatory Materials (2020) 23 <https://www.accc.gov.au/focus-areas/digital-platforms/news-media-bargaining-code/draft-legislation>.

89 Australian Competition and Consumer Commission, *Treasury Laws Amendment (News Media and Digital Platforms Mandatory Bargaining Code) Bill* 2020 Exposure Draft Explanatory Materials

(2020) 20 <https://www.accc.gov.au/focus-areas/digital-platforms/news-media-bargaining-code/draft-legislation>.

90 David Speers, *ABC News*, 'Facebook and Google want to protect data secrecy and use of news media but the Government has other ideas' (Sydney, 2 September 2020) <https://www.abc.net.au/news/2020-09-02/google-facebook-protect-business-model-data-secrecy-share-news/12620184>.

91 Zoe Samios, 'Payments negotiations with media companies unworkable, warns Google boss', *The Sydney Morning Herald* (Sydney, 29 September 2020) < https://www.smh.com.au/business/companies/payments-negotiations-with-media-companies-unworkable-warns-google-boss-20200929-p560e8.html>.

92 Explanatory Memorandum to 'Proposal for a Directive of the European Parliament and of the Council on Copyright in the Digital Single Market' 2016/0280(COD) [54].

93 *Copyright Act 1968* (Cth) s.32 and see Peter Knight, *Copyright: The Laws of Australia* (Thomson Reuters (Professional) Australia Limited, 2013) 23.

94 The requirement that a work must be reduced to a 'material form' in order for copyright to subsist is implicit in a number of provisions of the *Copyright Act* 1968 (Cth) e.g. s 31(1)(a)(i) in relation to reproduction.

95 Dec. 20, 1996 S. Treaty Doc. No. 105-17 (1997); 2186 U.N.T.S. 121; 36 I.L.M. 65 (1997), art 2.

96 *Berne Convention for the Protection of Literary and Artistic Works*, September 9, 1886, as revised at Stockholm on July 14, 1967 828 U.N.T.S. 221art 2(8).

97 *Fairfax Media Publications Pty Ltd v Reed International Books Australia Pty Ltd* [2010] 189 FCR 109.

98 *Fairfax Media Publications Pty Ltd v Reed International Books Australia Pty Ltd* [2010] 189 FCR 109, [48].

99 *The Newspaper Licensing Agency Ltd and others v Meltwater Holding BV and others* [2011] EWCA Civ 890, [22].

100 *The Newspaper Licensing Agency Ltd and others v Meltwater Holding BV and others* [2011] EWCA Civ 890, [21].

101 *Fairfax Media Publications Pty Ltd v Reed International Books Australia Pty Ltd* [2010] 189 FCR 109, [46].

102 *Copyright Act* 1968 (Cth) s.36. The meaning of "substantial part" is set out in s.14 of the Act.

103 *EMI Songs Australia Pty Ltd v Larrikin Music Publishing Pty Ltd* (2011) 191 FCR 444.

104 *Berne Convention for the Protection of Literary and Artistic Works* art 10*bis*(2) <https://wipolex.wipo.int/en/treaties/textdetails/12214>.

105 *Copyright Act* 1968 (Cth) ss.42 and 103B.

106 Arts Law Centre of Australia, 'It's not a copyright infringement, I'm reporting the news!' (2011) <https://www.artslaw.com.au/article/its-not-a-copyright-infringement-im-reporting-the-news/>.

107 *The Commonwealth of Australia v. John Fairfax & Sons Ltd* (1980) 147 CLR 39, [49].

108 *TCN Channel Nine Pty Ltd v Network Ten Pty Limited* [2002] 118 FCR 417.

109 *TCN Channel Nine Pty Ltd v Network Ten Pty Limited* [2002] 118 FCR 417, [2].

110 Peter Knight, *Copyright: The Laws of Australia* (Thomson Reuters (Professional) Australia Limited, 2013) 229.

111 *Re Brian Kelvin De Garis and Matthew Moore v Neville Jeffress Pidler Pty Limited* [1990] 37 FCR 99.

112 Copyright Agency, 'Response to ACCC Digital Platforms report' (September 2019) 3 <https://consult.treasury.gov.au/structural-reform-division/digital-platforms-inquiry/consultation/published_select_respondent?_b_index=60>.

113 *Copyright Act* 1968 (Cth) s.35.

114 *Copyright Act* 1968 (Cth) s.32(1).

115 *Copyright Act* 1968 (Cth) s.32(4).

116 *Copyright Act* 1968 (Cth) s.35(2).

117 *Copyright Act* 1968 (Cth) s.35(6).

118 *Copyright Act* 1968 (Cth) s.196(3) provides that an assignment of copyright must be in writing.

119 Under *Copyright Act* 1968 (Cth) s.196(3) an assignment of copyright does not have effect unless it is in writing signed by or on behalf of the assignor.

120 *Report of the Copyright Law Review Committee* 1959, (Government Printer, Canberra, 1959) [88–90].

121 *Report of the Copyright Law Review Committee* 1959, (Government Printer, Canberra, 1959), [89].

122 Giuseppina D'Agostino, *Copyright, Contracts, Creators: New Media, New Rules* (Edward Elgar Publishing Limited, 2010) 4.

123 *Copyright Act* 1968 (Cth) s.35(4)(c).

124 *The Copyright Act* 1842 5 & 6 Vict. c.45 s.18, see Catherine Seville, *Literary Copyright Reform in Early Victorian England* (Cambridge University Press, 1999) 131.

125 Lindgren & Rothnie, *Copyright & Designs* (LexisNexis Australia) [20,045].

126 *Re Brian Kelvin De Garis and Matthew Moore v Neville Jeffress PidlerPty Limited* [1990] 37 FCR 99.

127 Copyright Law Review Committee, 'Report on journalists' copyright' (Attorney-General's Department Office of Legal Information and Publishing, 1994).

128 Peter Knight, *Copyright: The Laws of Australia* (Thomson Reuters (Professional) Australia Limited, 2013) 422.

129 *Copyright Act* 1968 (Cth) s.35(4); "hard copy facsimile" is defined in s.35(7). This provision applies to works created on or after 30 July 1998, the date on which the *Copyright Amendment Act (No 1)* 1998 (Cth) came into effect.

130 *Copyright Act* 1968 (Cth) s.35(7).

131 Peter Knight, *Copyright: The Laws of Australia* (Thomson Reuters (Professional) Australia Limited, 2013) 103.

132 *The Copyright Act* (1710) 8 Ann. c.21.

133 Wikipedia, Statute of Anne <https://en.wikipedia.org/wiki/Statute_of_Anne>.

134 *Copyright Act* 1905 (Cth) s.22.

135 Departmental Committee on International Copyright, (Report, October 1952), see *Newspaper Licensing Agency Limited v. Marks and Spencer Plc* [2001] UKHL 38, [6].

136 Report of the Copyright Law Review Committee 1959, (Government Printer, Canberra, 1959) 302.

137 *Copyright Act* 1968 (Cth) s.100.

138 *Copyright Act* 1968 (Cth) s.96. Note that no copyright subsists in an edition first published before 1 May 1969.

139 *Nationwide News Pty Ltd & Others v Copyright Agency Limited* (1996) 65 FCR 399 per Sackville J.

140 The Sydney Morning Herald, 'News Corp shuts down more than 100 print titles, hundreds of jobs to go' (28 May 2020) <https://www.smh.com.au/business/companies/news-corp-shuts-some-print-editions-hundreds-of-jobs-to-go-20200528-p54x63.html>.

141 See *Cortis Exhaust Systems Pty Ltd v Kitten Software Pty Ltd* [2001] FCA 1189, [38] where this example is given.

142 *Copyright Act* 1968 (Cth) s.31(1)(a)(i).

143 *Copyright Act* 1968 (Cth) s.88.

144 *Newspaper Licensing Agency Limited v. Marks and Spencer Plc* [2001] UKHL 38, [20].

145 Andrew Christie, 'Simplifying Australian Copyright Law - the Why and the How' (2000) 11 *Australian Intellectual Property Journal* 40, 56.

146 Copyright Agency, 'Submission to the ACCC Digital Platforms Inquiry Preliminary Report' (May 2019) 4 <https://www.accc.gov.au/system/files/Copyright%20Agency%20%28May%202019%29.pdf>.

147 Andrew Christie, 'Simplifying Australian Copyright Law - the Why and the How' (2000) 11 *Australian Intellectual Property Journal* 40.

148 Cara Waters, 'Ex-Google staffer calls for regulation of big tech to fund journalism', *The Sydney Morning Herald* (Sydney, 18 October 2020) <https://www.smh.com.au/technology/ex-google-staffer-calls-for-regulation-of-big-tech-to-fund-journalism-20201016-p565tz.html>.

149 Copyright Agency, 'Response to ACCC Digital Platforms report' (September 2019) 2 <https://consult.treasury.gov.au/structural-reform-division/digital-platforms-inquiry/consultation/published_select_respondent?_b_index=60>.

Proposed News Media Bargaining Code: Why it May Succeed

Dr Rita Matulionyte[1]

About the Proposed News Media Bargaining Code

On 31 July 2020, the Australian Competition and Consumer Commission ("ACCC") released the *Treasury Laws Amendment (News Media and Digital Platforms Mandatory Bargaining Code) Bill* 2020 (Cth) ("draft News Media Bargaining Code"). Its aim is to address bargaining power imbalances between Australian news media businesses and digital platforms, specifically Google and Facebook. The draft News Media Bargaining Code, as it currently stands, requires Google and Facebook to negotiate with news media businesses in good faith over all issues relevant to news on digital platform services, including the payment for the inclusion of news on their services. The Code also includes a set of "minimum standards" for providing advance notice of changes to algorithmic ranking and presentation of news; appropriately recognising original news content; and providing information about how and when Google and Facebook make available user data collected through users' interactions with news content.[2]

Under the proposed Code, news media organisations have a right to notify Google and Facebook of their intention to begin bargaining over content payments, as well as any other issues they want to negotiate. The parties have three months to reach an agreement. If no agreement is reached, an independent arbitration process would occur, resulting in a binding agreement within 45 days based on whichever offer is deemed most reasonable. If Google or Facebook does not comply with this binding agreement, the penalty of up to 10 per cent of their annual revenue of Australia might be awarded. According to press releases, the code is "first of its kind" and Australia is an international pioneer in requiring Google and Facebook to pay for news.[3]

The Australian media industry has applauded this Government initiative,[4] while Google and Facebook (unsurprisingly) have condemned the draft News Media Bargaining Code.[5] Google Australia and New Zealand Managing Director, Mel Silva, described the Code as discriminatory, giving preference to certain groups over others, requiring handing over personal user data to big news businesses, which would lead to "dramatically worse Google Search and YouTube".[6] Google has also held back the newly launched News Showcase program from being started in Australia.[7] While Facebook's initial response to the Code was more moderate, it soon announced that it will have to block Australian users from sharing news on Facebook and Instagram platforms if the Code becomes law[8]. Australian commentators have been arguing that this initiative will fail like similar previous attempts in Europe.[9] They have referred to the failure of so called "press publishers' rights" in Germany and Spain (to be discussed below) to support their argument.[10]

This paper develops a different argument. First, it will demonstrate that European efforts to exercise pressure on digital platforms, Google in particular, have not been entirely unsuccessful. Despite a few lost battles, European news media has continued a fight for payments and improved terms with Google, with recent signs of success in France. Second, by relying on the European experience, it will be argued that while this Code will not guarantee a quick success for Australian press media, it is a step in the right direction and is likely to lead to positive improvements in the field, if not in the short term, then in the medium term. It will also add to international pressure on dominant digital platforms and is likely to help news media internationally to reach better negotiation outcomes with platforms such as Google and Facebook.

News media and Google in Europe: lost battles and recent promising wins

European news media organisations, or "press publishers", as they are called in Europe, have been trying to secure remuneration from digital platforms, especially Google, for years. While Australian commentators have referred to the European experiences as evidence that attempts to receive payments from Google and alike are condemned to failure, a more careful look at the developments in Germany and Spain, and especially at recent success in France, actually demonstrates that a few lost battles do not mean a lost war. In particular, the most recent developments in France provide a source of hope for news media industry that the relationship between the industry and Google might improve.

Germany: lost the battle, not the fight

Back in 2013, Germany was the first country in Europe to introduce in its Copyright Act a so-called "press publishers" right'. Sections 87f-h of the German Copyright Act provide for a so-called "neighbouring right of press publishers" that enables press publishers to exploit their content commercially for one year. This was meant to prevent third parties, including Google, from displaying excerpts of press content (other than single words and very short ones) without paying a fee.

As correctly pointed out by Australian commentators,[11] this new right was not initially successful. Google refused to pay the requested licensing fee. It even approached German press publishers and first threatened them with de-listing and later with no longer using snippets and thumbnails if they do not grant free usage rights to Google.[12] A significant number of large German publishers agreed to grant Google "zero" licenses, or in essence, waive the right granted under the Copyright Act. In essence, the press publishers' right became an "opt in" right: Google would show snippets of only those press publishers who agree to waive their right to remuneration.

Despite this, German press publishers have continued showing persistent effort in fighting for remuneration. VG Media, a collecting society for German press, first sued Google for copyright infringement. In its defence, Google argued that the German law introducing the press publishers' right is unenforceable because the law was not notified to the European Commission. The District Court of Berlin thought that at least parts of VG Media's claims against Google were justified.[13] However, it had doubts due to formal reasons as to whether VG Media could rely on the relevant German national related right and referred the case to the Court of Justice of the European Union ("CJEU") for clarification.[14] In parallel, German publishers sued Google for abuse of its dominant position. While some commentators have denied abusive behaviour by Google,[15] others suggested that requesting a free licence is abusive behaviour given Goggle's market dominance .[16] Press publishers initially lost the case[17] but have appealed the decision to the Court of Appeal in Berlin. At the time of writing, the outcome of the appeal is still pending.

Eventually, on 12 September 2019, the CJEU confirmed that German press publishers' right is not enforceable due to the failure of the German Government to notify the European Commission about this new law. However, this victory for Google was short-lived because in the same year the European Union ("EU") has adopted an EU-wide Directive which introduced a very similar press publishers' right that will have to be transposed in all EU Member States (see below). The Bill to transpose the new EU right was introduced into German Parliament in 2020, with new legislation expected to be passed in 2021. German press publishers are waiting to resume their fight whenever the new law comes into force.

Spain: a similar story

Inspired by German efforts, in 2014, Spain introduced a number of amendments to its *Copyright Act*, one of which had a goal to ensure compensation for press publishers.[18] Instead of introducing a new press publishers right, article 32 of the *Spanish Copyright Act* provided a modified quotation exception, which essentially recognised that posting links and excerpts of news articles are subject to "equitable remuneration". Most importantly, according to this provision, the equitable remuneration right could not be waived. Presumably, Spanish legislators expected that prohibiting the waiver of the right would help Spanish press publishers avoid the problems that their German colleagues had faced when dealing with Google.

Again, the first outcomes of the Spanish version of the press publishers' right were not as expected. Without an option to request royalty-free licences, as of 16 December 2014 (before the law came into effect), Google stopped their Google News services in Spain. Spanish press publishers feared that this would lead to loss of traffic and result in a significant drop in revenue. Interestingly, a recent study suggests that this was not the case. The study by European News Media Alliance suggest that the termination of Google News services in Spain did not lead to a significant decrease in revenue of local publishers since they managed to recoup the loss by increased direct traffic to their sites.[19] Also, Spain is preparing for the transposition of the EU press publishers' right into its national law, which Spanish publishers will be able to leverage (together with all European press publishers) in pressing Google and other digital platforms when requiring equitable remuneration for the use of their content online.

EU press publishers' right, and recent promising achievements in France

While German and Spanish news media lost their first battles with Google, the fight has not stopped. All European publishers united to advocate for an introduction of a similar right across the entire EU, with the hope that this will convince Google to start good faith negotiations with European press publishers. After controversial debates and despite substantial criticisms from Google, technology industry and some legal academics,[20] the press publishers' right was introduced in the EU Copyright Digital Single Market Directive ("CDSM Directive") in 2019.[21] It has to be transposed into the law of each EU Member State by 7 June 2021.

The European press publishers' right is very similar to the one initially introduced in Germany. Article 15 of the Directive provides that press publishers have exclusive reproduction and making available rights with relation to "online use of their press publications by information society service providers"

that lasts for two years. While private non-commercial use, hyperlinks, as well as use of "individual words or very short extracts of press publications" are explicitly excluded from the scope of this right,[22] the right will directly affect the use of more extensive text on digital platforms, such as snippets.

The first country to implement the EU press publishers' right was France. The Act transposing the EU press publisher's right into French law was adopted on 26 July 2019, and entered into force on 24 October 2019.[23] Initially, Google adopted the same tactic as in Germany and Spain. In September 2019, a month before the law entered into force, Google announced to its French users that it will no longer display previews of European press publishers' content in search results, unless a publisher opts into such display; no remuneration was envisaged for such use by Google.[24] Google justified this move by the need to preserve objectivity of search results. French news media industry was outraged[25] and this move by Google has been fiercely criticised by the French Government as "contrary to both the extent and spirit of the directive".[26] Despite that, most French online publishers allowed Google to display snippets for free, from fear to lose traffic coming from Google.[27]

Despite losing the first battle, French media continued the fight. In November 2019, an alliance of national and regional press in France, l'Alliance de la presse française contre les GAFA ("APIG"), and the leading news agency, the Agence France-Presse ("AFP"), filed two separate complaints with the French Competition Authority arguing that Google abuses its dominant position, and asked the authority for precautionary measures to secure application of their new press publishers' right. In April 2020, the French Competition Authority issued an interim decision whereby it accepted that there was a likelihood that Google violated French competition law since it "unilateraly decided that it would no longer display article extracts, photographs and videos within its various services, unless the publishers give it to them free of charge." [28] As an interim measure, Google was given three months to negotiate in good faith with news publishers the payment for the use of titles, images and snippets in its services. The order required Google to display news snippets during the negotiation period, while terms agreed via the negotiation process will apply retrospectively — from the date the law came into force (i.e., last October). Google is also required to lodge monthly reports on how it is implementing the decision.[29]

Facing legal consequences, Google eventually started negotiations with French press publishers. While negotiations broke down in August 2020, with Google lodging an appeal against the decision, on 7 October 2020 Google and APIG announced a breakthrough in talks over licensing fees.[30] According to *Le Monde,* the general agreement between Google and APIG could be worth more than EU€25 million, to be divided between the different members of the association. [31] Licensing agreements would be based on criteria such as the publisher's audience, non-discrimination and the publisher's contribution to political and general information. The deal would include the EU press publishers' right and participation in Google's recently launched product News Showcase.[32] The next day, on 8 October, the French court handed its decision, rejecting the appeal by Google[33] and further strengthening the negotiating power of French press publishers.

While there is a long way to go until the final agreement is reached, these first signs of success in France show that European press publishers' fight is taking a new turn and that efforts by German and Spanish law makers and press publishers were not in vain. They should also give hope to Australian news media and Government and encourage the adoption of the draft News Media Bargaining Code into law.

Why the News Media Bargaining Code might be a success story

As seen from the preceding discussion, Australia is certainly not the first country to try to ensure that news media companies are paid for the use of their content online. At the same time, the draft News Media Bargaining Code approaches this problem in a different way to the European initiatives described above. First, while the European initiatives relied on copyright law to address the problem, the Australian Government chose to deal with the issue through competition law. This is quite a progressive approach: The European press media also relied on competition law after Google tried to circumvent the exclusive rights under copyright law. Recent signs of success in France shows that competition law might indeed be a better tool to address the problem. The non-discrimination clause, available under the proposed Bargaining Code, seems to be especially powerful since it prohibits Google and Facebook from discriminating between media companies that decide to participate in the Code and, more specifically, prevent Google and Facebook from delisting Australian news from their services.[34]

Second, the Australian News Media Bargaining Code covers a broader range of issues that news media organisations are facing. It does not only cover remuneration issues, it also sets certain minimum standards (e.g., relating to algorithmic changes, consumer data etc). While the standards set are very low, they generally reflect a broader approach to the regulation of digital platforms than in Europe.[35] Also, the draft Code currently adopts a mixed approach regarding the waiver of rights granted to press media: while press media companies might choose whether or not to participate in the Code and whether to instigate negotiations and invoke mandatory arbitration clauses, the minimum standards are mandatory (i.e., cannot be waived).[36] This means that the Code is not as rigid as the former Spanish law but also provides more safeguards to news media than the former German law, discussed above.

Under the draft Code, Google and Facebook do not have as many loopholes as they had in Europe. Removing snippets from their services would not suffice since the Code does not focus on snippets in particular – news media companies would still retain the right to request negotiation in relation to use of news in their services. Delisting Australian news from their service (as they threatened to do in Germany and France) is also not an option since this would be treated as discrimination between Australian and non-Australian publishers, resulting in violation of the Code and attracting heavy fines. Finally, Google may stop providing certain services (e.g., Google News) entirely, as they did in Spain. However, the Code covers broader range of services including the main Google tool, Google Search Engine, and it is unlikely that Google will entirely exit the Australian market in order to avoid any negotiation with Australian publishers.

Finally, recent positive progress in France indicates that Google has accepted the need to start negotiations with news media. If Google enters into agreement with French press publishers, this will set an international precedent. It is likely that Google will be more ready to enter into serious negotiations with Australian publishers. While the initial outcome might not reach the expectations of Australian news media organisations, and negotiations might take a longer time than prescribed under the current Code, it is likely that the Code, and the increasing international pressure on dominant large platforms, will lead to a positive progress in the field. European publishers in Germany and Spain lost their first battles but are continuing their fight by trying out diverse legal avenues (copyright, competition law) at national and European level with promising signs of success. Australian news media cannot expect an easy success but the draft News Media Bargaining Code should be regarded as a positive first step on this route.

Conclusion

The proposed News Media Bargaining Code should be welcomed as a first Australian attempt to address the issues that Australian news media organisations are facing online. While it might not lead to an immediate outcome and might require persistent efforts from Australian news media and Government to make it effective in practice, it adds to the international pressure on Google and Facebook to start good faith negotiations with news media over remuneration and other issues. Recent positive progress in such negotiations in France indicates that the relationship between dominant digital platforms and press media companies is likely to improve in the not too distant future, hopefully leading to increased revenue streams for news media organisations in Australia and overseas.

1 Senior Lecturer, Macquarie Law School, Macquarie University.

2 ACCC, *Draft News Media Bargaining Code* <https://www.accc.gov.au/focus-areas/digital-platforms/draft-news-media-bargaining-code>.

3 See Colin Packham, 'Australia to make Facebook, Google to pay for news in world first', *Reuters* (Web Page, 31 July 2020) <https://www.reuters.com/article/us-australia-media-regulator-idUSKCN24V3UP>; Rob Nicholls, 'In a world first, Australia plans to force Facebook and Google to pay for news (but ABC and SBS miss out)' *The Conversation* (online 31 July 2020) <https://theconversation.com/in-a-world-first-australia-plans-to-force-facebook-and-google-to-pay-for-news-but-abc-and-sbs-miss-out-143740 >.

4 Eg Nadia Cameron, 'Industry applauds new ACCC Draft Code of Conduct between news media and digital platforms' *CMO from IDG*, (Web Page, 31 July 2020) <https://www.cmo.com.au/article/681810/industry-applauds-new-accc-draft-code-conduct-between-news-media-digital-platforms/>.

5 Nadia Cameron, 'Google hits out at ACCC draft code of conduct for news media negotiations', *CMO from IDG* (online, 3 Augsut 2020) <https://www.cmo.com.au/article/681842/google-hits-accc-draft-code-conduct-news-media-negotiations/>.

6 Google Australia, *Open Letter*, (online 17 August 2020) <https://about.google/intl/ALL_au/google-in-australia/an-open-letter/?>; The Government responded to such statements as "inaccurate", see *Response to Google Open Letter* <https://www.accc.gov.au/media-release/response-to-google-open-letter>.

7 Edward Pollitt, '"Unreasonable" and "unclear": Google takes aim at News Media Bargaining Code', (Web Page, 12 October 2020) <https://www.bandt.com.au/unreasonable-and-unclear-google-takes-aim-at-news-media-bargaining-code/>.

8 Lise Visentinn and Zoe Samios, '"Uneconomic": Facebook says new laws mean it will ban news in Australia', *Sydney Morning Herald*, (online, 15 September 2020) <https://www.smh.com.au/politics/federal/uneconomic-facebook-says-new-laws-mean-it-will-ban-news-in-australia-20200916-p55w8w.html>.

9 E.g., Celina Ribeiro, 'Can Australia Force Google and Facebook to Pay for News?' *Wired* (Web Page, 30 August 2020) <https://www.wired.com/story/can-australia-force-google-facebook-pay-news/>; Damien Spry, 'It's not 'fair' and it won't work: an argument against the ACCC forcing Google and Facebook to pay for news', *The Conversation*, (online 3 September 2020) <https://theconversation.com/its-not-fair-and-it-wont-work-an-argument-against-the-accc-forcing-google-and-facebook-to-pay-for-news-145391>.

10 Eg, Celina Ribeiro, 'Can Australia Force Google and Facebook to Pay for News?', *Wired*, (online, 30 August 2020) <https://www.wired.com/story/can-australia-force-google-facebook-pay-news/>.

11 See discussion above.

12 Jan Bernd Nordemann, Stefanie Jehle 'VG Media/Google: German press publishers' right declared unenforceable by the CJEU for formal reasons – but it will soon be re-born' *Kluwer Copyright Blog* (11 November 2019) <http://copyrightblog.kluweriplaw.com/2019/11/11/vg-media-google-german-press-publishers-right-declared-unenforceable-by-the-cjeu-for-formal-reasons-but-it-will-soon-be-re-born/>.

13 Jan Bernd Nordemann, Stefanie Jehle 'VG Media/Google: German press publishers' right declared unenforceable by the CJEU for formal reasons – but it will soon be re-born' *Kluwer Copyright Blog* (11 November 2019) <http://copyrightblog.kluweriplaw.com/2019/11/11/vg-media-google-german-press-publishers-right-declared-unenforceable-by-the-cjeu-for-formal-reasons-but-it-will-soon-be-re-born/>.

14 Jan Bernd Nordemann, Stefanie Jehle'VG Media/Google: German press publishers' right declared unenforceable by the CJEU for formal reasons – but it will soon be re-born' *Kluwer Copyright Blog* (11 November 2019) <http://copyrightblog.kluweriplaw.com/2019/11/11/vg-media-google-german-press-publishers-right-declared-unenforceable-by-the-cjeu-for-formal-reasons-but-it-will-soon-be-re-born/>.

15 E.g., Christian Kersting, Sebastian Dworschak, 'Win-Win-Situation auf mehrseitigen Märkten: Google muss nicht zahlen!' (2016) *Zeitschrift fuer Urheber- und Medienrecht* 840.

16 Jan Bernd Nordemann, Olaf Wolters 'Google, das Leistungsschutzrecht für Presseverleger und das Kartellrecht', (2016) *Zeitschrift fuer Urheber- und Medienrecht* 846.

17 District Court of Berlin decision of 19 February 2016 92 O 5/14 Kart, (2016) *Zeitschrift fuer Urheber- und Medienrecht* 879.

18 Full text of the amending Act (in Spanish) is available at <https://e00-elmundo.uecdn.es/documentos/2014/10/29/lpi_congreso.PDF>; for an overview see Eleonora Rossati, 'What is the recent Spanish IP reform all about copyright-wise?' *The IPKat,* (Blog, 5 November 2014) <https://ipkitten.blogspot.com/2014/11/what-is-recent-spanish-ip-reform-all.html>.

19 News Media Alliance*, The Effects of the Ancillary Right for News Publishers in Spain and the Resulting Google News Closure*, (Web Page, November 2019) <http://www.newsmediaalliance.org/wp-content/uploads/2019/10/Final-Revised-Spain-Report_11-7-19.pdf>.

20 E.g., Christophe Geiger , Oleksandr Bulayenko and Giancarlo Frosio, 'The Introduction of a Neighbouring Right for Press Publisher at EU Level: The Unneeded (and Unwanted) Reform' (April 21, 2017) 39(4) *European Intellectual Property Review* 202 (2017).

21 *Directive* (EU) 2019/790 of the European Parliament and of the Council of 17 April 2019 on *copyright* and related rights in the *Digital Single Market* and amending *Directives* 96/9/EC and 2001/29/EC, *OJ L 130, 17.5.2019, p. 92–125.*

22 Article 15(1), paras 2-4, CDSM Directive.

23 Law number 2019-775 to create a neighbouring right for the benefit of press agencies and press publishers <https://www.legifrance.gouv.fr/jorf/id/JORFTEXT000038821358?r=MLuZM2J70S>.

24 Google France, 'Nouvelles règles de droit d'auteur en France : notre mise en conformité avec la loi' (Web Page, 25 September 2019) <https://france.googleblog.com/2019/09/comment-nous-respectons-le-droit-dauteur.html>.

25 French media groups to take Google copyright fight to court' *France 24* (online 24 October 2019) <https://www.france24.com/en/20191024-french-media-groups-to-take-google-copyright-fight-to-court>.

26 Ministry of Culture, 'Réaction de Franck Riester, ministre de la Culture, suite aux déclarations de Google relatives à la rémunération des éditeurs de presse en ligne', *Press Release* (25 September 2019) <https://www.culture.gouv.fr/Presse/Communiques-de-presse/Reaction-de-Franck-Riester-ministre-de-la-Culture-suite-aux-declarations-de-Google-relatives-a-la-remuneration-des-editeurs-de-presse-en-ligne>.

27 'Droit voisin pour la presse : les éditeurs français plient devant Google', *JDN* (online, 24 October 2019) <https://www.journaldunet.com/media/publishers/1459188-droit-voisin-pour-la-presse-les-editeurs-francais-plient-devant-google/>.

28 'Google Suffers Major Defeat – Must Pay French Publishers',*SEJ* (online, 12 April 2020) <https://www.searchenginejournal.com/google-suffers-major-defeat-must-pay-french-publishers/360992/#close>.

29 'Google Suffers Major Defeat – Must Pay French Publishers', *SEJ* (Web Page, 12 April 2020) <https://www.searchenginejournal.com/google-suffers-major-defeat-must-pay-french-publishers/360992/#close>.

30 See *Twitter* <https://twitter.com/GoogleEnFrance/status/1313894721346035715?s=20>.

31 Note: Press publishers had originally hoped to get between €250 million and €320 million per year, see Alexandre Piquard, 'Droit voisin : Google et les médias français proches d'un accord', *Le Monde* (Web Page, 8 October 2020) <https://www.lemonde.fr/economie/article/2020/10/08/droit-voisin-google-et-les-medias-francais-proches-d-un-accord_6055229_3234.html>.

32 Note: French publishers had originally refused to participate in Google's News Showcase. See Laura Kayali And Thibault Larger 'French court sides with press publishers in Google license fee stand-off' *Politico* (online 8 October 2020) <https://www.politico.eu/article/french-court-sides-with-press-publishers-amid-breakthrough-with-google-over-payment/>.

33 Edward Pollitt 'Google set to start paying French publishers for news' <https://www.bandt.com.au/google-set-to-start-paying-french-publishers-for-news/>.

34 ACCC*, Q&As: Draft news media and digital platforms mandatory bargaining code,* July 2020, 12 <https://www.accc.gov.au/system/files/DPB%20-%20Draft%20news%20media%20and%20digital%20platforms%20mandatory%20bargaining%20code%20Q%26As.pdf>.

35 See European Newspaper Publishers' Association and European Magazine Media Assocaition, Joint Statement'Downsize market dominance and enable fair competition' <https://www.enpa.eu/sites/default/files/inline-files/2019-09-23%20Draft%20EMMA%20ENPA%20downsize%20market%20dominance%20of%20internet%20platforms%20and%20enable%20competition.pdf>.

36 ACCC, Q&As: *Draft news media and digital platforms mandatory bargaining code*, July 2020, 11 <https://www.accc.gov.au/system/files/DPB%20-%20Draft%20news%20media%20and%20digital%20platforms%20mandatory%20bargaining%20code%20Q%26As.pdf>.

Book Reviews: *Protecting Traditional Knowledge: Lessons from Global Case Studies* and *Traditional Knowledge, Genetic Resources, Customary Law and Intellectual Property: A Global Primer*

Robyn Ayres,[1] Lee Elsdon[2] and Jack Howard[3]

For those engaged in advocacy around the legal recognition of Indigenous traditional knowledge and folklore, progress can seem frustratingly slow. But in recent times we have seen growing awareness and action, with steps both small and large being made around the world. Two new books with contrasting methodologies and perspectives traverse the globe to provide Australian and New Zealand lawyers, policymakers and stakeholders with detailed accounts of the current state of traditional knowledge protection.

Protecting Traditional Knowledge: Lessons from Global Case Studies

by Evana Wright

[Edward Elgar Publishing 2020 pp 288. The eBook version is priced from UK£25/AU$46 from Google Play, ebooks.com and other e-Book vendors. While in print, the book can be ordered from the Edward Elgar Publishing website.]

Evana Wright's book is in six chapters. Chapter 1, "Traditional knowledge: why and how should we protect it?" establishes the normative, right-based approach that Wright carries throughout her book. Doubling as the introduction, this chapter serves as a literature review on the subjects of traditional knowledge, genetic resources, the cultural and intellectual property of Indigenous and local peoples, and the international human rights and intellectual property frameworks to which nations around the world have assented. The chapter then introduces the core analytical objective of the book: sui generis regimes for protecting traditional knowledge, distinct from a homogeneous or generic model applicable to all jurisdictions. The author's stated intent is to take global case studies as instructive for how other nations – but especially Australia – can, should and must integrate traditional knowledge protection into their domestic legal processes in keeping with their obligations under international law.

Chapters 2 to 5 engage in a comparative analysis of two such sui generis regimes in India and Peru. Selected by the author as megadiverse contemporary nation states with colonial histories that were both early adopters of traditional knowledge protection in 2002, these core chapters serve as salient introductions to the Indian and Peruvian regimes, engaging in consistent and active comparison of approaches and principles. The author notes that the selection of these two jurisdictions is not because they represent ideal or comparable legal systems or because any given model can be effectively transplanted from one jurisdiction to another, but rather that by detailing two of the oldest and most developed regimes for traditional knowledge protection, other countries may be able to learn important lessons when implementing their own approaches.

Chapter 2 – "Biopiracy: shared history, different approaches" introduces the key features and legislative history of the Indian *Biological Diversity Act* 2002 and Peru's *Law No. 27811 of 24 July 2002, introducing a Protection Regime for the Collective Knowledge of Indigenous Peoples derived from Biological Resources* (or "*Law 27811*"). The chapter details a number of case studies from the neem tree, basmati rice and turmeric in India to maca root, camu camu and ayahuasca in Peru to illustrate the recent history of patent registrations and infringements upon traditional knowledge holders. Wright continues by illustrating instances of collaboration between Indigenous people and scientists, but noting the many difficulties that have arisen, including the issues of distributing access and benefit sharing widely, not just to certain members of Indigenous and local communities, the lack of participation from traditional knowledge holders in negotiations, and the failure to include any knowledge holders as co-inventors in patent applications.

Chapters 3 to 5 of the book discuss three core elements of traditional knowledge protection and the ways in which they have been deployed in India and Peru's regimes: "Institutions and funds (Chapter 3); "Access and benefit sharing" (Chapter 4); and "Databases and registers" (Chapter 5). These central chapters are the book's greatest contribution to the field, providing a detailed account of the features of each system and the greatest benefits and pitfalls both countries have encountered in practice. Chief among them is the prime importance of consultation with Indigenous and local peoples, not only to ensure that the correct knowledge is being afforded protection, but also to ensure that one person or sub-group within a broader culture is not able to derive a benefit that should have been shared more broadly. Equally important are the creation of enforcement

and investigative mechanisms to guarantee compliance with the regimes that are in place. The analysis of databases and registers is of particular interest, especially India's expansive Traditional Knowledge Digital Library which handles both patent applications and archival research.

Chapter 6, "Lessons from case studies", doubles as the book's conclusion, and fulfils the promise of Wright's title by condensing the disparate lessons learned from the Indian and Peruvian regimes and how these tailored programs for traditional rights' protection are capable, with local modifications, of being adopted broadly around the world to secure the cultural and economic rights and resources of Indigenous and local peoples. As an admitted lawyer in New South Wales and lecturer at the University of Technology, Sydney, Wright's conclusions are, to a point, tailored towards Australia. But the benefit of having scrutinised the systemic approaches of polities with such complex and contrasting legal histories as India and Peru, and traversing the interjurisdictional minefields of common, civil, traditional and international law, the lessons learned are capable of general application and will be of use to analysts, practitioners and policymakers outside of Australia.

Some readers may be disappointed that the book does not go further to give more practical and tailored advice to the Australian context, especially to give guidance as to the form that traditional knowledge protection should take in Australia. But this was not the task that Wright set for herself, and in a way such a chapter would have been counter-productive to the book's central thesis, which is that regimes must not only be sui generis, specific to a nation's endemic circumstances, but they must also be made in consultation with and with direction from Indigenous and local peoples. Having said that, without specific recommendations in mind to supplement the earlier analysis, the lessons from the case studies provided in the final chapter become at times repetitive of the analysis delivered in Chapters 3 to 5 without much substantive development as to how those lessons should be specifically applied in Australia or elsewhere.

Ultimately, Wright has produced a compelling case for sui generis regimes as the optimal approach for protecting traditional knowledge. At times, the author is perhaps a bit quick to dismiss certain contrary arguments in the literature, which derives from her strong ideological commitment to corrective justice for Indigenous and local peoples. There is, too, more to be said about the relevance of other recommendations from the 2008/18 "Gap Analysis" aside from bespoke national legislative frameworks (for example, the role of the international community and regional arrangements in coordinating regimes, drafting model laws and passing resolutions). Yet even with those minor points, the fullness of Wright's analysis of India and Peru's regimes and the distillation of their approaches to creating institutions, databases and benefit sharing models for traditional knowledge holders makes the book indispensable for anyone who takes these matters seriously and wishes to read the case for sui generis regimes put at its strongest.

Traditional Knowledge, Genetic Resources, Customary Law and Intellectual Property: A Global Primer

by Paul Kuruk

[Edward Elgar Publishing 2020 pp 512. The eBook version is priced from UK£25/AU$46 from Google Play, ebooks.com and other e-Book vendors. While in print, the book can be ordered from the Edward Elgar Publishing website.]

Part I – Nature of subject matter and community expectations

Part I of the book is comprised of three chapters. In Chapter 1, Kuruk provides a short history of the different terms used to refer to traditional knowledge and traditional cultural expressions. He explains that "folklore" was the original nomenclature used at an international level and is one of the two words deployed throughout the book alongside "traditional knowledge". Kuruk explains that terminology is received differently by communities around the world, observing that while some see "folklore" as having pejorative connotations, others prefer it. Interestingly, the term Indigenous Cultural and Intellectual Property has been widely accepted in Australia, however other communities, such as those in Africa, do not identify with the word "Indigenous", which connotes marginalised communities that exist within a dominant, colonialist culture.

Chapter 2 analyses the value of traditional knowledge to Indigenous and local communities within a modern-day context. It further outlines the impact that the non-Indigenous use of traditional knowledge has on traditional communities. The chapter makes a solid case for legal protection of traditional knowledge and is based upon the need for traditional peoples to have control over how their traditional knowledge is used.

Chapter 3 then examines the extent to which existing intellectual property systems could be used to protect

traditional knowledge. It examines common arguments for and challenges to this approach, describing ways in which current systems are used for positive protection and ways in which they are used defensively by requiring the disclosure of the source of traditional knowledge in intellectual property applications. The author argues that relying on intellectual property systems alone would not confer sufficient protection of traditional knowledge.

Part II – International initiatives

Chapters 4 to 7 make up Part II of the book, which analyses international efforts to protect traditional knowledge. Chapter 4 looks at the major international intellectual property instruments and points out that the *Paris Convention for the Protection of Industrial Property* and the *Universal Copyright Convention* do not protect traditional knowledge. Similarly, the *TRIPS Agreement* does not provide protection, despite the World Trade Organization attempting to revise it to include a requirement to disclose the origins of traditional knowledge. The *Berne Convention for the Protection of Literary and Artistic Works* has not been used to assert rights over traditional knowledge, despite containing a provision on anonymous works, which may have some relevance to traditional knowledge. Kuruk observes that performers of traditional cultural expressions may exercise rights recognised by the *Rome Convention*, the *WIPO Performances and Phonograms Treaty* and the *Beijing Treaty*.

Chapter 5 outlines the work done by WIPO and UNESCO through the 1990s, which led to the creation of WIPO's Intergovernmental Committee on Intellectual Property and Genetic Resources, Traditional Knowledge and Folklore in 2000. It also discusses the two organisations' drafting of the *Tunis Model Copyright Law* in 1976, intended to be a model for the drafting of national copyright legislation. It provided for the protection of traditional cultural expressions indefinitely, regardless of whether the expression was fixed in material form. The Tunis Model was widely accepted in Africa and has influenced the copyright laws of several African countries.

Chapter 6 discusses genetic resources and related traditional knowledge. The international approach includes the principles of prior informed consent, mutually agreed terms and the fair and equitable sharing of benefits. Beginning with the *Convention on Biological Diversity*, the author discusses how those principles made their way into the *Bonn Guidelines*, and then into the *Nagoya Protocol*. This chapter also covers farmers and plant breeders, and genetic resources.

Chapter 7 looks at international human rights instruments and how they are relevant to the rights of Indigenous peoples, traditional communities, and traditional knowledge. It focusses particularly on the *United Nations Declaration on the Rights of Indigenous Peoples*. It also discusses how these rights were considered in the preceding *Universal Declaration of Human Rights, International Covenant on Economic, Social and Cultural Rights*, and *International Covenant on Civil and Political Rights*.

Part III – Regional and national measures

Part III (Chapters 8 to 11) turns to the measures taken in individual countries and regions. Kuruk takes the reader on a world tour, examining these different approaches.

In Chapter 8, Kuruk looks to Africa, stating that traditional knowledge may be covered in many places by uncodified customary law. He explains that customary law is recognised as legitimate, sitting alongside statutory law in many African societies, and is given as much weight as written law by the courts. This chapter then dissects various African national copyright laws, and how they protect and control the use of traditional knowledge. The overwhelming pattern is that most of the countries mentioned have copyright laws that specifically protect folklore and limit its use, usually only with the permission of a government body or representative. Often the use of folklore without such permission is considered a criminal offence. The author describes the difficulties with this approach, noting that these laws lack sufficient definitions of what constitutes folklore, how widespread cultural practice must be before it is considered folklore, or when a creating group might be too small for its traditional knowledge to be considered.

Similar to Evana Wright's book, the author then considers whether sui generis legislation might be a better option. This is the idea that separate, bespoke legislation needs to be developed to protect and control the use of traditional knowledge and folklore because intellectual property laws are inadequate when it comes to regulating the use of communally owned material or knowledge. Kuruk explains that "traditional knowledge is created, owned and utilized differently."[4] The book lists Burundi, Botswana, Zambia and Kenya as countries which have stand-alone legislation protecting traditional knowledge, with all but Kenya requiring the traditional knowledge to be listed on a register as a prerequisite for protection. In Kenya, local governments are authorised to collect information or keep a register of traditional knowledge and traditional cultural expressions, but this is not mandatory.

A sui generis regime for traditional knowledge protection is an approach for which the Arts Law Centre of Australia ("Arts Law") has long advocated in Australia. But Arts Law believes that the database and register provisions that have arisen in other polities would be problematic in Australia. The first key objection is that it is desirable to avoid at all costs a requirement for Indigenous people and communities to have to positively register traditional knowledge before it can gain protection, especially since garden-variety copyright protection is obtained automatically. Second, in the context of a nation with a dominant colonial society – quite different

from Kuruk's African examples, though not so dissimilar from Wright's discussion of Peru – it would be inappropriate for a non-Indigenous government to be in control of traditional knowledge and how it is used, particularly where much of that knowledge is secret or sacred, and/or subject to cultural restrictions or protocols.

This chapter also discusses regional arrangements within Africa, with regard to traditional knowledge. Particular focus is given to the *Swakopmund Protocol* developed by the African Regional Intellectual Property Organization ("ARIPO"), the *Revised Bangui Agreemen*t adopted by the Organisation Africaine de la Propriete Intellectualle ("OAPI"), and the *African Model Legislation* prepared by the Organization of African Unity ("OAU").

The *Swakopmund Protocol* was adopted with the aim of improving the protection of traditional knowledge in the region, through a framework that requires each nation to appoint a national authority to approve uses of traditional knowledge. It does not require any formality, however ARIPO and states may maintain registers or other records of traditional knowledge. It asserts that the owners of traditional knowledge are "the local and communities, and recognised individuals", and that these owners can licence their traditional knowledge, with the approval of their national authority. Owners are entitled to equitable sharing of the benefits of such arrangements.

Chapter 9 takes the reader out of Africa, and into the United States of America ("United States"). It could be said that the state of affairs in the United States is more comparable to that of Australia, given the relatively small population of Indigenous people, living within a larger, colonial society. This chapter outlines the history of United States Government policy regarding Native American peoples and their traditional knowledge and folklore. It discussed the various pieces of legislation that have been implemented, starting with the *Antiquities Act* 1906, aimed at stemming the trade of Native American remains, the *Historic Sites, Buildings and Antiquities Act* 1935, and most notably, the *Indian Arts and Crafts Act* 1935, to be replaced by the *Indian Arts and Crafts Act* 1990. This Act is a truth-in-advertising law that prohibits people from suggesting that a product is a Native American product or was produced by Native Americans when that is not the case. The author states that "it appears no person has been prosecuted under the Act" [5], however there have been a couple of successful prosecutions of late. Two owners of a jewellery business in New Mexico pleaded guilty to misrepresentation and were sentenced and fined in August this year.[6] In October this year, three others were sentenced and fined after being found guilty of conspiring to fraudulently sell "Native American" jewellery made in the Philippines. These successful prosecutions follow the Fish and Wildlife Service agreeing to assist the Indian Arts and Craft Board by investigating alleged violations of the *Indian Arts and Crafts Act* in 2012.

Similarly, when discussing Australia in Chapter 10, the author omits important developments within his survey. Kuruk is right when he states that there is no specific law governing the use of Aboriginal and Torres Strait Islander culture. He briefly outlines current intellectual property law, stating that the *Copyright Act* 1968 (Cth) not only fails to provide appropriate protection of traditional knowledge or folklore, but its exceptions may make it even harder for communities to protect it. The chapter then discusses trade marks, and concludes that this would also be an inappropriate tool to rely on for the protection of traditional knowledge. Whilst we agree with this point, the book fails to mention a successful use of the trade mark system in 2014 when the law firm Allens, working with Arts Law, filed applications to register WANDJINA as both a word and a device mark for the Kimberley Aboriginal Law and Cultural Centre (Aboriginal Corporation), on behalf of the Worrora, Wunumbal and Ngarinyin peoples.

It is also important to note that IP Australia has committed to a 2020-2021 Workplan for the Protection of Indigenous Knowledge in the Intellectual Property System after two years of consultations. These measures include preventing the registration of trade marks or designs that use traditional knowledge offensively or without consent, and a disclosure requirement for traditional knowledge and genetic resources in patent and plant breeders' rights applications.[7]

This chapter also discusses unfair trade practice and trade secret laws. The well-known *Carpets Case*[8] is mentioned as an example of a successful case against some carpet traders who were incorrectly claiming that the carpets were made with the permission of the artists. However, the much more recent case of *ACCC v Birubi Art*[9] is not included. In this case, the Federal Court of Australia found Birubi liable for 18,000 counts of misleading and deceptive conduct resulting in a AU$2.3 million fine.[10]

The chapter goes on to discuss Australia's various cultural heritage legislation, and its application. We agree with the author's assessment that the "scope of protection tends to be narrow", focussing mostly on tangible heritage items and sites, and having a particular land development focus, the book fails to mention more recent legislation that attempts to deal with intangible heritage, such as the *Aboriginal Heritage Act* 2006 (Vic), the *Aboriginal Cultural Heritage Act* 2003 (Qld), and the current efforts in New South Wales with the consultations and development of a yet-to-be-implemented Aboriginal Cultural Heritage Bill.

The book then moves on to examine the various government commissions of inquiry beginning in 1981. It is disturbing to see these seven inquiries/reviews summarised next to each other, considering how little progress has been made in these last 40 years. Notably, a number of inquiries have been left out of the book, including the *Contemporary Visual Arts and Craft Inquir*y of 2002 ("Myer Report"),[11] the *Inquiry into*

Australia's Indigenous visual Arts and Craft sector of 2007,[12] the House of Representatives Standing Committee on Indigenous Affairs *Report on the impact of inauthentic art and craft in the style of First Nations peoples* in 2018 which looked into the growing presence of inauthentic Aboriginal and Torres Strait Islander "style" art and craft products and merchandise for sale across Australia[13] and the Senate Standing Committee on Environment and Communications' inquiry into the Competition and Consumer Amendment (Prevention of Exploitation of Indigenous Cultural Expressions) Bill 2019.[14] Chapter 10 also includes a brief overview of the current situation in New Zealand, beginning with the *Treaty of Waitangi* 1840, and that of other Pacific Island countries.

Chapter 11 summarises how the law treats traditional knowledge in other regions of the world. For example, in Europe some countries have varying levels of protection when it comes to registering biological material and patents, with Serbia's copyright law protecting works that originate from folklore, along with that of Macedonia and Greece. Other nations specifically exclude folklore from copyright protection. Central and South American countries, on the other hand, have established quite comprehensive legal protections of folklore and traditional knowledge, the most notable being Peru (discussed in more detail in Evana Wright's book above), and Panama, which recognises collective intellectual property rights of Indigenous peoples.

In Asia, India (again, discussed by Wright) has a number of protections regarding traditional knowledge, while China and Japan have virtually none. Vietnam, Thailand and Malaysia provide copyright protection for "folklore and folk art works of folk culture".[15] Kyrgyzstan and Azerbaijan provides for the registration and protection of traditional knowledge and require declaration of traditional sources in patent applications. The Philippines has the most comprehensive laws in Asia with their *Indigenous Peoples Rights Act* 1997, which recognises and promotes "all the rights of Indigenous Cultural Communities/Indigenous Peoples".[16] It not only protects traditional knowledge and cultural property, but also recognises the right to self-governance and empowerment.

Most Middle Eastern countries have folklore rights vesting with the national governments with some level of obligation on the government to protect its integrity. The book notes that Israel and Turkey do not have laws protecting traditional knowledge or folklore.

Part IV – In search of solutions

Having traversed the globe to identify issues in traditional knowledge protection worldwide, Part IV (Chapters 12 to 15) discuss potential solutions, followed by the author's largely pessimistic commentary on why the solutions will not work, or will have minimal effectiveness. Chapter 12 includes the concept of domaine public payant, in which folklore and traditional knowledge could be used by members of the public subject to payment of a fee to the Government. This would not be desirable unless the Government forwards the fees to the appropriate communities. Even then, it does not allow any control by communities on how or when their traditional knowledge is used. The author then discusses the potential of relying on the moral right of integrity to control how knowledge is used but concedes that this would be difficult to enforce as moral rights apply to individuals, rather than communities. Next come unfair competition laws and trade secrets laws, though, again, the author notes that the narrow scope of these laws mean they are not as useful as required. Similarly, protocols and contractual arrangements can be useful, however they rely on the bona fide of the contracting parties and lack the desired uniformity throughout a national polity. Lastly, documentation and databases are discussed, but these are dismissed as costly, and expose traditional knowledge to a higher risk of misuse and misappropriation, not to mention placing an unfair burden on Indigenous communities to register their knowledge in order to receive protection.

The author makes his most compelling argument in Chapter 13 where he makes the case for the recognition of customary law. Kuruk argues that the best mechanisms for managing the use of traditional law and folklore are those customary systems from which the folklore came. He uses the *Swakopmund Protocol*, *African Model Law*, and the *Pacific Model* as solid examples of how this can work, however recognition of customary law within nations' legal systems is not really secure in any of the regions discussed, including Africa. Not only does this model allow for the appropriate management of traditional knowledge but addresses the larger objective of allowing communities to have "sovereign" control over their cultural identity, and customary practices, laws and protocols. It is important to note though, that the book significantly overstates Australia's recognition of customary law. The reality is that we are seeing laws that actually prohibit consideration of Indigenous customary law, especially in criminal matters.[17] In some cases, laws that are meant to be "beneficial" to Indigenous people are discriminatory, like the former intestacy provisions of Western Australia's *Aboriginal Affairs Planning Authority Act* 1972.

Despite detailing how difficult the application of customary law has been in places where it is recognised in legal systems, the author prefers the formal recognition of the legal status of customary law. This framework can only operate if a national agency is established to oversee access, use and benefit sharing in relation to traditional knowledge as found in the African and Pacific model laws. Such an agency could also bring cases for misappropriation of traditional knowledge. Kuruk proposes that all negotiated contracts regarding traditional knowledge could be subjected to review by the national agency to ensure they are fair and equitable for the communities involved. He also points out the need for a

binding international access scheme to improve sui generis regional models.

Other proposals include requiring disclosure of incorporated traditional knowledge in applications for biotech patents and trade marks, and the suggestion that WIPO should assist countries in developing multilateral agreements if it can't reach a consensus for an international instrument for dealing with traditional knowledge and genetic resources. The author is right to point out that it has taken more than 19 years for the Intergovernmental Committee to come to agreement on the text of this instrument, and little progress has been made in that time.

Perhaps it is right to be sceptical about the prospect of swift and seismic reforms of traditional knowledge protection in Australia, New Zealand or any individual nation. But what both Wright and Kuruk present to readers is a snapshot view of existing regimes in nations that have decided to afford traditional knowledge holders the respect, protection and autonomy that they deserve.

1 CEO, Arts Law Centre of Australia.

2 Solicitor, Arts Law Centre of Australia.

3 Artists in the Black Paralegal, Arts Law Centre of Australia.

4 163.

5 209.

6 United States Department of Justice (Media Release, 27 August 2020) <https://www.justice.gov/usao-nm/pr/purveyors-fraudulent-native-american-style-goods-and-products-sentenced-federal-court>.

7 IP Australia Indigenous Knowledge Work Plan (September 2020) <https://www.ipaustralia.gov.au/files/ip-australia-indigenous-knowlege-work-plan-2020-2021pdf>.

8 *Milpurrurru v Indofurn Pty Ltd* (1994) 54 FCR 240.

9 *ACCC v Birubi Art Pty Ltd* [2018] FCA 1595.

10 Arts Law Centre of Australia (Media Release, 26 June 2019) <https://www.artslaw.com.au/arts-law-responds-to-2-3-million-birubi-judgement/>.

11 Analysis & Policy Observatory, *Report of the contemporary visual arts and craft inquiry* (Web Page, 15 June 2002) <https://apo.org.au/node/140716>.

12 Senate Standing Committees on Environment, Communications and the Arts, Parliament of Australia, *Inquiry into Australia's Indigenous visual arts and craft sector* (Report, 20 June 2007) <https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Environment_and_Communications/Completed_inquiries/2004-07/indigenousarts/index>.

13 House of Representatives Standing Committee on Indigenous Affairs, Parliament of Australia (online 13 November 2020) <https://www.aph.gov.au/Parliamentary_Business/Committees/House/Indigenous_Affairs/The_growing_presence_of_inauthentic_Aboriginal_and_Torres_Strait_Islander_style_art_and_craft>.

14 Senate Standing Committees on Environment and Communications. Parliament of Australia. *Report on Competition and Consumer Amendment (Prevention of Exploitation of Indigenous Cultural Expressions) Bill* 2019 (online April 2020) <https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Environment_and_Communications/IndigCulturalExpression/Report>.

15 15.

16 303.

17 *Crimes Amendment (Bail and Sentencing) Bill* 2006 (Cth).

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

For further information contact:

The Intellectual Property Society of Australia and New Zealand Inc.

GPO Box 2491
Melbourne Victoria 3001
Australia

T: (61 3) 9761 2833

E: ipsanz@ipsanz.com.au

W: www.ipsanz.com.au

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:

The Editors
c/o National Secretariat
The Intellectual Property Society
of Australia and New Zealand Inc.
GPO Box 2491
Melbourne Victoria 3001 Australia

Telephone: (+61 3) 9761 2833
Facsimile: (+61 3) 97612899
Email Address: editors@ipsanz.com.au.

Current Developments — Australia

IP AUSTRALIA

Roseanne Mannion and Martin Friedgut
Spruson & Ferguson

Australia – European Union Free Trade Agreement: Consultation on a possible new Geographical Indication Right

Public consultations on a potential new Geographical Indication ("GI") right are now open. The Australian Government has been negotiating a Free Trade Agreement ("FTA") with the European Union ("EU") since 2018 and the protection of GIs in Australia is one of the EU's key objections in the negotiations. If this is agreed, it will result in a change in the way that GIs are currently protected in Australia and necessitate an amendment to the *Trade Marks Act* 1995 (Cth) to create a new GI right.

The EU has proposed a list of GIs that would need to be protected under the regime, but the Government has yet to commit to protecting any of these. It will only do so if the overall FTA deal is satisfactory, including in relation to Australia's agricultural market access interests.

The public consultation period is open until 30 November 2020.

Protecting Indigenous Knowledge

As part of its Indigenous Knowledge Plan 2020–21, IP Australia has launched new resources aimed at parties filing applications using something from an Aboriginal or Torres Strait Islander person, community or nation.

The resources include information as to how IP Australia defines "Indigenous Knowledge", examples of how IP rights an intersect with Indigenous Knowledge and guidelines to working respectfully with Indigenous Knowledge.

IP Australia is also contributing to the Government's response to the *Report on the impact of inauthentic art and craft in the style of First Nations People* as part of its recognition of the impact of misuse of Indigenous Knowledge. Two of the areas that IP Australia is involved in is the exploration of the protection of authentic products by way of certification trade marks and stand-alone legislation relating to the protection of traditional knowledge and traditional cultural expressions.

COVID-19 Initiatives

The Deputy Director-General of IP Australia has, on 16 October 2020, issued the following documents:

- An exemption from certain extension of time fees for patents.
- An exemption from certain extension of time fees for trade marks.
- An exemption from certain extension of time fees for designs.

These documents provide that fees will not apply to some extensions of time during the COVID-19 pandemic requested in the period 1 November to 30 November 2020.

For more information about IP Australia's response to the COVID-19 pandemic, please refer to IP Australia's business continuity and COVID-19 page.

Peter Heerey AM QC, Tom Cordiner QC & Melissa Marcus[1]
Barristers

In this edition we wish to say thanks and farewell to our former co-correspondent, Alan Nash, and welcome Melissa Marcus to the team. Alan has provided years of service to this quarterly, with a great deal of humour and proficiency. It will be impossible to emulate his keen ability to find puns where others could not (or perhaps would dare not). Melissa has some big shoes to fill, but comes ably qualified to do so.

Below, we discuss Beach J's pragmatic approach to particulars of patent invalidity and discovery in *ViiV v Gilead*, the Full Court's carving up of Meat & Livestock's opposition to amendment of a patent application, Axent's failed attempt to find any signs of success in its tilt at patent infringement, Stewart J's monstering of Monster Energy in the month of Halloween, Boehringer's pasting in its opposition to another anti-parasite patent application, and a long, but uplifting, review of a dispute about Botox trade marks.

ViiV Healthcare Company v Gilead Sciences Pty Limited (No 2)

[2020] FCA 1455

(9 October 2020)

Patents – strike out application re particulars of lack of utility – discovery re lack of utility

This is the second reported interlocutory dispute between the parties over infringement and validity of a patent directed to compounds possessing HIV integrase inhibitory activity – essentially anti-HIV agents.

Previously, Gilead had unsuccessfully complained that ViiV's amended position statement on infringement insufficiently detailed how the infringement claim was put: *ViiV Healthcare Company v Gilead Sciences Pty Limited* [2020] FCA 594. On this occasion, Beach J considered ViiV Healthcare's assertion that Gilead's particulars of invalidity concerning lack of utility should be struck out because they were insufficiently particularised. His Honour also addressed an application for discovery made by Gilead's which would support its lack of utility case.

In short, Gilead's particulars of lack of utility were not struck out, but its application for discovery was only partially successful, with the categories of discovery ViiV ordered to give being significantly limited in some respects. Beach J considered that, while the particulars of invalidity were broad, that was in part due to the broad nature of the patent claims. His Honour observed that "Gilead will not be in a position to put forward more complete particulars of inutility until discovery has occurred and/or any experiments have been completed." Nevertheless, Gilead's application for discovery needed to be related to work that was said in the patent to have been performed by ViiV, not to work at large, and if that meant Gilead would need to perform experiments to make out its case, as Beach J observed: "so be it".

His Honour appears to have taken the pragmatic view that it is not unreasonable for ViiV to remain somewhat in the dark regarding the case put against its patent until Gilead files its evidence on chief regarding validity, and that Gilead's case on invalidity need not crystalise until it has inspected discovery on matters concerning the alleged lack of utility and run any necessary experiments and filed evidence resulting therefrom. His Honour also observed, however, by that time, any remaining uncertainty of the lack of utility claim would likely be struck out.

Turning back to the detail of the dispute, claim 1 of the patent in issue is to a compound of with a primary formula which can have various substituents. Beach J observed that the claim encompassed "a vast range of optional substitutions" – producing many millions of compounds that would fall within the claim. This becomes an important matter for the purposes of dealing with ViiV's strike out application, as we will see, shortly.

Gilead asserts by way of its particulars of invalidity that the patent promises that the compounds of the invention will have anti-HIV activity or has potent HIV integrase inhibitory activity. It then asserts that the patent does not teach how to make a range of theoretical compounds that fall within claim 1 simply, and that the skilled person could not do so without undue experimentation.

As an aside, that complaint appears more akin to a claim of lack of full description under section 40(2)(a) of the *Patents Act* 1990 (Cth) rather than lack of utility, but it may be that lack of sufficiency is not available because the requirement (pre-*Raising the Bar* amendments) can be met if the skilled person can make something (one thing) within the claim, whereas utility requires the promise to be met across the scope of the claim. It seems that Gilead's point is that, if the skilled person cannot make (without undue burden) a theoretical compound that falls within the claim, then ipso facto, that person cannot meet the promise of the invention of being having, for example, potent HIV integrase inhibitory activity. But for that argument to work, it seems that the promise of the patent must include (at least implicitly) that the skilled person in the art can make all theoretical compounds falling within the claim. It will be interesting to see how the argument is developed at trial.

ViiV's complaint on Gilead's particulars as to lack of utility was that the compounds which it is asserted the patent fails to teach how to be made, and which the skilled person could not make without undue experimentation, are characterised as having certain features such as "bulky substituents" in certain positions. That, necessarily, covers a huge number of possible compounds. Furthermore, Gilead's particulars

stated that the compounds which were inutile "included" those described generally – which meant they were not confined to such compounds. Indeed, Gilead's particulars provided that further compounds may be particularised in future.

His Honour accepted that Gilead's particulars of invalidity did not "currently comply with r 34.46(3) because the particulars of inutility are not limited to identified compounds". But his Honour considered that the breadth of the patent claim, along with the ability of Gilead to better explain its case by way of its evidence in chief, meant that "this is an appropriate case to allow the amended particulars to stand until Gilead files its evidence in chief on inutility and amends the amended particulars to conform with that evidence".

Meat and Livestock Australia Limited v Branhaven LLC

[2020] FCAFC 171

8 October 2020

Patents – amendment of patent application by court – power to order amendment after reasons given as to why patent invalid – section 102, whether narrowing amendments to claims resulted in an invention different from that described in the specification

Branhaven's patent application, for a method for identifying a trait of a bovine subject from a particular assessment of features of the genetic code of the subject, was found by the trial judge to lack clarity. The trial judge then directed that Branhaven make any application to amend its patent application to overcome that ground of invalidity, to the Court. Branhaven did so.

In opposition to the amendment application, Meat and Livestock Australia ("MLA") argued, among other things, that the Court did not have power to direct Branhaven to make an amendment application because the Court had already decided the appeal or that the appeal was no longer on foot. MLA also argued that the proposed amendment was in any event not allowable pursuant to section 102(1) of the Patents Act because, by reason of the amendment, the specification would claim matter not in substance disclosed in the specification as filed and pursuant to section 102(2)(b) because the specification would not comply with section 40(3) of the Act by reason of the claims not being fairly based on matter disclosed in the specification. The trial judge allowed the proposed amendments to the patent application.

MLA sought leave to appeal. The application for leave to appeal was heard concurrently with arguments on the appeal should leave be given.

On the power point, MLA argued that the trial judge had fallen into error in finding he had power under section 105(1A) of the Act to direct Branhaven to make application to the court to amend its patent application and to consider such an application to amend, because the trial judge had already, in his reasons on the opposition to grant of the patent application, found that the claims were not clear. MLA's point was that section 105(1A) does not contemplate the making of amendments in order to overcome the Court's decision on appeal.

Section 105(1A) provides that:

> *If an appeal is made to the Federal Court against a decision or direction of the Commissioner in relation to a patent application, the Federal Court may, on the application of the applicant for the patent, by order direct the amendment of the patent request or the complete specification in the manner specified in the order.*

MLA's submission was to the effect that, once the trial judge had handed down reasons explaining why a claim included in the patent application the subject of the appeal would be invalid if the application were to proceed to grant, the Court was functus officio and so could not direct that an application be made pursuant to section 105(1A) to address that invalidity.

The Full Court disagreed. The Full Court held that the Court was not functus officio because reasons for judgment are not a final decision, and the appeal from the Commissioner did not come to an end simply from the giving of those reasons. The primary judge made clear that he was not bringing the proceeding to an end until such time as the question of any amendment to the patent application had been dealt with. The Full Court concluded that the purpose of s.105(1A) is to give the Court power to decide upon proposed amendments while the appeal is still on foot and at the time the trial judge made orders for Branhaven to make application to amend the patent application and consider that amendment application, the appeal from the Commissioner was still on foot.

As to the section 102 ground of opposition to the amendment application, the trial judge had originally found that the claims lacked clarity in that claim 1 failed to specify a requirement that the relationship between certain genetic markers (single nucleotide polymorphisms or "SNPs") as required in the claim must be one of "linkage disequilibrium" ("LD"), not simply a certain number nucleotides distance in the genetic code. The specification made clear that such SNPs needed to be in linkage disequilibrium for the invention to work but the claim only referred to one SNP being +/- 500,000 nucleotides of another SNP.

Branhaven's proposed amendment was to require the SNPs in the claim to be "in linkage disequilibrium … with an r^2 value of ≥0.7". MLA's complaint was that the patent specification did not disclose a requirement for linkage disequilibrium that was: (i) measured other than by distance; (ii) measured using an r2 value; (iii) having an r2 value greater than 0.7 or

0.8. MLA therefore argued that the claim after amendment was not in substance disclosed in or fairly based on matter disclosed in, the specification as filed, as required by section 102(1) and (2) of the Act.

The Full Court held that, generally speaking, a claim that defines an invention in terms that are narrower than a more general description in the body of the specification would support is not likely to travel beyond what is more generally described. Furthermore, where there is an implicit disclosure of the relevant feature, it is unnecessary to consider whether the feature is truly limiting.

The Full Court accepted that the trial judge, in his original decision regarding the validity of the claims, found that the specification did not provide guidance as to the degree of LD required between the two SNPs. But their Honours considered that the trial judge was there referring to "the absence of any express reference in the specification to the degree of LD required or the means by which it should be measured" (emphasis added). Their Honours accepted that the patent specification did not discuss the statistical measures of LD. But they went on to observe that evidence of such measures as would have been known to the skilled addressee at the priority date was given by experts on the amendment application.

Importantly, the trial judge found, and MLA did not challenge, that the skilled addressee would understand that the reference to a need for linkage disequilibrium between the SNPs in the specification "... is, practically, a reference to a need for 'high' or 'strong' LD". The trial judge then found, on the basis of expert evidence, that such a reference "equated to an r^2 value of 0.7 and above". The Full Court concluded:

> *To hold that it is not open to use the r^2 statistic or the 0.7 value for the purpose of ascertaining whether there is a high or strong degree of LD between the limb (a) SNP and the limb (b) SNP would involve, in our view, the very kind of over meticulous verbal analysis that should be eschewed when determining whether a proposed amended claim satisfies the requirements of s 102(1) of the Act. This is particularly so in circumstances where the amendment is propounded for the purpose of clarifying an ambiguity that would otherwise prevent the patent application proceeding to grant. In the present case we do not think the use of the r^2 statistic in limb (b) results in a claim that defines an invention different from that which is more generally disclosed in the body of the specification as filed.*

Accordingly, MLA's application for leave to appeal was dismissed.

Monster Energy Company v Mixi Inc

[2020] FCA 1398

1 October 2020

Trade marks – extension of protection in Australia to IRDA for trade mark MONSTER STRIKE in classes 9 and 41 – opposition relying on ss.42(b) and 60 of the Trade Marks Act 1995 (Cth) – appeal from decision of Registrar – reputation of appellant's marks including M icon and MONSTER ENERGY – whether reliance on s.42(b) and ss.18 and 29 of the ACL adds anything to reliance on s.60

This was an appeal by Monster Energy Company ("MEC") from a decision of the Registrar. The Registrar had refused MEC's opposition to an extension of protection in Australia to International Registration Designating Australia ("IRDA") no. 1242941 for the trade mark MONSTER STRIKE for a large array of goods and services in classes 9 and 41, including electronic games and gaming. The trade mark applicant ("Mixi") publishes a downloadable video game called Monster Strike.

MEC opposed the registration of Mixi's MONSTER STRIKE mark on the grounds set out in s.42(b) (use of the mark would be unlawful) and s.60 (by reason of a reputation in another mark, use of the mark would deceive), of the *Trade Marks Act* 1995 (Cth) ("TMA").

The relevant date at which the grounds of opposition was to be established was 27 December 2013. As at this date, MEC's principal, and almost exclusive, goods that were traded in Australia using the relevant trade marks were energy drinks. The marks use the word MONSTER, usually in conjunction with the word ENERGY and also with device marks, principally the M (claw) device. MEC's traded goods were not computer or video games. However, MEC had undertaken extensive marketing and promotion of its trade marks, including by way of sponsorship, in relation to activities that are of substantial interest to the likely target audience of the designated products and services of Mixi's MONSTER STRIKE mark, including gaming, eSports, certain genres of music and extreme sports.

The bulk of the decision considers the opposition under s.60 of the TMA, with a very detailed analysis of all of the evidence of use relied upon by MEC. The case includes a detailed analysis of what is meant by reputation for the purposes of s.60 of the TMA (and relatedly s.42(b) of the TMA), acknowledging that reputation can be proven by a number of means and that it goes beyond mere examination of sales or turnover of goods sold under the trade mark and contemplation of the advertising and promotional figures. Justice Stewart referred to both the recognition component of reputation and the esteem component. He also acknowledged that brand recognition does not depend on direct advertising, noting that indirect advertising must be given proper consideration.

A number of witnesses in this case had been witnesses in the earlier case of *Rodney Jane Racing Pty Ltd v Monster Energy Company* [2019] FCA 923. Mixi urged Stewart J to make a number of similar findings of fact to findings that were made in that case. His Honour refused to do so, noting that the bulk of the evidence in the two cases was not the same. Nevertheless, his Honour's conclusions in this case are not dissimilar to those of O'Bryan J in *Rodney Jane* (that case now being on appeal).

In this case, Stewart J (not to be confused with Steward J who will shortly join the High Court of Australia) analysed in detail all of the evidence relied upon by MEC to establish its reputation in its various MONSTER marks, including sales and distribution, marketing approach and spend. In relation to the latter, MEC spends the majority of its advertising, marketing and promotions budget on athlete, gamer and musician endorsement and sponsorship of sporting competitions, eSports competitions and music festivals. Specifically, Justice Stewart examined evidence of use of the various MONSTER marks in relation to a gaming website and social media, sponsored games and in-game use of marks, gaming promotions, sponsorship of teams and athletes, sponsorship of eSports tournaments and gaming content creators, hospitality and sampling, social media, extreme sports, music sponsorship, apparel and merchandise. His Honour noted that in more than 3,000 pages of tendered material, including thousands of pages of photographs and screenshots, while there were examples of the word MONSTER used on its own by MEC, it was not used as a brand or trade mark but as a shorthand or abbreviated reference to MONSTER ENERGY, "which is really the brand that has a strong reputation".

Stewart J dismissed the s.60 case concluding: the MEC marks in question, being the claw device and the word MONSTER ENERGY, had a strong and distinctive reputation in relation to energy drinks, and while its reputation was also strong and distinctive within the gaming, eSports, extreme sports and "edgy" music spheres, the reputation was in relation to energy drinks and not of a trader in goods and services in those spheres themselves; there were distinctive differences between the relevant marks and the relevant opposing marks almost always include the key elements of the device marks, being the M icon (claw), the stylised MONSTER word and the word ENERGY; many other traders had registered or sought to register marks in relation to video and computer games and gaming software that included in their marks the word MONSTER and this detracts from the confusion that MEC submits will arise from the use of the MONSTER STRIKE mark in that market; the relevant group of consumers is generally brand-savvy and not gullible or easily confused; and there was no evidence of actual confusion.

Unsurprisingly the opposition under s.42(b), based on ss.18 and 29 of the Australian Consumer Law, also failed. In this regard, Stewart J noted that an opposition under s.60 was less exacting than under s.42(b) and that MEC put no submissions in support of its case under s.42(b) that it did not put in support of its s.60 case, stating "a real question arises as to why the s 42(b) case was run at all".

Axent Holdings Pty Ltd t/a Axent Global v Compusign Australia Pty Ltd

[2020] FCA 1373

(25 September 2010)

Patents Act 1990 (Cth) – infringement and validity – variable speed limit signs – whether method or product claims – whether functional limitations were to capabilities or had to be present at all times – Crown use defence; section 163 – innocent infringement; section 123 – prior use defence; section 119 – lapsed patent defence; sections 143(a) and 223(10) – lack of novelty (and section 24) and inventive step

Axent specialises in the design, manufacture, supply and support of LED-based visual communication systems, including electronic speed signs on Australian roads. It is the owner of the patent in suit, one embodiment of which is depicted below, that has become somewhat ubiquitous on at many major roads around Australia. The claims of the patent are to an electronic variable speed limit sign, which has a plurality of lights forming the central speed limit numerals and the annulus rings around those numerals and where there must be a variation of that display when a speed limit other than a "normal speed limit" is being displayed. Some dependent claims require the variation to be a flashing of a portion of the annulus rings.

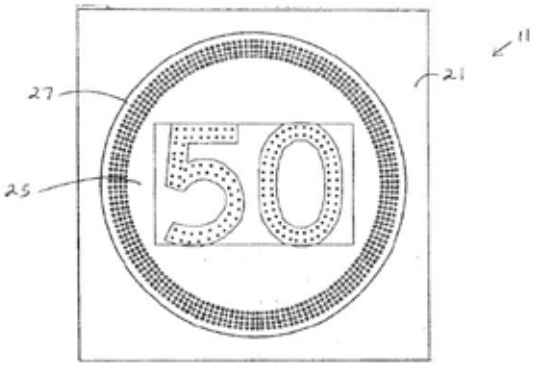


Fig 1

1/2

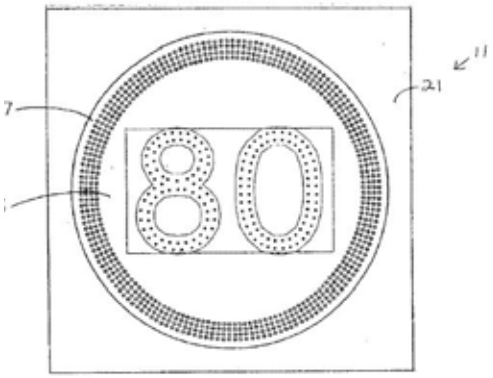


Fig 2

2/2

Axent's sole director, Mr Fontaine, claimed to be the inventor of the invention the subject of the patent. The market for speed signs systems in Australia included supply to road government authorities such as VicRoads. VicRoads would typically seek competitive tenders for road works and would prepare specifications for the products and systems that it seeks to have supplied to it. It was possible for a supplier to obtain a type approval for their product or system, so that they could supply it on an ongoing basis without having to go through an individual approval for every tender or contract. The process of obtaining type approval involved submitting a range of technical documentation and often product testing also. If a type approval is not in place then the relevant documentation is usually a requirement of the tender itself.

In around September 2000, VicRoads attended Axent's premises to view the prototype for Axent's variable speed limit sign. Mr Fontaine told VicRoads that Axent's signage could be programmed to warn the driver of a speed zone change by flashing some but not all of the rings of the annulus around the speed limit number, and demonstrated that feature on a prototype that had been developed by Axent.

Then in April 2001, VicRoads called for expressions of interest for the Western Ring Road Project. A VicRoads specification for the supply and installation of electronic variable speed restriction signs dated April 2001 did not refer to any portion of the annulus flashing or to any need to warn of a change in speed. VicRoads told Mr Fontaine that Axent would need to comply with the VicRoads specification for the supply and installation of electronic variable speed restriction signs. A second specification was provided as part of the tender documents in September 2001 which provided that part of the inner diameter of the red annulus should be capable of flashing on and off.

While Mr Fontaine's evidence was that he never been asked by VicRoads whether his invention could be included in the VicRoads specification and he considered his invention to be confidential, he knew that the specification would be provided to competitors, he knew that it could form the basis of a "type approval" for competitors, and he was "not unhappy" that the specification included the requirement of having a flashing annulus.

It was not until October 2002 that Axent filed a provisional patent application, from which the patent in suit derived priority. Astute observers will at once appreciate that the VicRoads September 2001 specification would be an obvious contender for lack of novelty and possibly lack of inventive step, subject to the operation of section 24 discussed below. Those with a wily mind might also have considered whether persons engaged by VicRoads to install potentially infringing signs might have the benefit of the Crown-use provisions. These matters and more were all in issue in this case.

To add to Axent's woes, Axent did not pay the renewal fees for its patent as required by 6 October 2015, and nor did it pay those fees within the additional six-month period of grace under the regulations. Accordingly, by operation of s.146(a) of the *Patents Act* 1990 (Cth) ("the Act"), the patent ceased. Axent eventually made application for an obtained an extension of time to pay the fees in September 2016, but section 223(10) of the Act provides that no infringement proceedings can be asserted in respect of infringement during the period the patent was ceased. A debate then arose as to whether the patent was ceased from 6 October 2015 or the end of the six-month grace period, which Kenny J resolved in favour of Compusign.

But before turning to these to curious defences and invalidity, there was the primary question of infringement and a debate about whether the claims were to a product or a process. The independent claims in the patent commenced with language that indicated that what was claimed was a product: claiming a "changing sign system for use …". Indeed, each independent claim also included features apt to describe the physical features of a product. But the claims further included language that described how the sign system would work "when the system is in use" and in a particular circumstance, namely "when a speed limit different to the normal speed limit" is required. The debate therefore centred on whether these further features were limitations by result (or functional limitations) apt for a product claim or were properly described as a mode of use apt for method claims.

After a careful review of the authorities and consideration of the independent claims (and dependent claims), Kenny J found that the claims were product claims, as Axent contended. Her Honour found that, although the expression "normal speed limit" could be regarded in some contexts as indicative of a method claim since the concept of "normal speed limit" might be read as specific to a particular location and time of use, "it seems to me that the expression "normal speed limit" is used in a normative sense so as to mean "conforming to the usual standard on the roadway" wherever located".

However, her Honour disagreed with Axent that the claims look to "capabilities" of the sign systems, instead finding that the claims identified what must be "physical characteristics" of the sign systems. Her Honour therefore accepted, by way of example, that the claim integer, "wherein the sign system fulfils the criteria of being a speed display system by always showing a number in a circle on the display panel, when the system is in use", is not framed in terms of capability as how the sign could operated, but in terms of how the sign will in fact operate. This finding appeared in part relevant to the respondents' case in defending the direct infringement case.

Turning to the allegedly infringing products (of which there were a few) and the various claim integers, her Honour found that numerous integers were not present. As noted above, the independent claims required that "the sign system fulfils the criteria of being a speed display sign by always showing a number in a circle on the display panel, when the system is in use". However, the allegedly infringing signs do not always show a number when in use. Her Honour observed that for some of the signs, "even when connected to a power source, the signs will show a blank display unless and until they receive (and continue to receive) directions from the operator's command centre" and other signs could show other displays such as indicating a change of lanes.

Therefore, while the infringing signs no doubt had the "capacity" to always show a number, they were not inherently designed to do so. Kenny J observed (with respect to a similar integer) that "[t]he fact these signs were capable of achieving these results if the operator made the appropriate selections does not establish that, when the sign system is in use, the features of the sign were necessarily such as to fulfil these functional limitations or achieve such [claimed] results".

Turning then to Axent's section 117 infringement case, originally Axent's case was that the supply of each of the allegedly infringing signs was, in addition to a direct infringement, an indirect infringement pursuant to section 117 of the Act. Accordingly, her Honour found that that case was in effect no different to the direct infringement case and failed for the same reasons. However, her Honour also observed, in obiter, that "it is unlikely that a primary infringer of a product patent could be, by the same act, also liable for contributory infringement under s 117". Her Honour there identified a debate on the proper construction of section 117 that may yet find some interest in future cases.

Turning to the various defences, Kenny J considered the Crown-use infringement exemption in section 163 of the Act as it applied to the case at hand (not as presently enacted). After addressing the authorities, Her Honour accepted that each of VicRoads, and other authorities in issue, was a relevant "authority of the state" as required by section 163. Next section 163 required that the invention have been "exploited for the services of the authority of the State". Her Honour observed that section 163(3) of the Act stipulated that "an invention is taken for the purposes of this Part to be exploited for services of the Commonwealth or of a State if the exploitation of the invention is necessary for the proper provision of those services within Australia". Kenny J observed that, absent s.163(3), the exploitation of the signs by each of the three authorities is for the services of each of them. However, her Honour was concerned that it might be said that such exploitation was not necessary in the sense contemplated by s 163(3) because alternative signage was available and widely used. Ultimately, her Honour did not need to rule on the point because she found that another requirement of section 163 was not met by the respondents.

Section 163(1) provided that the Crown-use exemption would extend to a "person authorised in writing by the Commonwealth or a State" to do the infringing act. The relevant respondent contended that a document evidencing a contractual supply was sufficient to amount to an authorisation, and that an otherwise infringing supply to an authority in circumstances where the infringer received a written purchase order or other request to do so was sufficient to constitute a written authorisation. Her Honour disagreed. While the authorisation could be express or implied, but had to be an "actual" authorisation and her Honour considered that it was necessary that the written authorisation not leave it open as to whether the infringer could supply a non-infringing article or an infringing article. For example, as to one set of transactions "the documents leave open the possibility that Hi-Lux had a choice as to the electronic speed sign supplied, leaving it free to perform the relevant contract without infringing the claims of the Patent".

There was also an innocent infringement defence raised which, if there had been a finding of infringement, appears that it would have absolved the respondents from any pecuniary relief for a significant period of alleged infringing activity. The primary point here was that VicRoad's September 2001 specification was not specific to any project and required a flashing annulus but did not indicate that any patent was pending (or likely to be pending noting Axent did not file its provisional patent application until October 2001). There was no other basis for the respondents to consider there to be a patent in force in respect of the alleged invention until they received a copy of the patent in 2016. Nevertheless, had it been necessary, Kenny J would have invited Axent to provide submissions as to why the discretion in section 123 should not be awarded in the respondents' favour. As noted above, however, due to the cessation of the patent which was not restored until 2016, Axent already had difficulties seeking relief in respect of much of that innocent infringement period in any event.

Her Honour also considered the defence under section 119(1) of the Act, prior to its amendment to expressly provide for non-infringement where the infringer had taken definite steps to exploit the infringing product prior to the

priority date of the claims, and defining exploit to now include supply and sale of the product. The respondents contended that, prior to amendment of section 119, the expressions "making a product or using a process" in s.119(1)(a) and "make that product, or use the process" in s.119(1)(b) should be construed to cover the sale and supply of the product or process. Her Honour held that was not the case. Accordingly, as the respondents were not "making or using" their infringing sign before the priority date, the defence did not arise.

Furthermore, her Honour considered that, notwithstanding that Compusign had designed a prototype sign and had demonstrated it to potential customers, that would not amount to having taken "definite steps" to make or use the product. Her Honour found that:

> *Compusign Australia's prototype … had been created with a view to further development. This is plain enough from Mr Riquelme's evidence, which I accept, that Mr He had told him 'modifications would be made in order to meet a customer's particular requirements'. The evidence strongly indicates that, as at the priority date, the prototype had not reached a form of a final product. It certainly had not reached the stage where … Compusign Australia was about to make an infringing variable speed limit sign.*

This finding shows how difficult it can be to establish the section 119 defence.

As to novelty of the invention in light of the VicRoads September 2001 specification referred to above, Axent made various assertions. First, it denied the September 2001 specification had been made publicly available. Her Honour put aside an interesting debate as to whether a document could be described as publicly available if it could be obtained by a Freedom of Information Act request. That was because her Honour found that the specification was made publicly available when sent to manufacturers who asked for it in order for them to seek a "type approval", with no imposition of confidentiality over the specification.

Next Axent relied on section 24 of the Act, namely that the September 2001 specification's disclosure should be ignored as comprising "any information given by, or with the consent of, the nominated person or the patentee, or his or her predecessor in title, to any of the following, but to no other person or organisation: (i) the Commonwealth or a State or Territory, or an authority of the Commonwealth or a State or Territory": section 24(2)(a)(i) of the Act. Axent contended that this provision applied not only to information given to an authority of the State (here, VicRoads) but also persons to whom the State then passed on that information (here, the manufacturers, given the September 2001 specification for "type approval").

Her Honour disagreed. Her Honour found that the words "but to no other person or organisation" indicated that the defence was only applicable to the information given to VicRoads, not VicRoads then giving that information to someone else. The exception in section 24(2) was narrow and the disclosure that Axtent was concerned about was really to be addressed by section 24(1).

Axent sought to rely on section 24(1)(b) which provides excludes from novelty or inventive step considerations, information "made publicly available without the consent of the nominated person or patentee, through any publication or use of the invention by another person who derived the information from the nominated person or patentee or from the predecessor in title of the nominated person or patentee; but only if a patent application for the invention is made within the prescribed period". However, Axent had disclosed to VicRoads the flashing annulus sign and a person from VicRoads gave evidence that he thought it reasonable to include that sign in the September 2001 specifications and that Axent was not unhappy about that. Her Honour inferred that Axtent wanted the feature included as a requirement in the specification and so positively consented to its inclusion. In the result section 24 did not apply, and the September 2001 specification was found to have anticipated various claims of the patent.

Finally, as to inventive step, her Honour concluded that all the claim lacked an inventive step. Her Honour did so without reference to the September 2001 specification because, her Honour found, there was no evidence that a person skilled in the art would have ascertained, understood and regarded the document as relevant. That is a somewhat curious result given it was a specification available from VicRoads for manufacturers seeking a "type approval" before the priority date.

Kenny J's primary finding on inventive step was that the invention as claimed did not "overcome a difficulty or cross a barrier". Her Honour found that there was "no problem was overcome or barrier crossed by the adoption of a partially flashing annulus as the conspicuity feature to draw a motorist's attention to the need to reduce speed". Her Honour pointed to the use of flashing lights in the corners of the signs was a well known and efficacious means of communicating information to a motorist and that the use of a flashing annulus "was no more effective as a means of communication at the priority date than the use of flashing amber lights", that it involved costs savings or overcame some perceived technical difficulty. Finally, her Honour observed that the ordinary skilled worker was aware that there were options, including a flashing annulus, to draw a motorist's attention to the need to slow down indicating that "a person skilled in the art would have taken the steps leading from the prior art to the claimed invention as a matter of routine".

Boehringer Ingelheim Animal Health USA Inc. v Intervet International BV

[2020] FCA 1333

17 September 2020

Patents – appeal on opposition to grant – pre-"Raising the Bar" - novelty – inventive step - utility

In this case, Moshinsky J dismissed Boehringer's opposition to grant of Intervet's patent for veterinary anti-parasite medicaments. The invention relates to injectable formulations comprising a macrocyclic lactone and levamisole for controlling parasites in animals and using such formulations to prepare a medicament for controlling parasites in animals.

Boehringer was previously named Merial Inc. A quick search of cases involving Intervet and Merial suggests that each might consider the other somewhat of a pest in at least the New Zealand and Australian patents' arena. So far, neither innovator has identified a solution to the repeat exposure to patent litigation. Hopefully, their respective veterinary medicaments are more effective.

Boehringer's opposition to grant was originally heard and dismissed by a delegate of the Commissioner of Patents. Unsatisfied with that result, Boehringer appealed the decision to the Federal Court. The grounds of opposition to grant were that the claims lacked novelty in light of one prior art patent application (CN'291); lacked an inventive step in light of common general knowledge alone or with CN'291; and lacked utility in that the claims of the Patent Application included embodiments that did not achieve the promise of a physically and chemically stable suspension formulation of a macrocyclic lactone and levamisole.

As a pre-*Raising the Bar Amendment Act* patent application, Boehringer bore the onus in relation to each of its grounds of opposition, requiring it to establish that it is "clear" (or "practically certain") that the patent, if granted, would not be valid.

Moshinsky J heard the case partially in person and partially by Microsoft Teams. His Honour observed that, where there was a debate between the parties as to the transcript, his Honour reviewed a recording of the hearing to check the accuracy of the transcript. As an aside, it may be observed that hearings that proceed by way of Microsoft Teams are all recorded by the Court – in which case, arguably, in any appeal from the trial, the appellate court could presumably also have the benefit of such recordings so that any deference to the trial judge's ability to observe the demeanour of witnesses might have less weight on appeal.

Boehringer called two principal expert witnesses; Intervet called one. It appears that one of Boehringer's witnesses, Mr Lau, made concessions during which bolstered his credibility as a witness because it was apparently not to Boehringer's benefit. Moshinsky J indicated a preference for his oral evidence over his written evidence. Reading between the lines, Moshinsky J was impressed with Mr Lau's frank oral evidence but perhaps less so his written evidence.

Claim 1 of the patent application was to:

> *An injectable formulation of a macrocyclic lactone and levamisole in a non-aqueous solvent system comprising oil and an organic solvent, wherein the macrocyclic lactone is in solution and the levamisole is a salt in a particulate form, and wherein the levamisole salt is present in the range of between 10-35 per cent w/v.*

On the question of novelty, an example of CN'291 disclosed a formulation with macrocyclic lactone in solution and levamisole HCl. However, that example did not describe the levamisole HCl as being in particulate form (or in a suspension). Boehringer therefore relied on experimental evidence of its experts to demonstrate that the levamisole HCl of CN'291 is in particulate form in a suspension. Those experts followed a series of manufacturing (or formulating steps) which resulted in the levamisole HCl in particulate form. However, those steps were not set out in CN'291.

However, during cross-examination, Mr Lau accepted that that the relevant example of CN'291 (example 3) might produce either a solution or a suspension (or particles). That uncertainty was a death knell for novelty. His Honour also observed that Boehringer had failed "conduct experiments that were designed to prove that *any* steps used to manufacture a formulation having the composition of Example 3 [of CN'291] would *inevitably* contain levamisole HCl in particulate form." As Moshinsky J observed "Boehringer bore the onus of establishing the *inevitability* of the outcome that it contended for, not merely that this was one possible result, or even a likely result", plainly with an eye to *General Tire & Rubber Company v Firestone Tyre & Rubber Company Ltd* (1971) 1A IPR 121 at 138 where it was stated that "[i]f, on the other hand, the prior publication contains a direction which is capable of being carried out in a manner which would infringe the patentee's claim, but would be at least as likely to be carried out in a way which would not do so, the patentee's claim will not have been anticipated …"

The other issue with CN'291 was that the example relied on by the experts only disclosed levamisole HCl at 5 per cent w/v whereas the claims of the patent application require 10-25 per cent w/v. While there was an earlier broad disclosure of the use of levamisole at 10-20 per cent , there was no direction to modify the example to embrace that higher range. Boehringer sought to address this by adducing evidence to the effect that five per cent was too low a dose to be effective and that a higher dose would be chosen. Intervet's evidence was to the effect that the dose in CN'291 was too low and that a dose ranging study would be performed to identify a higher percentage falling within the claims. It is difficult to see how either approach could give rise to a lack of novelty

case and his Honour found that there was no clear disclosure of this integer.

On the question of lack of inventive step, Moshinsky J set out a series of excerpts from the transcript of the concurrent evidence of witnesses for Boehringer and Intervet in which counsel for Boehringer cross-examined Intervet's expert as to various matters and asked if the expert for Boehringer agreed – in essence cross-examining its own witness. It may be observed that this style of cross-examination seems a far cry from the original concept of concurrent evidence being an opportunity for the experts to describe the debate between them, rather than have counsel simply cross-examine an expert in the usual way and seek agreement from one's own witness. However, recent experience suggests that this is now par for the course.

Nevertheless, this approach did not appear to assist Boehringer on this occasion. Moshinsky J observed:

> *Insofar as Dr Martin's evidence is concerned [the witness called by Boehringer], there was some hesitation in the acceptance of the propositions put to him by senior counsel for Boehringer [i.e., put to him by the party calling him]. … In relation to Mr Vickers's evidence [called by Intervet], while he acceded to certain propositions as to expectation of achieving an acceptable result, this was qualified by the need for testing, and he made clear in his evidence that this was not merely routine testing but testing of a more fundamental nature.*

However, the main issue for Boehringer was that Mr Lau's approach to formulation of the two key active ingredients was done without knowledge as to the mode of action and desired release profile of levamisole, including considerations that pointed away from using levamisole as a particulate in an oily formulation – this called into question whether his approach to the hypothetical formulation task was representative of that of the notional skilled team. To the extent that Mr Lau's evidence in reply sought to disagree with the proposition that a potential change to the release profile or absorption rate of levamisole salt was a reason not to formulate the combination injectable with the levamisole salt in suspension, it was contrary to his oral evidence where he accepted that the release profile and absorption rate of levamisole were relevant considerations. For the above reasons (and others) his Honour found that the claimed invention had an inventive step.

As to utility, Boehringer's primary position was that the promise of the specification was that the claimed formulations would be stable for six months under accelerated conditions. While an example in the specification did show such stability, his Honour did not consider that involved a promise that the formulations the subject of the claims would also have that stability. Nevertheless, while indicating some doubt about the matter, by reference to another statement in the specification, his Honour ultimately accepted that three months accelerated stability was promised. Boehringer then sought to rely on data from another patent application to establish that that formulations falling within the claims would not meet that three-month accelerated stability. His Honour rejected Boehringer's argument because of the inherent unreliability of that data.

Boehringer Ingelheim Animal Health USA Inc v Intervet International BV (No 2)

[2020] FCA 1433

5 October 2020

Practice and procedure – costs – costs of interlocutory applications to amend patent application

This case involved a question of costs of two interlocutory applications filed by Intervet by which it sought to amend the patent application. In relation to the first application to amend, an order was made by consent and that order did not reserve or otherwise refer to the costs of the interlocutory application. Boehringer initially opposed the second interlocutory application to amend based on discretionary grounds, but ultimately consented. The consent order included an order that costs be reserved.

Moshinsky J ordered that each party was to bear their own costs of the interlocutory applications. Intervet had sought something in the nature of an indulgence in which case the patentee may be ordered to pay the costs of the amendment application, regardless of the outcome of the case. However, Boehringer did not seek a costs order in its favour, but only an order for each party to bear their own costs. His Honour considered such an order as appropriate, particularly where there was no adjudication on the merits of either application. This was so despite Boehringer initially opposing the second amendment request, which may have caused Intervet to incur some costs. His Honour thought that Boehringer had a proper interest in considering the proposed amendments.

Prodata Solutions Pty Ltd v South Australian Fire and Emergency Services Commission (No 3)

[2020] FCA

21 August 2020

Practice and procedure – application for dismissal of proceedings – failure to file lay affidavits within ordered timeframe – failure to prosecute proceedings with due diligence – failure to make timely application to vary orders progressing matter to trial – consideration of the overarching purpose in s.37M of the Federal Court of Australia Act 1976 (Cth) ("FCA Act") – application by corporate applicant to dispense with requirement to be legally represented – termination of four successive lawyers

The applicant, Prodata, alleged that it was the owner of copyright subsisting in software components of a database forming part of an integrated system of software programs and that the respondents had infringed copyright in the

software components and had breached an equitable obligation of confidence in respect of their content.

There were three applications the subject of this decision. The first involved an application by Prodata to dispense with the requirement that a company be legally represented, allowing it to be represented by its managing director. The second and third applications were by each of the respondents seeking, among other things, orders that the proceedings be dismissed.

The proceedings had a long and tortured history. They were commenced in December 2017, with Prodata seeking urgent interlocutory relief. Prodata was legally represented. The application for urgent relief was dismissed and the matter proceeded on the pleadings. In early August 2018, Prodata replaced its lawyers for a second set of lawyers and new counsel was appointed. In November 2018, Prodata was required to provide security for costs for each of the respondents (AU$175,000 and AU$155,000 respectively). On 2 August 2019, Prodata again changed lawyers and appointed new counsel. On 26 September 2019, the matter was set down for trial commencing on 31 August 2020. Prodata's counsel agreed to the trial dates. The Court prompted the parties to commence preparation of their affidavit evidence.

In February 2020, the COVID-19 pandemic affected the work of the Court, although Prodata did not approach the Court to indicate that the pandemic was causing it any issues with evidence preparation. In March 2020, Prodata raised discovery issues with the respondents asserting it was impacting its ability to determine the scope any expert report and that, as a result, it would not be able to finalise its lay evidence.

At a case management conference on 1 May 2020, the Court made orders for Prodata's expert evidence to be filed by 22 May 2020 and its lay evidence to be filed by 19 June 2020. Prodata's Counsel did not submit that the deadlines were burdensome. Similarly, at a case management conference on 19 May 2020, Prodata's counsel made no submission that the deadline for filing lay evidence could not be achieved.

On 8 June 2020, Prodata lodged a defective "Notice of termination of lawyer's retainer" and a week later filed a "Notice of acting – change of lawyer", thereby appointing its fourth set of lawyers and new counsel. On 30 June 2020, Prodata filed a notice purportedly in accordance with r.4.04(2) of the *Federal Court Rules.* This led to the application by Prodata for leave to represent itself.

Prodata did not make any application before the expiry of the ordered deadline for the filing of evidence to have the deadline or the trial date set aside or varied. Such was the state of affairs when the Court heard the three applications before it in July 2020.

The Court noted that in civil proceedings before the Federal Court, directions may be given about the practice and procedure to be followed (citing the *Federal Court Act* 1976 (Cth) ("FCA Act"), s.37P(2), ss.37P(3)(a) and (b)). If a party fails to comply with a direction, the Court may make such order or direction as it thinks appropriate including an order dismissing the proceeding in whole or in part (FCA Act, s.37P(5) ad (6)(a)). The Court stated that its practice and procedure provisions:

> *must be interpreted and exercised in a way that best promotes the overarching purpose, namely to 'facilitate the just resolution of disputes according to law and as quickly, inexpensively and efficiently as possible'* (s.37M(1)).

Charlesworth J (at [90]) did not consider it appropriate to characterise the requirement of s.37M as a consideration capable of being outweighed by other countervailing considerations. Nor was it to be understood as merely listing a variety of countervailing factors to be weighed in the balance in the exercise of the power in question. Instead, her Honour observed that:

> *Rather, s 37M(1) conditions the manner in which all powers conferred by the Court's practice and procedure provisions are to be interpreted and exercised. It confines the latitude that might otherwise be available to the Court in the exercise of those powers: given a choice between outcomes, the Court must choose the outcome that best promotes the overarching purpose.*

Citing Beach J in *Southcorp Brands Pty Ltd v Australia Rush Rich Winery Pty Ltd* [2019] FCA 720, Charlesworth J refused to dispense with the rule requiring a company to be legally represented. The Court had particular regard to Prodata being the applicant in commercial litigation that had been on foot since December 2017, the managing director (who would be running the case) being a critical witness and his lack of legal training, the timing of the application, the volume of evidentiary material, and that there was no evidence of any financial impediment to Prodata engaging competent legal representation. Charlesworth J nevertheless accepted that if the matter was then to proceed, there was a high likelihood that Prodata would again perceive itself to have irreconcilable differences with its lawyers.

In relation to the respondents' applications to dismiss the proceedings, Charlesworth J noted that Prodata's past conduct was significant as it showed that Prodata made deliberate choices not to avail itself of a fair opportunity to progress its substantive claims to trial and it had created an unjust circumstance in the proceedings that could not be remedied by an award of costs. Prodata was in default and had failed to prosecute its claim diligently. There were simply no explanations for the default beyond Prodata's conduct – no financial issues, no COVID-19 practical difficulties, no mistaken estimates of the time needed to prepare affidavits, and no late discovery of documents.

Charlesworth J concluded that:

> *[a] litigant in Prodata's position is not entitled to have the matter proceed to trial and to obtain an adjudicated outcome by whatever procedural means and in whatever timeframe the litigant desires …* [noting that] *… an order that a prosecuting party take a step in the proceedings by a fixed date is to be understood as both permissive and coercive.*

It was critical that Prodata (which had been legally represented for most part of the proceedings) made no application to vary the case management orders or to vary the trial dates. The practical consequence of the proceedings being permitted to remain on foot would mean Prodata would be rewarded for "a gross departure from the Court's case management principles" and this would seriously undermine the public's confidence in the administration of justice.

Accordingly, Charlesworth J dismissed the originating application, with the question of costs and suppression of publication orders to be addressed in due course.

AgBoss Group Pty Ltd v Bainbridge Pty Ltd

[2020] FCA 1200

19 August 2020

Practice and Procedure – pleadings – application for leave to amend Statement of Claim – leave granted – discovery category disagreement – orders for discovery

This was an application for leave to amend the statement of claim to include a claim for infringement under s.36 of the *Copyright Act* 1968 (Cth) and for exemplary damages for passing off, in addition to a claim for additional damages under s.115(4) of the *Copyright Act*.

The Court allowed the amendments determining that the claim under s.36 of the Copyright Act was a separate and independent cause of action and it was not simply included to obtain design and development documents. The exemplary damages claim for passing off was allowed, particularly in circumstances corresponding to those where additional damages would be awarded for copyright or trade mark infringement.

Allergan Australia Pty Ltd v Self Care IP Holdings Pty Ltd

[2020] FCA 1530

22 October 2020

Trade marks – infringement claim pursuant to s.120 of the Trade Marks Act 1995 (Cth) – whether respondents infringed applicants' BOTOX marks by using PROTOX as a trade mark – whether use of applicants' trade mark in composite phrases such as "Instant BOTOX® Alternative" is use as a trade mark – whether PROTOX or composite phrases substantially identical with, or deceptively similar to applicants' marks – whether goods in respect of which trade mark registered or goods of the same description

Trade marks – whether director of respondents directed, procured or entered into a common design with respondents in any acts of infringement – whether director had "close personal involvement" in any infringing conduct – whether director's conduct was such as to "go beyond" causing the company to act – whether the director was "standing apart" from the company

Trade marks – cross-claim for removal from the Register of Trade Marks for non-use pursuant to s.92(4)(b) of the Act – whether the BOTOX marks have been used in relation to specified goods in class 3 – whether Botox product is a cosmetic product

Trade marks – cross-claim for rectification of the Register of Trade Marks to cancel registration of BOTOX trade mark pursuant to s.88(1) of the Act – defensive trade marks – whether use of the mark would indicate a connection between those goods and the registered owner of the BOTOX marks – where strong reputation of marks – potential for confusion

Trade marks – registration – opposition – appeal under s.56 of the Act against decision of the Registrar of Trade Marks allowing registration of the mark FREEZEFRAME PROTOX – whether a ground of opposition to registration of the marks is established pursuant to ss.42(b), 44, 58, 59, 60 or 62A of the Act – whether respondent's mark is deceptively similar to the appellant's marks in respect of similar goods – whether respondent's mark likely to deceive or cause confusion because of reputation of appellant's marks – whether respondent intended to use or authorise use of mark at priority date – whether respondent owner of the opposed mark – whether registration application made in bad faith

Consumer law – misleading or deceptive conduct – use of allegedly similar trade marks in relation to the sale of cosmetic products –whether respondents intended to mislead or deceive consumers – whether respondents' mark or marks adopted for the purpose of appropriating the reputation of the applicant – where no relationship between applicants and respondents and use of marks by respondents not authorised by applicants – whether respondents represented by the use of applicants' trade marks that their goods were provided by or associated with the applicants or provided with the endorsement, approval, licence, authority or sponsorship of the applicants

Consumer law – misleading or deceptive conduct – efficacy representations – representations as to a future matter – whether representations that product will give similar results, achieve the same performance characteristics or work complementarily with applicants' product made – whether reasonable grounds for such representations as made – analysis of scientific studies

Consumer law – whether director should be held personally liable for any contravention – whether the director aided, abetted, counselled or procured any contravention

Torts – passing off – whether goodwill or reputation attached to Botox product by association with the identifying "get-up" – whether there was a misrepresentation by the respondents

leading or likely to lead the public to believe that goods offered by them are the goods of the applicants

Practice and procedure – injunctive relief against contravention of statute – whether contraventions of Therapeutic Goods Act 1989 (Cth) – whether claims in relation to respondents' products are claims of therapeutic use – whether applicants have standing to enforce criminal prohibitions by injunction

This enormous read commences with the opening lines:

> *The eternal human interest in reducing the appearance of ageing underlies the disputes in these cases. The opposing parties have both respectively developed and promoted products with very different modes of action to attract customers who have this Sisyphean interest.*

The second paragraph relays scenes from *Sex and the City*, tendered as proof of the ubiquitous reputation of Botox.

Background

Botox, the product, manufactured by Allergan Inc, needs no introduction. The mark BOTOX was first registered in the United States of America ("USA") in 1990. Allergan Australia Pty Ltd, a subsidiary of Allergan Inc, is the sponsor of Botox products on the Australian Register of Therapeutic Goods, and the authorised user of the BOTOX marks in Australia. While Botox is used for numerous therapeutic indications, it is the cosmetic indications that were relevant to this case.

The applicants, owners of rights to various BOTOX trade marks, alleged that the respondents sought to sell their products by unlawfully leveraging off the reputation of Botox (the product). The claims included trade mark infringement, claims under the Australian Consumer Law ("ACL")[2] and passing off. The second applicant also appealed against a decision of the delegate of the Registrar of Trade Marks to allow one of the respondent's trade marks, which included the word PROTOX, to proceed to registration.

By way of cross-claim, the respondents sought to have certain of the applicants' trade marks removed from the Register, or restricted to a smaller class of goods. The respondents' challenge to the registration of the various marks was only to goods in class 3.

The BOTOX marks consisted of the following:

(1) Trade mark number 551279 for the word BOTOX in class 5 with a priority date of 28 February 1991;

(2) Trade mark number 860785 for the word BOTOX stylised, in class 5 with a priority date of 14 December 2000 (the "785 mark");

(3) Trade mark number 860786 for the word BOTOX in class 3 with a priority date of 14 December 2000 (the "786 mark");

(4) Trade mark number 1008655 for the word BOTOX in class 3 with a priority date of 8 March 2004 (the "655 mark"); and

(5) Trade mark number 1578426 for the word BOTOX in classes 1, 3, 5, 9, 10, 16, 35, 41, 42, 44 and 45 (the "426 defensive mark").

Each of the class 5 registrations is in respect of pharmaceuticals. Relevant to the infringement claim under section 120(2) is that the 785 and 786 marks include the following goods: "Pharmaceutical preparations for the treatment of … wrinkles…". The class 3 registration in respect of the 655 mark is for "cosmetic, face creams and lotions; skin creams and lotions."

The Respondents in this action are Self Care IP Holdings Pty Ltd and Self Care Corporation Pty Ltd. The third Respondent, Ms Amoroso is the sole director and secretary of Self Care IP and Self Care Corp.

Ms Amoroso founded the Self Care business in about 2008, supplying cosmetic products, including, in particular, topical anti-wrinkle skincare products under the trade mark FREEZEFRAME, which was the umbrella brand. Self Care's first flagship product was called Freezeframe with Inhibox.

In October 2014, Self Care IP lodged an application to register the mark FREEZEFRAME PROTOX for goods in class 3. Allergan was unsuccessful in an opposition to this mark. Self Care has a number of other pending or registered marks that include the word FREEZEFRAME followed by a particular product name.

The proceedings

The case involved two proceedings, heard as one (although liability was heard before the case on quantum).

NSD15/2017

In this part of the proceeding, Allergan claimed that Self Care:

(1) infringed the BOTOX registered trade marks by use of the word BOTOX in various forms (including, e.g., "instant Botox alternative", "overnight Botox alternative" and "long term Botox alternative") on the Freezeframe products and packaging, as well as in promotion and advertising contrary to the *Trade Marks Act* 1995 (Cth) ("TM Act**"**). It also claimed that use of the trade mark PROTOX was deceptively similar to and infringed the BOTOX mark;

(2) contravened the ACL by making representations of affiliation with the applicants or their Botox product ("the affiliation representations") and representations concerning the efficacy of the respondents' products ("the efficacy representations");

(3) engaged in passing off; and

(4) infringed various sections of the *Therapeutic Goods Act* 1989 (Cth) ("TG Act").

Allergan contended that Ms Amoroso authorised the infringements of the BOTOX marks, procured or entered into a common design as a joint tortfeasor with Self Care to infringe the BOTOX marks and to engage in passing off, and aided, abetted, counselled, or procured Self Care's conduct in contravention of the ACL. Allergan relied on Ms Amoroso's close involvement in the creation, promotion, sale and offer for sale of Self Care's products.

In summary, Self Care said there was no infringement of the BOTOX mark because Self Care's use was not use "as a trade mark" within the meaning of section 120 of the TM Act. It said that PROTOX was not used "as a trade mark" and was not deceptively similar to BOTOX because it was used only in combination with the word FREEZEFRAME. In relation to the ACL and passing off claims, Self Care said that there was no doubt that consumers associated the word BOTOX with an injectable product used to reduce the appearance of wrinkles. It said that Self Care's creams/serums are presented as products that reduce the appearance of wrinkles, but explicitly as a "Botox alternative". Self Care said that the distinction was reinforced by other aspects of the context, including Self Care's own branding on its creams and in its advertising, in which FREEZEFRAME is always prominent, the character of the goods as creams rather than a formulation to be injected, the method of administration (by the consumer themselves rather than by a medical practitioner) and a substantial difference in price. Self Care also denied that it made misleading representations about the efficacy of Self Care's creams. It also claimed that Allergan had no standing to prosecute criminal offence or civil penalty proceedings under the TG Act and said, in any event, it was not advertising therapeutic goods.

By way of cross-claim, Self Care IP and Self Care Corp, alleged that Allergan had sought to extend its trade mark rights beyond the field of actual use of the trade mark in relation to injectable anti-wrinkle products, to a different and broader field of skin-care creams by way of the class 3 goods specified for the 655 mark and the 426 defensive mark. It claimed that those specifications were not valid. Self Care sought that the 655 mark be removed in relation to those goods and for the 426 defensive mark to be cancelled.

Ms Amoroso defended her role as being squarely within her position and role as director and officer of Self Care.

NSD1802/2017

In this proceeding, Allergan Inc, as appellant, appealed from a decision of a delegate of the Registrar of Trade Marks to allow Self Care IP's Trade Mark Application No 1653383 for the words FREEZEFRAME PROTOX to proceed to registration in respect of goods in class 3 (being anti-aging serum and anti-wrinkle serum). Allergan Inc raised ss.42(b), 44, 58, 59, 60 and 62A of the TM Act as grounds of opposition.

In summary, Self Care said that each of the numerous grounds on which Allergan opposed the registration of FREEZEFRAME PROTOX ought to be rejected, including because its trade mark is not misleadingly similar to the word BOTOX.

Self Care's market, products and packaging

The Self Care products at the centre of the proceedings were the PROTOX, Inhibox, Night products (tube and tub), and Boost product. Each had various statements made on the product or packaging that included references to Botox and that this was an alternative product to Botox.

The reputation of BOTOX

There was considerable evidence given about the reputation of BOTOX, which was relevant to a number of the claims.

Stewart J found that BOTOX has a strong and widespread market reputation. BOTOX is widely known of, frequently referenced in popular culture, and the product by that name has strong sales and substantial advertising spend. However, his Honour found that the evidence overwhelmingly supports the conclusion that the reputation of Botox is as an injectable anti-wrinkle product administered by healthcare professionals. His Honour found that there is no reputation in the mark BOTOX that extends to topically applied cosmetics or general cosmetic products or treatments. The reputation, whilst widespread and strong, is in its nature specific. Stewart J also found that the general understanding of the use of the word BOTOX is not necessarily as a reference to Allergan's product which is branded BOTOX, but is rather understood in a generic sense as referring to an anti-wrinkle injection which could be Allergan's product or one of the other botulinum toxin products on the market.

Trade mark infringement - PROTOX

Stewart J carefully analysed the authorities on infringement. His Honour noted that important issues arise as to whether the following could be taken into account in assessing whether the PROTOX mark is deceptively similar to the BOTOX mark: (1) the nature and reputation of the BOTOX mark, and (2) the manner of use of the PROTOX mark.

Stewart J noted that he was to follow the Full Court in *Melbourne Chinese Press Pty Ltd v Australian Chinese Newspapers Pty Ltd* [2004] FCAFC 201; 63 IPR 38, an infringement case, which confirmed that the following must be considered: the look and the sound of the words, the goods to which they are to be applied, the nature and kind of customer who would be likely to buy those goods, and "all the surrounding circumstances" (at [16] per Wilcox, Kiefel and Bennett JJ, citing *Re Application by Pianotist Co Ltd* (1906) 23 RPC 774 at 777 per Parker J).

Self Care argued that PROTOX was not used as a trade mark and that it was used with the umbrella brand FREEZEFRAME. This was not accepted. Stewart J said it was:

> *quite clear that PROTOX is used as a trade mark. It badges the goods to which it applies; it gives those goods a name; it is indicative of trade origin by linking the goods to Self Care which applied the mark. The fact that FREEZEFRAME is the umbrella brand and that PROTOX denotes a product within the Freezeframe range does not detract from the use of PROTOX as a trade mark in respect of the Protox product.*

Nevertheless, whether it was used as a trade mark was not the real issue. The real issue was whether PROTOX is deceptively similar to BOTOX and, if it is, whether PROTOX as used (i.e., including the way in which it is used with FREEZEFRAME) is not likely to deceive or cause confusion.

The Court carefully compared the PROTOX and BOTOX marks noting that although the words are similar in look and sound, they are less so in idea or meaning. His Honour did not accept Ms Amoroso's evidence that she chose to use "TOX" as a reference to botulinum toxin rather than BOTOX, but given his Honour had accepted that the general understanding of the word BOTOX in the public domain is an anti-wrinkle injection, he did not think this use demonstrated an intention to appropriate the trade or reputation of the brand BOTOX, but rather as a play and to differentiate from it. The intention was to say this is not BOTOX.

Stewart J stated that an important factor, in his assessment, is the ubiquitous reputation of BOTOX. His Honour found that the word is very widely known, and to such a degree that it has become in ordinary usage a common noun, not only a proper noun. Thus, and within the authority of *CA Henschke & Co v Rosemount Estates Pty Ltd* [2000] FCA 1539; 52 IPR 42 and *Australian Meat Group Pty Ltd v JBS Australia Pty Ltd* [2018] FCAFC 207; 268 FCR 624, and as in *Mars Australia Pty Ltd v Sweet Rewards Pty Ltd* [2009] FCA 606; 81 IPR 354 at [97] per Perram J, the fame of the mark is such as to impact on a consumer's imperfect recollection of the mark. First, there is not likely to be an imperfect recollection of the mark and, second, even if there is, such a consumer is not on seeing or hearing PROTOX likely to mistake it for BOTOX; they are more likely to be reminded of BOTOX.

That conclusion was reinforced by consideration of relevant surrounding circumstances. These include that the PROTOX mark is almost always used in proximity to the FREEZEFRAME mark which identifies a range of products that include marks having no similarity at all with the BOTOX mark.

Stewart J concluded that the PROTOX mark does not so nearly resemble the BOTOX mark that it was likely to deceive or cause confusion. Also of influence was the fact that there was no evidence of actual confusion, which offered some support to that conclusion.

Stewart J also considered the "chaussette" to s.120(2) of the TM Act, namely the wording:

> *[h]owever, the person is not taken to have infringed the trade mark if the person establishes that using the sign as the person did is not likely to deceive or cause confusion.*

His Honour concluded that the PROTOX mark is used in relation to quite different goods, usually in circumstances where it is distinguished from the BOTOX mark because both marks are mentioned and the goods are distinguished by one being described as an alternative to the other, and the PROTOX mark is usually used in combination with or in proximity to the FREEZEFRAME mark. In those circumstances, the use of PROTOX by Self Care in the manner in which it does is not likely to deceive or cause confusion within the meaning of s.120(2).

The Court next considered whether Self Care was using its PROTOX mark in relation to the same goods or goods of the same description. Allergan's primary contention was that each of Self Care's products, including Protox, is a good in class 3 in respect of which Allergan's class 3 marks are registered, i.e., the 655 mark and the 426 defensive mark. Although the s.120(1) infringement claim failed at the requirement of deceptive similarity, the requirement of "the same goods" was met in relation to class 3. The requirement in s.120(2)(a) of "goods of the same description" was also met in respect of the BOTOX 426 defensive mark class 3 goods.

Allergan also submitted that Protox is a good of the same description as some of the goods in class 5 in relation to which the BOTOX marks are registered. The relevant goods in class 5 are "Pharmaceutical preparations for the treatment of … wrinkles." Botox is clearly such a good.

Stewart J concluded that Protox is not a good of the same description as the BOTOX class 5 registered goods within the meaning of s.120(2)(a).

Trade mark infringement – BOTOX in composite phrases

Justice Stewart considered the use of BOTOX in composite phrases and whether those phrases were used as trade marks. His Honour concluded that the use of BOTOX in composite phrases was not use as a trade mark despite use of capital letters for the first letter of several words in some of the phrases, or even in the spatial arrangement of the words such as one above the other. His Honour's analysis and conclusion included consideration of use of "Instant Botox® Alternative" at a week-long in-store promotion in 2014. His Honour

found that most of the phrases are narrative or descriptive phrases that include within them badges of origin such as PROTOX, FREEZEFRAME and BOTOX concluding:

> *For the most part, the inclusion of such clearly identifiable badges of origin within the narrative or descriptive phrases counts decisively against the phrases themselves being, or being used as, trade marks.*

His Honour also concluded that Self Care's use of the word BOTOX within the phrases that are complained of was also not use as a trade mark. Firstly, Stewart J found that Self Care uses BOTOX in a manner which distinguishes Botox from Self Care's own products. Secondly, the use of the ® (registered trade mark) sign adjacent to BOTOX, acknowledges that BOTOX is a badge of origin for the well-known product of that name. In many instances, Self Care expressly recorded on the relevant packaging or in the relevant marketing material that BOTOX is a registered trade mark of Allergan Inc. Thirdly, as a general proposition, each product within the range was also branded with the umbrella brand, FREEZEFRAME. Finally, Self Care's use of the BOTOX mark (as an alternative product) did not indicate a connection in the course of trade between Self Care and BOTOX.

The phrases were also not deceptively similar to the BOTOX marks. While the use by Self Care of the BOTOX mark alone was use of an identical mark, it was not use "as a trade mark".

Cross-claim: removal or cancellation of trade marks

Self Care's cross-claim sought:

(a) Removal (including cessation of protection) from the register of the word mark BOTOX in class 3 of the 655 mark for non-use pursuant to s 92(4)(b) of the TM Act and reg 17A.48D of the *Trade Mark Regulations 1*995 (Cth) in respect of all goods covered by the registration, i.e., "cosmetics, face creams and lotions; skin creams and lotions"

(b) Cancellation of the BOTOX 426 defensive mark pursuant to ss.88(2)(a) and 187(d) of the TM Act in respect of all the class 3 goods, and such other goods as are relied on by Allergan in their claims of trade mark infringement.

Cancellation of the 655 mark

The 655 mark had only been used in relation to the product Botox. There was no suggestion that that product might be classified or described as "face creams and lotions; skin creams and lotions". Allergan focused its opposition on the category "cosmetics", contending that Botox is a cosmetic within the meaning of that word as used in the trade mark registration. Stewart J did not accept this contention, concluding that Allergan has not used the 655 mark in respect of any of the goods covered by the registration.

In relation to the possible exercise of the Court's discretion to not remove the mark, Allergan referred in particular to s.101(4)(a) and submitted that it has used the 655 mark in respect of "similar goods or closely related services". Allergan submitted that Botox and the service of providing cosmetic procedures that use Botox are addressed to the same market of consumers of cosmetics and often in the same place as cosmetics are offered for sale. The Court found that there was no evidence that Allergan has used the 655 mark, or indeed any other BOTOX mark, in respect of "closely related services". The service of administering Botox injections is offered by others, not by Allergan. The question was whether Botox is a closely related good such as to justify the exercise of the discretion. The Court concluded it was not; Botox is a pharmaceutical and not as a cosmetic.

Cancellation of the 426 defensive mark

Cancellation of the 426 defensive mark was sought by Self Care on the basis that the use of the word mark BOTOX in relation to the goods or services covered by that mark was not likely to be taken to indicate that there is a connection between those goods or services and the registered owner. Self Care bore the onus of proof.

The Court considered the operation of ss.185(1) and 187(d) of the TM Act, for which there had been no previous judicial consideration.

Section 185 of the TM Act relevantly provides:

> ***185 Defensive trade marks***
>
> *(1) If, because of the extent to which a registered trade mark has been used in relation to all or any of the goods or services in respect of which it is registered, it is likely that its use in relation to other goods or services will be taken to indicate that there is a connection between those other goods or services and the registered owner of the trade mark, the trade mark may, on the application of the registered owner, be registered as a* ***defensive trade mark*** *in respect of any or all of those other goods or services.*

Section 187 of the TM Act relevantly provides:

> *187 Additional grounds for rejecting application for registration or opposing registration*
>
> *In addition to any other ground on which:*
>
> *(a) an application for the registration of a trade mark as a defensive trade mark may be rejected; or*
>
> *(b) the registration of a trade mark as a defensive trade mark may be opposed;*
>
> *the application must be rejected or the registration may be opposed:*
>
> *(c) …; or*

> *(d) in the case of a registered trade mark—if it is not likely that the use of the trade mark in relation to the goods or services in respect of which its registration as a defensive trade mark is sought will be taken to indicate that there is a connection between those goods or services and the registered owner.*
>
> *Note: Division 2 of Part 4 sets out the main grounds for rejecting an application but section 41 does not apply to defensive trade marks (see section 186). Division 2 of Part 5 sets out the main grounds for opposing registration.*

The Court found that although the registered defensive mark does not have to be famous, and neither s.185(1) nor s.187 uses the word reputation, it is obvious that the mark must have some reputation in relation to all or some of the goods and services in respect of which it is non-defensively registered. That is because without that reputation the (unauthorised) use of the mark in relation to other goods or services would not be likely to suggest a connection with the owner of the registered mark.

The question was whether it is likely that the use of the trade mark BOTOX in relation to any of the class 3 goods would be taken to indicate that there is a connection between those goods and Allergan, being the registered owner of the BOTOX trade mark.

Stewart J stated that the evidence of the ubiquitous reputation of BOTOX was overwhelming, although "the reputation of BOTOX is in relation to a very particular type of product". However, the Court found that the class 3 goods and pharmaceutical treatments for skin ageing and wrinkling such as Botox share a substantially common market and there was ample evidence of complementary use of certain skin care products and pharmaceuticals. The mere fact that injectable products such as Botox do not ordinarily share a common trade source with topical cosmetic products, and that Allergan had not up until the trial itself traded topical cosmetic products, was insufficient to displace a connection that was otherwise likely to be drawn between topical cosmetic products and the owner of the BOTOX mark if that mark was used in relation to such products.

Stewart J accepted that amongst ordinary reasonable consumers the word BOTOX is frequently used in a general sense to refer to a category of product, being anti-wrinkle injections, rather than a brand. However, his Honour stated that BOTOX is nevertheless a powerful brand with a widespread reputation. If it was applied to a topical cosmetic product, i.e., a product that is not an anti-wrinkle injection, it is likely that ordinary reasonable consumers would draw a connection between the product and the owner of the trade mark BOTOX.

Several of the goods in the registration were found to be products of a type not so dissimilar from Botox that it is not likely that the use of the mark BOTOX in relation to them would not be taken to indicate that there is a connection between them and Allergan. While some other goods were less similar, Self Care had the onus of proof and failed to establish this ground.

Trade Marks Office Appeal

This part of the case involved an appeal from the decision of the Trade Marks Office to allow Self Care IP's application for the registration of the mark FREEZEFRAME PROTOX in class 3 in respect of the goods "anti-ageing serum, anti-wrinkle serum". The grounds of opposition relied upon by Allergan were ss.60, 42(b), 44, 58, 59 and 62A.

In relation to section 60, BOTOX mark had acquired a reputation in Australia before the priority date for the registration of the FREEZEFRAME PROTOX mark (i.e., 2014) but that reputation was in relation to an injectable anti-wrinkle product administered by healthcare professionals. There was no reputation in the mark BOTOX that extends to topically applied cosmetics or general cosmetic products or treatments. For the same reasons as dealt with in relation to why the mark PROTOX was not deceptively similar to the mark BOTOX, the mark FREEZEFRAME PROTOX was not likely to deceive or cause confusion.

Allergan similarly failed in relation to sections 42(b) and 44.

In relation to section 58, Allergan argued that while Self Care IP applied for the mark, Self Care Corp was the owner of the mark. The Self Care case was that Self Care IP intended to license use of the mark to Self Care Corp. The Court concluded that Ms Amoroso was the controlling mind of both companies and had it within her capacity to decide which company would own the intellectual property, and she decided that in the case of the mark FREEZEFRAME PROTOX it would be Self Care IP. The section 58 claim failed.

In relation to the no intention to use ground under section 59 of the TM Act, Stewart J did not accept that Allergan Inc has established that Self Care IP did not have the intention on lodging the application for registration of the opposed mark to use it.

Allegan's section 62A case hinged on its trade mark infringement, ACL and passing off actions. The relevant parts of each of those actions failed, so this ground likewise failed.

Australian consumer law and passing off

Allergan's case in reliance on the ACL and the tort of passing off was divided between the case on the affiliation representations (ACL and passing off) and the case on the efficacy representations (ACL only).

Affiliation representations

Allergan pleaded that the statements that it complained of in relation to all of the products made the following false representations about the product:

(1) the product is, or is related to, the Botox product or a product sold under the BOTOX trade marks;
(2) the product is a topical cream or serum containing the Botox products;
(3) the product has the licence, sponsorship or approval of Allergan;
(4) the product is affiliated with the business of Allergan; and
(5) Self Care has an approval from or connection or association with Allergan.

In respect of the Protox product, Allergan also said that the statements that are complained of made the following false representations:

(1) the Protox product has a therapeutic use Allergan has verified as correct;
(2) Allergan has verified as correct that the physiological processes of the Botox products can be influenced, modified or extended by the use of the Protox product; and
(3) Self Care is legally permitted to advertise the Protox product and/or the Botox products, including under the TG Act.

Stewart J was not satisfied that the ACL and passing off cases based on the affiliation representations had been established. The principal reason was because Self Care, for the most part, made it clear that its products were not Allergan's products; they were advertised and presented as an "alternative" to Botox. Moreover, that other product was also known to be very different, i.e., it is an injectable administered only by healthcare professionals and was significantly more expensive.

Efficacy representations

In relation to the efficacy representations, the identified representations, said to be representations as to future matters, essentially tracked the wording of s.29(1)(a) of the ACL, i.e., a false or misleading representation that goods are of a particular standard, quality, value, grade, composition, style or model or have had a particular history or particular previous use. In relation to each of the statements, Allergan pleaded that they make the following representations, in trade and commerce, to Australian consumers:

(1) use of the product (as a cream) will give results to the same standard or quality as the Botox products (as an injection); and
(2) use of the product will achieve the same performance characteristics, uses and/or benefits as the Botox product.

In addition, in relation to the Protox product statements, Allergan pleaded that they also made the representation that use of the Protox product will work complementarily or synergistically with, or can be used as part of a treatment with, the Botox products to enhance and/or prolong the benefits of the Botox products (said to be caught by s.29(1)(g) of the ACL).

The first category of statements were those that were said to give rise to comparative efficacy representations that included the word "alternative".

The Court considered the class of consumers for Self Care's products and hence the people who are likely to read the impugned statements. The Court found that the ordinary and reasonable consumer on reading the impugned statements in their context is likely to know that Botox is an injectable anti-wrinkle treatment that is available to be administered only by healthcare professionals, that in contrast Self Care's products are topically self-applied creams, serums and lotions, and Botox is likely to be more expensive than Self Care's products because it is required to be professionally administered. Also, although probably not being conscious of the fact, such consumers will not have seen or experienced Botox and Self Care's products being available in the same place.

> *In that context, in my assessment the impugned statements that describe the relevant product as an "alternative" to Botox are likely to be understood by ordinary and reasonable members of the relevant class of consumer as representing that the Self Care product will reduce the appearance of wrinkles to a similar extent as Botox does. The statements convey, in context, that the product will be effective in reducing the appearance of wrinkles. The statements do not say anything expressly about the extent of that effectiveness, particularly with regard to how long any such reduction in the appearance of wrinkles will last. The statements also say nothing about the mechanism of the effect on the reduction in the appearance of wrinkles.*

The Court was not not persuaded that the statements conveyed that the effect of the product in question would be the same as the effect of Botox. Justice Stewart said that this is not ordinarily how "alternative" would be understood, and given the ordinary and reasonable consumer's knowledge of the significant differences between the products, the statements would not be understood as saying that the products are the same or that they have the same effect. The statements also do not imply that the products have the same mechanism or mode of action.

The second category of statements were comparative statements that expressly made representations as to the effect of the product in question and Botox being the same or similar such as "… which could produce a Botox-like visual effect when applied topically to the skin" (Protox statement 12).

The third category of statements was of those which make a representation that the product in question works with Botox in some way, such as to "prolong" its effects, to make Botox "look better for longer" or to make the visual effect of Botox "look even more dramatic".

Stewart J found that the question is whether the claim that the products achieve a similar reduction in the appearance of wrinkles was well-founded.

> *The representations as to a Self Care product being an alternative to Botox (i.e., the first category of statements identified at [494]-[504] above) are justified as having been made on reasonable grounds. Self Care offered a lot of evidence in support of the proposition that its relevant products produce a noticeable and significant reduction in the appearance of wrinkles. Allergan failed to discharge the onus on it to prove that Self Care did not have reasonable grounds for making the representations. Since, in my evaluation, the achievement of a reduction in the appearance of wrinkles is a similar effect to the use of Botox, the representations were not misleading. That is to say, as concluded above, the ordinary and reasonable consumer would not understand Botox to have a readily quantifiable effect on the appearance of wrinkles, and no evidence has been adduced to actually quantify that effect. Thus, the noticeable and not insignificant effect of Self Care's products in reducing the appearance of wrinkles is sufficiently similar to the effect of Botox in reducing the appearance of wrinkles that the representation that one is an alternative for the other is not misleading.*
>
> *In the second category of representations (identified at [505]-[507] above), the statement that Protox "could produce a Botox-like visual effect" is also not misleading for the same reasons. The evidence establishes reasonable grounds for the representation that Protox can produce a noticeable and significant visual effect in the appearance of the reduction of wrinkles similar to that produced by Botox (although not quantifiably so).*

However, also in the second category was the statement that the Night (tube) product "delivers the results of a Botox injection in 4 weeks". This constituted a representation that the product would deliver the same results as Botox in four weeks. There was no head-to-head study to compare the results of the two products. Self Care had not sought to justify the comparative representation and it was not justified by the evidence. The statement was therefore misleading within the meaning of s.29(1)(g) of the ACL.

The third category of statements were those that represented that the product in question prolongs or improves the look of Botox. The studies provided an adequate foundation, and thus reasonable grounds, for the statements with regard to prolonging and improving the look of Botox.

Therefore, in all, one representation was found to be misleading or deceptive.

Loss and damage

As the misleading statement with regard to the results of Night (tube) after four weeks being the same as Botox was found to be misleading, his Honour was satisfied that this claim could properly proceed to the quantification of damages, if Allergan elected to follow that course.

Liability of Ms Amoroso

Ms Amoroso's evidence in chief put her firmly at the centre of the companies, in ultimate control of their decision-making and in charge of their creative direction. She did not seek to shy away from any of that. However, none of it put her in a position such as to have gone beyond her role as a director or CEO. Stewart did not find any basis upon which Ms Amoroso would be personally liable on the non-ACL causes of action against the Self Care companies. His Honour said the applicant would face some difficulty in establishing that Ms Amoroso knew that the impugned statements made representations that were misleading or deceptive, or false. In the circumstances, his Honour also do not find any basis upon which Ms Amoroso would be personally liable on the ACL causes of action against the Self Care companies.

Therapeutic Goods Act claim

This claim failed. Allergan failed to prove that the statements made the representations that were pleaded, and which were in turn said to constitute contraventions of the TG Act. There were also serious question marks over Allergan's standing to bring this action.

1 Where any of us was involved in a case reported below and the matter is still running, or potentially so, the other correspondents have taken the role of reporting that case.

2 *Competition and Consumer Act* 2010 (Cth), Schedule 2.

Miriam Zanker, Suzy Roessel and Courtney White
Davies Collison Cave

"Comprising": A double-edged sword – *Merck Sharp & Dohme Corporation v Wyeth LLC (No 3)* [2020] FCA 1477 (14 October 2020)

In the recent Federal Court of Australia decision in *Merck Sharp & Dohme Corporation v Wyeth LLC (No 3)* [2020] FCA 1477, Justice Burley held that the proposed importation and sale of MSD's 15-valent pneumococcal vaccine would infringe certain claims of three of Wyeth's patents relating to Wyeth's 13-valent pneumococcal vaccine. However, following findings that the asserted claims of one patent were invalid for lack of support under s.40(3) of the post-"Raising the Bar" amendments *Patents Act* 1990 (Cth) (the "Post-RTB Act"), and the asserted claims of another lacked an inventive step, the infringement action only succeeded in relation to the asserted claims of the remaining patent, which were held to be valid and infringed.

Background

Wyeth LLC ("Wyeth") is the patentee of the following Australian patents:

- Patent No 2006235013 ("013 patent") and Patent No 2013206844 ("844 patent") each entitled "Multivalent pneumococcal polysaccharide-protein conjugate composition" and concerning a 13-valent pneumococcal vaccine (together, the "composition patents"); and
- Patent No 2012216628 ("628 patent") entitled "Novel Formulations which Stabilize and Inhibit Precipitation of Immunogenic Compositions" and concerns a siliconized container means whereby polysaccharide-protein conjugates may be stabilised (referred to as the "container patent").

In August 2017, Merck Sharp & Dohme Corporation ("MSD") commenced proceedings against Wyeth alleging that certain claims of Wyeth's composition patents and container patent were invalid. Wyeth denied the invalidity claims and, in light of MSD's intended launch of a 15-valent pneumococcal vaccine in Australia, alleged infringement of particular claims of each of the patents.

Notably, the law as it stood prior to the "Raising the Bar" ("RTB") amendments to the *Patents Act* 1990 (Cth) applied to the claims of the 013 patent, whereas the RTB amendments applied to the 844 patent. This distinction led to different findings on MSD's unsuccessful "lack of fair basis" allegation in relation to the asserted 013 patent claims, and its corresponding – and successful – "lack of support" allegation in relation to the asserted 844 patent claims. The "support" requirement replaced "fair basis" for patents subject to the post-RTB Act.

Wyeth's Composition Patents

Construction of "comprising"

The question of whether the asserted claims of each of the composition patents and the container patent would be infringed by MSD's threatened importation and sale of the vaccine turned on the meaning of the word "comprising", which was defined in each of the patents to be understood to "imply the inclusion of a stated integer or step or group of integers or steps but not the exclusion of any other integer or step or group of integers or steps."

In determining whether the sale and importation of MSD's15-valent pneumococcal vaccine would infringe Wyeth's composition patents, the Court had to consider whether, as a matter of construction, MSD's 15-valent pneumococcal vaccine fell within the scope of the composition patents' claims. The primary construction issue presented to the Court was use of the term "comprising" in the claims, in particular where the claim identified 13 nominated serotypes (whereas MSD's alleged infringing product included 13 nominated serotypes plus two more).[1]

Justice Burley held "the words "comprising" and "comprises" are clearly defined in the specification in an inclusive sense, or in other words, "including and "includes"."2 Burley J also turned to the patent specifications to ascertain whether a different interpretation of "comprising" was mandated. Ultimately, Burley J favoured Wyeth's construction of "comprising" and as a result, held that MSD's proposed importation and sale of its15-valent pneumococcal vaccine into Australia would infringe the asserted claims of the composition patents.[3]

Invalidity

MSD contended that the asserted claims of each of the composition patents were invalid under a number of grounds including, relevantly, lack of fair basis with respect to the 013 patent, and lack of support with respect to the 844 patent.

The 013 patent: Lack of fair basis

MSD submitted that the disclosure in the 013 specification is of a composition with the 13 specified serotypes and no more, and that there was no real and reasonably clear disclosure of an immunogenic composition with more than 13 serotypes. Wyeth submitted that a composition with more than 13 serotypes can, on a correct construction of the word "comprises", fall within the scope of the claims, but that does not mean that Wyeth *claims* all of the serotypes in such a composition.

His Honour, in finding that the claims were fairly based, observed that MSD's argument:

> *distracts from the real inquiry, which is not whether the infringing article is disclosed in the specification … but whether the invention claimed is disclosed.*[4]

The 844 patent: Lack of support

Interestingly, at trial, the lack of support case was confined to brief closing submissions and, following the United Kingdom decision in *Regeneron Pharmaceuticals Inc (Respondent) v Kymab Ltd (Applicant)* [2020] UKSC 27 ("Regeneron") handed down in June this year, his Honour invited the parties to supply further written submissions concerning the applicability of that decision in Australia.

MSD submitted that to satisfy the support obligation, the scope of the claims "should correspond to the technical contribution to the art" provided in the specification.[5]

Wyeth argued that MSD's approach would mean that any product claim, particularly one that uses "comprising" or "including", is liable to be revoked for lack of support on the basis that the claimed product could be produced with an additional integer not mentioned in the specification.

His Honour conducted a detailed review of the RTB amendments to the Act and secondary materials to discern the intention of replacing "fair basis" for the "support" obligation for post-RTB patents, finding that the change was intended to align Australian requirements with those of overseas jurisdictions, such as the United Kingdom, and that it was therefore plainly appropriate that Australian courts should take guidance from the law in the European Union and the United Kingdom when considering the scope of the "support" requirement.

His Honour, citing *Biogen Inc v Medeva Plc* [1996] 10 WLUK 486; [1997] RPC 1, 50-1, found that the asserted claims of the 844 patent (claims 1-9, 16-18 and 20-23) were invalid for lack of support. In particular, his Honour stated at [553]:

> *[Wyeth] has established in its specification that it has hit upon a new product which has a beneficial effect, but it has claimed a monopoly that includes compositions that are not the product of the technical contribution to the art provided by the specification. The inclusively worded claims do not correspond to the technical contribution to the art. The claims cover products that the specification does not enable, and the specification discloses no principle that would enable others to be made.*

Composition patents: Conclusion

All of MSD's invalidity allegations with respect to the asserted claims of the 013 patent failed. It follows that his Honour found that the asserted claims of Wyeth's 013 patent were valid and would be infringed by the sale and importation into Australia of MSD's 15-valent pneumococcal vaccine.

The asserted claims of Wyeth's 844 patent were found to be invalid for lack of support and therefore could not be considered to have been infringed by the threatened sale and importation into Australia of MSD's vaccine.

Wyeth's Container Patent

Invalidity

MSD contended that the asserted claims of the container patent were invalid on a range of grounds, including inventive step.

The inventive step challenge to claims 1 and 9, and claim 18 (when considered together with the combination of claim 1 or claim 9) of the container patent succeeded, leading to a finding that the claims of the container patent are invalid. Accordingly, the importation and sale of MSD's 15-valent pneumococcal vaccine would not infringe the asserted claims of the container patent.

Conclusion

This case provides guidance on how Australian courts will apply the post-RTB "support" requirement, and makes clear that the approach taken in the European Union and the United Kingdom is applicable when considering the scope of the requirement. The case also demonstrates that the use of inclusive wording such as "comprising" in a patent claim may, depending on the invention, be fatal for the validity of that claim.

The Court made orders inviting the parties to provide proposed orders setting out the appropriate form of orders to give effect to the decision, with any areas of disagreement marked up. Once the Court has made such orders, the clock will start running with respect to filing any appeal.

1 Merck Sharp & Dohme Corporation v Wyeth LLC (No 3) [2020] FCA 1477 [5].

2 Merck Sharp & Dohme Corporation v Wyeth LLC (No 3) [2020] FCA 1477 [178].

3 Merck Sharp & Dohme Corporation v Wyeth LLC (No 3) [2020] FCA 1477 [204].

4 Merck Sharp & Dohme Corporation v Wyeth LLC (No 3) [2020] FCA 1477 [499].

5 Merck Sharp & Dohme Corporation v Wyeth LLC (No 3) [2020] FCA 1477 [508].

Elizabeth Godfrey and Linda Xu
Davies Collison Cave

Not so sweet victory for wicked business: *PDP Capital Pty Ltd v Grasshopper Ventures Pty Ltd* [2020] FCA 1078 (30 July 2020)

The case of *PDP Capital Pty Ltd v Grasshopper Ventures Pty Ltd* [2020] FCA 1078 (30 July 2020) serves as a reminder that, as there is no statutory tort of authorisation in the *Trade Marks Act* 1995 (Cth) ("Act"), there may not be direct trade mark infringement if the alleged infringer has merely authorised the application of a trade mark to the product in question. This case also highlights how the presentation and substantiation of evidence of confusion can impact its probative value.

Background

PDP Capital Pty Ltd ("PDP") manufactures and sells a range of chilled dessert products and snacks under the brand WICKED SISTER.

PDP Fine Foods owns a trade mark registration for the following mark ("First Wicked Sister Mark"):

PDP owns trade mark registrations for the word mark WICKED SISTER and the following mark (collectively, "Second Wicked Sister Marks"):

Grasshopper Ventures ("Grasshopper") is an intellectual property holding company that authorises the use of its trade mark WICKED to related trading entities (**Valentine Companies**) on a range of dipping sauces and other products. Products were sold under the Wicked Tail Mark (below) from 2002 until 2014 when the New Wicked Mark (below) superseded the original branding.

Wicked Tail Mark

New Wicked Mark

PDP brought proceedings against Grasshopper alleging that Grasshopper infringed its WICKED SISTER trade mark registrations (collectively, "Wicked Sister Marks") by using the New Wicked Mark, and that it had engaged in misleading or deceptive conduct and passing off. PDP also sought rectification by cancellation, cancellation, amendment or removal of Grasshopper's Wicked Tail Mark.

Grasshopper cross-claimed for removal of the Wicked Sister Marks.

The marks are not deceptively similar

The New Wicked Mark and the Wicked Sister Marks were not considered deceptively similar, because there was no visual, aural or conceptual similarity:

- The New Wicked Mark and the Wicked Sister Marks are differently stylised and rendered in different fonts.
- The New Wicked Mark is comprised of one word. The Wicked Sister Marks are a combination of two words, and convey a different meaning to the word WICKED. Neither WICKED or SISTER are a prominent feature of the Wicked Sister Marks.
- The word WICKED is an adjective and when used alone, it conveys an abstract concept. Comparatively, when combined with the word SISTER, the overall meaning of the mark WICKED SISTER is definite.

Evidence of confusion

Both parties led considerable evidence of confusion to substantiate similarity between the marks (PDP led evidence from seven witnesses and Grasshopper led evidence from five witnesses). The evidence of confusion was given limited weight by the Court for the following reasons:

- it was not clear which marks the witnesses were comparing, when, and in what circumstances confusion arose; and
- the witnesses compared similarities between some of the marks only and no evidence was led to displace the fact that there are mindful differences between the marks and how the witnesses reconciled those differences to conclude that the products were thought to come from the same trade source.

Mr Polly (director of PDP Capital and PDP Fine Foods) gave evidence of consumer complaints received, which he believed were complaints in relation to the Wicked dipping sauces. Markovic J found this was mere speculation and these complaints were not logged or recorded in any form.

Trade mark infringement by Grasshopper

As the marks were not considered deceptively similar, PDP's infringement claim failed. Markovic J nonetheless went on to consider, in obiter, the threshold issue, namely, whether Grasshopper's authorisation of the Valentine Companies' use of the New Wicked Mark could constitute infringement. Markovic J concluded (contrary to some earlier authorities) that Grasshopper's authorisation of the Valentine Companies to apply the New Wicked Mark to product is not capable of constituting direct trade mark infringement by Grasshopper. As there is no statutory tort of authorisation in the Act (compare the *Copyright Act* 1968 (Cth)), Grasshopper could not be liable for infringement under section 120 as it did not itself use the mark. However, this would not have precluded liability of Grasshopper as a joint tortfeasor had that been pleaded.

Breaches of Australian Consumer Law ("ACL") and passing off by Grasshopper

PDP's claims for breaches of sections 18 and 29 of the ACL and passing off failed.

Apart from the differences in the marks outlined above, Markovic J went on to note further differences as indicating deception or confusion was not likely:

- the nature of the products were different – Wicked products like dipping sauces are shelf-stable, not made from fresh ingredients and are not dairy-based, whereas Wicked Sister products require refrigeration as they are made from fresh ingredients and are dairy-based desserts;
- the products are sold in different areas in supermarkets – Wicked products are kept on ordinary shelves in stable ambient temperatures and Wicked Sister products are sold in the refrigerated section;
- the product packaging was different; and
- as at 2014 when use of the New Wicked Mark commenced, Grasshopper's reputation in its WICKED brand was considered to be stronger than PDP's reputation in its WICKED SISTER brand.

Grasshopper tried to claim that it was merely an intellectual property holding company, did not conduct any sales or engage in any promotional activity, and therefore could not have made any misleading or deceptive representations to the public even if the claims were established.

This contention was rejected as the Wicked Business had always been operated either in Mr Valentine's own name or by one of the Valentine Companies, and Mr Valentine was responsible for the business' day-to-day operations and also a director of Grasshopper. Grasshopper was considered to have provided the Valentine Companies with the capacity to make particular representations through use of the New Wicked Mark and branding. Had the claims been established, Grasshopper could have been liable under the ACL.

Removal applications by Grasshopper

Grasshopper sought partial removal of the registration for the First Wicked Sister Mark in the name of PDP Fine Foods on the grounds of non-use. The issue was whether PDP could rely on its sales of variously flavoured rice puddings as use for "sauces for rice", which was not held to be the same thing. PDP could also not rely on the Registrar's discretion not to remove an unused trade mark from the Register, because it could not show that it was reasonable to keep the registration when it could not demonstrate use.

Grasshopper also challenged the registration for the Second Wicked Sister Mark in the name of PDP Capital pursuant to section 92(4)(a) alleging that PDP had no intention of using the marks for certain goods in classes 29 and 30 at the time of filing and there was no actual good faith use of these marks. Markovic J held that there was some actual good faith use of the marks by PDP:

- use for custard was sufficient to show use for "dessert sauces";
- use for tiramisu was sufficient to show use for "cakes";
- use for rice pudding was sufficient to show use for "puddings"; and
- use for panna cotta was sufficient to show use for "all other desserts in this class including prepared desserts".

There was no evidence of use for the remaining goods of the registration, including bakery products, confectionary, ice cream confections, dipping sauces, and any yoghurt products. Accordingly, partial removal was established. The claim for "dessert sauces" was also limited to "custard".

Removal application by PDP

PDP sought to remove Grasshopper's registration for the Wicked Tail Mark on both section 92 grounds. The section 92(4)(a) ground was dismissed. Mr Valentine, who originally filed the application to register the Wicked Tail Mark, had an intention to use the mark at the filing date. Under the section 92(4)(b) ground, Grasshopper conceded that it had not used its mark for some of the registered goods, being dessert toppings and sauces. There was also no use of the mark in relation to confectionery goods. Grasshopper was able to establish use of the mark for dips, including chocolate dips. Her Honour ultimately exercised the discretion not to remove the registration and allowed the registration to remain for all the goods, except savoury dips.

Rectification application by PDP

PDP sought rectification by cancellation or amendment of Grasshopper's registration for the Wicked Tail Mark relying on ownership and intention to use grounds under sections 58 and 59.

The registration for the Wicked Tail Mark was originally filed by Mr Valentine. It was subsequently assigned to Brisbane Market Brokers Pty Ltd before a final assignment to Grasshopper. PDP alleged that the true owner of the mark was Wicked Products Pty Ltd ("Wicked Products"), which operated the WICKED business in the interim. The section 58 ownership claim was dismissed as Markovic J was satisfied that Mr Valentine was the author of the Wicked Tail Mark and adopted it with the intention of using it, did use it, and authorised Wicked Products to use the mark. The section 59 intention to use ground was also dismissed as Mr Valentine had the requisite intention to use the mark for all the claimed goods at the time of fiing.

Grasshopper filed a cross-claim for cancellation or amendment of PDP's registrations for the Wicked Sister Marks relying on the deceptively similar mark/confusion-based grounds under sections 44, and 60, or pursuant to section 88(2)(c), and also on ownership grounds under section 58.

It was unnecessary to consider Grasshopper's cross-claim for rectification of PDP's First Wicked Sister Mark under sections 44, 60 or 88(2)(c) as the marks were not considered deceptively similar or confusing as outlined above.

Grasshopper tried to argue that PDP's Second Wicked Sister Marks should not have been registered in the face of the earlier registration of the First Wicked Sister Mark owned by a separate PDP entity pursuant to section 44, and that PDP could not rely on consent under section 44(3)(b) because PDP Capital used it as an asset protection mechanism to avoid or minimise capital gains tax. Although the asset protection mechanism was not condoned, Markovic J nonetheless held that the consent arrangement did not affect the integrity or information function of the Register, which the public could check to verify which entity was responsible for the goods.

Markovic J upheld Grasshopper's contention pursuant to section 58 that PDP could not claim to be the true owner of the Second Wicked Sister Marks as the owner was a separate PDP entity and user of the First Wicked Sister Mark (applying *Pham Global Pty Ltd v Insight Clinical Imaging Pty Ltd* (2017) 251 FCR 379). Despite this finding, Markovic J did not order cancellation of the Second Wicked Sister Marks, because Her Honour did not consider there to be any risk of confusion to consumers from the marks remaining registered, including because PDP Capital and PDP Fine Foods had the same director and a clear unity of purpose in relation to the use of the mark as related entities (applying *Trident Seafoods Corporation v Trident Foods Pty Ltd* [2019] FCAFC 100).

Lessons learned

The decision includes obiter to the effect that if a trade mark owner merely authorises use of its trade mark by other traders, it will not be directly liable for trade mark infringement. A trade mark owner may nonetheless still be liable for infringement as a joint tortfeasor.

Care should be taken when filing evidence to substantiate a likelihood of confusion. The marks compared should be the marks in dispute. Both similarities and differences in the marks should be considered and reconciled as to how a conclusion was still formed that the goods and services offered under each mark were assumed to originate from the same trade source.

The decision is under appeal.

Current Developments – New Zealand

Andrew Brown QC
Auckland
Correspondent for New Zealand

Case law Developments

Pharmazen Limited V Anagenix IP Limited

Court of Appeal of New Zealand (Brown, Dobson and Nation JJ) 29 April 2020, 23 July 2020

[2020] NZCA 306

Intellectual property – trade marks – similar trade marks – registrability – use is likely to deceive or confuse – ss.17(1)(a) and 25(1)(b) – Importing the prerequisite of actual use into s.25(1)(b) ground improper- Trade Marks Act 2002 (NZ).

Facts

This was an appeal from the decision of the High Court (upholding an earlier decision of the Assistant Commissioner of Trade Marks).The decision refused registration of the trade mark ActiPhen under s.25(1)(b) of the *Trade Marks Act* 2002 (NZ) ("the Act") on the ground that it was similar to the existing registration ACTAZIN for similar goods and use of ActiPhen wound be likely to deceive or confuse.

Background

The respondent, Anagenix IP Limited ("Anagenix") is a collective of New Zealand nutraceuticals companies with an interest in natural products relating to digestive health, including kiwifruit powder [9]. The trade mark ACTAZIN, coined by Anagenix in 2007, was registered in New Zealand with an effective date of registration of 27 October 2009 in respect of the following goods [10]:

> *Class 5: kiwifruit extract powder as a dietetic substance or ingredient adapted for human health and medical use including dietary, health and nutritional supplements, medical food and functional foods and beverages.*
>
> *Class 29: kiwifruit extract powder as a dried fruit ingredient in the manufacture of food and chilled dairy products, including drinking yoghurts.*

ACTAZIN is the trade name for the first product developed by Anagenix, a kiwifruit powder concentrate produced from New Zealand green kiwifruit. The first syllable, ACT, was said to originate from the botanical name for kiwifruit, Actinidia [10]. Since 2009, Anagenix had sold this product primarily to businesses overseas. The product was sold in New Zealand for a number of months commencing in February 2012 but in mid-2012 Anagenix ceased selling ACTAZIN products in New Zealand because of the potential infringement of a recently granted patent [11].

The appellant, Pharmazen Limited ("Pharmazen") develops, manufactures and markets specialised nutritional ingredients for human and animal dietary supplement products. Its product branded ActiPhen comprised 100 per cent kiwifruit powder consisting of both flesh and skin and contains no artificial additives [12]. On 4 May 2016 Pharmazen applied to register the ActiPhen trade mark in respect of goods in class 5 [13].

It was accepted by the Court that these goods were similar to the class 5 goods of the ACTAZIN registration [1].

Pharmazen explained that the trade mark is a combination of "Acti" designating the protease enzyme unique to kiwifruit, "Actinidin" and the botanical name *Actinidia deliciosa*; and "Phen" designating the phenolic compounds of ActiPhen [12].

Anagenix opposed the application under ss.25(1)(b), 17(1)(a) and 17(1)(b) of the Act[14].

The Assistant Commissioner's decision

The Assistant Commissioner considered that the two marks were visually similar and that there was a substantial degree of similarity in their likely natural pronunciation. On the evidence available, the Assistant Commissioner concluded that a significant number of persons in the relevant market looking at the ActiPhen mark in the absence of the ACTAZIN mark would be likely to be caused to wonder whether the ActiPhen mark was the same as, or related to, the ACTAZIN mark [17].

The grounds of opposition under ss.17(1)(a) and 17(1)(b) failed on the basis that there was insufficient evidence of awareness of the ACTAZIN mark in the relevant New Zealand market [18].

The High Court judgment

On appeal to the High Court, Pharmazen contended that the Assistant Commissioner's decision on s.25(1)(b) was wrong and inconsistent with the conclusion that registration of ActiPhen would not contravene s.17(1)(a) [19]. In particular, Pharmazen submitted that as Anagenix's ACTAZIN product was not in the New Zealand market, there was no possibility that ActiPhen could be confused with Anagenix's mark and therefore the s.25(1)(b) test could not be satisfied [21].

On the issue of similarity between the marks ACTAZIN and ActiPhen, Cull J concluded that there were both visual and aural similarities between the marks. The Judge considered that placement of "ACT" at the beginning of each of the marks would be the focus of a person's recollection of the

relevant products. The Judge also considered that the fact that "ACT" was derived from the botanical name for kiwifruit was not commonplace or common knowledge and that there was no conceptual meaning to either mark [20].

The Judge also upheld the Assistant Commissioner's finding under s 25(1)(b). Cull J identified that when a trade mark holder is relying on s.25(1)(b), the key principle is that its own actual use and reputation are not relevant. Consequently, the Court was not required to consider the actual use of the ACTAZIN mark under s.25(1)(b) and this approach was not inconsistent with the approach taken under the s.17(1)(a) ground of opposition [22].

> *Anheuser-Busch Inc v Budweiser Budvar National Corp* [2003] 1 NZLR 472 (CA) referred to.

Issues on appeal

The appeal before the Court of Appeal was concerned solely with s.25(1)(b) [8]. The parties' arguments were considered by reference to the following broad questions [24]:

(a) Was use by the registered owner of trade mark C (ie ActiPhen) a prerequisite for a successful opposition under s.25(1)(b) to an application to register trade mark A (i.e. ACTAZIN)?

(b) \Was ActiPhen similar to ACTAZIN?

(c) Given the registration of ACTAZIN, had Pharmazen demonstrated on the balance of probabilities that its use of ActiPhen was not likely to deceive or confuse?

Held, dismissing the appeal, and refusing registration:

Was use of trade mark C a prerequisite for a successful opposition under s 25(1)(b)?

1. Sections 17(1) and 25(1) involve different tests [27]. Section 17 specifies absolute grounds for refusing registration of a trade mark whereas s 25 specifies relative grounds of refusal [32]. Both sections therefore serve different purposes and work in different ways. The purpose of s.17(1) is to protect the public from undesirable confusion arising from the registration of a trade mark. The purpose of s.25(1) is to protect a registered mark, and the interest the proprietor of that mark has, from the registration of a potentially deceptive or confusing similar mark.

   > *Hannaford & Burton Ltd v Polaroid Corp* [1976] 2 NZLR 14 (PC); *British American Tobacco (Brands) Inc v NV Sumatra Tobacco Trading Co* HC Wellington CIV-2007-485-2814, 11 November 2008; *BALI Trade Mark* [1969] RPC 472 (HL), referred to.

2. That the protection afforded by s.25(1)(b) is of the owner's interest is underscored by s.26(a) which confers on the owner of trade mark C the power to consent to the registration of trade mark A [34]. There is no equivalent power in the context of s.17 [34].

3. In both ss.17(1)(a) and 25(1)(b) the activity under scrutiny is the anticipated normal and fair use of the trade mark for which registration is sought. However, in the s.17(1)(a) analysis, the base comparator is the manner in which another trade mark has already been used in fact. By contrast, in the s.25(1)(b) analysis, the comparator is an assumed use of an existing registered trade mark (trade mark C), albeit in a normal and fair manner [35]. In the s.25(1)(b) analysis the market is itself notional [36].

4. Importing the prerequisite of actual use into the s.25(1)(b) analysis would conflict with other provisions of the Act:

   (a) Use under s.7(1)(b) and (c) of the Act, which deems the application of a trade mark to export goods to be use of the trade mark in New Zealand, would be treated as irrelevant under s.25(1)(b) for the reason that it would not be use likely to cause deception or confusion in a relevant New Zealand market [37].

   (b) In the infringement context under s.89(1)(c), whether there has been actual use of the registered trade mark is not relevant [38].

   (c) Section 66 of the Act stipulates that as long as there is some genuine use of a trade mark during any continuous period of three years, the trade mark will not be vulnerable to removal for non-use. So, even if there are no sales in New Zealand of products bearing a trade mark, the application of the trade mark on goods for export recognised in s.7(1) will qualify as use so as to defeat an application for removal [39].

5. Therefore, use of trade mark C (ActiPhen) was not a prerequisite for a successful opposition under s.25(1)(b) to registration of trade mark A [41].

6. Both ActiPhen and ACTAZIN are invented words [48], of similar length, have three syllables, share the first syllable "Act", and conclude with the letter "n" [49]. There is significant visual similarity between them [49].

7. Where a trade mark incorporates a word that is commonplace for the relevant goods, that part will be less distinctive than other parts of the trade mark [50]. However, there was no persuasive evidence suggesting that ACT is an accepted and recognised abbreviation of Actinidia or Actinidin [51]. The Judge and the Assistant Commissioner were therefore correct in their conclusions that ACT is not descriptive, generic or a common part of trade marks for the relevant goods [51].

8. Invented words are likely to generate a variety of pronunciations [54].Whatever the pronunciation, both trade marks would be pronounced with primary emphasis on the first syllable "Act".

   > *NV Sumatra Tobacco Trading Co v British American Tobacco (Brands) Inc* [2010] NZCA 24, (2010) 86 IPR 206 referred to.

9. Both trade marks were similar; a significant number of people, both consumers and manufacturers, would be likely to pronounce ActiPhen in a manner which involved the same rhythm, structure, and sound as the way in which they would pronounce ACTAZIN [55].

Issue of confusion or deception

10. The likelihood of confusion or deception in the s.25(1)(b) analysis was not to be assessed by reference to the actual use or reputation of trade mark C (ActiPhen) as the relevant measure [61]. The notional comparison contemplates any fair use of the trade marks in relation to any of the goods covered by the registration [62].

    Anheuser-Busch Inc v Budweiser Budvar National Corp [2003] 1 NZLR 472 (CA) referred to.

11. The issue of confusion and deception is to be determined by reference to any of the goods covered by the registrations [65].

12. The specification of the class 5 goods in the ACTAZIN registration was sufficiently broad to include retail sales [65]. Similarly, the specification of goods in class 5 for the ActiPhen registration was sufficiently broad to include products for sale directly to consumers [66]. The notional market would therefore include consumers buying products from health shops or other outlets for food preparation adapted for medicinal purposes and dietary supplements for medicinal purposes [67].

13. Therefore, Pharmazen had failed to demonstrate that its use of ActiPhen would not be likely to deceive or cause confusion with products bearing the ACTAZIN brand [68].

Current Developments – Asia

CHINA & HONG KONG

Dan Plane and Grace Chen
Simone Intellectual Property Services ("SIPS") Hong Kong
Correspondents for China & Hong Kong

Partial Judgments and Interim Injunctions in Tandem – a Potential Strategy for Frustrated Victims of IP Infringement in China

Speaking generally (and almost axiomatically), civil litigation is time consuming. In that regard, China is no exception, particularly where foreign parties are involved. On average, foreign-related intellectual property ("IP") cases take 1.5 years to resolve to a first-instance judgment in Beijing and Shanghai IP courts, for example.[1] Given that, and for intellectual property owners eager to halt infringement during this period or to prevent an imminent infringement, even before initiating civil proceedings, obtaining some sort of interim judicial assistance is of particular importance.

Judicial injunctions of most Western countries generally come in three forms – ex parte injunctions, interim injunctions and permanent injunctions.[2] Ex parte injunctions are issued in emergency situations, without notice to the other party or a hearing, and usually last for only a short period of time (at least before the enjoined party has had a chance to formally reply). Permanent injunctions typically come hand in hand with final judgments. In contrast, preliminary injunctions are issued before or during a trial, and generally remain in effect for the length of the trial. The requirements for issuance of any injunction naturally vary from jurisdiction to jurisdiction, but broadly speaking usually entail something near the following measures: (i) the plaintiff is likely to succeed on the merits; (ii) the plaintiff is likely to suffer irreparable harm in the absence of the requested relief; (iii) the balance of equities tips in the plaintiff's favour; and (iv) an injunction is in the public interest.[3]

For IP-related issues in particular, the *Agreement on Trade-Related Aspects of Intellectual Property Rights* ("the TRIPS Agreement") expressly requires member states to adopt judicial mechanisms that allow temporary relief to IP right owners in the form of provisional measures.[4] Member states may require that, to qualify for a provisional restraining order, judicial authorities of the member states shall have the authority to require evidence with a sufficient degree of certainty that (a) the applicant is the rights holder; and (b) the applicant's IP right is being infringed or infringement is imminent. Courts may also order the applicant to provide security sufficient to protect the defendant in case of abuse of any provisional measure.

When joining the World Trade Organization ("WTO") in 2001, China fulfilled its TRIPS requirement by amending its IP law (patent law, trade mark law and copyright law). For example, the *Trademark Law of the People's Republic of China* ("PRC") 2001 provides a mechanism for trade mark owners and interested persons to apply for a court order to stop acts of ongoing or imminent infringement, including before a lawsuit is even lodged. Consistent with the TRIPS Agreement, it requires proof of ownership of IP rights and showing of a high probability of irreparable damages.[5] In 2013, interim injunctions were also introduced into the PRC Civil Procedure Law,[6] so it now applies to all civil proceedings. Finally, in 2018, the Supreme People's Court ("SPC") issued *Provisions of the Supreme People's Court on Several Issues concerning the Application of Law in Cases Involving the Review of Act Preservation in Intellectual Property Disputes* ("the SPC Provisions on IP Act Preservation"), a binding judicial interpretation in the Chinese legal system.

Another mechanism that has the potential to afford protection against continuous infringement during protracted court proceedings is the partial judgment. This unique tool will be discussed first, with a discussion on preliminary injunctions to follow.

A. Partial judgments

The concept of partial judgments was first introduced into the PRC *Civil Procedure Law*[7] in 1991. In China, when a number of the facts and issues of a case are complicated but a certain portion of them is clear, the people's court has the discretion to issue a partial judgment on the "easy" portion during the trial. For IP owners, this can be a useful and powerful weapon. For example, and once the IP owner proves the existence of infringement, the people's court may at its discretion issue a partial judgment that requires the infringer to immediately halt the infringement as soon as the partial judgment becomes effective. The partial judgment also has the potential to facilitate dispute settlement of the unsolved portion of the case, where a partial judgment clearly affirming the existence of infringement (and thus an underlying liability for damages stemming from the same), the defendant may be inclined to negotiate to resolve the issue of damages, ending the dispute sooner.

Up until 2013, and in spite of the promise offered by this long-standing mechanism, it was rarely used by PRC courts. Since then, however, the courts appear much less hesitant to issue partial judgments, at least in non-IP-related civil cases, with up to around 1,000 partial judgments now being issued each year. That being said, partial judgments for IP cases remain rare – as of the date of this article, only 16

partial judgments in IP cases were identified in public case databases where plaintiffs requested the relief. Among those, partial judgments were granted in 10 of the cases.

To further promote the use of partial judgments in IP cases, the IP Division within the SPC, established in January 2019, has been encouraging lower courts to issue partial judgments in IP cases. In its very first issued judgment – the *Valeo Systèmes d'Essuyage* case (discussed below), the SPC clarified the relationship between partial judgments and interim injunctions.

B. Interim injunction / act preservation

Interim injunctions, formally known as "act preservations" in early Chinese statutes,[8] are an interlocutory injunctive relief issued by people's courts.

Theoretically, a court has authority to spontaneously issue interim injunctions, but speaking practically, courts rarely if ever issue such injunctions without an application from a party to the action.

As discussed, and in compliance with the TRIPS Agreement, the PRC *Trademark Law* requires the IP rights owner to prove that the other party is committing or will commit an infringement, and irreparable damage will be caused if the infringement is not timely halted. The same requirements apply to the provisions for interim injunctions under the *Patent Law* and *Copyright Law*, basically mirroring the *Trademark Law*'s provisions.

Although Chinese courts are still hesitant to issue interim injunctions in IP civil cases, a number of applications for that relief have been granted, primarily in cases involving time-sensitive or time-limited events such as exhibitions or TV broadcasts. For example, from 2014 to 2018, and according to SPC statistics, people's courts at all levels accepted 157 applications for pre-trial interim injunctions for review in IP cases, and granted those requests in 98.5 per cent of them. They also accepted 75 applications during the trial, though only supported the requests in 64.8 per cent of those cases.[9] While the grant rate seems rather high among the cases whose application for interim injunctions was accepted, actually, most applications for interim injunctions were not accepted by the courts, and are thus not included as a part of the statistics for calculating the success rate of interim injunctions. Therefore, the overwhelming majority of the IP cases are unlikely to qualify for interim injunctions, which can be confirmed by comparing the number of civil IP cases accepted in 2018 (around 137,000 cases[10]) vs the accepted applications for interim injunctions from 2014 and 2018 mentioned above (232 cases in total).

Therefore, it is clear that Chinese courts remain incredibly hesitant to issue interim injunctions prior to the substantial trial in the underlying case. In addition, the articles in the three IP laws are insufficiently detailed to provide clear guidance to the People's Courts when reviewing applications for interim injunctions, and the People's Courts are usually overly conservative when they are determining whether the requirements for granting interim injunctions have been met. As a means of encouraging the People's Courts to be more liberal in their acceptance and granting of applications for interim injunctions, the SPC issued its *Provisions on IP Act Preservation*, effective from 1 January 2019.

Notably, the SPC *Provisions on IP Act Preservation* require the applicant to post security equivalent to the potential loss of the respondent, including any reasonable loss of sales proceeds and incurring of storage [custody] expenses. If during the enforcement of the interim injunction, the amount of potential losses exceeds the amount of the security, the applicant may be ordered to increase the security amount.

In addition, for pre-trial interim injunction applications, that is, applications filed in advance of the formal issuance of civil proceedings or arbitration proceedings, once the injunction is granted, the applicant must initiate civil proceedings [or if available,] arbitration, within 30 days. Failing to do so will cause the previously-granted injunction measures to be dismissed, with the plaintiff being ordered to compensate the respondent for any attendant loss. Foreign IP owners are advised to take the 30-day time limit into consideration before filing for pre-trial interim injunctions and have the issuing documents ready in advance.

When reviewing an application for act preservation, a range of factors will be considered comprehensively by the People's Courts, including: (i) whether the application is supported by facts and legal grounds, including the validity of the IP right (meaning that if the IP right involved is the subject of invalidation or cancellation procedures, or there is a dispute over the ownership of the right, then it probably doesn't qualify for protection of act preservation measures); (ii) whether failure to order act preservation measures would cause irreparable damage or difficulty in the enforcement of the case; (iii) balancing the damage done to the applicant caused by the failure to order act preservation and to the contrary, the damage to the respondent's interests caused by act preservation; (iv) public interest; and (v) other factors.[11]

In determining "irreparable damage", the People's Courts will also consider various factors, such as a significant reduction in the relevant market share of the applicant. Another example is a significant increase in the damage to the applicant or the risk that the infringement will grow out of the court's control. Damage to the applicant's goodwill, rights of publication, or right of privacy may also be found to lead to irreparable outcomes, and therefore belong to the class of damages deemed to be sufficiently "irreparable" and thus particularly worthy of protection by interim measures, such as an act preservation order.

"Urgent situations"[12] will also be considered by the People's Courts when deciding whether to grant interim injunctions. While there is a catch-all provision, the *Injunction Provisions* specifically provide that the following situations shall be considered per se urgent: (a) a trade secret is about to be disclosed; (b) a right of publication or privacy are to be infringed; (c) the IP in dispute is at risk of being illegally disposed of; and (d) time-sensitive events, such as trade exhibitions and broadcasting of TV programs.

C. Differences between the two methods

Both partial judgments and interim injunction achieve the effect of halting an alleged infringement before the issuance by the court of a final judgment. Still, there are some key differences between these two mechanisms.

Firstly, an interim injunction can be applied for up to 30 days before a lawsuit or an arbitration is filed as a precautionary procedural measure. In fact, as discussed, courts are more likely to issue a pre-trial injunction than an injunction during the trial. To the contrary, a partial judgment only becomes available after a substantive trial on merits, which could be months after filing in civil proceedings. Secondly, they both undergo different appellate procedures.

For a partial judgment, the unsatisfied party may appeal to a higher People's Court[13] within 15 days of receipt of that decision. That judgment, however, does not take effect until the appellate court issues its final decision on the adjudged issue (which can take months), or at the expiration of 15 days from when the party receives the decision, assuming the other party chose not to appeal.

In contrast, an interim injunction takes effect as soon as it is granted. As well, parties are not allowed to appeal the injunction order to a higher People's Court. Instead, they can only apply to the same people's court that issued the injunction for a reconsideration. During the reconsideration procedure, the interim injunction measures remain in effect.

Thirdly, once it becomes effective, a partial judgment has a permanent effect like any final judgment, whereas an interim injunction typically only lasts until the ruling for the whole case takes effect, if it has not been relieved sooner.

Last but not least, interim injunctions require the applicants to provide sufficient security when filing for applications. The money will not be returned in full amount until the applicant wins the lawsuit. This exerts an addition financial burden on the applicants.

D. Best Practice: File for both applications

An effective partial judgment has the effect of permanently prohibiting infringement, along with a number of other unique advantages over interim injunctions: it settles an essential dispute between the parties, accelerates litigation, facilitates settlement of the unresolved portion of the case, requires no security to be provided by the plaintiff, and is more likely to find support by a people's court.

Still, the authors suggest IP owners file applications for **both** forms of interim relief. This is primarily due to the existence of a time gap between the issuance of a partial judgment by the court of first instance and the time when the judgment takes effect, and the risk that infringement that can readily occur during that intervening period. This is because, the infringer does not have to immediately halt infringement as long as he staves off the decision's finality appealing the partial judgment. As a result, a partial judgment, if granted on its own, i.e., without an interim injunction, could actually spur a bad-faith infringer to exhaust both appeal available to it, namely, one for the partial judgment, and one for the final judgment. This could drag the proceedings out for some time, perhaps even longer than if the partial judgment not been issued.

That being said, a simultaneous interim injunction, obtained in conjunction with a partial judgment, can effectively fill in this gap, as it takes immediate effect on the defendant when it is issued, and is NOT affected by any appeals or even the reconsideration procedure for the interim injunction. This effectively eliminates the strategic benefit of appealing the case to prolong issuance of a final, enforceable judgment.

E. Recent landmark cases involving partial judgments and interim injunctions

The Valeo case (2019)[14]

The *Valeo* case is a landmark case for several reasons: (i) it represents the first partial judgment issued by the Shanghai IP Court since its establishment on 28 December 2014; (ii) it is the first case for the IP Division of the SPC since its establishment; (iii) it is a Guiding Case published by the SPC, and all lower courts are therefore required to follow it when facts and issues are similar; and (iv) for the first time, the SPC court explained the relationship between partial judgments and interim injunctions.

The plaintiff in this case, a French company, owned a patent that was valid and extant during the proceeding. It claimed that the defendants manufactured, sold, and offered to sell a product that fell into the scope of protection of its patent right, demanding compensation of RMB 6 million. During the proceeding, the plaintiff asked the court to issue a partial judgment against the defendants to immediately halt the ongoing infringement of the patent right. Valeo also sought an interim injunction.

The Shanghai IP Court issued a partial judgment against the defendants on 22 January 2019. The defendants appealed the case to the SPC. The SPC held a public hearing on 27 March 2019, during which it ruled on the case and pronounced its decision, dismissing the appeal and upholding the partial judgment.

In its judgment, and in addition to the application of relevant provisions of the *Patent Law*, the SPC specifically explained jurisdiction over applications for act preservation. In that regard, and if the application is filed in advance of the people's court of second instance (i.e., the initial appellate body) formally receiving the case documents, the first-instance court reviews the application. If the case file has already been physically transferred to the appellate court, then the appellate court reviews the application. In this case, as the appellate court, namely the SPC had received the case documents, the application for the interim injunction was also to be tried by the SPC.

The SPC also explained how a People's Court of second instance should handle an application for act preservation when reviewing a partial judgment. In that regard, where the situation is urgent or other damages may be caused and if the patentee files a request for act preservation, where the second-instance people's court is unable to render a final judgment within the time limit for processing the application for an interim injunction, the court shall deal with the interim injunction separately and make a timely ruling. The plaintiff is not required to provide security under these circumstances. If, however, the People's Court of second instance is able to make a final judgment within the time limit, it may timely render a judgment and reject the application for act preservation.

In this case, the SPC rejected the application for an act preservation on the grounds that it rendered a timely judgment, meaning the plaintiff no longer needed an act preservation order. In spite of that, the case is meaningful due to the SPC's articulation of the different procedural functions of partial judgment and act preservation, clearly supporting the strategy of seeking both as a means of immediately and effectively halting infringement.

The Shanghai Kaiying Case[15]

Soon after the SPC released its decision of the Valeo Case, on April 26, 2019, the Hangzhou Intermediate People's Court in the *Shanghai Kaiying* Case granted both an application for preliminary injunction and for act preservation, the first time this occurred in China. This case related to allegations of both copyright infringement and unfair competition. The plaintiffs had developed a gaming app and claimed that the defendant's competing gaming app infringed the copyright in the plaintiff's.

The plaintiffs argued that the amount of damages should be determined based on the defendant's illegal gains from the infringement and calculated until at least April 2020, which by their reckoning, amounted to RMB 30 million. The defendant argued that only the income before December 2018 counted as illegal income because the appellate court in the partial judgment (regarding the infringement issue) confirmed that the alleged infringing gaming versions were the pre-obtained versions or versions updated prior to December 2018, with the income coming from the later versions being irrelevant to this case. The parties submitted financial statements and audited reports regarding industry licensing fees, research and development expenses, income from the games, commissions paid to the platforms, etc. As the trial proceeded, the defendant failed to submit its financial statements for three months. In response, the court issued nearly a dozen investigation orders and a decision in writing, requiring the defendant to submit statistics related to the alleged-infringing gaming app and its bank statements.

The Hangzhou Intermediate Court determined that the case involved two issues (1) whether an infringement had occurred; and (2) the amount of compensation to be paid if it had. After noting that both these two issues were very complicated, the court nevertheless issued a partial judgment on the first issue on 26 April 2019, together with an act preservation order that required the defendant to immediately halt copying or circulating the infringing gaming app. The text of partial judgment is long, exceeding 50,000 Chinese characters. The defendant subsequently appealed the case to the Zhejiang Higher People's Court.

In the meantime, the defendant did not halt its infringement until two months later, which resulted in its being fined RMB 1 million by the court. The Zhejiang Higher People's Court dismissed the defendant's appeal on the first issue on 2 March 2020.

On 29 July 2020, the Hangzhou Intermediate People's Court rendered its judgment, which mainly concerned the issue of damages. In the judgment, the court held that the income before June 2019 shall be counted as illegal income because any version prior to that date infringed the copyright of the plaintiff, but the version dated 21 June 2019 and later versions belong to different works after a comparison with the plaintiff's copyright-protected work. Due to lack of evidence needed to prove the defendant's illegal income, the court ordered the defendant to pay compensation in the amount or RMB 10 million at its discretion.

The timing of the orders in this case, and their impact on the defendant's conduct – and the plaintiff's success – in the *Shanghai Kaiying Case* perfectly illustrate why a combination of partial judgment and interim injunction provide the plaintiff a better option.

Here, it took over 10 months for the court of the second instance court to finally review the partial judgment in plaintiff's favour. In addition, the very aggressive defendant blatantly continued its infringing activities during the two months it took for the appellate decision to issue, even with an effective interim injunction in place. With that interim injunction in place, the court had a final, unappealable mechanism to effectively halt that ongoing infringement or at least issue a punishment for it (via the RMB 1 million

fine). Had there been no partial judgment or interim injunction issued here by the court of first instance, the entire litigation proceeding would likely have taken much longer and the plaintiff's damage likely would have been much more significant.

While the landmark cases are encouraging, given the currently limited number of reported cases where people's courts issue partial judgments and interim injunctions, it remains to be seen how receptive local courts may be to such requests from IP rights owners. Nonetheless, given the favourable support each from of relief has recently received from the SPC and its IP chamber, IP rights owners are still encouraged to consider requesting both partial judgment and interim injunction in cases where infringement appears beyond question and the scale and impact of any ongoing infringement occurring during the proceedings could be significant. This will leave the damages component of the case to be dealt with later, of course. But in China, where lack of effective discovery mechanisms in litigation and the conservatism of judges generally limit the size of damages awards, the ability to quickly halt ongoing infringement is generally viewed as "real" goal of IP litigation.

1 <http://www.iprdaily.cn/article_20724.html>.
2 Different countries may adopt different terminology.
3 *Winter v NRDC, Inc.*, 555 U.S. 7 (2008).
4 *See* Part III, Section 3, Article 50 of the TRIPS Agreement.
5 Article 57 of the PRC *Trademark Law* of 2001 (abolished), preserved as Article 65 in the current *Trademark Law* of 2014 and the latest amendment in 2019.
6 Article 100 of the PRC *Civil Procedure Law* of 2013 (abolished), preserved as Article 100 in the current *Civil Procedure La*w of 2017.
7 Article 153 of the PRC *Civil Procedure Law* of 2017.
8 See e.g., Article 100 of the *PRC Civil Procedure Law*.
9 <http://www.court.gov.cn/zixun-xiangqing-135361.html>.
10 <http://finance.sina.com.cn/roll/2019-04-22/doc-ihvhiewr7632749.shtml>.
11 Article 7 of the *SPC Provisions on IP Act Preservation*.
12 Article 7 of the *SPC Provisions on IP Act Preservation*.
13 For patent cases except design patents, the court of second instance is the SPC <http://www.court.gov.cn/zixun-xiangqing-125391.html>.
14 *VALEO SYSTEMES D'ESSUYAGE v Xiamen Lukasi Automobile Parts Co., Ltd., Xiamen Fuke Automobile Parts Co., Ltd., and Chen Shaoqiang*, (2019) SPC IP Court Civil Final No 2.
15 *Shanghai Kaiying Network Technology Co., Ltd. and Zhejiang Shenghe Network Technology Co., Ltd. v Suzhou Xianfeng Network Technology Co., Ltd.* (2018) Zhejiang 01 Civil First-Instance No 3728 – 01.

JAPAN

John A Tessensohn[1]
Shusaku·Yamamoto, Osaka
Correspondent for Japan

Flames Position Trade Mark Application Extinguished by IP High Court of Japan

Half a decade after Japan permitted the filing and registration of non-traditional trade marks like position marks, motion marks and other non-traditional trade marks on 1 April 2015[2], the Intellectual Property High Court of Japan ("IPHCJ") outlined the distinctiveness requirements of position trade marks in its first ever decision regarding the post-April 1, 2015 non-traditional trade marks legal regime, *Toyotomi Co Ltd v Commissioner of Japan Patent Office*, Case No Reiwa 1 (*gyo ke*) 10125 dated 12 February 2020 (hereinafter "*Toyotomi Flames* decision").

Background

Toyotomi Company Limited ("Toyotomi") filed a position mark application (see below Fig. 1) on 29 January 2016 for the goods "oil stoves space heaters for household use" in Class 11. In its description of the mark,Toyotomi specified that the "applied mark is a position mark consisting of a 3-D virtual image of three flame rings that appear floating above the flame burning on stove at the inside of vertical cylindrical heat chamber. Devices colored in blue and red would not constitute an element of applied mark."

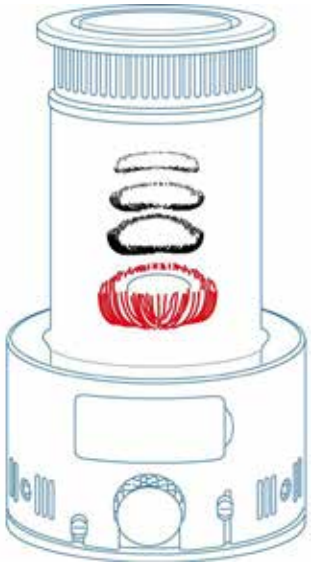


Fig 1 - Toyotomi Position Trademark Application No. 2016-9831

On 9 December 2016, the Japan Patent Office ("JPO") rejected the position mark application on the ground of non-distinctiveness under section 3(1)(iii) of Japan's *Trademark Law*[3] which states that marks are non-registrable on the ground of deemed non-distinctiveness when they are

simply an "indication of origin, place of sale, quality and other characteristics of the goods, or indication of location, quality and other characteristics of provision of services." Additionally the JPO's rejection was based on the finding that the visible flame rings were previously protected under Toyotomi's patent for the stove which expired in 2000. The description in the patent specification clearly outlined that the rings were a result of utilitarian and aesthetic functionality. Thus, granting trade mark protection to the flame rings position mark will be contrary to public interest. The JPO issued the Final Rejection on 2 March 2018 and Toyotomi appealed the rejection to the Board of Appeals of the JPO ("BOA") on 1 June 2018.

In the course of the trade mark prosecution proceedings, Toyotomi amended its designated goods to "convection oil stoves [space heaters for household use]." In response to the non-distinctiveness rejection, Toyotomi had submitted secondary meaning evidence (see below Fig 2) to demonstrate that their position trade mark had acquired distinctiveness under section 3(2) of Japan's *Trademark Law*[4] which provides that a trade mark may be registered if, as the result of the use of the trade mark, consumers are able to recognise the goods bearing the trade mark as those pertaining to a business of a particular person.

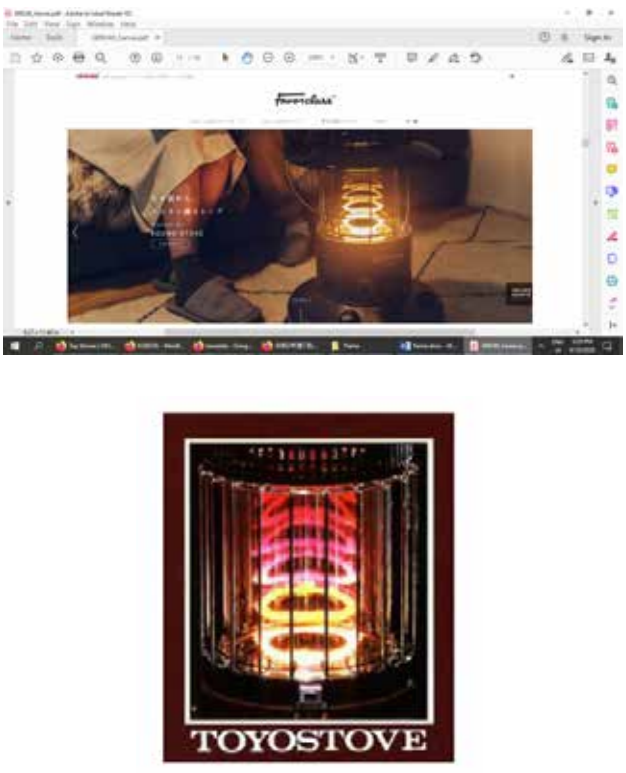


Fig 2 – Two exhibits from Toyotomi's secondary meaning evidence

The BOA issued the decision maintaining the Final Rejection, which was served on Toyotomi on 30 August 2019, deciding that the position mark was devoid of distinctiveness and that the position mark was intended for contribution to enhance the function or aesthetic appearance of the products and said position mark had not acquired distinctiveness through use. Dissatisfied with the BOA decision, Toyotomi appealed to the IPHCJ.

In its briefing before the IPHCJ, Toyotomi argued that its flame position mark had acquired distinctiveness through use in light of the following facts: Toyotomi's oil stoves have been sold since 1980 and other brands' oil stoves do not have a flame shape that is identical or similar with Toyotomi's flame position mark. Toyotomi's oil stove market since 2011 was about 22.5 per cent among convection oil stoves (while it was only about 2 per cent among open-type stoves with natural aeration (convection oil stoves and reflective oil stoves)). Toyotomi's flame position mark is unique and its oil stove won the Good Design Award and has been featured in the media.

IPHCJ decision

Presiding Judge Yoshiyuki Mori of the IPHCJ held the following:

> *By adopting the "three-dimensional shapes of three, almost ring-shaped flames" (hereinafter referred to as "Applied Shape") for the applicant's position trademark, the impression is given that there are four ring-shaped flames inside the combustion tube of a convection-type oil stove, which helps improve the aesthetic impression of the convection-type oil stove, so that the Applied Shape is acknowledged to have been adopted to improve the aesthetic impression. In addition, according to the statement of the description of Japanese Registered Patent No. 1508319, the Applied Shape is acknowledged to have a function of improving the heating effect.*
>
> *Additionally since the flame position mark did not appear when the stove was not in use, consumers were unlikely to recognize the flame position mark in most instances and because the flame position mark was intended for enhancement of the function or appearance, it is questionable whether average consumers would perceive the shape position mark as a source indicator, rather than a functional shape inherent of such oil stoves.*
>
> *Accordingly, it cannot be said that the Applied Shape was not adopted for reasons of its function or its aesthetic impression, and it is acknowledged that the subject trademark application which is a position mark consisting of the Applied Shape, is a trademark consisting solely of a mark in which the shape of goods or the like is used in a common manner. Accordingly the JPO's decision that the position mark is unregistrable under Section 3(1)(iii) of the Trademark Act is correct.*

While the consumers of convection-type oil stoves and radiant-type oil stoves are not exactly identical, it is acknowledged that consumers of the two types of oil stoves significantly overlap each other, and the applicant's products account for approximately 2% of the sales share of the open-type stoves with natural aeration (convection-type oil stoves and radiant-type oil stoves), and the share is even lower when considered in relation to all types of oil stoves.

Furthermore, given the circumstances; namely, that the number of applicant's oil stoves shipments is approximately 29,000 units per year on average and that is not very many; and that their products were advertised on TV in only three programs between October and December 2012, which is very small in number; and that their products were featured only five times in TV programs, and that it cannot be said that the number of times applicant's products were featured in newspapers and magazines was many, and that it cannot be said that the advertisement which applicant made for their products on websites had great effect, it cannot be acknowledged, even in spite of considering facts such as that applicant's products have been sold for as long as approximately 30 years, and that there is no product that is shaped like the Applied Shape except for OEM products, and that it cannot be said that the Applied Shape is relatively unique, that the subject trademark application as used on the designated goods can be recognized as pertaining to applicant's business.

Therefore, there is no error in the JPO decision that the Applied Trademark does not fall under the trademark as stipulated in Section 3(2) of the Trademark Act.

Commentary

It is clear that in affirming the non-distinctiveness and denying the registrability of Toyotomi's position mark, the IPHCJ was influenced by Toyotomi's own statements regarding the functional and utilitarian nature of the shape of flames (that were subject of their abortive position trade mark application) in their own Japanese Patent No 1508319 that expired in 2000. According to the *Toyotomi Flames* decision, the trade mark applicant's own statements in its expired utility patent were material evidence that the position mark's claimed features were functional, thereby negating the capacity of the position mark to serve as a source identifier of the designated goods.

Only a position mark which significantly deviates from the functional or aesthetic features inherently associated with the designated goods would be likely to fulfil its essential source identifying origin and thereby becoming eligible to be registrable.

It is also evident from the *Toyotomi Flames* decision that brand owners wishing to rely on secondary meaning evidence to prove that their mark has acquired distinctiveness through use have to marshal and submit sufficient evidence of use, i.e., substantial sales figures, copious details of advertising and promotional expenditure, widespread and pervasive advertisements (all media) and voluminous promotional material associated with the mark rather than the anemic and relatively mediocre sales volume, advertising and promotional materials that Toyotomi adduced.

Additionally, the IPHCJ did not fault the JPO in the application of its *Trademark Examination Guidelines* ("Guidelines") in the *Toyotomi Flames* decision. According to the Guidelines, the "mark of a position trademark consists of characters, figures, signs, or three-dimensional shape, or any combination thereof, or any combination between any of such elements and a color or colors, a determination as to whether a position trademark" and this expansive definition of position marks ensures that creative brandowners are at liberty to adopt any indicia as a position mark so long as it possesses distinctiveness. Additionally, the Guidelines explain that position marks possess distinctiveness and are registrable under the following scenarios:

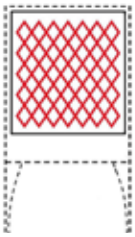
(A) Case where it can be found that the mark of a position trademark consists of distinctive characters or figures and that those characters or figures are used in such way that they function as a source identifier of goods or services;

(B) Case where it can be found that the mark of a position trademark consists of a combination of non-distinctive figures or a three-dimensional shape and distinctive characters and that those characters are used in such way that they function as a source identifier of goods or services; and

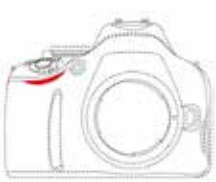
(C) Case where the figure or three-dimensional shape comprising a position trademark cannot be presumed to have been designed simply for the purpose of enhancing the function or aesthetic function of goods, etc.

Therefore the position mark has to be a source identifier of the designated goods and possess distinctiveness, beyond any functional or utilitarian purpose or use, as a result of the general impression.

The following are examples of successful position marks that were registered by the JPO:



JP TM Reg No 5960200 in Class 30
Kewpie Ltd., registered a position mark for mayonnaise consisting of a mesh net of thick red lines located on the upper two fifths of the front of the product packaging for.



JP TM Reg No 6118238 in Class 9
Nikon Ltd., registered a position mark for DSLR cameras consisting of a red arch design attached to the upper part of the front grip of a DSLR camera.

JP TM Reg No 6056855 in Class 33
Az. Agricola Ciccio Zaccagnini s.r.l., registered a position mark for wine consisting of a wooden twig-like 3D shape tied with a raffia-like string hanging on the neck of a wine bottle that reaches to the front of the torso.

JP TM Reg No 6034112 in Class 30
Nissin Food Holdings Ltd., registered a position mark for instant noodles that consists of a figure that appears at the peripheral edge of the upper part and the peripheral edge of the lower part of the product packaging.

Fig 3 - Position Trademark Registrations

In conclusion, the IPHCJ is unwilling to confer trade mark protection on a position mark if said mark is essential to the use or purpose of the product and that affects the quality of the product from functional and aesthetic viewpoints and a position mark that simply achieves the functional purpose of its designated goods is unable to be protectable as a source identifying trademark. The IPHCJ has cast a pro-competition distinctiveness-centered test that will not allow the registration of commonly used or functional position marks in order to promote competition in the marketplace other competitors are free to utilize such functional or utilitarian features inherent in such goods.

1 Any questions about this article should be emailed to John A Tessensohn at jtessensohn@shupat.gr.jp. This article reflects only the personal views of the author & should not be attributed to the author's firm or to any of its present or future clients.

2 John A Tessensohn, 'Non-traditional trade marks thriving in Japan', *Journal of Intellectual Property Law & Practice* 413 (June 2016).

3 Law No 127 of 13 April 1959, as amended.

4 Law No 127 of 13 April 1959, as amended.

SINGAPORE

Aaron Thng and Winnie Tham
Amica Law LLC
Correspondents for Singapore

Bad Faith Registration of a Trade Mark: *Comite Interprofessionnel du Vin de Champagne v Keep Waddling International Pte Ltd* [2020] SGIPOS 10

In the context of trade marks, bad faith jurisprudence usually falls into one of two camps. First are cases based on a wrongful claim of proprietorship: these cases commonly involve ex-employees, ex-suppliers, or ex-licensees who may have registered the trade mark of an employer or principal. The second are cases based on providing misleading or false information to the Registrar, e.g., where an applicant declares a bona fide intention to use the mark where no such intention exists.

However, the opposition in the case of *Comite Interprofessionnel du Vin de Champagne v Keep Waddling International Pte Ltd* [2020] SGIPOS 10 falls into neither of these camps. Here, an allegation of bad faith was levelled against the Applicant simply because its trade mark contained the word "ChamPeng". To the French trade associations charged with the protection of champagne, this made-up word came too close for comfort.

Background

The Opponents, Comite Interprofessionnel du Vin de Champagne and Institut National de l'Origine et de la Qualite, are French associations charged with the preservation and protection of the champagne trade and the "champagne" geographical indication around the world.

They instituted opposition proceedings against the Application Mark (below) filed by the Singaporean company Keep Waddling International Pte Ltd in Class 33 for "sparkling wines, all originating from Chile":

CHAMPENGWINE
UNIQUE, BOUTIQUE, SPARKLING WINES OF CHILE

The Opponents raised a myriad of grounds in support of their opposition. For present purposes, it suffices to note that the Registrar, in respect of the other grounds of opposition, had found that use of the Application Mark on Chilean sparkling wines:

(a) would not be deceptive;

(b) would not mislead consumers into thinking that the goods would be champagne from the Champagne region of France;

(c) would not constitute a misrepresentation in the context of passing-off.

Nevertheless, the Registrar refused registration on the basis that the Application Mark had been applied for in bad faith. Specifically, the Registrar found that the Application Mark had been applied for in bad faith because "'ChamPeng" was indisputably selected because of its similarity to "champagne".

Bad Faith Law

Because of the serious nature of an allegation of bad faith, it needs to be clearly proved. The test sets a high bar: before a finding of bad faith can be made; two conjunctive elements must be satisfied:

(1) The objective element: the applicant's behavior must be dishonest by the ordinary standards of reasonable and honest people.

(2) The subjective element: the applicant himself must also realise that by those standards, his behavior was dishonest.

Since this test for bad faith was formulated, the requirement for plain dishonesty has been diluted over the years. Now, dishonesty is no longer the sine qua non of bad faith; other dealings that are not dishonest but which nonetheless fall short of normally accepted standards of commercial behavior will also suffice. However, the intertwined objective and subjective elements continue to apply.

Objective Element

The question as to whether the Applicant's conduct fell short of the ordinary standards of reasonable and honest people was answered in the affirmative. The Registrar found that "reasonable and experienced men in the wine trade would take umbrage with the Applicant's dealings." Consequently, he found that the objective element of the bad faith test was satisfied.

The crux of his finding was that the "ChamPeng" element of the Application Mark was copied "outright" from the Opponent's geographical indicator "champagne". "Outright copying," he noted, would typically fall short of acceptable commercial behavior.

In our view, this conclusion is surprising in light of the Registrar's finding, under a separate ground of opposition based on misleading geographical indications, that even the "ChamPeng" element alone was not *identical* to the geographical indicator "champagne", much less when comparing it against the Application Mark as a whole with its other distinguishing elements.

Even if were permitted to extract only the dominant part of the Application Mark – the lengthy invented word "ChamPengWine" – for the purposes of comparison, there is still the "Wine" element that is not reproduced in the geographical indicator. Against that backdrop, it is difficult

to see how the Application Mark is an "outright copy" of "champagne" worthy of a finding of bad faith.

On its face, the Application Mark appears to be a playful allusion to "champagne" crossed with a playful allusion to the Applicant's house brand "Peng Wine", itself a reference to its penguin mascot. Speaking technically, "ChamPengWine" would be considered by linguists to be a mash-up of oronyms, which are homophones of multiple words or phrases. Examples of oronyms include "Ice Cream" v "I Scream," "Example" v "Egg Sample," and "Addressed Mail" v "A Dressed Male".

It is questionable whether a reasonable commercial person would regard the Applicant's presumably playful use of a homophone for "champagne", within an oronym containing other distinguishing words, as an "outright copy" of the geographical indicator warranting a verdict of bad faith. There surely should be some room for humour in trade mark law.

Subjective Element

As for the subjective element of the bad faith test, the Registrar found that the test was satisfied because "the Applicant undoubtedly knew about champagne" and the evidence pointed to it "being selected due to its similarity to 'champagne'".

In light of how the Application Mark was structured, viz the core word "ChamPengWine" consisting of a playful mash-up of oronyms, one has to question whether the Applicant could be said to have appreciated that its conduct was dishonest or morally defective in some way. The fact that someone simply knows about the existence of a thing and selects a trade mark that makes an oblique reference to that thing does not, in the abstract, give rise to an inference of dishonesty or defective conduct.

No Deception or Misrepresentation

According to the learned author and Senior Counsel Tan Tee Jim in his treatise the *Law of Trade Marks & Passing off in Singapore* where an opponent cannot maintain a relative ground of refusal for registration against an application mark, an allegation of bad faith will *have* to involve some breach of legal or moral obligation by the applicant towards the opponent.[1]

Indeed, the Registrar's finding of bad faith here is difficult to square with his other findings – all in the Applicant's favour – that use of the Application Mark would not be deceptive, that it would not mislead the public into thinking that the goods were champagne, and that use of it would not constitute passing-off.

While it is accepted that a finding of bad faith is not contingent on a prior finding that the marks are identical or even similar, in the context of a case involving non-trade mark rights, such as geographical indications, and where there is no discernible prior relationship between the parties, the question of whether there is liable to be deception cannot easily be disregarded when considering whether there was bad faith at play.

Specifically, if a trade mark is not identical, i.e., not an outright copy, of the geographical indication and if its use would not cause any deception or misrepresentation, there should be a requirement for clear and determinative evidence of dishonesty or morally defective behavior on the part of the Applicant before a claim of bad faith can succeed.

1 3rd edition (Sweet & Maxwell, 2014) 383.

Current Developments – Europe

EUROPEAN UNION

Dr Marc Mimler, LLM (London)
Senior Lecturer in Law, Bournemouth University
Correspondent for the European Union

"Copyright is for losers, or what?" – The Cancellation Division of the European Union Intellectual Property Office finds Banksy's Registration for the Figurative Mark of one of his works to be in Bad Faith.

***Full Colour Black Limited v Pest Control Office Limited,* EUIPO Cancellation Division Cancellation No 33 843**

Introduction

The Cancellation Division of the European Union Intellectual Property Office ("EUIPO") recently handed down a decision involving a mark which depicts one of the works of the famous British street artist, Banksy. The company "Pest Control", who deals with the street artist's affairs registered the European Union ("EU") Trade Mark (No: 12 575 155) back in 2013.The dispute arose when "Full Colour Black", a United Kingdom ("UK") company producing greeting cards which used Banksy's works on their products without receiving permission to do so, launched a cancellation procedure for the trade mark. The procedure was based on two points: that the applicant acted in bad faith when filing the application pursuant to Article 59(1) (b) *EU Trade Mark Regulation*[1] and that the mark was not distinctive pursuant to Articles 59(1)(a) and Articles 7(1) (b) and 7(1)(c) *EU Trade Mark Regulation*. The request was successful in relation to bad faith.

The decision provides a good overview of the law of trade mark applications in bad faith in the EU in relation to the dealings of a widely known artist. It underlines that trade mark owners need to show genuine intention to use their registered marks as trade marks, i.e., as denoting the origin of products in the course of trade. Other motives of the applicant may fall foul of the bad faith standard. In addition, the decision provides an interesting discussion on the diverging purposes of copyright protection in comparison to trade mark law. Finally, the Board also provided a discussion on the protectability of works of street art and graffiti by copyright law which are a bit problematic.

Background

Banksy is probably one of the most well known contemporary street artists worldwide. While he remains anonymous and is keen to keep this so, he has been active since the 1990s when he placed his art on the street and urban areas of London and Bristol. His distinctive stencilling technique has become Banksy's "trade mark" and has given him international recognition. Many of his works provide political commendatory and many of his new pieces which surface all around the world often attract wide media coverage. Having gained this international esteem, the artist remains highly critical of the conventional art market. He destroyed his work "Balloon Girl" moments after it was sold for just over £1 m at an auction at Sotheby's London in 2018 with a shredding mechanism which the artist placed within the frame of the picture.[2]

The trade mark (Fig 1) was registered and published on 2 September 2014 and is an exact reproduction of Banksy's stencil[3] "Flower Thrower" which was placed onto the wall of a garage in Jerusalem (Fig 2). The respondent of the cancellation decision was the corporate body "Pest Control" which was registered as the proprietor of the mark and deals with Banksy's affairs.

Fig 1

Fig 2 (Credit: ZaBanker/Wikipedia, CC BY-SA)

The applicant's claim that the sign was registered in bad faith was largely based on the allegation that there was no intention of using the registered sign as a trade mark. The applicant stated that the work has been used by a vast number of third parties "as decoration for items of merchandise and as the

subject matter of "media carriers" such as posters and graphic works."[4] Banksy himself only reproduced the mark as a work of art which would preclude the use as a trade mark. The applicant substantiated its submission by stating that Banksy had not exercised control over the mark as one would usually expect. He had placed the work into the public where it could be photographed by anyone and allowed the public to download it from his website. This was highlighted by the artist's statement in his book *Wall and Piece* where he found that the public would be morally and legally free to use and reproduce his works and that "copyright is for losers". He was also aware that his work had been disseminated widely in the past and that third parties had used the mark in relation to products for which the mark was registered. Banksy only began using the sign as a trade mark when the present proceedings were initiated.

The applicant therefore argued that Banksy's application for registration to be in bad faith, pursuant to Article 59(1)(b) *EU Trade Mark Regulation*. This, according to the applicant meant that "the sole purpose of registering the EU trade mark was to prevent the ongoing use of the work which he had already permitted to be reproduced."[5] Additionally, Banksy was only relying on the EU trade mark registration as he was not able to rely on copyright law to counter any unauthorised uses because this would affect his anonymity. As such, the applications for the signs in question were "attempts to monopolise these images on an indefinite basis contrary to provisions of copyright law".[6]

The proprietor responded that the applicant has not provided enough evidence to prove its claim of bad faith. Banksy neither gave free reign to the public to use his works nor was there evidence that he permitted even non-commercial use of the work as such, but merely of images of the work. It also argued that it was not uncommon for works of art to be registered as trade marks and that it would be common to use these as trade mark in commerce. It based its point on the *Neuschwanstein* decision of the Court of Justice of the European Union ("CJEU") where it was held "that a party that registers a trade mark in pursuit of a legitimate objective to prevent another party from taking advantage by copying the sign is not acting in bad faith."[7] The standard for a positive finding of bad faith would be high and the evidence provided by the applicant would fall below this threshold. In addition, the proprietor mentioned that if the application for a mark which the public had access to and which was disseminated widely would amount to bad faith, then no unregistered trade marks could be registered. The anti-establishment comments within Banksy's book would not preclude him from asserting these rights. Finally, the fears of monopolisation of works of art through trade mark protection were unfounded. Such art works protected by trade marks would need to be put to genuine use as they otherwise could be cancelled long before the term of copyright protection would end.

The decision

The Cancellation Division of the EUIPO reiterated" that there is no precise definition of the term bad faith. By referring to Advocate General ("AG") Sharpston's deliberation in the *Lindt Goldhase* opinion, the Board found that a positive finding of bad faith assessment would require two things:[8] First, a manifestation of the applicant's dishonest intention (i.e., an action) and secondly that the applicant departed from accepted principles of ethical behaviour or honest commercial and business practices. A positive finding would also encompass an overall assessment of all the relevant factors[9] and the burden of proof would lie with the invalidity applicant.

The Board then outlined the requirements of bad faith in more detail. It declared that a ground for bad faith would be provided where the proprietor filed the application without any intention to use the mark for trade mark purposes. This would be the case where the proprietor intended to use it for purposes other than those falling within the trade mark functions, in particular the essential function of indicating the origin of the goods or service. Another case for bad faith would relate to the applicant's intention to undermine the interests of third parties in a way inconsistent with honest practices. However, bad faith would not necessarily be present where the applicant filed a sign which several producers have been using on the market in relation to identical or similar goods, thus potentially triggering a likelihood of confusion and consequently constraining the operations of such producers with the registration.[10] The Board then held that the "applicant" for the purposes of Article 59(1)(b) *EU Trade Mark Regulation* in the present case would be Banksy himself, rather than the trade mark proprietor "Pest Control". The company would act as an agent for Banksy who wishes to stay anonymous hence the assessment of bad faith had to be based on Banksy's intentions and actions.

The Board then outlined that the purpose of trade mark law would be to allow consumers to identify the commercial origin of goods. This purpose would not require trade mark protection to extend to prohibiting third parties from using the sign where the applicant was not using the sign to identify goods and services. Copyright could be possible in relation to the sign in question as mentioned though the Board established that this was not the issue in the present case. Additionally, asserting copyright may not be possible for Banksy as he wishes to stay anonymous. "Pest Control" would need to demonstrate that they had acquired the work from the artist, thus revealing his identity.[11] Trade mark protection, however, was potentially open for Banksy according to the board as his anti-copyright comments would not constitute a barrier.

After looking at the evidence provided by both parties, the Board found that Banksy had not marketed or sold goods under the sign in question. It based this finding largely on submissions in relation to UK publications from October

2019 covering the opening of Banksy's shop called "Gross Domestic Product". The shop was not open to the public, but customers could look through the windows and purchase the items online. These submissions quoted Banksy who said "that the motivation behind the venture was 'possibly the least poetic reason to even make some art' – a trademark dispute."[12] In another publication the artist was quoted:

> *Sometimes you go to work and it's hard to know what to paint, but for the past few months I've been making stuff for the sole purpose of fulfilling trademark categories under EU law."*[13]

In addition, the publications showed that Banksy would still allow the copying of his works "for amusement, academic research or activism".[14]

The evidence on the whole indicated that Banksy had not manufactured or sold any goods or provided any services under the sign in question until after the filing of the application for invalidity. His own statements demonstrated that he was not aiming at gaining a market under the sign but rather aimed at avoiding losing the registration for non-use, thus circumventing the law. In addition, it found that Banksy's trade mark application was pursued since asserting copyright would not be possible for Banksy for the above-mentioned reasons. This, however, would not amount to constituting a trade mark function. Consequently, the Board found that the mark ought to be declared invalid based on bad faith and did not proceed the other ground of validity brought forward.

Comment

The decision of the Cancellation Board is overall sound. Banksy's application was in bad faith and the Board applied the precedents correctly. Trade marks serve a particular purpose which is to serve as devices used within a commercial context. This was clearly not what Banksy had in mind and the artist probably shot in his foot with his remarks in relation to the shop opening in 2019. The fact that Banksy started asserting the right only after the invalidity proceedings were launched were the main argument for the Board in establishing bad faith. The other reason for the finding of bad faith was the artists' attempt to resort to trade mark law to safeguard his interests due to the fact that asserting copyright was not possible to him. This point makes sense from a doctrinal view as it avoids unwanted overlaps of both rights.

The Board also commented on the protectability of works of street art within the decision. As they were not relevant to the outcome, they are not discussed in the text, but they are nonetheless worth mentioning as they provide a quite traditional, if not old-fashioned view on the issue. The Board, for instance, states that "[t]here is an argument that street graffiti, which is not carried out with the express permission of the owner of the property on which it is placed, is carried out in commission of a criminal act."[15] This does not reflect the situation in important copyright jurisdictions, such as Germany[16] and the UK[17] where copyright susceptibility of a work does not depend on whether it was created illegally or not. The exercise of copyright might be impaired of course, as there is a conflict between real and intellectual property in this case which needs to be accommodated by the law. This issue has, for instance, been addressed by the German Federal High Court.[18] The Board also suggests that the artist's copyright is gifted to the owner of the property or that copyright in a work of street are is annulled because it was placed in public. Both points are quite far-fetched, to say the least.

1 *Regulation (EU) 2017/1001 of the European Parliament and of the Council of 14 June 2017 on the European Union trade mark*, [2017] OJ L 154/1. (*"EU Trade Mark Regulation"*).

2 Chris Johnston, 'Banksy auction stunt leaves art world in shreds' *The Guardian*, 6 October 2019 <https://www.theguardian.com/artanddesign/2018/oct/06/banksy-sothebys-auction-prank-leaves-art-world-in-shreds-girl-with-balloon>.

3 The Cancellation Board spoke within its decision of a "graffiti" – *Full Colour Black Limited v Pest Control Office Limited* (EUIPO Cancellation Division, Cancellation No 33 843, 14 September 2020) 8.

4 *Full Colour Black Limited v Pest Control Office Limited* (EUIPO Cancellation Division, Cancellation No 33 843 14 September 2020) 2.

5 *Full Colour Black Limited v Pest Control Office Limited* (EUIPO Cancellation Division, Cancellation No 33 843 14 September 2020) 5.

6 *Full Colour Black Limited v Pest Control Office Limited* (EUIPO Cancellation Division, Cancellation No 33 843 14 September 2020) 3.

7 C-488/16 P *Bundesverband Souvenir - Geschenke - Ehrenpreise/EUIPO (Neuschwanstein)*, Judgment of the Court (Fifth Chamber) 6 September 2018, [82-84].

8 Case Case C-529/07 *Chocoladefabriken Lindt & Sprüngli AG v Franz Hauswirth GmbH*, Opinion of AG Sharpston, 12 March 2009 [60].

9 Case Case C-529/07 *Chocoladefabriken Lindt & Sprüngli AG v Franz Hauswirth GmbH*, Judgment of the Court (First Chamber) 11 June 2009 [37].

10 Case Case C-529/07 *Chocoladefabriken Lindt & Sprüngli AG v Franz Hauswirth GmbH*, Judgment of the Court (First Chamber) 11 June 2009 [47-49].

11 Enrico Bonadio, 'Banksy brands under threat after elusive graffiti artist loses trademark legal dispute' (*The Conversation* (online 22 September 2020) <https://theconversation.com/banksy-brands-under-threat-after-elusive-graffiti-artist-loses-trademark-legal-dispute-146642>

12 *Full Colour Black Limited v Pest Control Office Limited* (EUIPO Cancellation Division, Cancellation No 33 843, 14 September 2020) 10.

13 *Full Colour Black Limited v Pest Control Office Limited* (EUIPO Cancellation Division, Cancellation No 33 843, (14 September 2020) 10.

14 *Full Colour Black Limited v Pest Control Office Limited* (EUIPO Cancellation Division, Cancellation No 33 843, (14 September 2020) 11.

15 *Full Colour Black Limited v Pest Control Office Limited* (EUIPO Cancellation Division, Cancellation No 33 843, 14 September 2020) 8.

16 Marc Mimler, 'Street Art, Graffiti and Copyright: A German Perspective' in Enrico Bonadio (ed) *The Cambridge Handbook of Copyright in Street Art and Graffiti* (Cambridge University Press 2019) 188 -206, 194.

17 Enrico Bonadio 'Street Art, Graffiti and Copyright: A UK Perspective' in Enrico Bonadio (ed) *The Cambridge Handbook of Copyright in Street Art and Graffiti* (Cambridge University Press 2019)175 -174, 173.

18 *Wall Pictures* IIC 282, 285 (BGH) (1997).

FRANCE

Thomas Bouvet and Colin Devinant[1]
Jones Day
Correspondents for France

A New Hope? Recent Decisions of the French Patent Court point to a Brighter Future for Patentees in Pharmaceutical Litigation

French courts have recently appeared increasingly more patent friendly, in particular for innovator pharma companies.

In a patent dispute initiated by Eli Lilly against Fresenius in relation to its *pemetrexed* generic, the Paris First Instance Court (which has exclusive jurisdiction in France for patent matters) recently found that Fresenius infringed Eli Lilly's patent covering its blockbuster cancer drug that it markets under the name *Alimta*® and ordered Fresenius to pay EU€28 million as an account on damages until further assessment thereof.

This is an all-time record award for French (and even European) courts in the field of patent litigation.

This decision comes after several preliminary injunctions recently granted by French courts in pharma matters against companies producing generic drugs.

Some see in these rulings a new trend taken by the Paris First Instance Court in what *may* be a return to a more patent-friendly era for pharma cases in France.

Below is a summary of the *Eli Lilly* v *Fresenius* case as well as references to some of the previous 2019 pharma cases where preliminary injunctions were granted.

I. Eli Lilly v Fresenius (11 September 2020)

This case concerned the alleged infringement by Fresenius of Eli Lilly's EP 1 313 508, a patent filed in 2001 covering the administration of *pemetrexed disodium* in combination with vitamin B12. *Pemetrexed* is an antifolate used in chemotherapy to inhibit the growth of cancerous tumors. To mitigate its toxic effects, the drug is administered with B12 and is approved for the treatment of two kinds of lung cancer.

Claim 1 of the patent reads as follows:

> *1. Use of pemetrexed disodium in the manufacture of a medicament for use in combination therapy for inhibiting tumour growth in mammals, wherein said medicament is to be administered in combination with vitamin B12 or a pharmaceutical derivative thereof, said pharmaceutical derivative of vitamin B12 being hydroxocobalamin, cyano-10-chlorocobalamin, aquocobalamin perchlorate, aquo-10-chlorocobalamin perchlorate, azidocobalamin, chlorocobalamin or cobalamin.*

During prosecution, claims of the patent, which originally referred to "an antifolate", were amended to state "pemetrexed disodium". Fresenius claimed that its version – approved in 2016 and launched at-risk – did not infringe the patent because its drug is presented in the form of a diacid of *pemetrexed* administered in combination with B12. Like several other producers of generic versions of the treatment in parallel proceedings around the world, it argued that Eli Lilly's amendment to the application excludes anything other than *pemetrexed disodium* from the scope of the patent.

The Paris First Instance Court disagreed with Fresenius. In its decision, issued on 11 September 2020, it found that:

> *the formal amendment during the granting procedure does not confer any essential character on the amended element, because the granting of the patent was not conditional on it.*

The essence of the invention covered by the patent is the combination of the active ingredient (*pemetrexed*, in whichever form) and B12, it stressed.

Unlike in most other jurisdictions, where the dispute has turned on infringement by the doctrine of equivalents, the Court determined that Eli Lilly's patent had been literally infringed.

The Paris Court issued an injunction and provisionally awarded EU€28 million in damages – an unprecedented provisional sum in France (and even Europe) – consisting of EU€8 million in infringement compensation and EU€20 million in compensation for unfair competition.

It should be borne in mind that while the amounts provisionally granted are impressive and certainly unprecedented, they only match the loss actually suffered by Eli Lilly as a result of the sale by Fresenius of the vials of its *pemetrexed* generic:

> *The economic damage to Eli Lilly, the patent holder, is assessed based on the – increased – license fee that it could have expected if it had granted an authorization to its opponents. With respect to the number of 100 mg (20,742) and 500 mg (46,862) vials sold, as shown by the public data available from the Group for the Compilation and Preparation of Statistics (GERS) and the sales revenues thus generated, and applying an increased license fee of 25%, it appears justified to provisionally order an indemnification of 8 million euros as compensation for said damage.*

In fact, the bolder part of this ruling actually lies with the Court's lenient interpretation of the patent claims – the literal wording of which clearly restricted the patent scope to *pemetrexed disodium* – and its broad reliance on elements of the description and prosecution history to construe *pemetrexed diacid* as infringing.

This case is to be closely watched, in particular to see whether Fresenius will lodge an appeal; if so, it will be particularly interesting to see whether the Paris Court of Appeal will be as prone to consider the patent description as a repository from which the patentee – or, for that matter, the defendant arguing for nullity – can freely draw in order to interpret the patent scope in a way that is tailored to its litigation needs, or if it will consider that the Paris First Instance Court erred in its ruling and should have applied the doctrine of equivalents to strike the right balance between legal certainty of the patent claims and technical reality of the invention.

***II. Janssen v Sandoz* (11 January 2019)**

This case involved Janssen's SPC n°07C0034 covering its EP 0 810 209 patent entitled "Alpha-and beta-amino acid hydroxyethylamino sulfonamides useful as retroviral protease inhibitors", which protects Janssen's *Prezista*®, a *darunavir*-based antiretroviral drug used in the treatment of patients with human immunodeficiency virus ("HIV").

The Court applied the strict "obviously invalid" test (the defendant can only avoid a preliminary injunction if it proves that the opposing patent/CPC is "obviously invalid"):

> *Therefore, the defendant fails to prove that the '034 SPC is obviously invalid.*

Janssen obtained a preliminary injunction against Sandoz, which was prevented from pursuing the sale of its *darunavir* generic under a penalty payment of €50.000 per offence.

***III. MSD v EG Labo* (8 February 2019)**
***MSD v Mylan* (7 March 2019)**

These two cases involved MSD's SPCs n°05C0040 and n°03C0028 covering its EP 0 720 599 patent entitled "Hydroxy-substituted azetidinone compounds useful as hypocholesterolemic agents", which protects MSD's *Inegy*®, a combination of *ezetimibe* with *simvastatin* used to reduce plasma cholesterol levels and treat or prevent atherosclerosis.

In the *MSD v Mylan* case, the Court applied the (more lenient) "*serious challenge*" test (the defendant can avoid a preliminary injunction if it is able to seriously challenge the validity of the patent opposed to it:

> *MYLAN's challenge to the validity of SPC No. 05C0040 is said to lack seriousness.*

MSD obtained a preliminary injunction against EG Labo and Mylan, which were prevented from pursuing the sale of their *ezetimibe* / *simvastatin* generics and respectively ordered to pay €220.000 and €4.3 million as account on damages.

IV. Next steps:

Future case law from the Paris First Instance Court and Court of Appeal is to be closely watched for additional hints as to orientations that will be taken in the balance struck between the interests of patentees and those of generic drug manufacturers.

No prediction can be made but it should be recalled that such balance is all the more crucial that the public good is equally aligned with patentees' interests (driving innovation to incentivise new drug development and healthcare improvements) than those of generic drug manufacturers (favouring generic opportunities to drive drug prices down and provide better access to medicine).

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

Christopher Weber and Sören Dahm
Kather Augenstein
Correspondents for Germany

Change in Jurisdiction on Territoriality? Regional Court of Dusseldorf on Patent Infringement if the steps of a Patented Method are not all done in a Single Country but in Multiple Countries

Regional Court of Dusseldorf, decision dated 28 July 2020, 4a O 53/19

Introduction

Although globalisation seems to be falling out of fashion currently, still more and more services are provided using cross-border resources, be it computer servers that offer certain programs to customers all over the world or a laboratory that conducts specific tests on samples that doctors send in. Thus, the question has to be answered, whether it is a patent infringement if the steps of a patented method are not all done in a single country but in multiple countries? And – if yes – in which country does the infringement take place?

One such case was recently considered in a highly regarded judgment by the Regional Court of Dusseldorf. This is part of a recent series of decisions. In this contribution, we will summarise the current state of the case law first. In the second part, we will explain the current decision of the Regional Court of Dusseldorf in comparison with that case law. Finally, the contribution gives an overview on possible future developments on this topic.

Background

A patent infringement according to the German *Patent Act* is only possible if the alleged infringing act is conducted within the territory of Germany. In the case of method claims, all steps of the protected method must, in principle, be carried out in the territory of Germany.

As a consequence of digital technology and globalisation, it is becoming increasingly common to split up actions to various countries – i.e., to conduct specific steps of a protected method in a foreign country. It may be that data processing is carried out on foreign servers or that intermediate products produced abroad are only further processed in Germany.

In all these scenarios, in which specific steps are conducted outside the scope of the German *Patent Act*, the question arises as to whether a patent is infringed or not. The problem is particularly relevant in the case of method steps which can be carried out by a computer. It is possible to have computer-based method steps carried out anywhere in the world via the internet. It might therefore be increasingly easy to circumvent a patent infringement in the territory of Germany.

In the past, the courts in Germany have developed doctrines for attributing actions in a foreign country to national actions.

There are numerous conceivable scenarios where single or multiple method steps are shifted to a foreign country. For the sake of simplicity, we will present some common scenarios graphically below:

In the first scenario, a preliminary or intermediate product is produced abroad using protected method steps. The final method steps, which are decisive for the success of the invention, are carried out in Germany.

The second scenario is the mirror image of the first scenario. In this scenario the primary product is produced in the territory of Germany and the final method step is carried out in a foreign country.

In the third scenario, only the first and the final method steps are carried out in Germany. All other essential method steps are carried out in a foreign country.

The fourth scenario is the mirror image of the third scenario. The start and the success are conducted in a foreign country. However, all other essential method steps are carried out in Germany.

In the fifth scenario, all procedural steps are carried out abroad. Only the result is economically exploited in Germany.

Previous Case Law

Higher Regional Court of Dusseldorf, decision dated 23 March 2017, I-2 U 5/17

In 2017, the Higher Regional Court of Dusseldorf decided on a patent infringement case concerning a method claim for a prenatal pregnancy test.

In simple words, the protected method comprised the following steps:

(1) providing a blood sample;
(2) eparation of the blood sample;
(3) detection of a specific nucleic acid in the sample;
(4) making a diagnosis.

The blood sample was taken from the patient by a doctor in Germany and sent to the defendant resident in Germany. The defendant sent the blood sample to a partner laboratory in the United States of America ("USA"). In this laboratory, the blood sample was separated and analysed. The laboratory finally made an anonymous diagnosis on the basis of such analysis. The result of the diagnosis was then returned to the defendant. The defendant provided the diagnosis to the doctor treating the case.

The Higher Regional Court of Dusseldorf however denied that the defendant had infringed the patent.

According to the Higher Regional Court of Dusseldorf, where the final method step is conducted is decisive. As the final method step was already carried out in a foreign country, the Court declined to attribute it to Germany. The defendant only exploited the economic success of the method in Germany.

An attribution would only come into consideration if a preliminary or intermediate product was first manufactured abroad and the final method step was carried out in Germany. This would also apply if all essential steps of a protected method were carried out abroad. For an attribution it is not important how the respective features contribute to the patented technology. The mere exploitation of the economic value in Germany is therefore also irrelevant to the question of patent infringement.

In the opinion of the Higher Regional Court of Dusseldorf, scenarios 1 and 3 described above would result in an attribution of the method steps carried out abroad.

Regional Court of Mannheim, decision dated 9 October 2018, 2 O 163/17

In 2018, the Regional Court of Mannheim decided a patent infringement case concerning a method patent for the creation of a personalised media recommendation list. The plaintiff attacked a product which provided a user with a recommendation list of music files based on his/her usage habits.

In simple words, the protected method comprised the following steps:

(1) creation of a user profile;
(2) creation of a virtual room;
(3) media collections are entered into the virtual room according to the user profile;
(4) the user browses the virtual room;
(5) a recommendation of at least one media information from the virtual space.

The defendant operated a music streaming service. The consumer used the system in Germany. All data-processing operations were carried out on servers outside Germany. Only one server containing the music database was located in Germany.

The Regional Court of Mannheim denied that the defendant had infringed the patent.

The Regional Court of Mannheim set a high bar for the attribution of individual acts carried out abroad to Germany. This might be possible, for example, if the final method steps, which are decisive for the invention, were carried out in Germany. In the present case, the plaintiff did not prove that a single method step was carried out in the territory of Germany.

Even if one were to assume that the browsing was initiated from Germany, all other essential method steps were still carried out in a foreign country. In particular, the highly important recommendation was generated entirely abroad and only subsequently transmitted to the user in Germany.

The Regional Court of Mannheim also took a critical view on the aforementioned decision of the Higher Regional Court Dusseldorf. According to the Mannheim Judges, the acts conducted in Germany must – contrary to the opinion of the Dusseldorf Judges – be of great importance for the teaching of the invention. Only if the method steps, which were conducted in Germany, were of material importance for the invention is it possible to affirm a patent infringement in the territory of Germany. It was therefore necessary to take the problem and the proposed solution of the patent into account. Only on this basis can it be decided whether the method steps carried out in Germany were of particular importance.

Finally, the Regional Court of Mannheim agreed with the Higher Regional Court of Dusseldorf that the mere economic exploitation in Germany was not sufficient to establish a patent infringement.

The Regional Court of Mannheim thus set an even stricter requirement for attribution than the Higher Regional Court of Dusseldorf. However, both courts reached a similar outcome in most instances.

According to the opinion of the Mannheim Regional Court, in scenarios 1 and 3 described above it would at least be possible to attribute the procedural steps carried out abroad to Germany.

The decision of the Regional Court of Dusseldorf

In a recent decision, the Regional Court of Dusseldorf has affirmed a patent infringement, although the final method step, which was decisive for the teaching of the invention, was carried out abroad.

Facts of the case

The protected method of the patent in suit was based on a method patent for testing the visual acuity of the human eye and providing a corrective lens prescription. The protected method comprised the following process steps:

> *A method for testing vision of a human subject, said method comprising the steps of:*
>
> *(a) calibrating at least one physical characteristic of a video display device such that a sequence of graphic objects displayed by said video display device conforms to a pre-defined appearance;*
>
> *(b) displaying said sequence of graphic objects with said video display device to perform a series of tests of the visual functioning of the human subject,*
>
> *(c) recording actions of the human subject performed in response to the display of said sequence of graphic objects;*
>
> *(d) calculating from said recorded actions at least one aspect of the visual functioning of the subject; and*
>
> *(e) calculating at least one corrective lens prescription for the human subject from said at least one of the calculated aspects of the visual functioning of the subject.*

It is important to note that the provision of the corrective lens prescription to the patient was not part of the teaching of the method.

The defendant offered an online eye test in Germany. In the challenged method, tests of a user's eyesight were carried out on the user's computer. This was done via a client-server connection, with the defendant's servers located in Ireland. At the end of the test, employees of the defendant who were resident in the Netherlands, accessed the data on the servers in Ireland and validated the data. A spectacle prescription was sent from the Netherlands to the user containing values for sphere, axis, cylinder and pupil distance.

Decision

It was not disputed between the parties that steps (a) to (d) were carried out in the territory of Germany. In contrast, procedural step (e) was carried out abroad. According to the Regional Court of Dusseldorf, the realisation of this method step could also be attributed to Germany.

In simplified terms, the decided case corresponds to the second scenario.

According to the opinion of the Regional Court of Dusseldorf, it was possible to attribute the realisation of method steps carried out abroad even then if the last method step was carried out abroad. The core of the invention could not only be achieved by realising the last method step. It was already sufficient that the desired advantages of the invention were developed in Germany. This applies in particular if the last method step does not make a relevant contribution to the advantages of the invention.

The Regional Court of Dusseldorf proposed an evaluative approach. In this context, one should particularly focus on the significance of the features realised in Germany and abroad in view of the advantages of the invention.

The decision of the Regional Court of Dusseldorf was also based on considerations of equity. In particular, the court sought to prevent method patents from being easily circumvented by dividing the acts between several countries. In this respect, the Regional Court of Dusseldorf explains that in sub-areas of technology – namely where individual method steps are carried out by computers – method patents could otherwise practically not be enforced in any country.

The Regional Court of Dusseldorf justified the realisation of the patented technology by stating that the last method step did not make any significant contribution to the objectives of the claim. The advantages of the invention would be only achieved by the method features realised in Germany. It was therefore justified, even from a normative point of view, to attribute the realisation of the final procedural step to Germany.

Finally, the Court also explicitly commented on the divergent decision of the Higher Regional Court Dusseldorf. The difference to the previous decision lay in the fact that in the previous case almost all method steps were carried out abroad and ultimately only the blood was taken from the patient in Germany. The decision was therefore distinguishable on its facts.

Comment

The decision of the Regional Court of Dusseldorf can certainly be viewed critically, as it significantly extends the attribution of method steps carried out abroad and thus collides with the territoriality principle. The decision apparently follows the objective of avoiding gaps in protection and setting limits to the simple circumvention of a patent infringement of method claims. The decision could therefore be accused of being only result oriented.

However, one has to admit that the approach of the Regional Court of Dusseldorf is much more flexible than a schematic approach – which always only focuses on the realisation of the final method step. In particular, the approach takes into account the weight of a characteristic for technical teaching. The Federal Court of Justice ("FCJ") also follows a comparable approach, for example, in the area of indirect patent infringement in connection with the exchange of parts of a protected object.

Prospect

It would have been interesting to see how the Higher Regional Court of Dusseldorf would have decided the present case on Appeal. However, the case was settled out of court. Due to the large number of decisions on this topic, it is moreover not unlikely that a case will reach the FCJ in the near future. A decision by the FCJ is particularly desirable in order to harmonise the case law.

Current Developments – North America

CANADA

Catherine Dennis Brooks
Partner, Miller Thomson LLP
Correspondent for Canada

Licensed Use of Trade Marks in Canada: A Decision that was a Snap!

The Federal Court of Canada recently ruled in *David Michaels v Unitop Spolka Z Organiczona Odpowiedzialnoscia* 2020 FC 937 that the *Trademarks Act* 1985 provision relating to licensed use of trade marks is permissive, not mandatory. The Court confirmed the decision of the Hearing Officer in the Trademarks Opposition Board and stated that "there is no requirement in the *Trademarks Act* for a registered owner to be identified on packaging for its goods" and, "in the context of summary section 45 proceedings, it does not matter who the public would perceive as the owner of the" registered mark. The owner of a registered trade mark may be identified on the packaging for its goods sold by a licensee and, if done in accordance with section 50(2) of the Act, then the owner obtains the rebuttable presumption of controlled licensing. However, this is optional, not mandated by the Act.

The Applicant, David Michaels, sought to have three trade mark registrations, for SESAME SNAPS and SESAME SNAPS Design, expunged from the Register and requested that the Registrar initiate a summary section 45 proceeding requiring the owner of the registrations to demonstrate the company's use of the SESAME SNAPS marks in Canada in association with the products covered by the registrations. The Registrar issued Section 45 Notices and the owner of the registrations was required to file evidence of use within the relevant three-year period. The owner filed affidavit evidence that included exhibits showing the packaging of SESAME SNAP products sold in Canada during the relevant period, evidence of Canadian sales exceeding CA$6.5 million during the relevant three-year period, information about the licensed use of the marks by a wholly owned subsidiary of the owner of the registrations, as well as the owner's control over the character and quality of the SESAME SNAP products manufactured and sold for it by the licensee.

The Applicant raised an issue with respect to the fact that the owner of the registration had not used the marks directly, but rather had licensed them to a wholly-owned subsidiary and had not maintained control of the character or quality of the goods associated with the trade mark.

The Court dismissed the appeal as it held that the Hearing Officer made no error in maintaining the registrations. The Court was satisfied that the owner had filed sufficient evidence to show that it maintained sufficient control of the character or quality of the goods in order to have the benefit of section 50(1) of the *Trademarks Act*, a deeming provision that provides that where a trade mark owner maintains, under license, direct or indirect control of the character or quality of the goods or services in association with which its trademark is used, advertised or displayed by an authorised licensee, the licensee's use, advertisement or display of the trade mark is deemed to be that of the trademark owner.

The Court then considered the "novel" argument of the Applicant that because no public notice was given that the goods were produced and sold under license, then in the public's mind there was no use of the SESAME SNAPS marks by the registered owner. In rejecting this argument, the Court confirmed that section 50(2) of the Act is permissive, not mandatory. That provision states that "to the extent that public notice is given of the fact that the use of a trademark is a licensed use and of the identity of the owner, it shall be presumed, unless the contrary is proven, that the use is licensed by the owner of the trademark and the character or quality of the goods or services is under the control of the owner". Whether the trade mark owner discloses its identity on product packaging, or in some other manner, is voluntary.

In dismissing the appeal, the Court rejected the argument that the failure to give public notice that use of a trade mark is licensed precludes a finding that the owner of the trade marks maintained sufficient control over the character and quality of the products. Providing such notice creates a presumption that the use is licensed by the owner of the trade mark and the character or quality of the goods or services is under the control of the owner. Failure to provide such notice, however, does not create a presumption that the owner does not exercise sufficient control over use of its marks.

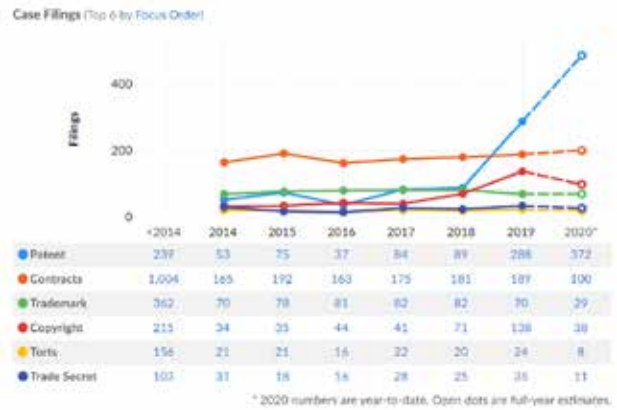
UNITED STATES OF AMERICA

Greg Lantier, Ben Ernst, Wenbo Zhang and George Manley
WilmerHale
Correspondents for the United States of America

Introduction to Patent Litigation Before Judge Albright in the Waco Division of the Western District of Texas: Standing Orders

I. Patent Litigation in the Western District of Texas in the Judge Albright Era

On 24 September 2018, the Honorable Alan D Albright was sworn in as a United States ("US") District Court judge – and the only US District Court judge – for the Waco Division of the Western District of Texas. A former US Magistrate Judge in the Austin Division, veteran patent litigator, and member of the prestigious American College of Trial Lawyers, Judge Albright quickly transformed Waco into a patent infringement litigation centre. Less than two years later, the Waco Division has become the most popular US District Court for new patent infringement actions in the nation, surpassing the District of Delaware, the Eastern District of Texas and the California district courts in new filings in 2020.



Cases Filed by Year, *US District Court for the Western District of Texas*, Lex Machina <https://law.lexmachina.com/cases/?pending-from=2009-01-01&pending-to=&court-include=txwd&filters=true&tab=summary&view=analytics&cols=475>.

The rapidity of the Waco Division's rise to become a patent litigation hotbed is impressive. In 2017, there were just 84 patent infringement cases filed in the entire Western District of Texas. In 2019, 288 patent infringement cases were filed in that forum – an approximately 243 per cent increase over 2017. What's more, the numbers appear to be increasing. Not even halfway through 2020,plaintiffs had already filed over 325 new patent infringement complaints before Judge Albright – that is more than the total number in patent cases filed before his Honor in 2019. If the pattern holds, he could see more than 600 new patent cases in 2020. Nationwide, 18 per cent of all new patent infringement cases were filed before Judge Albright this year. That is more cases than any other judge in the country by a wide margin.

The implication for patent litigation plaintiffs, defendants, and patent litigators is clear: if you are not yet familiar with Judge Albright's courtroom, you should be. This article series seeks to provide a brief introduction to the court's established practices and procedures.

II. Patent Practice before Judge Albright – Standing Orders and Order Governing Proceedings in Patent Cases

Judge Albright has issued a series of Standing Orders and procedures that aim to promote speed and efficiency in patent litigation. Engaging counsel familiar with these Orders is essential for parties and practitioners who find themselves litigating in Waco.

The first such order helps explain how his Honour plans to handle the influx of patent litigation while still maintaining the ambitious time-to-trial goals discussed further below. Under Judge Albright's 5 August 2018 *Standing Order Regarding Waco Docket Management*, almost all non-intellectual property matters assigned to Judge Albright are automatically referred to a magistrate for disposition of all non-dispositive pretrial matters and findings and recommendations on case-dispositive motions. An 8 June 2020 revision to this order does not change this practice. Accordingly, Judge Albright's default docket management procedures allow him to devote maximum time to patent litigations and foster an environment where litigants can expect the court will have the bandwidth to assist with their intellectual property infringement matters.

On 7 August 2019, Judge Albright issued another standing order requiring plaintiffs in patent cases to inform the court that the case is ready for an initial Case Management Conference ("CMC") by submitting a notice identifying 1) any pending motions, and 2) any related cases in the district. He allows defendants to submit the notice when plaintiffs fail to do so "within a reasonable time".

The centerpiece of patent practice in Judge Albright's court is his Order Governing Proceedings for Patent Cases ("OGP"). The OGP was first issued in January 2019. It lays out the court's default schedule from before the CMC until the date of trial, covering in detail the judge's rules for a telephonic CMC, instructions on how to handle discovery and resolve discovery disputes, what the judge expects during claim construction briefing and the *Markman* hearing.[1]

On 25 February 2020, Judge Albright updated the OGP to include even more detailed instructions for litigating patent cases in his court. In particular, the revised OGP now specifies a deadline and page limits for motions to transfer and adopts a tiered approach to page limits for *Markman*

briefs to accommodate different numbers of disputed patents. It also provides further guidance on presenting live tutorials and submitting audio files for *Markman* briefs.

1. Case Management Conference

Judge Albright requires counsel for each side to meet and confer at least three business days before the CMC to discuss, among other topics, the appropriateness of adopting a default scheduling order or discovery limits.

At the CMC, which is almost always held telephonically, lead counsel for each party and any unrepresented parties must be present. In-person attendance is permitted, but anyone who wishes to attend in person must notify Judge Albright's chambers at least two court days before the scheduled hearing. The parties should be prepared to discuss a number of topics at the CMC, such as case scheduling, claim construction, and discovery issues.

After the CMC, Judge Albright requires the parties to submit either a joint scheduling order or move to submit separate orders within two weeks. In the revised OGP, motions to transfer are also due at this time.

2. Preliminary Contentions

Under the OGP, plaintiffs are required to serve their preliminary infringement contentions chart at least seven days[2] before the CMC, identifying where in the accused product(s) each element of the asserted claim(s) is found, and the priority date of each asserted claim. The default schedule also has defendants' preliminary invalidity contentions due seven weeks after the CMC, which must identify: 1) where in the prior art references each element of the asserted claim(s) are found, (2) any limitations the defendants contend are indefinite or lack written description under section 112, and (3) any claims the defendant contends are directed to ineligible subject matter under section 101.

3. Initial Production Obligations for Parties

One of Judge Albright's unique practices is to stay all discovery other than that necessary for claim construction until after the *Markman* hearing. Therefore, before the hearing, parties only need to produce documents supporting their claim constructions and to make a production of basic case documents. Along with its preliminary contents, the plaintiff is required to produce (1) all documents evidencing conception and reduction to practice for each claimed invention, and (2) a copy of the file history for each patent in suit. Along with its initial contentions, the defendant is required to produce (1) all prior art referenced in the invalidity contentions, (2) technical documents, including software where applicable, sufficient to show the operation of the accused product(s), and (3) summary, annual sales information for the accused product(s) for the two years preceding the filing of the complaint.

Additionally, after the parties exchange claim terms and proposed constructions, they are required to disclose and produce (if already produced, identify by production number) "any extrinsic evidence, including the identity of any expert witness they may rely upon with respect to claim construction or indefiniteness."

4. Claim Construction

The OGP does not place a limit on the number of asserted claims or claim terms a party wishes to construe, but it encourages parties to "focus on their top ten claims in order of importance." If there are an unusually large number of patents or asserted claims, however, the Court is willing to revisit this topic and take suggestions from the parties.

At the same time, Judge Albright's OGP has very specific page limitations for *Markman* briefs, and they apply even to consolidated cases. It also asks parties not to include "lengthy recitations of the underlying legal authorities" in their briefs and "instead focus on the substantive issues unique to each case." The default deadline for all simultaneous filings is 5pm Central Time.

In the revised OGP, Judge Albright now encourages all *Markman* briefs – rather than just briefs over 10 pages – to be submitted via audio file. The revised OGP further requires the audio files to be "verbatim transcription without additional colloquy".

For *Markman* hearings, Judge Albright typically gives parties half a day, but is willing to adjust the time. He also has an open attitude towards live tutorials, and would be willing to entertain such a presentation "when they may be of benefit." As laid out in the revised OGP, such tutorials may be submitted in electronic form by the deadline for submission of the Joint Claim Construction Statement. Judge Albright wants them to be only directed to the underlying technology and not serve as a vehicle to present the parties' infringement or validity-related arguments. He also limits the tutorials to 15 minutes per side at the start of the hearing. The tutorials may be recorded, but they are not made part of the record for the litigation.

When it comes to the order of argument at the *Markman* hearing, the default approach laid out in the OGP is to let the parties take turns in selecting the terms, with the plaintiff picking the first term. However, if one side proposes "plain and ordinary meaning" as its construction or makes an "indefiniteness" argument, the other side is expected to go first.

5. Post-Markman Discovery Schedule

Post-*Markman*, the OGP outlines a discovery schedule that requires, among other things, final infringement and invalidity contentions to be served eight weeks after the *Markman* hearing. The revised OGP further requires parties to seek leave of court to amend the contentions after this

date. In addition, the revised OGP extends the close of fact discovery and all subsequent deadlines by six weeks, thus increasing the interval between the *Markman* hearing and trial to one year.[3]

6. Discovery Disputes

When there is a discovery dispute, the OGP does not permit parties to file a motion to compel discovery, unless 1) the parties have tried to resolve the dispute in meet-and-confers, and 2) the moving party has first arranged a teleconference with the court to explain the dispute.

7. Trial

Judge Albright's trial rules are separately laid out in a 17 July 2019 standing order titled *In re: Trial Proceedings* ("Trial Standing Order"). The Trial Standing Order informs parties to a patent litigation that *first*, trials usually begin at 9am each day, and parties are expected to be in the courtroom at least an hour early, unless the court specifically orders otherwise. *Second*, any party intending to use technology to present any evidence at trial must notify the court staff before trial starts, so that the court staff can assess its feasibility and allow the party to access the courtroom before trial to test the equipment and fix any issues. *Third*, counsel are required to bring physical copies of depositions for witnesses who will testify at trial.[4]

III Conclusion

As the number of patent cases in the Western District of Texas rise to the top of the nation following Judge Albright's appointment, it is important for parties involved in such disputes in the US to be informed of the Judge's rules and practices.

1 A *Markman* hearing, also known as a claim construction hearing, is a US District Court hearing during which a judge determines the meaning and scope of disputed terms in the asserted patent claims.

2 In the February 2020 revision, Judge Albright changed "7 business days" to "7 days".

3 On April 9, 2020, Judge Albright issued two new standing orders in response to the hardship caused by the COVID-19 pandemic: one for Pre-*Markman* cases currently set for a hearing between before 1 May 2020 and another for Post-*Markman* cases. These orders provide temporary flexibility to parties to adjust their litigation schedules both pre- and post-*Markman*.

4 A further order on 9 December 2019 requires that, for all patent and trademark cases filed on or after that date, counsel must file the AO Form 120 electronically using the event "Notice of Filing of Patent/ Trademark Form".

Current Developments – Africa

AFRICA

Dr Chijioke Okorie
Lead Advisor, Penguide Advisory[1]
Correspondent for Africa

South Africa with Kenya and Eswatini seek Waiver of certain provisions of the TRIPS Agreement to Align Intellectual Property Rights with Access to Medicines in the fight against COVID-19

In March 2020, the World Health Organization ("WHO") declared the coronavirus disease 2019 ("COVID-19") to be a global pandemic.[2] Since then, there have been increased efforts in many countries to develop new diagnostics, therapeutics and vaccines for COVID-19. There has also been significant increase in global demand for access to medical products such as diagnostic kits, medical masks, other personal protective equipment and ventilators, for the prevention and treatment of COVID-19 patients. The increase in the rate of the spread of COVID-19 and the resultant demand for these medical products has led to acute shortages of much-needed medical products in developing countries, particularly in Africa.[3]

In this regard, South Africa (and India) have expressed concerns that if left unchecked, intellectual property rights such as patents, industrial designs, copyright and the protection of undisclosed information may create barriers to the timely access to affordable medical products essential to combat COVID-19. On 2 October 2020, both countries issued a joint statement before the WTO TRIPS Council, with a request to the TRIPS Council to recommend to the General Council a waiver from the "implementation, application and enforcement of Sections 1, 4, 5 and 7 of Part II of the TRIPS Agreement[4] in relation to prevention, containment or treatment of COVID-19" ("Joint Statement")[5]

The TRIPS Council met on 15 and 16 October 2020 with an agenda to inter alia, discuss the Joint Statement. Apart from the original proposers, Kenya and Eswatini co-sponsored the joint statement and were supported by several developing and least developed countries ("LDC") in the meeting. It was further reported that the proposal met with stiff opposition from a bloc of developed countries including the European Union, United States of America, Australia, Canada, Japan, Norway, Switzerland and the United Kingdom.[6] Brazil also opposed the proposal.[7]

This paper assesses key aspects of the Joint Statement and proposal as well as the issues arising therefrom.

The Joint Statement (including the Draft Decision Text)

The Joint Statement comes with a draft decision text annexed thereto. In terms of the decision text, South Africa and India ("the proposers") proposed a decision from TRIPS Member States to have the "obligations of Members to implement or apply Sections 1, 4, 5 and 7 of Part II of the TRIPS Agreement or to enforce these Sections under Part III of the TRIPS Agreement", waived "in relation to prevention, containment or treatment of COVID-19", for a yet-to-be-agreed number of years. The waiver is to be reviewed by the General Council not later than one year after it is granted, and thereafter annually until the waiver terminates.[8]

In terms of the rationale for the proposed decision text, the proposers indicated that, based on several reports,[9] patent protection (required by Section 5 of Part II of the TRIPS Agreement) has hindered or may hinder accessibility to medical products needed to combat and/or cure COVID-19. The proposers also argued that while several countries have initiated domestic production of medical products and/or are modifying existing medical products for the treatment of COVID-19 patients, patents and other IPRs might pose a barrier to timely and affordable access to medical products to all countries in need.[10] There is also mention of concerns regarding countries (especially developing countries) who may face "institutional and legal difficulties" when using "TRIPS flexibilities" and countries with "insufficient or no manufacturing capacity" to meet the requirements of Article 31bis TRIPS Agreement [and consequently the cumbersome and lengthy process for the import and export of pharmaceutical products].

Section 1 of part II of the TRIPS Agreement pertains to copyright and related rights; section 4 deals with industrial designs. Section 5 of part II of the TRIPS Agreement relates to patents while section 7 deals with the protection of undisclosed information.

Comments

The waiver proposal by South Africa and India is one that if successful, has the potential to enable countries to have access to medical products without the need to pay royalties to IP holders for those products. Within the current intellectual property ("IP") system under TRIPS Agreement, users of such medical products would have been obliged to pay royalties to IP holders based on either a negotiated licence agreement or following the grant of a compulsory licence system. Another important advantage of the waiver proposal is that it applies all countries – developed and developing nations alike.[11]

But from the news report on the meeting, the waiver proposal may be difficult to pass, as there was stiff opposition from many developed countries against it.[12] Following the lengthy debate on the proposal during the TRIPS Council meeting, it was agreed to suspend further debate while the proposers engage in formal and/or informal consultations on the proposal.

It is to be noted that even though the final outcome of the waiver proposal is unknown at this time, there may be practical difficulties with implementing the proposal as it currently stands. For one, the waiver proposal covers patents, copyright, industrial designs, and undisclosed information including know-how and trade secrets. However, while the waiver of the "implementation, application and enforcement" of IP rights such as copyright that may not require (formal) registration to be acquired, may be straightforward, it may not be so for registrable IP tights. For registrable IP rights such as patents and designs, it is unclear if going by the terms of the waiver proposal; the rights would not exist at all. Essentially, would the IP rights be registered/granted but suspended or would the potential owners be unable to register such rights?

Also, the waiver proposal brings to the fore, the role of the agreement establishing the African Continental Free Trade Area ("AfCFTA") and the *Draft Protocol on Intellectual Property*.[13] There is widespread agreement that the AfCFTA and in particular, the *Draft Protocol on Intellectual Property* can offer a platform for AfCFTA member states to develop a common position on IP matters being discussed at international fora and provide a single African voice at the international level. Taking a common position on IP matters would require deeper (prior) discussions on the African continent including discussions on what approach is best in advancing Africa and development interests.

1 The author is also a Postdoctoral Research Fellow in Intellectual Property, Innovation and Development at University of Cape Town and acknowledges the financial assistance of the National Research Foundation ("NRF") of South Africa towards this work. Opinions expressed and conclusions arrived at are those of the author and are not to be attributed to the NRF.

2 Sarah Bosely, 'WHO declares coronavirus pandemic' *The Guardian* (12 March 2020) <https://www.theguardian.com/world/2020/mar/11/who-declares-coronavirus-pandemic>.

3 United Nations Technology Bank For The Least Developed Countries, 'Local production could solve shortages of essential pandemic-fighting equipment' (Web Page, 1 December 2020) <https://www.un.org/technologybank/content/local_production_could_solve_shortages_pandemic_fighting_equipment>.

4 *Agreement on Trade-Related Aspects of Intellectual Property Rights*, Apr. 15, 1994 ("TRIPS Agreement") Part II – Standards concerning the availability, scope and use of Intellectual Property Rights <https://www.wto.org/english/docs_e/legal_e/27-trips_04_e.htm>.

5 *Waiver From Certain Provisions of The TRIPS Agreement for the Prevention, Containment And Treatment of COVID-19: Communication From India And South Africa* IP/C/W/669, 2 October 2020 ("Joint Statement") <https://docs.wto.org/dol2fe/Pages/SS/directdoc.aspx?filename=q:/IP/C/W669.pdf&Open=True>.

6 Thiru Balasubramanium, 'WTO TRIPS Council (October 2020): South Africa issues clarion call urging support for TRIPS waiver proposal' *Knowledge Ecology International* (Web Page, 16 October 2020) <https://www.keionline.org/34235>.See also, World Trade Organization, *Members discuss intellectual property response to the COVID-19 pandemic*, 20 October 2020 <https://www.wto.org/english/news_e/news20_e/trip_20oct20_e.htm>.

7 Thiru Balasubramanium, 'WTO TRIPS Council (October 2020): South Africa issues clarion call urging support for TRIPS waiver proposal' *Knowledge Ecology International* (Web Page, 16 October 2020) <https://www.keionline.org/34235>.

8 In accordance with the provisions of paragraph 4 of Article IX of the WTO Agreement.

9 See Susan Decker and Christopher Yasiejko 'World War II-Style Mobilization Order May Carry Risks'*Bloomberg* (Web Page, 21 March 2020) <https://www.bloomberg.com/news/articles/2020-03-20/world-war-ii-style-production-may-carry-legal-risks-for-patriots> and Megan Watkins, 'Kentucky Gov. Andy Beshear calls on 3M to release patent for N95 respirator amid pandemic' *Louisville Courier Journal*, (online, 3 April 2020) <https://eu.courier-journal.com/story/news/2020/04/03/beshear-calls-3-m-release-patent-n-95-respirator-amid-pandemic/5112729002/>.

10 Joint Statement [8]-[10].

11 See Sophia Apostolia '5 reasons a new proposal by India and South Africa could be a gamechanger in the COVID-19 response' *Medecins Sans Frontiers* (Web Page, 1 December 2020) <https://msfaccess.org/5-reasons-new-proposal-india-and-south-africa-could-be-gamechanger-covid-19-response>.

12 See World Trade Organization, *Members discuss intellectual property response to the COVID-19 pandemic*, (Media Release, 20 October 2020) <https://www.wto.org/english/news_e/news20_e/trip_20oct20_e.htm>.

13 See Abrie du Plessis 'First Meeting of the African Continental Free Trade Area (AfCFTA) Technical Working Group on Intellectual Property Rights' *tralacBlog* (Blog, 11 November 2020) <https://www.tralac.org/blog/article/14993-first-meeting-of-the-african-continental-free-trade-area-afcfta-technical-working-group-on-intellectual-property-rights.html>.

The Intellectual Property Society of Australia and New Zealand Inc

Trans Tasman National Committee of Management

President: Shelley Einfeld

Vice Presidents: Clare Cunliffe and Gillian Woon

Secretary: Ian Horak

Treasurer: Thomas Huthwaite

Members

Victoria Bell, Nadia Braad, *David Cox, Katrina Crooks, Luke Dale, Megan Evetts, Dean Gerakiteys, Kevin Glover, Mark Goldblatt, *Ann-Kathrin Goller, Lauren Gore, John Hennessy SC, *Daniel Kiley, *Elizabeth Lawson, Alexia Mayer, *Melissa McGrath, *Stephanie Rowland, Robynne Sanders, Natalie Shoolman, David Stewart, Chris Williams and *Garry Williams.

Past President

Luke Merrick

New South Wales Committee

Chairperson: Melissa McGrath

Tommy Chen, Dean Gerakiteys, Stuart Green, Alison Jones, Roseanne Mannion, Angela McDonald, Hazel McDwyer, Shauna Ross, Catherine Sedgley, Natalie Shoolman, Rebecca Simpson, Anna Spies, Frances St John, Vineetha Veerakumar and Gillian Woon.

New Zealand Committee

Chairperson: Garry Williams

Sarah Chapman, Kate Duckworth, Clive Elliott QC, Kevin Glover, Matthew Hayes, Sonya Hill, Thomas Huthwaite, Tim Mahood, Hamish Selby and Daisy Williams

Queensland Committee

Chairperson: Elizabeth Lawson

Nadia Braad, James Cameron, Georgia Campbell, Andrew Clarke, Taryn Lovegrove, Elisa McCutcheon, Fraser Smith, Kellie Stonier and Sandy Zhang

South Australia Committee

Chairperson: Daniel Kiley

Niomi Abeywardena, Amy Bishop, Alastair Donaldson, Louise Emmett, Eugene Reinboth, Adam Rosser, Josh Simons, Greg Tye and Paula Zito

Victorian Committee

Chairperson: Ann-Kathrin Goller

Lucy Davis, Sue Gatford, Sarah Huang, Karin Innes, Lauren John, Ben Mawby, Rebecca Pereira and Jack Shan

Western Australian Committee

Chairperson: David Cox and Stephanie Rowland

Bronte English, Stephanie Gan, Lauren Gore, Bindhu Holavanahalli, Adam Kearney, Clare Mould, Madeleen Rousseau, David Stewart, Ebony Sweetnam, David Wilson Amanda Wong

Executive Secretary

Caroline Reznik

*State Chairperson

INTELLECTUAL PROPERTY FORUM