Intellectual Property Forum

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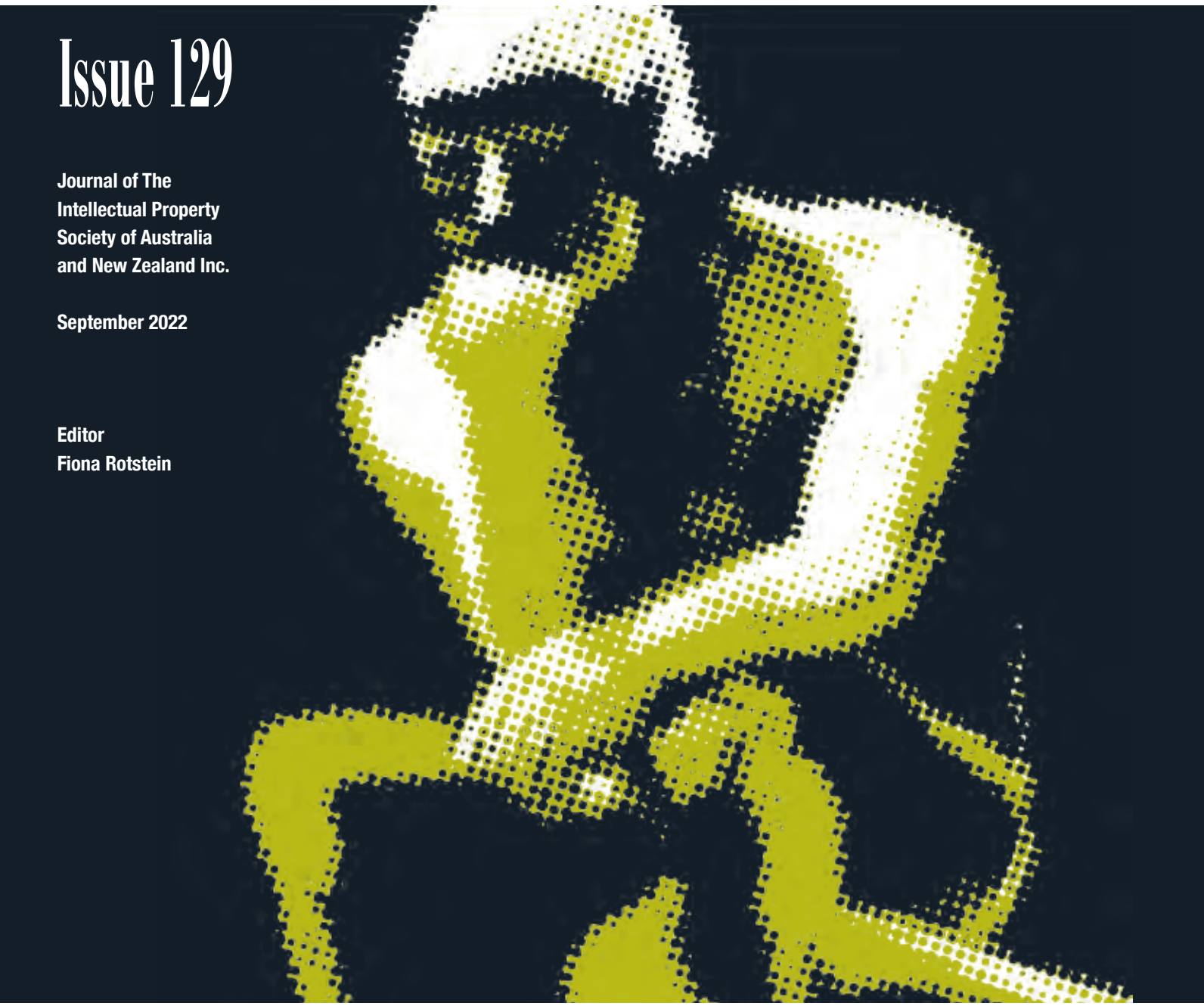
Editor
Fiona Rotstein



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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

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Prospective contributors should write to:

Editor
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

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Journal Issue	Submission Dates
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September 2023	before 1 August 2023

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35th IPSANZ Annual Conference

16-18 September 2022

The 35th Annual Conference of the Intellectual Property Society of Australia and New Zealand Inc. is scheduled to be hosted at the Park Hyatt Melbourne, Victoria, Australia over the weekend 16 – 18 September 2022.

Friday

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

Saturday

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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

Editorial – Fiona Rotstein

Photo by James Grant

Fiona Rotstein, Editor

Welcome to the September 2022 issue of *Intellectual Property Forum*. This edition examines a range of thorny and thought-provoking issues, including the future of IP due to the advancements of artificial intelligence ("AI") and the fitness of the moral rights regime in Australian and New Zealand copyright law. Other topics explored include the intersection of IP law with information technology law, plus the interplay between the metaverse, non-fungible tokens ("NFTs") and IP rights. There is also incisive analysis of the landmark patent decision of the High Court of Australia in *Calidad Pty Ltd v Seiko Epson Corporation* [2020] HCA 41 ("*Calidad*") and of the connection between competition law and the settlement of pharmaceutical patent disputes.

This issue begins with a profile of Professor Alpana Roy, Dean of Law, Te Piringa Faculty of Law, University of Waikato, New Zealand. Professor Roy is an academic, practitioner and an accredited mediator. Professor Roy has researched and lectured in a variety of IP subjects at various universities, including the University of Sydney, the University of Queensland and the University of Technology Sydney. Professor Roy has also worked as a barrister at the New South Wales Bar, for top-tier commercial law firms, boutique specialist firms, as a Government lawyer, as in-house Counsel, and for various other private and public sector bodies, such as the World Intellectual Property Organization ("WIPO"). In our candid conversation, Professor Roy discusses her wide-ranging work in the IP field and the key lessons she has learnt in her career. Professor Roy also provides valuable insights on the similarities and differences between IP law and practice in Australia and New Zealand, and the Uniform Domain Name Dispute Resolution Policy ("UDRP") and the .au Dispute Resolution Policy ("auDRP") for domain name disputes.

We then move to the first of five articles. Dr Louise Buckingham takes a deep dive into the High Court's *Calidad* decision. Dr Buckingham discusses in detail the *Calidad* litigation as well as the competing legal theories central to the decision: patent exhaustion and implied licence. Dr Buckingham considers the ramifications of the judgment for stakeholders, as well as the history that preceded it. In addition, the decision is analysed in light of the Productivity Commission's *Right to Repair* final report, delivered to the Australian Government on 29 October 2021. Following an expansive analysis of the implications of the 4-3 High Court majority's finding that patent exhaustion was the correct doctrine to adopt rather than implied licence that had hitherto prevailed in Australia for 112 years, Dr Buckingham views the decision positively. As she writes, "On a practical level, the majority *Calidad* decision represents a clear statement around the limits of patent (and potentially other IP) owners' rights."

Next, Cynthia Cochrane SC, Catherine Bembrick and Alexander Vial explore the impact of Part IV of the *Competition and Consumer Act* 2010 (Cth) ("CCA") on the settlement of patent cases, following the repeal of section 51(3) of the CCA and the draft determination issued by the Australian Competition and Consumer Commission ("ACCC") on 23 March 2022 to refuse an application for authorisation for a patent settlement and licensing agreement in *Juno Pharmaceuticals Pty Ltd & Anor v Celgene Corporation* (Federal Court of Australia, VID718/2020, commenced 9 November 2020), since withdrawn by the parties on 29 July 2022. The authors consider how pharmaceutical patent settlements may prompt competition issues. They discuss a number of pertinent matters, including misuse of market power, *ACCC v Pfizer Australia Pty Ltd* (2015) 323 ALR 429 and the new "effects" test; the repeal of section 51(3) of the CCA; applying to the ACCC for authorisation under section 88(1) of the CCA; and provide insight on how pharmaceutical patent disputes may be settled now.

Then Dr Claire Gregg and Professor Ryan Abbott report on recent developments regarding the Artificial Inventor Project ("AIP"). Led by Professor Abbott, the AIP team filed in 17 jurisdictions complete patent applications naming as the inventor an AI system described as DABUS (the Device for the Autonomous Bootstrapping of Unified Sentience). The authors discuss the pending special leave application to the High Court of Australia filed on 16 May 2022 to appeal the

decision of the Full Court of the Federal Court of Australia in *Commissioner of Patents v Thaler* [2022] FCAFC 62. The Full Court (Allsop CJ, Nicholas, Yates, Moshinsky and Burley JJ) unanimously overturned Beach J's judgment in *Thaler v Commissioner of Patents* [2021] FCA 879 that catapulted the Federal Court to be the only court globally (so far) to decide that an AI can be named as an inventor on a patent. The authors also examine some of the policy considerations underpinning the AIP's campaign for protection of AI-generated inventions and ask where to next for AI and IP in Australia and internationally.

This is followed by Anna Klepacki's exploration of the moral rights legislative framework in Australian and New Zealand copyright law. Klepacki closely examines Australia's and New Zealand's moral rights provisions in an age where cancel-culture abounds and concepts such as privilege, gender identity and unconscious bias are live issues. According to Klepacki, the Australian (and to a lesser degree, New Zealand) right of integrity of authorship is out-dated. Klepacki opines that the current legislative criteria, encompassing "prejudice to honour and reputation" and "reasonableness", are difficult to apply to circumstances involving complex and multifaceted social issues. In light of the swirling moral discourse enveloping modern-day society on- and off-line, Klepacki's engaging article discusses what legislative change is needed to the right of integrity of authorship and why.

Emma McKenzie and Dr Nikos Koutras then turn our attention to the knotty issue of Open Access ("OA"), an international movement that seeks to grant freely available, online access to academic research. According to the authors, "the Dutch have taken progressive OA action, which has seen the country 'lead the way' in the OA world". The authors examine the OA landscape in the Netherlands, in particular the Taverne Amendment – a provision in the national copyright legislation enacted in 2015 to enhance OA for publicly funded research. The authors contrast the Dutch response to OA with that of Australia, where the *Copyright Act* 1968 (Cth) is currently silent on the topic of OA. Taking into account their carefully researched analysis, the authors explore whether Australia should be inspired by the Dutch to integrate OA into the Copyright Act.

This issue also has four reports, including reviews of three recently-released yet divergent IP texts. First, Professor Kathy Bowrey reviews *Kritika: Essays on Intellectual Property: Volume 5*. The book's authors, eight acclaimed international IP academics, each reflect upon transformative themes in their areas of speciality. Topics range from the haphazard regulation of employee IP to North-South perspectives on the World Trade Organization's *Agreement on Trade-Related Aspects of Intellectual Property Rights* ("TRIPS") and the continuing development of Chinese copyright law with respect to the country's art market. Next, Doug Calhoun reviews *Research Handbook on the World Intellectual Property Organization: The First 50 Years and Beyond*. Edited by Emeritus Professor Sam Ricketson AM (who is also an essayist of *Kritika: Essays on Intellectual Property: Volume 5*), the book features a variety of IP luminaries who consider WIPO's purpose and function and evaluate the organisation's future role as it begins its second half-century. Stephen Rebikoff then reviews *The Future of Copyright in the Age of Artificial Intelligence*, which he describes as "ambitious, wide-ranging and thought-provoking". In addition, Andy Ramos considers whether global digital innovations, such as the metaverse and NFTs, have given rise to a pressing need for new IP regulations. As Ramos asks, "should the law adapt to the metaverse or should the metaverse adapt to the law?".

Finally, this issue is rounded out by IP updates from around the world. The Journal's regular contributors report from Australia, New Zealand, China and Hong Kong SAR, Japan, Singapore, the United Kingdom, European Union, Germany, France and Canada. Locally, there is detailed analysis of 13 recent Australian IP cases regarding trade marks, patents, confidential information, registered designs and copyright. There is also a topical discussion of the IP chapter of the recently concluded (but not yet in force) European Union-New Zealand Free Trade Agreement, which as Andrew Brown QC notes, "will necessitate a number of changes to the scope and protection of IP rights in New Zealand". Internationally, our correspondents also examine a range of hot topics, including the first decision by a UK court to consider whether a fictional character can be protected by copyright and the first Canadian judgment to invalidate a trade mark registration on the basis of bad faith.

As always, I am grateful to all of our regular contributors for their continuing commitment to the Current Developments section of the Journal. Their valuable insights keep the IPSANZ community abreast of important updates, here and abroad, across the entire spectrum of IP. I am also delighted that Emeritus Professor Jill McKeough of the Faculty of Law, University of Technology Sydney, has joined the Journal's Editorial Board. Emeritus Professor McKeough is a preeminent IP scholar who brings an abundance of knowledge and expertise to the role. She is a fantastic addition to the Editorial Board. If readers and IPSANZ members wish to contribute to the Journal, or provide feedback, please email me at editors@ipsanz.com.au. I look forward to hearing from you. Enjoy the issue.

In Conversation with Professor Alpana Roy

Fiona Rotstein

Professor Alpana Roy is the Dean of Law, Te Piringa Faculty of Law, University of Waikato, New Zealand. Professor Roy is an academic, practitioner and an accredited mediator. She has had a broad array of experiences working in IP and commercial law – in both practice and the academy. In an interview with Fiona Rotstein, Professor Roy discusses her views on IP in Australia and New Zealand, the interplay between IP law and information technology law, and what a successful career really looks like.

Professor Alpana Roy

Q: Why did you decide to study law?

A: I was always drawn to the humanities (more than the sciences), and grew up being interested in global politics, colonial and postcolonial histories, social justice issues. My father would often discuss the lives and times of leaders such as Gandhi, Mandela, Lincoln – and they often had studied law! I also heard stories growing up about all the famous lawyers in my family who had campaigned for India's independence from British imperial rule. Law seemed to open-up endless possibilities – both intellectually, and career-wise, and I gladly accepted the offer to study law when I received it.

Q: Can you provide a brief history of the path to your Deanship?

A: A number of years in both practice and academia! More specifically, I had recently held a number of different leadership roles in my university positions, such as Associate Dean Research, and being appointed Dean was a logical "next step".

Q: What are your current areas of research?

A: The same areas that I've had for a while now: IP and information technology ("IT") law, internet and domain name law, traditional and Indigenous knowledge, and alternative dispute resolution ("ADR"). I'm currently particularly interested in online dispute resolution – like the very successful Uniform Domain Name Dispute Resolution Policy ("UDRP") and the .au Dispute Resolution Policy ("auDRP") for domain name disputes.

Q: You have researched and lectured in a range of postgraduate and undergraduate IP subjects. How do Australia and New Zealand broadly compare in the area of IP?

A: Very similar in many ways – particularly because of the shared colonial histories, and foundations in the common law system. Both Australia and New Zealand are also member countries of the same World Intellectual Property Organization ("WIPO") international IP agreements (e.g., *Berne Convention*, *Paris Convention*, *Rome Convention*, *Madrid Protocol*, *Nice Agreement*, etc), and signatories to the World Trade Organization's *Agreement on Trade-Related Aspects of Intellectual Property Rights* ("TRIPS") – which means that there is a certain uniformity in their international IP protection, classification, enforcement and so on. Under the 2009 Single Economic Market agenda, both countries have worked together to remove regulatory barriers to firms operating in New Zealand and Australia, with the aim to create a seamless Trans-Tasman business environment.

In March 2013, both Governments signed a bilateral agreement to implement a Trans-Tasman licensing regime for patent attorneys – resulting in the *Patents (Trans-Tasman Patent Attorneys and Other Matters) Amendment Act* 2016 (NZ). The effect of this legislation means that patent attorneys in both Australia and New Zealand are registered under a single set of requirements, and will be subject to a single code of conduct and disciplinary process. Existing attorneys will also be automatically transferred to the new joint register.

There are of course some significant differences. For example, New Zealand law prevents registering IP that is considered offensive by a large group of people, including Māori. IP applications in New Zealand are assessed for Māori cultural elements – such as Māori traditional knowledge, a Māori design or word, Māori music or dance. So, in relation to trade marks, all applications for registration in New Zealand are assessed for Māori elements or features derived from mātauranga Māori (which translates as Māori knowledge, world-view and perspectives). The law in New Zealand prevents the registration of a trade mark where its use or registration is likely to be considered offensive by a

significant section of the community, including Māori. Trade mark applications that are considered to contain Māori cultural elements are assessed by the Māori Trade Marks Advisory Committee, which in turn provides advice to the Commissioner of Trade Marks.

Similarly, patent applications in New Zealand are also assessed for inventions and innovations incorporating Māori elements or based on mātauranga Māori, such as rongoā (traditional Māori medicine). If the invention is derived from indigenous plants or animals, or Māori traditional knowledge, the Commissioner of Patents will request advice from the Patents Māori Advisory Committee. Likewise, design registrations that contain a Māori cultural element may be sent to the Māori Advisory Committee to assess whether the design may be offensive to Māori. While plant variety right ("PVR") applications in New Zealand do not go to a Māori Advisory Committee for assessment, Māori cultural elements may be taken into account when a PVR application is considered. And, while copyright law may be used to protect the expression of some elements of mātauranga Māori, the underlying ideas of course cannot be copyrighted. Similarly, performers' rights can be used to protect the expressions of some forms of mātauranga Māori, such as waiata (Māori songs) and kapa haka (Māori dancing and chanting) performances and recordings.

So, as you can see, the concept of cultural offence in IP law in New Zealand is far more expansive than equivalent provisions in Australian law – such as section 42(a) of the *Trade Marks Act* 1995 (Cth) relating to scandalous trade marks. And, in fact, the Waitangi Tribunal's highly significant *Ko Aotearoa Tēnei* ("This is New Zealand") Wai 262 Report in 2011 recommended that the cultural offence provisions in New Zealand law be expanded. This Report concerned the protection of Māori culture and identity, and was one of the largest and most complex in the Waitangi Tribunal's history. The inquiry took 20 years, and examined processes and policies of a very large number of Government departments and agencies. While the recommendations from the Report are yet to be considered in detail and implemented in legislation, the current New Zealand Parliament has indicated its commitment to develop a whole-of-government response to the numerous issues raised in the Report.

Q: In 2009 you became an accredited mediator. How has this work affected your practise and research of IP?

A: My work as a mediator and ADR practitioner has affected my practise and research in *all* areas of law – not just IP. Resolving disputes outside the court system is extremely important as litigation is expensive and time consuming, and trying to resolve issues earlier and more efficiently benefits all parties – including the courts. Mediation, and other forms of "alternative" dispute resolution are *by far* the most common way disputes are resolved in the majority of cases worldwide. And, just a point of clarification: I refer to the word "alternative" using quotation marks because ADR processes are no longer the alternative form of dispute resolution – they are the dominant form.

The advantages of mediation and other forms of ADR are of course now well known: quick and cheap resolution of disputes, greater party involvement and empowerment than court processes, less drawn out than litigation. This amounts to early resolution of issues, more flexibility and less formality, innovative solutions, privacy and confidentiality, a single procedure: particularly advantageous in multi-jurisdictional litigation, finality of awards, and the relative success rate of enforcing awards across borders – because of measures such as the *United Nations Convention for the Recognition and Enforcement of Foreign Arbitral Awards* 1958 (i.e. the *New York Convention*). Of course, mediation and ADR are not suitable in all disputes, and in some circumstances court litigation is the only option. For example, where a court judgment is necessary in order to clarify rights and establish a public legal precedent – rather than a narrow award which is limited to the dispute between the parties. Nevertheless, it's really important that parties are properly informed about their dispute resolution options so that they can choose the dispute resolution process/es that best suits their needs.

Q: What interests you most about online dispute resolution? What do you see as the major issues concerning the UDRP and the auDRP for domain name disputes?

A: Online dispute resolution is interesting because it's taking ADR or say mediation to a new mode because the technology is available and because, particularly as we saw with lockdowns over the past couple of years, it very much became the way in which people were able to resolve disputes. And, online dispute resolution can service parties regardless of where they physically are – for example, in the outback or small rural towns – it doesn't really matter where you are – and with my Zoom background, you don't know if I'm sitting here or in Kathmandu or New York. And, in some types of disputes – such as domestic violence, the online mode neutralises the dispute resolution setting – far more than sitting in a physical room facing your former partner. I've had domestic violence victims come up to me and say that they would prefer online dispute resolution for this very reason – they feel safer and less disempowered.

In terms of the UDRP and the auDRP – the UDRP on the international level has been one of the most successful forms of online dispute resolution, just in terms of sheer numbers, since the Policy was launched

in 1999. There are almost 60,000 UDRP cases decided just by WIPO alone (the predominant domain name dispute resolution provider)[1] – so, the total number of UDRP decisions by all Internet Corporation for Assigned Names and Numbers ("ICANN")-approved UDRP providers will obviously be higher (the exact number of UDRP cases since 1999 is unknown as this information has not been made publicly available by all UDRP providers). It was set up, along with the auDRP, to make parties resolve disputes without going to court, so even though there's a clause in both Policies that at first instance, it is mandatory, it doesn't preclude parties from going to court to litigate. But there have only been a handful of decisions that have actually gone to court, so in that way it's also been incredibly successful.

There has been plenty of criticism of both the UDRP and the auDRP as well – because – for example there is no appeals mechanism within the Policies. So, even though they were designed to essentially try to curtail people from going to court, there's varying degrees of rigour, thoroughness, and "quality" – for want of a better word in the decisions – with respect to the reasoning, justifications given, and so on. I explore this issue in more detail in some of my research – including my book published in 2016 – *Australian Doman Name Law*, which examined auDRP decisions from the beginning of the Policy in 2002.[2] To have such variations in the "quality" of the decisions – and not have an appeals process within the Policies and the only mechanism is that you have to go to court, I think is a real failing.

Q: What were your career ambitions as an undergraduate law student at the University of Sydney? What would that Alpana say to present-day Alpana?

A: Law genuinely opens up a world of different opportunities, so I didn't have any set career ambitions as an undergraduate student at the University of Sydney. I was open to a number of possibilities – working for large corporate law firms, the Government, NGOs, research and policy work, boutique law firms, legal publishing … I was happy to try whatever came up! That Alpana would probably say to the present-day me: "I'm glad you had an open mind"!

Q: Apart from being an academic, you are regularly engaged as a legal consultant, practitioner and accredited mediator. What do you enjoy most about working in these different capacities?

A: I really enjoy the variety, and putting theory into practise. Law in action can be a beautiful and empowering thing: whether it is creating an agreement between two or more parties (i.e., drafting a contract, licence agreement etc), resolving a disagreement, finding out what the law in a certain area is and then explaining that to a client. It is all tremendously rewarding and constructive work!

Q: What does a typical working day look like for you?

A: I know it will sound like a cliché – but I really don't have a typical day! Some days I have back-to-back meetings, other days I'm visiting schools, the courts, or law firms. Other days, I might be able to attend a conference, or a workshop, or a seminar – either virtual, or in-person. Usually, my working day has a real mix of activities. But, there are of course some daily constants – like coffee and chocolate!

Q: You practised as a barrister at the New South Wales Bar from 2008 to 2009. What were some of your highlights at the Bar?

A: Having the opportunity to work with leading IP practitioners such as David Catterns QC, Sophie Goddard SC, Stephen Burley SC (now the Honourable Justice Burley of the Federal Court of Australia), Christian Dimitriadis SC … to name a few. It was an incredible experience to be able to watch their courtroom mastery first-hand! And, of course, to be able to work in cutting-edge legal matters – cases pushing the boundaries of patent law, copyright, designs, trade marks ...[3]

Q: What do you enjoy most about working in the IP field?

A: IP is an intrinsically interesting area of the law as it's often about pushing the frontiers of what is copyrightable, or what is patentable subject matter. It is genuinely fascinating!

I see litigation in many ways as the destructive end of law – where people are at loggerheads, but drafting a licence agreement, for example, can be a really creative and constructive process. It's almost like putting together a jigsaw puzzle of different rights and interests, conditions, guarantees ... I've always enjoyed IP licensing and transactional work – and transactional law generally – it's like building something with words!

Q: What, in your view, are the key issues in IP right now?

A: Broadly, the perennial key issue in IP remains how to appropriately balance the rights and interests of users and holders. Key issues include the scope of IP rights and public health – particularly now in the context of COVID-19 vaccines; appropriate protection of traditional knowledge and cultural heritage of Indigenous groups; regulating the seemingly ubiquitous and increasingly aggressive digital platforms; an appropriate level of technology transfer to the Global South; and appropriate levels of enforcing IP rights.

Q: Generally speaking, where do you think lie the future challenges in IP law?

A: A future challenge in IP law will remain finding the appropriate balance between the interests of rights holders on one hand, and users and society on the other.

Artificial intelligence ("AI") technology is likely to bring challenges in IP law – particularly in relation to ownership and infringement of AI-created IP (i.e., when the AI itself becomes the innovator). As AI machines are capable of creating IP-related subject matter, questions such as when can AI be regarded as the first owner, and similarly, when can AI machines be held responsible for infringing third party IP will continue to challenge IP as the use of AI technology becomes more prevalent.

The perpetual creation of digital and new technologies will continue to disrupt and challenge legal categories – including in IP law.

Q: You have held a range of senior leadership roles in both academia and practice. What are some of the key lessons you have learnt as a leader?

A: That it's important to remain flexible and nimble – as far as possible, and respond appropriately to different situations. So, depending on the circumstances, sometimes I've tried to be transformational and lead by example, other times more participative, delegative and collegial, sometimes I've had to be more of a problem-solver, and then again other times I've unfortunately had to be fairly authoritarian – and even coercive. My preference is never to be authoritarian and/or coercive as a starting point – but I have required to be at times, and I've learnt to be fairly pragmatic when it comes to leadership.

Q: The past few years have been very difficult for higher education with COVID-induced lockdowns, border closures and budget cuts. Tell me about your experience as Dean during this period.

A: Yes – brilliant timing on my part moving countries just before a global pandemic is declared! It was certainly an extraordinary time – and something I had been fortunate enough not to have lived through previously. Like all organisations, COVID posed a number of challenges for our University – some of which you have already mentioned. I've found it really interesting how variable the experience of COVID has been for our staff and students – some coped well with the virtual office/online delivery, and in many ways preferred it to pre-COVID work/study practices; others really struggled – especially with isolation, and if they didn't have the appropriate IT, etc, set-up at home; and then again others seemed to cope well either way. Overall, I was really impressed by how well and efficiently our staff and students simply adjusted to working/studying in pandemic-mode, and the transitions pretty much became seamless by the time we entered our second lockdown. On the big picture level, I was truly in awe of how quickly the scientific community was able to develop effective vaccines against a still-evolving virus – incredible stuff!

Q: You are one of the authors in a recently released book titled *Legal Issues in Information Technology*.[4] The pandemic has expedited the everyday use of IT. Briefly, what do you see as the biggest issues regarding the role of law in managing the regulation of data in a technology-based society?

A: Very briefly – and, as we have discussed in the book, some of the major issues relate to the pace of technological development and law constantly having to play "catch-up"; privacy and data collection; social media related liabilities; AI related liabilities; cybercrimes and security; jurisdiction and territoriality in cyberspace.

Q: How do you view the interplay between IP law and IT law?

A: Well, very briefly, the subject matter of IP law and IT law is obviously different – although there is significant overlap . The boundaries and categories of IP law are probably better known and defined – because it has been around as a branch of law for far longer. IT law generally refers to the law of information technology, including legal and regulatory aspects of the internet and related technologies, computer and information security, electronic contracts, cyber crime, and other facets of the digital environment and cyberspace. There was certainly some tension in the early days of the internet between those who argued that IT law should be a separate and distinct field of study, and others who claimed that the evolving categories of IT law could simply be subsumed into IP law. In some instances, existing legal categories have simply been extended to include protection for new technologies – for example, computer programmes being protected as a literary work under copyright law. In other instances, the intersection of IP law and IT law can be seen more clearly.

For example, a key provision in both the UDRP and the auDRP is paragraph 4(a) – which details the three separate but related elements that the complainant must establish to prove breach. Under paragraph 4(a) the complainant needs to make out three grounds: first, that the domain name is identical or confusingly similar to a trade mark, service mark, or name[5] in which the complainant has rights; and second, the respondent has no rights or legitimate interests in respect of the domain name; and third, that the respondent is using the domain name that has been registered and/or[6] subsequently used in bad faith. So, even though the subject matter is about a new form of technology (i.e., domain names), the case for infringement still needs to be made out using existing legal principles (in this case – trade mark law and passing off).

Both IP law and IT law will continue to evolve, expand and intersect, and not fit into neat legal categories for quite some time yet …

Q: In addition to being an academic and an accredited mediator, you have worked as a barrister, for top-tier commercial law firms, boutique specialist firms, as a Government lawyer, as in-house Counsel, and for various other private and public sector bodies, such as WIPO. What are the pivotal lessons you have learnt in your career thus far?

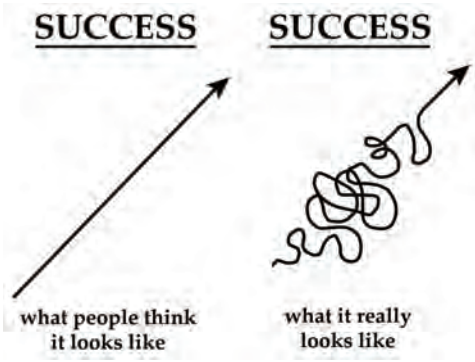
A: I'm afraid my answer will sound quite bromidic, but some of the key lessons that come to mind include careers – like life, are messy, and don't come with instruction manuals. Just remember you are not the only imposter out there (!) – and often, we just need to jump in and wing it! Work smarter – not harder, and the importance of maintaining a healthy work-life balance as far as possible. Be mindful of your values, and it's ok to say no. Be a team player, and make connecting and appreciating others a priority. Try and cultivate a positive attitude – and look on the bright side. Keep your ego in check – and be open to new suggestions, and improving/developing your skill set. Not every task/matter will be successful – and that's ok. And, the final cliché: don't sweat the small stuff (and it's all small stuff)!

Q: What role have mentors played in your career?

A: I've been fortunate to have been mentored by some exceptional individuals (mostly women) who have been extraordinarily generous with their advice, time, guidance, support and honesty, and have helped me greatly in my different career roles. Apart from mentors in my career, I've also been very lucky by the unwavering support, advice and guidance I have received from my family and friends. I try and return the generosity I have received to others – and hopefully they find it of use.

Q: Briefly, what is the best piece of advice you have received in your career?

A: I'm not sure if it is the "best" career advice I have ever received, but this diagram I once saw in a presentation certainly rings true:[7]



Of course, the "success" arrow/trajectory in work and life doesn't always continue to forever go up, and ultimately, we all need to decide for ourselves what does success really mean.

1 There are currently 58,378 UDRP decisions by WIPO: 'Total Number of Cases per Year' (Web Page) <https://www.wipo.int/amc/en/domains/statistics/cases.jsp> at 6 July 2022.

2 Alpana Roy, *Australian Domain Name Law* (Thomson Reuters, 2016).

3 Such cases include *Dura-Post (Aust) Pty Ltd v Delnorth Pty Ltd* [2009] FCAFC 81; *Alcon Inc v Bausch & Lomb (Australia) Pty Ltd* [2009] FCA 1299; *Fairfax Media Publications Pty Ltd v Reed International Books Australia Pty Ltd* [2010] FCA 984; *Health World Limited v Shin-Sun Australia Pty Ltd* [2009] FCAFC 14; and *Kinabalu Investments Pty Ltd v Barron & Rawson Pty Ltd* [2008] FCAFC 178.

4 Mark Perry, Alpana Roy, Melissa de Zwart, Michael Adams, Niloufer Selvadurai, Heather Forrest, Monique Cormier and Simon McKenzie, *Legal Issues in Information Technology* (Thomson Reuters, 2022).

5 "Name" is only included under the auDRP, and not the UDRP.

6 The wording varies between the UDRP and auDRP in relation to paragraph 4(a)(iii): the auDRP provides that "your domain name has been registered *or* subsequently used in bad faith", whereas the UDRP states that "your domain name has been registered *and* is being used in bad faith." [Emphasis added].

7 There are many variations of this diagram on the internet. This is from Kevin C Snyder, 'What 'success' really looks like' (Web Page) <https://www.kevincsnyder.com/what-success-really-looks-like/>.

Cali*did*: Can Others Too? The Implications of Exhaustion in the Wake of the High Court of Australia *Calidad* Decision and the Productivity Commission's *Right to Repair* Report

Dr Louise Buckingham[1]

Much has been made of the 2020 High Court of Australia judgment, *Calidad Pty Ltd v Seiko Epson Corporation* [2020] HCA 41 ("*Calidad*"), in terms of its establishing certainty around the negative nature of patent rights and the scope of a patentee's monopoly through its embrace of the theory of patent exhaustion. The judgment has been both praised and criticised for its treatment of broader policy concerns particularly in the context of rights of repair, and the privileging of competition and norms around ownership of tangible property and common law principles about chattels.[2] For instance, in its recent report into rights of repair, the Productivity Commission seemed to draw some hope for the capacity of Australian intellectual property law and law-making to respond to and encompass more consumer-oriented and environmentally-friendly ideals.[3]

Significantly, the *Calidad* decision is also about the relationship between common law and statute and marks the first instance of judicial reference to the recently inserted objects clause in the *Patents Act* 1990 (Cth), illuminating the capacity of the High Court to effectively statutorily construct around policy objectives perceived to be encompassed therein. On the other hand, some scholars and commentators have expressed concern that *Calidad* represents a more troubling shift from British precedent that deprives Australian patent owners of their former potency.[4] On a practical level, the majority *Calidad* decision represents a clear statement around the limits of patent (and potentially other IP) owners' rights. In line with competition and consumer interests apparently "trumping" those of IP owners or patentees, the ramifications of the Court's apparent discarding of the implied licence theory may indeed seem vast, suggesting a need amongst relevant patent owners and their legal advisors to structure arrangements and notifications to customers such as, for example, the inclusion of explicit contractual terms on consumable items in which patents are embedded.

Critical aspects of the judgment are outlined in this article. Then, along with a brief history of both patents (monopolies) and competition principles and their tense enshrinement in law, limited appraisals of *Calidad* thus far, by decision-makers, scholars and industry stakeholders, and the implications of exhaustion, are considered.[5] A careful and nuanced approach to evaluating the significance of the decision is advocated, to avoid inferences that effectively conflate different IP regimes or the misstatement of its meaning as a legal "moment". This approach renders even more important the impact of the decision in its adoption of exhaustion as a contributor to law-making in the fields of patents and consumer rights. And, like other limits on IP as a regime or set of systems, in establishing restraints around patents and patentees' rights, *Calidad* functions also to legitimise them and the overall viability of the patents system. It is worth noting the reality, outside of the realm of IP practice and scholarship, that everyday consumers and downstream traders or "on-sellers" are unlikely to have imagined that the conduct at stake in *Calidad* could ever have amounted to (potentially) infringing conduct, which raises philosophy of law questions around the efficacy of rules so far-removed from norms of trade and consumption.

Ultimately it is argued here that *Calidad*, whilst a significant corrective to *National Phonograph Co of Australia Ltd v Menck* (1911) 12 CLR 15; [1911] AC 336 ("*Menck* (Privy Council)"), and a welcome outcome in the trajectory of this area of law and with far-reaching consequences (for downstream sellers specifically, and competition consumers, and repair and recycling movements more generally),[6] does not actually represent a radical departure from the origins and objectives of the area of law. Neither does it, on the other hand, necessarily indicate a worrying dilution of patentees' rights and capacities to exploit their monopolies. Overall, the judgment signifies a logical judicial response that is both normatively and jurisprudentially coherent. In imposing restraint on patent owner's rights in keeping with concerns for free trade and other public policy, it is not too far-fetched to suggest that the decision will prolong the viability of the patents system.

Calidad litigation

Calidad's appeal to the High Court was focused on the issue (and the quest for clarity around) the scope of a patentee's exclusive, statute-based rights to exploit a patentable invention embedded in a consumable product after its sale.

Calidad was in the business of recycling spent ink jet printer cartridges, rejuvenating them to get around the in-built technology of Seiko Epson ("Seiko") that meant

the cartridges ceased to function once they ran out of ink (requiring consumers to purchase new ones). The cartridges embodied the inventions claimed in two patents owned by Seiko. Once the single-use cartridges were *exhausted*, subcontractor Ninestar acquired and modified them so that they could be refilled and reused. Calidad imported the cartridges into Australia for the purpose of on-selling.

Applying the doctrine of implied licence, the first instance judge, Burley J, found that some cartridges infringed, some did not. When Calidad bought the ink cartridges from Ninestar it was not aware of Seiko placing any restrictions on the use, modification or subsequent resale of them, however, Burley J said, this implied licence – or inoculation against infringement for a downstream recycler such as Calidad – does not apply in the context of cartridges materially altered. So, some of the cartridges, held Burley J, were changed enough to extinguish the implied licence, and Calidad's dealings with other, less modified, cartridges were protected by the implied licence.

The Full Court of the Federal Court of Australia (Greenwood, Yates and Jagot JJ) unanimously determined that Calidad had infringed the patents embedded in the ink cartridges because it found that the modifications that Ninestar had made amounted to a "remaking" of the cartridge. The Calidad cartridges were characterised as new items produced from parts of the patented cartridges and so were not captured by the implied licence.

A key aspect of decision-making in all iterations of the litigation turned on where the line was appropriately drawn, and how the different processes should be characterised for the purposes of patent law, between a repair or modification, and a remaking of a product with an underlying patent. Once it reached the High Court at issue was the appropriate interaction between common law conceptions of property and rights around chattels, and patent rights.

The High Court was required to determine whether refilling and restoring the used Epson cartridges to working condition was a permissible repair or an impermissible manufacture of a new product or article. Importantly, "Seiko did not contend that any contractual conditions restricting the use to which the original Epson cartridges could be put were imposed at the time of the original purchase."[7] There was no argument that any contractual conditions might have restricted the use to which the original Epson cartridges were put at the point of sale. Most significantly, the majority found that the modifications made to the cartridges in order that they were rendered reusable, were "within the scope of rights of an owner to prolong the life of a product."[8]

By a 4-3 majority, the High Court ultimately found that exhaustion was the correct principle to adopt, above the doctrine of implied licence that had, until the making of the decision, prevailed in Australia.[9] Kiefel CJ and Bell and Keane JJ, with Gageler J delivering a separate judgment[10] but ultimately agreeing with the joint majority decision, held that the finding that Calidad had infringed Seiko's patents through their printer inkjet refurbishment and resale business was erroneous, irrespective of the doctrine employed. Most significantly, the majority joint judgment of Kiefel CJ, Bell J and Keane J and the single judgment of Gageler J preferred the exhaustion doctrine while the minority Nettle, Gordon and Edelman JJ) supported the implied licence principle. In adopting exhaustion, the High Court issued a clear, authoritative preference for its coherence and its alignment with fundamental common law tenets about chattels and the ability of owners of chattels to use those without interference by a patent owner.

The majority found that once the modifications had been carried out, what remained were the original cartridges with some alterations that had enabled their reuse, and there was no replication of parts and features of the invention as claimed in the patents. The modifications were consistent with "the exercise of the rights of an owner to alter an article to improve its usefulness and enable its re-use."[11] Importantly, "Seiko did not contend that any contractual conditions restricting the use to which the original Epson cartridges could be put were imposed at the time of the original purchase." There was no argument that any contractual conditions might have restricted the use to which the original Epson cartridges were put at the point of sale.[12] The majority found that the modifications made to the cartridges in order that they were rendered reusable, were "within the scope of rights of an owner to prolong the life of a product."[13]

Before *Calidad*, an implied licence was understood to apply upon the sale of a consumable product in which a patented invention was embedded that permitted the purchaser to effectively use, maintain, resell and import the product and in so doing, to not infringe it. This was subject to any conditions that a patentee explicitly conveyed to a purchaser at the time of sale and did not extend to refitting or refurbishing, for instance. A major implication of the High Court majority's preference for exhaustion therefore is the lack of rights the patentee retains following the sale of an item (unless express conditions are utilised and imposed through contract). The distinction between repair, which does not impinge on a patentee's rights, was drawn in distinguishing between a modified item that nonetheless retains "essential features" of the original version; or altering a product so as to improve its usefulness and to enable its reuse; or, if individual unpatented parts are replaced in items in which both patented and unpatented elements are embodied.

The decision also illuminates something about the quality or nature of patent rights, in the sense that they are negative rights that confer upon a patentee the ability to prevent others from using the patent, distinct from providing them a positive right to exploit the invention or to control manufacture.

Competing histories, exhausting doctrines

As well as the myriad other ways in which the concept of competition is significant within *Calidad,* and in terms of how the judgment has been received, it is useful to consider the competing legal histories that have informed the area. The High Court had to grapple with how to reconcile the fundamental premise that an owner of a product or item (chattel) has the absolute right to use and dispose of it with a patentee's rights under the Patents Act to (exclusively) exploit the invention for which a patent has been granted. How did this tension arise?

The origins of the monopoly rights system are often located in classical times[14] with the mid-15th century Venetian enactment of a mechanism for "every person who shall build any new and ingenious device in this City, not previously made in our Commonwealth" to "give notice of it to the office of our General Welfare Board when it has been reduced to perfection so that it can be used and operated" referenced.[15] Importantly, this expression of the function of the monopoly as an incentive device meant:

> *It is forbidden to every other person in any of our territories and towns to make any further device conforming with and similar to said one, without the consent and licence of the author, for the term of 10 years. And if anybody builds it in violation hereof, the aforesaid author and inventor shall be entitled to have him summoned before any magistrate of this City, by which magistrate the said infringer shall be constrained to pay him hundred ducats, and the device shall be destroyed at once … if provision were made for the works and devices discovered by such persons (men of great genius), so that others who may see them could not build them and take the inventor's honour away, more men would then apply their genius, would discover, and would build devices of great utility and benefit to our Commonwealth.*[16]

In England, protection to foreign craftsman traced back to the 14th century.[17] This preceded Queen Mary I's exercise of Royal Prerogative in which a system of Crown grant of monopoly privilege to inventors and importers of new technology was established, that Queen Elizabeth I and James I of England then exploited as a source of revenue, which (in)famously led to the first case about the scope and validity of a monopoly. In *Darcy v Allen (case of Monopolies)* (1602) 11 Co Rep 84 ("*Darcy v Allen*"), Darcy, beneficiary of letters patent granted in 1598 to "enjoy the whole traffic and merchandising of all playing cards" in England (at a cost of one hundred marks a year), claimed Allen infringed in ordering a large number for manufacture and sale. In finding the monopoly at issue to be invalid, the Court expressed its view of the appropriate basis for a grant:

> *Where any man by his own charge and industry, or by his own wit or invention, doth bring any new trade into the realm, or any engine tending to the furtherance of a trade that never was used before – and that for the good of the realm – that in such cases the King may grant to him a monopoly patent for some reasonable time until the subjects may learn the same, in consideration of the good that he doth bring by his invention to the commonwealth: otherwise not.*[18]

Sir Edmund Coke regarded his judgment in *Darcy v Allen* as "the principal motive of the publishing of the King's Book" (in which James I of England reserved the right to grant monopolies as key amongst his privileges). The House of Commons sought to abolish all but monopolies for the grant of "Patents for Inventions" for a limited period and subject to the public interest and thus the *Statute of Monopolies* 1623[19] was effectively born "to reassert the law which was being neglected, evaded, and defied."[20] A general abolition of the grant or continuance of monopolies was initiated with a limited exception expressed in s.6:

> *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 14 years or under, hereafter to be made, of the sole working or making of any manner of new manufacture within this realm, to the true and first inventor and inventors of such manufactures, which others at the time of making such letters patent or grant shall not sue, so as also they not be contrary to the law, nor mischievous to the state, by raising prices of commodities at home, or hurt of trade or generally inconvenient …*

According to Antony Taubman in "Competition Policy Roots of Intellectual Property: A Reflection":[21]

> *… the early history of the modern patent of invention in English law illustrates a clear linkage between the articulation of competition policy principles and the progressive elaboration of patent law to serve as a means of promoting innovation, in itself a welcome form of economic activity, without creating a burden on society.*

Taubman points out that in *The Third Part of the Institutes of the Laws of England*, Coke describes rights of individuals to engage in trade as "stemming from fundamental liberties set out in Magna Carta."[22]

From the outset, the goal of granting monopolies was to encourage the introduction of new trades both locally and via importation into England. Price describes early English patents as covering "soap, saltpeter, alum, sulphur, oil, salt, glass, and cloth-and leather – dressing"[23] and "dredging, draining, and grinding machines, furnaces and ovens", and mining privileges.[24] The tension between the granting of limited monopoly rights eventually to benefit the public, and goals of free movement of goods and trade (with concomitant advantages for consumers) continued throughout the evolution of the patents law system in England.

The basis for the current Australian patents system is generally agreed to be the *Patents, Designs and Trademarks*

Act 1883 (UK).[25] Most colonies' statutes were based on this and continued in force until the Commonwealth Parliament enacted the 1903 Act. Most significantly for the purposes of this article, *National Phonograph Co of Australia Ltd v Menck* (1908) 7 CLR 481 involved the High Court of Australia determining the scope of a patentee's rights in terms of exhaustion. Or, to put it differently, finding that exhaustion was the appropriate way to conceive of the capacities and limits of the *1903 Patents Act*. Much was naturally made of the fact that this was overturned in 1911 by the Privy Council's finding that that implied licence was in its view the correct approach[26] and indeed, that perspective prevailed as an authority until *Calidad*.[27]

Gibbs J in *Interstate Parcel Express Co Pty Ltd v Time-Life International (Nederlands) BV* (1977) 138 CLR 534, 542 ("*Interstate Parcel Express*")[28] described the virtues of the implied licence as implicating "business efficacy" to the sale of an item including an underlying patent, which would be "quite futile" for the buyer if they were disallowed from using or reselling it. In signalling "a term that the patentee consents to the use of the patented article by the buyer and those claiming under him", such implication being "for the purpose only of avoiding the restrictions upon the use of the article that would otherwise be imposed by the patent", was, for Gibbs J and the *Calidad* minority, "perfectly consistent with the ordinary rules governing the implication of terms in contracts."[29]

Implied licence versus exhaustion

Similarly, in his article on the topic in Issue 126 (December 2021) of this Journal, Adam Liberman argues that the implied licence approach would also afford the patent owner and the purchaser of the product in which it inheres, the capacity to exclude, "by express contrary agreement or made subject to conditions of which notice is given at the time of sale",[30] and, in a practical, singular-outcome sense, it was immaterial which doctrine was applied. Citing the *Calidad* majority joint judgment, Liberman notes that implied licence "is predicated on notice of any conditions given at the time of sale."[31]

The majority in *Calidad* describe:

> *In Menck (Privy Council) it was held that a patentee may impose conditions on the sale or use of patented goods at the time of their sale to the original purchaser. Any conditions so imposed continue to apply to the goods after sale so long as persons later obtaining title to them have notice of the conditions. If no conditions are imposed, the owner of the goods has the ordinary rights of ownership, but only because in such a case the law implies a full licence (the 'implied licence doctrine').*[32]

The victory of the doctrine of exhaustion over that of implied licence[33] the outcome of *Calidad* may yet, however, be regarded as a jurisdictional, and a jurisprudential "win" of sorts for Australian law-making (and arguably for the influence of the United States and Europe),[34] untethered as it is from Privy Council decision-making.[35] To draw on the language of the minority, *Calidad* is suggestive of a turning away from adherence to the century-long "understanding the nature and extent of the monopoly rights granted by Australian (and English) patents Acts"[36] that the minority decision-makers felt was "resolved by the implied licence theory".[37] Similarly, it may connote the normative dominance of "logic, simplicity and coherence with legal principle"[38] as the majority of the High Court puts it, over "riddle", "muddle" or "mess".[39]

The *Calidad* majority states that, "regardless of whether the exhaustion doctrine or the or the implied licence doctrine is to be preferred, neither doctrine has any part to play in determining whether there has been an infringement of a patent by reason that a new product embodying the claimed invention has been made."[40] This is an important limit on the encroachment into a patentee's rights, crucial for rendering – and maintaining – their potency and efficacy.[41] The majority continue (in the same paragraph): "The sale of a patented product cannot confer an implied licence to make another and it cannot exhaust the right of a patentee to prevent others from being made."[42] They conclude this aspect of their reasoning with the statement, "The right to make a product is separate and distinct from the right to use or sell."[43]

As with the outcome for the particular litigant in *Calidad*, consumer rights were somewhat shielded in a practical sense, as, irrespective of which doctrine was ultimately adopted by the High Court of Australia, the purchaser of a product in which a patent is embedded clearly would continue to have regular, presupposed rights to use it and to prolong its functionality. The majority notes accordingly the ability of a chattel owner "to improve its usefulness and extend its life."[44] One can imagine the disbelief and outrage amongst consumers were this not so. In line with this, the majority found a more straightforward expression of intent and application in terms of the balance between consumer and patent owners' rights in the notion of exhaustion, and, noted conceptual and normative hurdles with implied licence by way of comparison:

> *[It] is complicated in its operation and effects. It can achieve only a partial alignment with the fundamental principle of the law and then only when it is clear that no restrictions have been imposed at the point of first sale. It may give rise to difficult questions concerning whether restrictions were imposed and whether an owner many times removed from the first sale had notice of them. The prospect that restrictions might be imposed on the further use or sale of a patented product after its first sale may be more theoretical than real. Even if restrictions were acceptable to consumers, they would face the hurdle of modern statutes concerned with anti-competitive conduct in the market.*[45]

Liberman contends that, "prima facie there is no reason to believe that the implementation of one principle over another would give rise to more complications."[46] However, this does not take into account the majority's analysis about concerns including statute-based anti-competitive conduct and the impact on consumers. It is argued here there would be a likely failure of legitimacy engendered around the patents system, and perhaps IP more broadly, were such limits on a patentees' rights not articulated in this respect. It is accurate to observe, again, in terms of practical effect, as Liberman does, that, "both the exhaustion doctrine and the implied licence principle *can* result in the imposition of no restrictions"[47] (emphasis added), however, it is more of a stretch to claim that, "in that context the assertion of a 'partial alignment' would be incorrect in the case of the implied licence principle".[48] Clearly, the fundamental principle of a consumer's complete freedom to repair or refurbish their item or chattel is dependent upon there being no possible encroachment by the patentee following the point of sale.

Further, though "both principles can however also result in their being restrictions on a purchaser, where notice is given, such that the concerns mentioned above would apply equally to the implementation of the exhaustion doctrine and the implied licence principle, including having to face any hurdles presented by prohibitions against anti-competitive conduct",[49] the *Calidad* decision is, as it ought to be, concerned with establishing the correct and most appropriate principle that is both in keeping with history and precedent, workable and, particularly in the context of patents and their particular history and purpose, balanced. It is therefore a much cleaner outcome for the court to have effectively demarcated between the rights and historical doctrines at issue, and to have privileged the presumption (of use for the purpose of repair) that the majority did. It is in this way that the law has functional and greater potential for ongoing impact that is, as is suggested in this article, critical too for its (in this instance, the patent system's) continued legitimacy and survival.

Legal fictions and objects

The *Calidad* majority also observes that the "legal fiction" of implied licence means that the concept does not actually connote:

> *a licence in fact granted by a patentee to a purchaser or later owner of a patented product. It is not implied to give business efficacy to the sale agreement. It is imposed by the courts in an endeavour to resolve a perceived tension in the law.*[50]

The normative consequences of enshrining illusion engender confusion, though Liberman notes "the courts and the law create and have created many fictions to resolve difficult issues".[51] It would seem difficult to argue against it being a positive development that the court has effectively drawn a clear line in the sand and to have established some certainty with respect to the scope of patentees' rights.

The majority refers to the "confusion" and "uncertainty" implied licence may cause, "in part because it combines a fictional licence with the possibility of real restrictions."[52] The majority acknowledges that the intention of implied licence is "to provide the purchaser of patented goods with the full rights of ownership"[53] overlayed upon which the possibility of the imposition of restrictions about which the purchaser has been notified is problematic. Liberman counters that it seems "somewhat disingenuous to assert that a principle that has been in operation at least since the decision in *Menck* (Privy Council) and applied in various cases since that time, is now one which engenders uncertainty when no previous concerns as to uncertainty appear to have been raised."[54] Consistency with the US and Europe, and the corrective aspect regarding the *Menck* (Privy Council) decision, are obvious arguments against these objections.

Liberman argues that the Gibbs J judgment in *Interstate Parcel Express*[55] characterises implied licence as providing a positive right of use and on-selling to downstream purchasers, absent explicit and properly-made conditions or agreement otherwise:

> *In substance, the position of downstream purchasers is potentially the same under the exhaustion doctrine. In that case there may be no conditions upon sale or there may be conditions of which notice has been given that only bind a purchaser, or there may be conditions of which notice has been given that bind the purchaser plus conditions that require that purchaser to include certain conditions in any subsequent contract of sale. Whilst the remedies available to a patentee arising from breach of any restrictions or conditions would be different in the implied licence scenario versus the exhaustion scenario, each scenario would also be subject to an appropriate anti-competition analysis.*[56]

For the *Calidad* majority, however:

> *Continued adherence to the implied licence doctrine is an unjustifiable gloss on the statutory language that confers monopoly rights on a patentee. The decisions of the courts below show the danger of distraction from the language of the statute that is encouraged by that doctrine.*[57]

Gageler J says that "were there grounds for thinking that abandonment of [the implied rights] doctrine" would "interfere with the legitimate commercial expectations formed in reliance" upon it, he may not have deemed exhaustion preferable.[58] However, no such grounds were evident. For Gageler J it is revealing that:

> *… well-resourced, well-represented and heavily invested parties to the appeal did not point to any commercial expectations that ought to be taken into account in resolving the ground of appeal concerning the implied licence doctrine, and no application for leave to intervene was made by any patent holder claiming to have an interest which might be affected by the abandonment of the doctrine.*[59]

Certainly, it would not seem to be the case that patentees in jurisdictions where exhaustion or the first sale principles are more firmly entrenched have suffered any relative lack of commercial power, though there are admittedly several potential applications of the doctrine that have yet to be tested, including in the digital realm (which Taubman points to), and also in contexts as diverse again as Australian copyright,[60] and plant breeders' rights (plant variety rights and US plant patents), for instance.

The minority judgment regards the negative construction of patent owners' rights as "incomplete".[61] Its understanding of relevant Anglo-Australian legislative history suggests, contrary to the majority view of patentee rights being limited to those preventing others from exploiting the invention at issue, that the patents regime here "also grants valuable rights to patentees, earlier found in the terms of letters patent and later finding expression in s.13 of the *Patents Act 1990*."[62] As well as emphasising s.13(2) "as the grant of rights of personal property" and thus recognising "the obverse and positive aspect of the grant",[63] Nettle, Gordon and Edelman JJ comment on the use made during the litigation and by the majority of decisions like *Impression Products v Lexmark International* 137 S Ct 1523 (2017) ("*Lexmark*") and the legal contexts for patents in the US and Europe where exhaustion features:

> *The exhaustion theory does not exist independently of the legal framework in which it has been developed…adopted in the United States and some European patent systems … its juridical basis in the specific laws being administered in those countries.*[64]

Emphasis is on the explicitly "negative" nature of patentees' rights in the US:

> *A [US] patent entitles a patent holder to 'exclude others from making, using, offering for sale, or selling the invention throughout the United States or importing the invention into the United States.* '[65]

Further:

> *The United States provisions strike a different balance in law from the balance struck in Australia and in the United Kingdom. The United States law does not grant to the patentee a right of property by way of monopoly to 'make, use, exercise … the invention.' It grants the patentee a limited exclusionary power as a statutory right.*[66]

Whereas the minority favoured conservatism in the sense that it perceived, "there is no principled reason" for a change from the implied licence doctrine to the majority preferred exhaustion theory: "for more than a century, understanding the nature and extent of monopoly rights granted by Australian (and English) patents Acts has been resolved by the implied licence theory"[67]), the view ultimately dominated, that, "the inconvenience which might result from displacement of a long standing decision"[68] was worth it.[69]

As mentioned above, *Calidad* is also significant in referencing for the first time the new objects clause in the Patents Act. The object clause (s.2A of the Patents Act) explains:

> *The object of this Act is to provide a patent system in Australia that promotes economic wellbeing through technological innovation and the transfer and dissemination of technology. In doing so, the patent system balances over time the interests of producers, owners, and users of technology and the public.*[70]

Liberman casts some doubt as to whether this was the intention of the majority, or perhaps over the clarity of the expression about it; otherwise, it seems clear that the new clause was referenced to indicate consonance between the notion of exhaustion upon first sale and the purpose or objective of the patents system.[71] The majority refers to consistency therein, and says, "(t)here is nothing in the Patents Act 1990 to suggest that a patentee is to be rewarded more than once."[72] Liberman draws on the description of the function of an objects clause in Pearce's *Statutory Interpretation* (citing a NSW Court of Appeal Judge stating that "regard may be had" to "resolve uncertainty or ambiguity" however, it "alone will not represent the object of the legislation" and that the "whole of the Act" must be considered).[73] However, clearly, the majority does have regard to the broader circumstances of the Patents Act.

It seems, though, that the impetus underlying the introduction of s.2A in this respect is also instructive, and weight may be given also to the overall context of its place within the statute and its alignment with the history and dominant rationale underpinning the patents regime. Liberman charges, "it would be difficult to argue that the object contained in s.2A was expressed in other than general terms and at a level of abstraction" and that it is represents an "overstatement" on the part of the majority to have used the objects clause in service of exhaustion in *Calidad*.[74] However, it is clear that s.2A is in keeping with the dominant rationale for and legitimate interests to be considered that the *Calidad* scenario demonstrate often come into play in the context of patents (consumers, trade, competition), and, particularly in light of the other interests, that it assists the decision-makers drawing an appropriate line. As the Gageler J judgment states, the majority preference here "strikes the appropriate balance between the interests of patentees and the owners of patented products".[75] In doing so, it fits comfortably within the statutory object of the Patents Act, as well as within the statutory language. Readers may also note the significance of s.2A recently in *Commissioner of Patents v Thaler* (2022) 401 ALR 551, and its invocation too in other recent Australian judgments.[76]

Taubman provides useful insight about the kind of balance that is suggested in s.2A that ought always to be sought, based on common, rather than competing histories or underpinnings of IP and competition. In a book chapter

appropriately titled, "The Competition Policy Roots of Intellectual Property Law: A Reflection", he situates the origins of IP "within the same, broader policy context that also gave rise to contemporary competition (or 'anti-trust') policy."[77] In other words, the various interests invoked in s.2A to be balanced in effectuating a patents system "that promotes economic wellbeing through technological innovation and the transfer and dissemination of technology", has been a persistent concern, with differing emphases throughout its history in accordance with legal and other societal norms. From a functional perspective, it has, in short, been an implied feature from the outset.

US decisions making a (Lex)mark

Continuing the focus on history, in the context of the equivalent of *Calidad* in the US, *Lexmark*, and *its* equivalent there in the context of copyright, *Kirtsaeng v Wiley* 568 US 519 (2013) ("*Kirtsaeng*") – both of which were drawn upon heavily at different stages in proceedings and in the *Calidad* decisions –Taubman describes the process of considering the origins of the law not as abstract nor detached, and rather, as determinative in terms of the outcomes in both cases.[78] Amongst broader scopes in both instances, Taubman says, the majority judgments in *Kirtsaeng* and *Lexmark* considered:

> *the extent to which IP rights (copyright and patent rights respectively) can restrain further, downstream trading of products put onto the market by the right holder – in particular, the point at which the right holder's capacity to continue to exercise the IP right is exhausted, and, in a more positive sense, the scope of the purchaser's entitlement to trade further with the IP-protected goods once legitimately purchased.*[79]

As with the majority in *Calidad*, the decision-makers in *Lexmark* and *Kirtsaeng* "went back to the very roots of English common law", referencing prohibitions around alienating chattels. Taubman explains that:

> *both decisions rely on this 'common-law doctrine with an impeccable historic pedigree', citing in particular the authority of the seventeenth-century English jurist Lord Coke's explanation of 'the common law's refusal to permit restraints on the alienation of chattels.' The essential concept is that once a good … is legitimately sold, there should be no constraint on the further freedom to trade in that good.*[80]

Calidad may have overturned 112 years of implied licence history in Australia, but it was as far back as 1628 that Coke wrote:

> *[If] a man be possessed of … a horse, or of any other chattel … and give or sell his whole interest … therein upon condition that the Donee or Vendee shall not alienate the same, the [condition] is voi[d], because his whole interest … is out of him, so as he hath no possibilit[y] of a Reverter, and it is against Trade and Traffi[c], and bargaining and contracting between[n] man and man: and it is within the reason of our Author that it should ouster him of all power given to him.*[81]

Taubman points out that the *Kirtsaeng* majority therefore found that a "law that permits a copyright holder to control the resale or other disposition of a chattel once sold is similarly 'against Trade and Traffi[c], and bargaining and contracting'", and suggested that, "Coke emphasizes the importance of leaving buyers of goods free to compete with each other when reselling or otherwise disposing of those goods", similarly to the situation in the US where the prevailing sentiment had "generally thought that competition, including freedom to resell, can work to the advantage of the consumer." The importance of the "objects" provision in the US Constitution (promotion of the progress of science and useful arts for copyright), for the majority in *Kirtsaeng*, illuminates "why Lord Coke considered the 'first sale' doctrine necessary to protect 'Trade and Traffi[c], and bargaining and contracting'", and, "why American copyright law has long applied that doctrine."[82]

Similarly, in *Lexmark*:

> *That enmity is reflected in the exhaustion doctrine. The patent laws do not include the right to 'restrain … further alienation' after an initial sale; such conditions have been 'hateful to the law from Lord Coke's day to ours' and are 'obnoxious to the public interest.'* [citing *Straus v Victor Talking Machine Co.,* 243 US 490, 501, 37 S Ct 412, 61L.Ed. 866 (1917)]. *The inconvenience and annoyance to the public that an opposite conclusion would occasion are too obvious to require illustration.'* [citing *Keeler v Standard Folding Bed Co.,* 157 US 659, 661 (1895).]

The way contemporaneous commentators (on *Kirtsaeng*, *Lexmark* and, by extension, now *Calidad*) frame these concerns is also revelatory: "the extent to which an IP right should be able to constrain otherwise legitimate commercial activity, the reconciliation of private interests and public welfare, and the general public interest – goes to the very heart of contemporary consideration of the appropriate interplay between IP and competition policy interests", writes Taubman from the perspective of the harmonious development of IP and competition law. Taubman's view is that patents (and copyright) systems were imposed upon "the pre-existing matrix of common law principles" historically, and also to "the reluctance of the law to interfere with trade it views as legitimate".[83] It is onto the pre-existing common law traditions that *Calidad* comfortably sits now, too.

When the US Supreme Court issued *Lexmark* which reversed the Federal Circuit's prior decision in holding that any authorised sale by a patent owner exhausts all patent rights in the product sold, essentially prohibiting a patent owner from enforcing post-sale restrictions through patent infringement suits (as well as establishing that exhaustion

applies to foreign sales authorised by the patent owner), it clarified the scope of patentees' rights similarly to *Calidad* and apparently left many patent owners questioning whether any avenues remain to control aftermarket or downstream use and resale of patented products. In *Lexmark*, the Court effectively reminded patentees that contract law allows restricting a licensee's authority to use or sell a patented product, and that contract law might provide a mechanism to enforce post-sale restrictions on downstream purchasers. As in the majority in *Calidad,* the majority in *Lexmark* noted that the doctrine of patent exhaustion has its origins in the common law's refusal to permit restraints on the alienation of goods and acts as a limitation on a patent owner's right to exclude.

Nature of the exclusive rights given by patent

Section 13 of the Patents Act provides:

> (1) *Subject to this Act, a patent gives the patentee the exclusive rights, during the term of the patent, to exploit the invention and to authorise another person to exploit the invention.*
> (2) *The exclusive rights are personal property and are capable of assignment and of devolution by law.*

The majority's view of the nature of the limited monopoly conferred on a patent owner is expressed as a right to prevent others from exploiting the patent[84] (rather than the positive construction favoured by Gageler J and the minority, e.g.: "[a]ccording to the exhaustion doctrine the right to exclude an owner from the full use of a product comes to an end when that product is sold.")[85] The majority states:

> *The words 'during the term of the patent' refer to the period during which the rights may be exercised and do not bear upon the question of whether each of the monopoly rights continues to exist for the whole term regardless of the legal transactions entered into by the patentee.*
>
> *That question is largely resolved by the nature of the right and what it entails. It is generally accepted that a patentee's rights to 'make' a product according to a patented invention and to exclude others from doing so are unaffected by the sale of a particular manufactured product. A patentee may proceed to make other products embodying the invention and prevent others from doing so.[86]*

Liberman argues that what is crucial here "is not that the sale of particular manufactured product does not impact on a patentee's continuing right to make that product – that is obvious – but rather that each of the rights to "make" and "sell", (as with all other rights contained in the definition of "exploit"), are separate and distinct rights capable of being dealt with separately by the patentee. Thus, a patentee may retain the right to "make" but grant another party or parties the right to "sell" whatever it makes. The sale of a "particular manufactured product" has no impact on the patentee's preceding rights."[87] Liberman suggests that in fact, uncertainty surrounding a patentee's rights will be more significantly impacted as a result of this reasoning and decision "than the alleged uncertainty of the implied licence principle".[88] Liberman misses the point about the certainty afforded to all potential and actual parties to any transaction involving products with underlying patents, and for trade in general. The majority draw a distinction between the extinguishment of the patent in the particular product at issue, rather than more generally (to which s.13(2) of the Act would apply), distinct from Liberman's charge that there is no support for the majority's construction of the Act.[89]

Implications of *Calidad* for stakeholders

So far, *Calidad* has been referenced in few decisions[90] and has been assessed variously as a challenge to patentees' rights, and a boon for commercial activity, trade and consumers etc, largely in accordance with the position the assessor occupies in relation to the commercialisation of IP encompassed in consumable products, or interests in public welfare or competition, for example. Similarly, as with the different approaches characterising decisions within and across courts (and jurisdictions) whether common law or statute is the appropriate starting point for analysis of rights and their scope, and what the interface and interplay between legal regimes with divergent foci should look like in theory and practice (as with IP and competition, for instance), determines to a significant extent views about exhaustion, implied licence and whether the outcome of *Calidad* is desirable.

On 29 October 2021, the Productivity Commission delivered to the Australian Government the final report on the right to repair which said of *Calidad* in the context of repair, "… the [*Calidad*] decision provides 'much-needed certainty and clarity' about Australian patent law and its relationship to rights of repair" as, until that point, there was little Australian jurisprudence as to what constitutes a permissible "repair" of a patented product (as compared with an impermissible "remaking" or "manufacture") and paraphrased as "… purchasers can do what they like with their purchased product, so long as a new product is not made in such a way that infringes the patentee's exclusive rights." [91]

Illustrating the normative import of the decision, in a media release published at the time the draft report was first public, the Productivity Commission explained:

> *There is growing community concern that repairing everyday products is getting harder, with higher costs for consumers. Although consumers already have considerable rights to have their products repaired, refunded or replaced under consumer guarantees, it can be very difficult for them to exercise these rights.*

> *Consumers should also have a clearer idea of the expected life of their product so they know when they can exercise their rights. The report proposes that guidance be developed by the ACCC in consultation with industry and consumer groups on the life expectancy of common household products.*

Amongst other "key points" the Productivity Commission's website puts forward, findings that express the concern for IP laws to better meet consumer and competition needs, including statements such as:

> *A 'right to repair' is the ability of consumers to have their products repaired at a competitive price using a repairer of their choice. Realising this aspiration in a practical way involves a range of policies, including consumer and competition law, intellectual property protections, product labelling, and environmental and resource management.*

With suggestions such as:

> *amend copyright laws to facilitate the accessing and sharing of repair information (such repair manuals, and repair data hidden behind digital locks).*

For Liberman, describing the shortcomings of the outcome from the perspective of patentees (evident also in some industry-based commentary, for instance), ramifications of the decision and the adoption of exhaustion are based predominantly on commercial scenarios in which transactions do not include post-sale conditions (which he regards essentially as depriving the patentee of the ability to sue for infringement via resale into Australia where a purchaser has sought to take advantage of the profits it may realise by virtue of differing exchange rates overseas). Liberman points to other scenarios including post-sale conditions that would then invoke the *Competition and Consumer Act* 2010 (Cth). He also suggests that "more complex problems are likely to arise where a relevant patented product is comprised of patented components made and sold in jurisdictions based on different principles – one implied licence and the other exhaustion – and the assembled product is sold in one or other of those jurisdictions"[92] which, anecdotally and as far as extant commentary on point goes, does thus far not seem to have been overly burdensome for patentees or trade in general in the US and Europe (and in fact, it is the UK which is now the "outlier" in this regard).[93]

Other commercial contexts that Liberman points to include those of licensing and sale where a licence granted by an Australian patentee to sell its product render it necessary "to consider what conditions were sought to be imposed on the licensee who sold Product A would also need to consider what conditions were sought to be imposed on the licensee who sold Product A … Any geographic and field of use or market segmentation restrictions in the licence would also need to be factored in."[94] This does not seem beyond the scope of the kind of preparation and due diligence that parties entering into such transactions would have undertaken (under implied licence), nor particularly onerous. Similarly, the "other means of disposing of patented products" that Liberman highlights as not being addressed by the High Court do not appear to be consequential as situations involving hire, lease or gift will either be pre- or post-first sale and exhaustion arising.

It is also worth noting that this was at issue in *Lexmark* in the sense that it was about whether the aftermarket for spent printer cartridges which involved their refurbishment (refilling with ink) overseas could then be sold in the US, as well as the question of whether conditions imposed on the subsequent use by the cartridge-purchaser were enforceable via US patent law. The majority in *Lexmark* held that a sale of a patented product, even beyond the US, by the patent holder, exhausted the rights at issue so that those rights of themselves could not be deployed to prevent downstream resale or importation. Referencing *Kirtsaeng*, the *Lexmark* majority said:

> *… patent exhaustion is uniform and automatic. Once a patentee decides to sell – whether on its own or through a licensee – that sale exhausts its patent rights, regardless of any post-sale restrictions the patentee purports to impose, either directly or through a license.*[95]

Similarly (and similarly appealing to the *Calidad* majority):

> *An authorized sale outside the United States, just as one within the United States, exhausts all rights under the Patent Act … exhaustion occurs because, in a sale, the patentee elects to give up title to an item in exchange for payment. Allowing patent rights to stick remora-like to that item as it flows through the market would violate the principle against restraints on alienation. Exhaustion does not depend on whether the patentee receives a premium for selling in the United States, or the type of rights that buyers expect to receive. As a result, restrictions and location are irrelevant; what matters is the patentee's decision to make a sale.*[96]

About the implications for exhaustion internationally, Taubman writes:

> *broadly, given the generally jurisdictionally-defined and bound character of IPRs [exhaustion] refers to the extent to which distinct authorisation is required for IP-protected items to cross borders and to pass to distinct IP jurisdictions. Exhaustion forms the central pivot of the interaction between domestic jurisdictions and global markets.*[97]

Taubman points out that negotiators for the World Trade Organization's *Agreement on Trade-Related Aspects of Intellectual Property Rights* ("TRIPS") failed to achieve common ground in debates about whether exhaustion should apply nationally (so that "an IP-protected product can be further sold within the same jurisdiction, but could not be traded beyond that domestic market to other jurisdictions where the IP right is separately in force")[98]

or internationally, such that "the IP-protected item, once sold, can be imported into other jurisdictions even if the IP right is separately in force there".[99] This is, of course, the conundrum Liberman anticipates for Australian patentees post-*Calidad*. For Taubman, from what might be regarded for this purpose as the opposite perspective as that sustained in Liberman's article, given the policy aspect of exhaustion, "the central question … is the extent to which the existence of jurisdictional boundaries constrains the free flow of IP-protected material, and to what extent an IP holder should be able to bar its flow across borders."[100] While some commentators have expressed disbelief that other areas of IP will be impacted by patent exhaustion,[101] the advent of what Taubman calls "digital disruption" has raised the issue of whether the law should distinguish between tangible and intangible IP-embedded-ness, and "the parallel question over the extent of downstream control over commercial reuse that an IPR can and should confer."[102]

Conclusions

> *All property has its proper limit, extent and bounds. Invention or labour (be they ever so great) cannot change the nature of things; or establish a right, where no private right can possibly exist.*[103]
>
> *It's a patent. It's not a magic pudding.*[104]

Patent law does not exist in a vacuum and the legitimacy of the patents system overall depends upon the demarcation of its appropriate boundaries in relation to the laws of "things", as well as socially and economically valuable (and valued) principles involving competition and consumer protection. The full impact of the High Court of Australia's *Calidad* decision is yet to be realised in terms of the contractual arrangements that patentees may choose to impose and is yet to be tested in terms of other areas of IP. What is clear, however, is that the Court's adoption of exhaustion or the doctrine of first sale renders patent law "fit for purpose" and likely more enduring.

1 Dr Louise Buckingham teaches in all categories of IP, cultural heritage and human rights and works in Gilbert + Tobin's Technology and IP group. With thanks to Michael Williams, the Head of IP, who ran the *Calidad* High Court of Australia litigation and generously provided insight and ideas that inspired this article, including during the Australasian IP Academics Conference 2022, "IP and Sustainability in a Time of Disruption" (in the session "IP, Sustainability & Repair Rights"), held at the University of Technology Sydney in February 2022. All errors, however, are solely the author's own.

2 See Australian Government Productivity Commission Inquiry Report "Right to Repair" No. 97, 29 October 2021 <https://www.pc.gov.au/inquiries/completed/repair/report/repair-overview.pdf>. See also the special edition of the *Australian Intellectual Property Journal* dedicated to the subject: (2020) 31(2) *Australian Intellectual Property Journal*, and in particular, Michael Williams and Vanessa Farago-Diener, 'Rewriting judicial history or just refilling ink?: Patents and the right to repair in Australia post-'Calidad": "Logic, simplicity and coherence with legal principle" prevail over "rights which they have held for more than a century"' (2020) 31(2) *Australian Intellectual Property Journal* 147.

3 Australian Government Productivity Commission Inquiry Report "Right to Repair" No. 97, 29 October 2021 <https://www.pc.gov.au/inquiries/completed/repair/report/repair-overview.pdf>.

4 Adam Liberman, 'The difficulties and implications of the High Court of Australia decision in *Calidad v Seiko*: Patent exhaustion, implied licences and commercial transactions' (2021) 126 *Intellectual Property Forum* 20.

5 Australian Government Productivity Commission Inquiry Report "Right to Repair" No. 97, 29 October 2021 <https://www.pc.gov.au/inquiries/completed/repair/report/repair-overview.pdf>.

6 The significance of the outcome in overturning 112 years of implied licence doctrine is acknowledged, however, it is argued here that the import of this was corrective and a reversion to what preceded it.

7 *Calidad Pty Ltd v Seiko Epson Corporation* [2020] HCA 41, [4].

8 *Calidad Pty Ltd v Seiko Epson Corporation* [2020] HCA 41, [9].

9 For 112 years, no less.

10 Departing with the joint majority on the construction of the nature of a patentee's exclusive rights.

11 *Calidad Pty Ltd v Seiko Epson Corporation* [2020] HCA 41, [70].

12 *Calidad Pty Ltd v Seiko Epson Corporation* [2020] HCA 41, [4].

13 *Calidad Pty Ltd v Seiko Epson Corporation* [2020] HCA 41, [9].

14 HG Fox, *Monopolies and Patents* (University Toronto Press, 1947) Ch. 1.

15 HG Fox, *Monopolies and Patents*, University Toronto Press, 1947) Ch. 1.

16 See G Mandich, 'Venetian Patents (1450–1550)' (1948) 30 *Journal of the Patent Office Society* 166, 176–7. See David Price, Colin Bodkin, Fady Aoun, *Intellectual Property Commentary & Materials* (Thomson Reuters, 2017) 346–51.

17 ER Foster, 'The Procedure of the House of Commons against Patents and Monopolies, 1621-1624' in WA Aiken and BD Henning, *Conflict in Stuart England*, (New York University Press, 1960) 59-85.

18 See S Davies, 'Further Light on the Statute of Monopolies' (1632) 48 *Law Quarterly Review* 394.

19 (21 Jac 1 c 3) in the 1623–4 session of Parliament (S Davies, 'Further Light on the Statute of Monopolies' (1632) 48 *Law Quarterly Review* 394).

20 S Davies, 'Further Light on the Statute of Monopolies' (1632) 48 *Law Quarterly Review* 394 quoting Price, 'The English Patents of Monopoly' (1913) 1 *Harvard Economic Series* 24.

21 The hope for which is to proffer a reflection upon "the shared normative roots of the two regulatory systems, and thus the commonality of the principles and policy considerations that shaped their early development" and to "reinforce the current trend towards a more coherent, systematic understanding of the socially beneficial interplay between them", given their shared aims of "promoting public wellbeing": Antony Taubman, 'The Competition Policy Roots of Intellectual Property Law: A Reflection' in Robert D Anderson, Nuno Pires de Carvalho and Antony Taubman (eds), *Competition Policy and Intellectual Property in Today's Global Economy* (Cambridge University Press, 2021), 167.

22 Antony Taubman, 'The Competition Policy Roots of Intellectual Property Law: A Reflection' in Robert D Anderson, Nuno Pires de Carvalho and Antony Taubman (eds), *Competition Policy and Intellectual Property in Today's Global Economy* (Cambridge University Press, 2021), 177 citing Edward Coke, *The Third Part of the Institutes of the Laws of England*, Ch. 85 ('Against Monopolists, Propounders and Projectors').

23 William Hyde Price, *The English Patents of Monopoly* (Harvard University Press, 1913), 8, cited in Antony Taubman, 'The Competition Policy Roots of Intellectual Property Law: A Reflection' in Robert D Anderson, Nuno Pires de Carvalho and Antony Taubman (eds), *Competition Policy and Intellectual Property in Today's Global Economy* (Cambridge University Press, 2021), 177.

24 William Hyde Price, *The English Patents of Monopoly* (Harvard University Press, 1913), 8, cited in Antony Taubman, 'The Competition Policy Roots of Intellectual Property Law: A Reflection' in Robert D Anderson, Nuno Pires de Carvalho and Antony Taubman (eds), *Competition Policy and Intellectual Property in Today's Global Economy* (Cambridge University Press, 2021), 177.

25 46 & 47 Vict c 57 (UK) which was an initial response to the *Paris Convention for the Protection of Industrial Property* (1883).

26 *National Phonograph Co of Australia Ltd v Menck* (1911) 12 CLR 15; [1911] AC 336.

27 For example, Katharine Stephens, 'Exhaustion of IP Rights in the UK post-Brexit' (2021) 34(1) *Australian Intellectual Property Law Bulletin* 5; Natasha Burns, 'Right repair: intellectual property and additive manufacture of spare parts' (2021) 33(9) *Australian Intellectual Property Law Bulletin* 150; Amelia Causley-Todd, 'The end of the implied licence doctrine in Australian patent law: is copyright next?' (2022) 35(1) *Australian Intellectual Property Law Bulletin* 11.

28 The minority joint judgment in *Calidad* refers to it at (1977) 138 CLR 534, 542 cited at [2020] HCA 41, [180].

29 *Interstate Parcel Express Co Pty Ltd v Time-Life International (Nederlands) BV* (1977) 138 CLR 534, 542 (Gibbs J).

30 Adam Liberman, 'The difficulties and implications of the High Court of Australia decision in *Calidad v Seiko*: Patent exhaustion, implied licences and commercial transactions' (2021) 126 *Intellectual Property Forum* 20, 23, citing [2020] HCA 41, [166] and [191] citing *National Phonograph Co of Australia Ltd v Menck* (1911) 12 CLR 15; [1911] AC 336.

31 Adam Liberman, 'The difficulties and implications of the High Court of Australia decision in *Calidad v Seiko*: Patent exhaustion, implied licences and commercial transactions' (2021) 126 *Intellectual Property Forum* 20, 23. See *Calidad Pty Ltd v Seiko Epson Corporation* [2020] HCA 41, [6].

32 *Calidad Pty Ltd v Seiko Epson Corporation* [2020] HCA 41, [6].

33 What the majority deride as the "mess" or "convenient legal fiction" (*Calidad Pty Ltd v Seiko Epson Corporation* [2020] HCA 41, [126], [132] (Gageler J)), that was the implied licence doctrine, by exhaustion, which the majority applaud for its "logic, simplicity and coherence with legal principle. It is comprehensible and consistent with the fundamental principle of the common law respecting chattels and an owner's rights respecting their use." (*Calidad Pty Ltd v Seiko Epson Corporation* [2020] HCA, 76 (Kiefel CJ, Bell and Keane JJ).

34 *Impression Products Inc v Lexmark International Inc* (2017) 137 S Ct 1523.

35 *National Phonograph Co of Australia Ltd v Menck* (1911) 12 CLR 15; [1911] AC 336.

36 *Calidad Pty Ltd v Seiko Epson Corporation* [2020] HCA 41.

37 *Calidad Pty Ltd v Seiko Epson Corporation* [2020] HCA 9, [145]–[146] (Nettle, Gordon and Edelman JJ), for instance.

38 *Calidad Pty Ltd v Seiko Epson Corporation* [2020] HCA 41.

39 *Calidad Pty Ltd v Seiko Epson Corporation* [2020] HCA 41.

40 *Calidad Pty Ltd v Seiko Epson Corporation* [2020] HCA 41, [45].

41 Katharine Stephens, 'Exhaustion of IP Rights in the UK post-Brexit' (2021) 34(1) *Australian Intellectual Property Law Bulletin* 5; Natasha Burns, 'Right repair: intellectual property and additive manufacture of spare parts' (2021) 33(9) *Australian Intellectual Property Law Bulletin* 150; Amelia Causley-Todd, 'The end of the implied licence doctrine in Australian patent law: is copyright next?' (2022) 35(1) *Australian Intellectual Property Law Bulletin* 11.

42 *Calidad Pty Ltd v Seiko Epson Corporation* [2020] HCA 41, [45].

43 *Calidad Pty Ltd v Seiko Epson Corporation* [2020] HCA 41, [45].

44 *Calidad Pty Ltd v Seiko Epson Corporation* [2020] HCA 41, [81].

45 *Calidad Pty Ltd v Seiko Epson Corporation* [2020] HCA 41, [77].

46 Adam Liberman, 'The difficulties and implications of the High Court of Australia decision in *Calidad v Seiko*: Patent exhaustion, implied licences and commercial transactions' (2021) 126 *Intellectual Property Forum* 20, 24, citing *Calidad Pty Ltd v Seiko Epson Corporation* [2020] HCA 41, [77].

47 Adam Liberman, 'The difficulties and implications of the High Court of Australia decision in *Calidad v Seiko*: Patent exhaustion, implied licences and commercial transactions' (2021) 126 *Intellectual Property Forum* 20.

48 Adam Liberman, 'The difficulties and implications of the High Court of Australia decision in *Calidad v Seiko*: Patent exhaustion, implied licences and commercial transactions' (2021) 126 *Intellectual Property Forum* 20, citing [2020] HCA 41, [77].

49 Adam Liberman, 'The difficulties and implications of the High Court of Australia decision in *Calidad v Seiko*: Patent exhaustion, implied licences and commercial transactions' (2021) 126 *Intellectual Property Forum* 20, 24, citing [2020] HCA 41, [77].

50 *Calidad Pty Ltd v Seiko Epson Corporation* [2020] HCA 41, [78].

51 Adam Liberman, 'The difficulties and implications of the High Court of Australia decision in *Calidad v Seiko*: Patent exhaustion, implied licences and commercial transactions' (2021) 126 *Intellectual Property Forum* 20, 24–25.

52 *Calidad Pty Ltd v Seiko Epson Corporation* [2020] HCA 41, [79].

53 *Calidad Pty Ltd v Seiko Epson Corporation* [2020] HCA 41, [79].

54 Adam Liberman, 'The difficulties and implications of the High Court of Australia decision in *Calidad v Seiko*: Patent exhaustion, implied licences and commercial transactions' (2021) 126 *Intellectual Property Forum* 20, 25. Note the reference in Liberman's article to endnote 20 to *Calidad Pty Ltd v Seiko Epson Corporation* [2020] HCA 41, [181] for the cases and writings referred to in the minority (joint) judgment.

55 *Interstate Parcel Express Co Pty Ltd v Time-Life International (Nederlands) BV* (1977) 138 CLR 534, 542 (Gibbs J).

56 Adam Liberman, 'The difficulties and implications of the High Court of Australia decision in *Calidad v Seiko*: Patent exhaustion, implied licences and commercial transactions' (2021) 126 *Intellectual Property Forum* 20, 25.

57 *Calidad Pty Ltd v Seiko Epson Corporation* [2020] HCA 41, [110].

58 *Calidad Pty Ltd v Seiko Epson Corporation* [2020] HCA 41, [140].

59 *Calidad Pty Ltd v Seiko Epson Corporation* [2020] HCA 41, [140].

60 Amelia Causley-Todd, 'The end of the implied licence doctrine in Australian patent law: is copyright next?' (2022) 35(1) *Australian Intellectual Property Law Bulletin* 11.

61 *Calidad Pty Ltd v Seiko Epson Corporation* [2020] HCA 41, [152].

62 *Calidad Pty Ltd v Seiko Epson Corporation* [2020] HCA 41, [154]. And, see *Calidad Pty Ltd v Seiko Epson Corporation* [2020] HCA 41, [163]–[164].

63 *Calidad Pty Ltd v Seiko Epson Corporation* [2020] HCA 41, [163]–[164].

64 *Calidad Pty Ltd v Seiko Epson Corporation* [2020] HCA 41, [196].

65 *Calidad Pty Ltd v Seiko Epson Corporation* [2020] HCA 41, [197].

66 *Calidad Pty Ltd v Seiko Epson Corporation* [2020] HCA 41, [201]. Notably, this construction of the nature of the right granted the US patentee aligns with others' understanding of the quality of the equivalent rights in Australia. The minority construction leads it to conclude that the majority decision effectively will "strip patentees of rights they have held for more than a century", which it says, "is a question for the legislature, not the courts." *Calidad Pty Ltd v Seiko Epson Corporation* [2020] HCA 41, [147].

67 *Calidad Pty Ltd v Seiko Epson Corporation* [2020] HCA 41, [146].

68 *Calidad Pty Ltd v Seiko Epson Corporation* [2020] HCA 41, [107].

69 *Calidad Pty Ltd v Seiko Epson Corporation* [2020] HCA 41, [110]: "In this case the implied licence doctrine was utilised as a juridical peg on which to hang not the patentee's permission to use the patented product, but rather unexpressed restrictions on the purchaser's rights in that regard to which the purchaser has not consented."

70 In its 2016 report into Australia's IP arrangements the Productivity Commission recommended that a statement of objectives should be included in the *Patents Act* 1990 (Cth) to outline its purpose and provide general guidance on the application of the legislation (this followed a similar suggestion from the Advisory Council on Intellectual Property in its 2010 review of the patentable subject matter). The government accepted this recommendation in both instances. IP Australia says on its website: "An objects clause provides additional clarity and guidance to the community on the purpose of legislation, assists the courts in interpreting the legislation, and can be used to resolve uncertainty and ambiguity" <https://www.ipaustralia.gov.au/policy-register/amend-patents-act-include-statement-objectives>. A longer history of the circumstances surrounding the introduction of the objects clause would be useful to outline in some detail in-text here if space permitted.

71 *Calidad Pty Ltd v Seiko Epson Corporation* [2020] HCA 41, [91].

72 *Calidad Pty Ltd v Seiko Epson Corporation* [2020] HCA 41, [92].

73 Adam Liberman, 'The difficulties and implications of the High Court of Australia decision in *Calidad v Seiko*: Patent exhaustion, implied licences and commercial transactions' (2021) 126 *Intellectual Property Forum* 20.

74 Adam Liberman, 'The difficulties and implications of the High Court of Australia decision in *Calidad v Seiko*: Patent exhaustion, implied licences and commercial transactions' (2021) 126 *Intellectual Property Forum* 20.

75 *Calidad Pty Ltd v Seiko Epson Corporation* [2020] HCA 41 (Gageler J).

76 *Commissioner of Patents v Thaler* (2022) 401 ALR 551 (see [10], [33], [38], [40], [46], [47], [48], [50], [62], [71]); *Merck Sharp & Dohme Corp v Sandoz Pty Ltd* (2022) 401 ALR 66, [71]; *Jusand Nominees Pty Ltd v Rattlejack Innovations Pty Ltd* [2022] FCA, [287], [288]; *Commissioner of Patents v Ono Pharmaceutical Co Ltd* (2022) FCAFC 39, [22], [44], [51].

77 Antony Taubman, 'The Competition Policy Roots of Intellectual Property Law: A Reflection' in Robert D Anderson, Nuno Pires de Carvalho and Antony Taubman (eds), *Competition Policy and Intellectual Property in Today's Global Economy* (Cambridge University Press, 2021), 162.

78 Antony Taubman, 'The Competition Policy Roots of Intellectual Property Law: A Reflection' in Robert D Anderson, Nuno Pires de Carvalho and Antony Taubman (eds), *Competition Policy and Intellectual Property in Today's Global Economy* (Cambridge University Press, 2021), 162, 168.

79 Antony Taubman, 'The Competition Policy Roots of Intellectual Property Law: A Reflection' in Robert D Anderson, Nuno Pires de Carvalho and Antony Taubman (eds), *Competition Policy and Intellectual Property in Today's Global Economy* (Cambridge University Press, 2021), 162, 168. In the context of these cases, both the original jurisdiction and export markets are at issue which, while interesting and particularly important to consider in light of global business models for trade especially in digital and online realms, are beyond the scope of this article's focus.

80 Antony Taubman, 'The Competition Policy Roots of Intellectual Property Law: A Reflection' in Robert D Anderson, Nuno Pires de Carvalho and Antony Taubman (eds), *Competition Policy and Intellectual Property in Today's Global Economy* (Cambridge University Press, 2021), 162, 169. Taubman cites Charles M Gray, 'Review: Two Contributions to Coke Studies' (2005) 72 *University of Chicago Law Review* 1127, 1135.

81 Lord Coke, *Institutes of the Laws of England* (1628) 223, cited in *Kirtsaeng v John Wiley & Sons, Inc*., 568 US 519 (2013) and in *Impression Products v Lexmark International, Inc* 137 S Ct 1523 (2017) and Antony Taubman, 'The Competition Policy Roots of Intellectual Property Law: A Reflection' in Robert D Anderson, Nuno Pires de Carvalho and Antony Taubman (eds), *Competition Policy and Intellectual Property in Today's Global Economy* (Cambridge University Press, 2021), 162, 169.

82 Charles M Gray, 'Review: Two Contributions to Coke Studies' (2005) 72 *University of Chicago Law Review* 1127, 1135.

Lord Coke, *Institutes of the Laws of England* (1628) 223, cited in *Kirtsaeng v John Wiley & Sons, Inc.* 568 US 519 (2013).

83 Antony Taubman, 'The Competition Policy Roots of Intellectual Property Law: A Reflection' in Robert D Anderson, Nuno Pires de Carvalho and Antony Taubman (eds), *Competition Policy and Intellectual Property in Today's Global Economy* (Cambridge University Press, 2021),162, 170.

84 *Calidad Pty Ltd v Seiko Epson Corporation* [2020] HCA 41, [85].

85 *Calidad Pty Ltd v Seiko Epson Corporation* [2020] HCA 41, [85].

86 *Calidad Pty Ltd v Seiko Epson Corporation* [2020] HCA 41, [86].

87 Adam Liberman, 'The difficulties and implications of the High Court of Australia decision in *Calidad v Seiko*: Patent exhaustion, implied licences and commercial transactions' (2021) 126 *Intellectual Property Forum* 20, 26.

88 Adam Liberman, 'The difficulties and implications of the High Court of Australia decision in *Calidad v Seiko*: Patent exhaustion, implied licences and commercial transactions' (2021) 126 *Intellectual Property Forum* 20, 26.

89 Adam Liberman, 'The difficulties and implications of the High Court of Australia decision in *Calidad v Seiko*: Patent exhaustion, implied licences and commercial transactions' (2021) 126 *Intellectual Property Forum* 20, 26. The section of the majority judgment to which this refers is [2020] HCA 41, [103]–[106].

90 *Commissioner of Patents v Thaler* (2022) 401 ALR 551 (see [10], [33], [38], [40], [46], [47], [48], [50], [62], [71]); *Merck Sharp & Dohme Corp v Sandoz Pty Ltd* (2022) 401 ALR 66, [71]; *Jusand Nominees Pty Ltd v Rattlejack Innovations Pty Ltd* [2022] FCA 540, [287], [288]; *Commissioner of Patents v Ono Pharmaceutical Co Ltd* (2022) FCAFC 39, [22], [44], [51].

91 See Australian Government Productivity Commission Inquiry Report "Right to Repair" No. 97, 29 October 2021 <https://www.pc.gov.au/inquiries/completed/repair/report/repair-overview.pdf>. See also the special edition of the *Australian Intellectual Property Journal* dedicated to the subject: (2020) 31(2) *Australian Intellectual Property Journal*, and in particular, Michael Williams and Vanessa Farago-Diener, 'Rewriting judicial history or just refilling ink?: Patents and the right to repair in Australia post-'Calidad': "Logic, simplicity and coherence with legal principle" prevail over "rights which they have held for more than a century"' (2020) 31(2) *Australian Intellectual Property Journal* 147.

92 Adam Liberman, 'The difficulties and implications of the High Court of Australia decision in *Calidad v Seiko*: Patent exhaustion, implied licences and commercial transactions' (2021) 126 *Intellectual Property Forum* 20, 26–7.

93 Katharine Stephens, "Exhaustion of IP Rights in the UK post-Brexit" (2021) 34(1) *Australian Intellectual Property Law Bulletin* 5.

94 Adam Liberman, 'The difficulties and implications of the High Court of Australia decision in *Calidad v Seiko*: Patent exhaustion, implied licences and commercial transactions' (2021) 126 *Intellectual Property Forum* 20, 26–27.

95 *Impression Products Inc v Lexmark International Inc* (2017) 137 S Ct 1523.

96 *Kirtsaeng v John Wiley & Sons, Inc*, 568 US 519 (2013). Ginsberg J said to the contrary, in the minority: "U.S. patent protection accompanies none of a U.S. patentee's sale abroad – a competitor could sell the same patented product abroad with no U.S. patent-law consequence. Accordingly, the foreign sale should not diminish the protections of U.S. law in the United States." *Calidad Pty Ltd v Seiko Epson Corporation* [2020] HCA 41, [91].

97 Antony Taubman, 'Digital Disruption and the Reshaping of Markets for IP: What This Means for Trade and Competition Policy' in Robert D Anderson, Nuno Pires de Carvalho and Antony Taubman (eds), *Competition Policy and Intellectual Property in Today's Global Economy* (Cambridge University Press, 2021), 309.

98 Antony Taubman, "Digital Disruption and the Reshaping of Markets for IP: What This Means for Trade and Competition Policy" in Robert D Anderson, Nuno Pires de Carvalho and Antony Taubman (eds), *Competition Policy and Intellectual Property in Today's Global Economy* (Cambridge University Press, 2021), 309.

99 Antony Taubman, "Digital Disruption and the Reshaping of Markets for IP: What This Means for Trade and Competition Policy" in Robert D Anderson, Nuno Pires de Carvalho and Antony Taubman (eds), *Competition Policy and Intellectual Property in Today's Global Economy* (Cambridge University Press, 2021), 309.

100 Antony Taubman, "Digital Disruption and the Reshaping of Markets for IP: What This Means for Trade and Competition Policy" in Robert D Anderson, Nuno Pires de Carvalho and Antony Taubman (eds), *Competition Policy and Intellectual Property in Today's Global Economy* (Cambridge University Press, 2021), 310.

101 Amelia Causley-Todd, 'The end of the implied licence doctrine in Australian patent law: is copyright next?' (2022) 35(1) *Australian Intellectual Property Law Bulletin* 11.

102 Antony Taubman, 'Digital Disruption and the Reshaping of Markets for IP: What This Means for Trade and Competition Policy' in Robert D Anderson, Nuno Pires de Carvalho and Antony Taubman (eds), *Competition Policy and Intellectual Property in Today's Global Economy* (Cambridge University Press, 2021), 310. At issue here of course is the *Kirtsaeng* case, referenced above in this article, in which the US Supreme Court dealt with the issue of whether textbooks legitimately sold overseas at a lower price than the domestic versions could lawfully be imported and sold in the US, and thus, whether the phrase, "lawfully made under this title", referenced copies made in the US or was not so restricted. The majority found that copyright applied equally to foreign and domestic works and notably, turned to the musings of Coke explicating the common law prohibition on "restraints on the alienation of chattels" to support the idea that "a law that permits a copyright-holder to control the resale or other disposition of a chattel once sold is similarly" illegitimate in terms of restricting trade. Taubman notes that, "American law too has generally thought that competition, including freedom to resell, can work to the advantage of the consumer.": Antony Taubman, 'Digital Disruption and the Reshaping of Markets for IP: What This Means for Trade and Competition Policy' in Robert D Anderson, Nuno Pires de Carvalho and Antony Taubman (eds), *Competition Policy and Intellectual Property in Today's Global Economy* (Cambridge University Press, 2021), 315.Ginsberg J dissented on the basis that lack of extraterritoriality as a feature of US copyright law renders it anomalous "to speak of particular conduct as 'lawful' under an inapplicable law". Ginsberg J wrote, "Because economic conditions and demand for particular goods vary across the globe, copyright owners have a financial incentive to charge different prices for copies of their works in different geographic regions. Their ability to engage in such price discrimination, however, is undermined if arbitrageurs are permitted to import copies from low-price regions and sell them in high-price regions." (*Kirtsaeng v John Wiley & Sons, Inc*, 568 US 519 (2013). And: "In the absence of agreement at the international level, each country has been left to choose for itself the exhaustion framework it will follow. One option is a national-exhaustion regime, under which a copyright owner's right to control distribution of a particular copy is exhausted only within the country in which the copy is sold. … Another option is a rule of international exhaustion, under which the authorized distribution of a particular copy anywhere in the world exhausts the copyright owner's distribution right everywhere with respect to that copy. The European Union has adopted the intermediate approach of regional exhaustion, under which the sale of a copy anywhere within the European Economic Area exhausts the copyright owner's distribution right throughout that region" (which Ginsberg J believed corresponds with her minority view, distinct from the majority's approach which she characterises as rendering the US "solidly in the international exhaustion camp." (*Kirtsaeng v John Wiley & Sons, Inc*, 568 US 519 (2013)).

103 *Millar v Taylor* (1769) 4 Burr. 2303 2396 (Yates J).

104 HCA Trans [106] (Keane J).

Exposed to Part IV of the *Competition and Consumer Act* 2010 (Cth) – How Do We Settle Patent Cases Now?

Cynthia Cochrane SC, Catherine Bembrick and Alexander Vial[1]

Introduction

Over the last decade or more, patent settlement agreements between originator pharmaceutical companies and companies that make generic or biosimilar medicines have become a focus for competition authorities in the United Kingdom, European Union and United States.

Particular attention has been given to "pay for delay" agreements, where the generic or biosimilar pharmaceutical company delays entry into the market in exchange for a transfer of value from the originator pharmaceutical company.

In Australia, the repeal of s.51(3) from the *Competition and Consumer Act* 2010 (Cth) ("CCA") in September 2019 saw the removal of a broad exemption for patent licensing from key competition prohibitions. It was not replaced by a narrower exemption. Further, the CCA has never provided a general exception for dealings in intellectual property rights. The s.51(1) general exception for conduct specified in, and specifically authorised by, other legislation (Commonwealth, state and territory) does not apply to the *Patents Act* 1990 (Cth).

The Australian Competition and Consumer Commission ("ACCC") has indicated that it is keen to test the new prohibition on misuse of market power (s.46, CCA), which was strengthened following unsuccessful litigation brought by the ACCC against Pfizer for conduct concerning its Lipitor (atorvastatin) product.

Recently, an application was made to the ACCC for authorisation under s.88 of the CCA concerning a patent settlement and licensing agreement in *Juno Pharmaceuticals Pty Ltd & Anor v Celgene Corporation* (Federal Court of Australia, VID718/2020, commenced 9 November 2020). On 23 March 2022, the ACCC issued a draft determination refusing authorisation.[2] Although further documentation was submitted to the ACCC, the parties withdrew their application for authorisation on 29 July 2022.

This article addresses the following matters:

- How might pharmaceutical patent settlements trigger competition issues?
- Misuse of market power, *ACCC v Pfizer Australia Pty Ltd* (2015) 323 ALR 429 and the new "effects" test.
- Repeal of the exemption in s.51(3) of the CCA – will it be reinstated?
- Applying to the ACCC for authorisation under s.88(1) of the CCA.
- The future. How do we settle pharmaceutical patent disputes now?

How might pharmaceutical patent settlements trigger competition issues?

This section, first, identifies the key competition law prohibitions and, secondly, provides examples of how patent settlement agreements might trigger competition issues, including by having regard to experience in the US, EU and UK.

Key competition law prohibitions

There are two types of competition law prohibitions in Australia.

The first are prohibitions that are subject to a competition test. Sections 45, 46, and 47 of the CCA provide for a contravention only where the conduct to which the prohibition applies has the effect or likely effect of substantially lessening competition and/or the purpose of substantially lessening competition. A contravention of s.50 of the CCA occurs only where an acquisition has the effect or likely effect of substantially lessening competition.

The second types of prohibitions are ones which prohibit conduct on a per se basis – that is, the proscribed conduct contravenes the CCA, regardless of whether it has, or is likely to have, an anti-competitive purpose or effect.

Conduct the subject of prohibitions to which a competition test applies are: anti-competitive contracts, arrangements or understandings (CCA, s.45); a concerted practice (CCA, s.45); misuse of market power (CCA, s.46); exclusive dealing (including third line forcing) (CCA, s.47); and acquisitions of shares or assets (CCA, s.50).

Conduct the subject of per se prohibitions include: cartel conduct (CCA, ss.45AF, 45AG, 45AJ, 45AK, and 45AD); and resale price maintenance (CCA, s.48).

A corporation must not make, or give effect to, a contract, arrangement or understanding that contains a cartel provision: ss.45AF and 45AG of the CCA (criminal); ss.45AJ and 45AK of the CCA (civil).

A cartel provision is defined in s.45AD of the CCA as a provision relating to:

- price-fixing (s.45AD(2)); or
- restricting outputs in the production and supply chain (s.45AD(3)(a)); or
- allocating customers, suppliers or territories (s.45AD(3)(b)); or
- bid-rigging (s.45AD(3)(c)),

by parties that are, or would otherwise be, in competition with each other.

Specifically, for an allegation of cartel conduct to be made out, two or more parties to the contract, arrangement or understanding containing the cartel provision must compete (or would otherwise compete), in trade or commerce, with respect to the supply or acquisition of the goods or services to which the provision relates (s.45AD(4) of the CCA).

Examples of how patent settlement agreements might trigger competition issues

Patent settlement agreements often involve a patent licence with conditions.

The cartel provisions (e.g., price, territorial or quota restrictions between competitors), the prohibition against anticompetitive agreements in s.45 of the CCA and the prohibition against exclusive dealing in s.47 of the CCA are each broadly defined. As such, the provisions may easily catch patent licensing conditions that are, in fact, efficiency enhancing. This may occur where, for example, a patent owner may not be best placed to commercialise its invention (such that restricting the ability to license could remove incentives to innovate). Further, in most instances patent rights do not map simply onto products, so cross-licences are often required to ensure that technological inputs owned by multiple patentees can be put to productive use. Finally, knowledge is non-rivalrous, such that efficient licensing can prevent wasteful "inventing around" existing knowledge.

Parties to patent settlement agreements are often competitors. Certain dealings between competitors are caught by per se civil and criminal cartel prohibitions. A condition in a settlement agreement that is benign or pro-competitive may be caught if it falls within the definition of a cartel provision in s.45AD of the CCA (which is set out above and involves the parties being competitors), whatever the effects of that condition on competition.

This is the effect of the current legislation notwithstanding that the condition may be imposed by a patentee without substantial market power, and where the competitive effects of price and quota restrictions depend on the characteristics of the market in which the licensing occurs and/or has an effect (i.e., the condition may well be competition and efficiency enhancing).

An example of a cartel provision involving price-fixing would be an agreement, between a patentee and a licensee who are in competition with each other, as to the price that will be charged for products made by using the claimed invention in the patent.

Such conduct would contravene the cartel provisions, notwithstanding the fact that, absent the agreement, the patentee (as the only supplier of the product in the market) would have been able to set the price for its product.

Due to the impact of the anti-overlap provision in s.45AR of the CCA concerning exclusive dealing, discussed below, a cartel provision tends to be one that has the purpose of stopping a competitor (e.g., a generic drug supplier) from doing something it would otherwise do (e.g., preventing supply of its own generic or preventing supply before a certain date).

Where a patent settlement agreement involves the granting of a non-exclusive patent licence (e.g., to the revoker/alleged infringer), in circumstances where the patentee retains the ability to exploit the patent, the licensor and licensee may be held to be competitors or likely competitors within the meaning of the cartel provisions.

Justice O'Bryan of the Federal Court of Australia has observed extra-judicially that it is yet to be determined how the cartel provisions apply to licence arrangements between persons who are not competitors at the time the licence is entered into, but have the potential to be competitors by reason of the licence.[3]

Section 45AD(4)(b) of the CCA has the effect that, if the licence includes a provision preventing the patentee from competing with the licensee, the patentee and licensee will be taken to be competitors under the cartel provisions.

Further, even if an exclusive licence is granted, the patentee and licensee may be actual or likely competitors within the meaning of the cartel provisions. For example, although the patentee may have granted an exclusive licence over one product (e.g., painkiller A), it continues to sell a substitutable product in Australia (e.g., painkiller B).

It is important to bear in mind that the CCA includes exceptions from the cartel prohibitions for joint ventures (ss.45AO and 45AP, CCA) and collective acquisitions (s.45AU, CCA).

Further, if the making or giving effect to a provision in a contract, arrangement or understanding involves exclusive dealing (defined in s.47(2)–(9), CCA) or resale price

maintenance (defined in s.96(3), CCA), then it will not contravene the cartel provisions by reason of the anti-overlap provisions in s.45AR (exclusive dealing) or s.45AQ (resale price maintenance). The prohibition on exclusive dealing (s.47(1), CCA) is not contravened unless the competition test in s.47(10) of the CCA is satisfied. Conversely, as with the cartel prohibitions, s.48 of the CCA is a per se prohibition on resale price maintenance.

The existence of the anti-overlap provisions provide incentives for parties to patent settlement and licensing agreements to avoid the per se cartel provisions by framing their agreement to fall squarely within the definitions of exclusive dealing in s.47(2)–(9) of the CCA and, to avoid the prohibition on exclusive dealing, seek to ensure that the agreement does not have the purpose, effect or likely effect of substantially lessening competition. Assessment of the latter involves a "with or without" analysis; an assessment of the state of competition with the settlement terms ("factual scenario") as compared with the state of competition without the settlement terms ("counter factual scenario").

However, the exclusive dealing and resale price maintenance provisions (and therefore the anti-overlap provisions) are unlikely to apply to conventional patent licences.

Resale price maintenance involves a supplier specifying a minimum price to be charged by a purchaser for the on-sale of the supplier's goods. Patent licences do not tend to involve a patentee supplying goods to the licensee for on-sale.

Exclusive dealing involves one trader imposing restrictions on another's freedom to choose with whom, or in what, or where they deal. In the case of a patent licence, exclusive dealing would involve the patentee imposing a condition that restricts the licensee's right to acquire goods from, or re-supply goods of, a competitor of the patentee or to on-sell goods supplied by the patentee in particular places or to particular customers groups. This is not common. However, given the overlap provisions, it is worth considering the definitions in s.47(2)–(9) of the CCA to ascertain whether an agreement could be reached that does not contravene the CCA on the basis that it amounts to exclusive dealing and is not anti-competitive.

Overseas experience

US Courts have been grappling with the interface between patent law and anti-trust law since the end of the 19th century. Unlike the case now in Australia, the U.S. Code continues to contain some exemptions for patent licensing from US anti-trust law: see 35 U.S. Code § 271(d) and 35 U.S. Code § 261. Further, unlike the CCA, the U.S. Code does not have a per se prohibition on cartel conduct: see 15 U.S. Code § 1 and 15 U.S. Code § 45. This is important to bear in mind because, in drafting international settlement deeds, overseas lawyers may assume that the law in Australia is similar.

Since the 1930s the US Supreme Court has ruled that antitrust law operates only when patent holders reach beyond the boundaries inherent in the patent grant.[4]

A relevant consideration in the US in determining whether a patent licence is permissible is whether the condition imposed by the patentee is within the scope of the patent grant. That is, a practice that is expressly authorised by the Patents Act (e.g., the right to exclude others from exploiting the invention in the patent area) cannot be the basis of a restrictive trade practices claim. As discussed above, however, in Australia the CCA has never provided a general exception for dealings in IP rights. That said, in its Guidelines on the repeal of s.51(3) of the CCA, the ACCC indicated that, in the ACCC's view, the bare exercise of exclusive IP rights will not have significant anti-competitive implications.[5]

A number of cases in the US have involved "pay for delay" agreements, which are defined at the start of this article.

Decisions in the EU and UK have also focused upon "pay for delay" agreements. The Court of Justice of the EU ("CJEU") has held that, although settlement agreements are encouraged, Article 101 of the Treaty on the Functioning of the EU ("TFEU") applies to those agreements. It prohibits agreements between undertakings which may affect trade between member states and which have as their "object or effect the prevention, restriction or distortion of competition within the internal market" and in particular those agreements which directly or indirectly fix prices, limit or control production, share markets or contain dissimilar conditions to equivalent transactions. That is, the EU and UK also do not have a per se prohibition on cartel conduct.

In *Generics (UK) Limited v Competition and Markets Authority* (CJEU, C-307/19, ECLI:EU:C:2020:52, 30 January 2020), the CJEU held that generics are "potential competitors" of originators where there is a "real and concrete possibility for generics to enter the market and compete". The CJEU considered that neither the presumption of patent validity, nor the uncertain outcome of disputes concerning validity, prevents a finding that originators and generics are potential competitors – if anything, the uncertainty about the validity of the patent contributes to the existence of a competitive relationship. The CJEU also considered that a settlement agreement can contravene the competition provisions by object (purpose) and effect and can also, in principle, contravene s.102 TFEU (dominance).

Misuse of market power, *ACCC v Pfizer,* new "effects" test

In settling patent cases, it is important to bear in mind the strengthened form of the prohibition on misuse of market power (s.46, CCA) and also that the ACCC has expressed an eagerness to test the new s.46 prohibition.

Competition law recognises that the conduct of firms with substantial market power can, depending on the circumstances, damage or hinder the competitive process. As the ACCC explained in its Submission to the Treasury on Options to Strengthen the Misuse of Market Power Law in February 2016:

> *Section 46 of the [CCA] seeks to prevent firms with substantial market power from engaging in conduct that prevents other firms from competing on their merits, while ensuring that large or powerful firms are not prevented or discouraged from engaging in fierce competition themselves.*[6]

Prior to November 2017, s.46 was in a different form than it is today. It provided that a corporation that had a substantial degree of power in a market was prohibited from "taking advantage" of its power in the market in which it had substantial power, or any other market, (the "take advantage" test) for the "purpose" of: (a) eliminating or substantially damaging a competitor in any market; (b) preventing the entry of a person into any market; or (c) deterring or preventing a person from engaging in competitive conduct in any market (collectively, the "confined purpose test").

Under the previous version of s.46 referred to above, the ACCC found it difficult to prosecute cases involving patented pharmaceutical products. The key decision demonstrating these difficulties is *ACCC v Pfizer Australia Pty Ltd* (2015) 323 ALR 429. A summary of the case is as follows.

Pfizer owned a patent between 2000 and 28 May 2012, which gave it rights to exclusively supply the "blockbuster" cholesterol lowering drug atorvastatin (branded as Lipitor) in Australia. By January 2012, atorvastatin was the highest selling drug on the Pharmaceutical Benefits Scheme ("PBS"), by volume and value. Pfizer's patent expired on 18 May 2012. Between 2011 and 2012, a number of steps were taken by Pfizer in the lead up to the expiry of the patent, so as to preserve as much of the Lipitor market as possible following patent expiry.

In 2011, Pfizer established a direct to pharmacy supply model, with a focus on supply to community pharmacies. Pfizer also established an accrual funds scheme, under which a percentage of the purchase price of Pfizer's drugs (including Lipitor) was credited to an account created for each pharmacy to be rebated. In 2012, Pfizer bundled the supply of Lipitor with Pfizer's own generic atorvastatin to most community pharmacies. The offer tied the rebates available from the fund to the quantity of Lipitor and Pfizer's generic purchased by a pharmacy.

The ACCC alleged that this conduct contravened s.46(1) of the CCA by Pfizer taking advantage of the substantial degree of market power which the ACCC alleged that Pfizer held in the market for the supply of atorvastatin to pharmacies (atorvastatin market) for the anti-competitive purpose of deterring or preventing generic manufacturers from engaging in competitive conduct.

At first instance, it was held by Justice Flick that in 2011, Pfizer had market power and took advantage of that market power by implementing the direct supply model and establishing the accrual funds scheme:

> *Prior to late 2011, it is respectfully considered that no conclusion is open other than that Pfizer possessed both "market power" and that such power as it possessed was truly "substantial". If the market be correctly identified as the atorvastatin market, Pfizer had long been the sole supplier of atorvastatin. The fact that the price at which it could sell that product may have been subject to some limited degree of regulation pursuant to the [PBS] is not sufficient to render its market power anything other than "substantial".*[7]

With respect to the 2012 conduct, Justice Flick held that Pfizer's market power had ceased to be substantial due to the substantial and imminent entry of generics:

> *Well prior to the expiration of its patent in May 2012, the other generic manufacturers began planning their onslaught upon the market. From at least 2010, the established generic manufacturers were planning their future sale of atorvastatin. But – and despite the fact that the other generic manufacturers were circling the prey from an early date – Pfizer retained substantial market power up to late 2011.*
>
> *But Pfizer's market power gradually decreased the more imminent the expiration of its patent became. Notwithstanding this reduction in its power, it is nevertheless respectfully concluded that Pfizer maintained some degree of market power up to May 2012. It retained its unique ability to exploit, for example, the marketing of Lipitor at a premium price and to package its generic atorvastatin in a manner identical with or substantially similar to the packaging of the established brand, Lipitor. But as from January 2012 it is concluded that the market power Pfizer retained was not "substantial".*
>
> ...
>
> *Relative to the forthcoming competition from the generic manufacturers of atorvastatin, the power that Pfizer had once exercised had waned ... And the power it retained was no longer "enduring"; that power could not be "sustained" throughout the period from January to May 2012 ...* [8]

Justice Flick held that, even if Pfizer had substantial market power from January 2012, its bundling conduct did not comprise the "taking advantage" of that power:

> *Had it been necessary to do so, it would thus have been concluded that the Pfizer offers when first made did not involve the taking advantage of any market power that Pfizer may have retained. Even if it be assumed that Pfizer was supplying the generic atorvastatin at below cost, the*

> *offers it made were but offers made during the launch phase of a new product and for a relatively short period of time. And the quantum of any losses being incurred relative to the profit that Pfizer may have been making were not addressed.*[9]

Justice Flick also found that Pfizer did not have an anti-competitive purpose of deterring or preventing other suppliers of generic atorvastatin from engaging in competitive conduct at any relevant time.

The Full Court of the Federal Court of Australia dismissed an appeal brought by the ACCC in *ACCC v Pfizer Australia Pty Ltd* (2018) 356 ALR 582. However, although the Full Court agreed with Flick J's orders, it overturned a number of his Honour's findings. Relevantly, the Full Court agreed with Flick J that Pfizer held substantial market power in the atorvastatin market before 2012 but disagreed with his Honour's finding that Pfizer did not have substantial market power in 2012:

> *It seems to us that an important indicator of substantial market power as at January and February 2012 is the fact that Pfizer was able to introduce into the atorvastatin market its own generic atorvastatin by means of the bundled offers at a time and in a manner which gave it a significant commercial advantage over its potential future competitors, even if only for a short time. It is well known that the major manufacturers of generic pharmaceuticals compete with each other as vigorously as they can with a view to obtaining first mover advantage over other potential generic pharmaceutical suppliers … By making the bundled offers which it did on or about 16 January 2012, Pfizer exploited its then existing dominant position in the atorvastatin market to establish from April 2012 a strong foothold in that market for the supply of generic atorvastatin which would stand it in good stead when the patent expired on 18 May 2012. It seems to us that Pfizer could not have launched its generic atorvastatin when it did and in the manner that it did had it not had a substantial degree of market power in the atorvastatin market at the time when that launch took place.*[10]

Although the Full Court agreed with Flick J that *Pfizer* had taken advantage of its substantial market power by establishing the 2011 accrual funds scheme,[11] the Full Court held that Flick J erred by finding that, by making the 2012 bundled offers, Pfizer did not take advantage of any market power which it retained in the atorvastatin market as at January and February 2012. Their Honours found:

> *… the question for present purposes is whether, in January and February 2012, the making of the bundled offers constituted a relevant taking advantage of market power. For the reasons which we have explained, we consider that the making of those offers did constitute such a taking advantage of market power.*[12]

Ultimately, it did not matter that the Full Court found that Pfizer had a substantial degree of market power and had taken advantage of that power because the Full Court agreed with Flick J's finding that Pfizer did not have an anticompetitive purpose in relation to its bundling conduct:

> *Pfizer did not have as a substantial purpose for engaging in the impugned conduct the purpose of making it difficult for the generics manufacturers to compete in the atorvastatin market post 18 May 2012 nor did it have as a substantial purpose a purpose of substantially lessening competition in that market.*[13]

In March 2015, in the light of the ACCC's loss in *Pfizer*, the Harper Panel released its Final Report, which recommended that s.46 of the CCA be amended to remove both the "take advantage" test and the "confined purpose" test (discussed above), and replace them with a broad "effects" test.

It concluded that the test that existed at the time, that a corporation must "take advantage" of its substantial market power for the "purpose" of eliminating competition, was:

> *… not a useful test by which to distinguish competitive from anti-competitive unilateral conduct. This test has given rise to substantial difficulties of interpretation, which have been revealed in the decided cases, undermining confidence in the effectiveness of the law. Perhaps more significantly, the test is not best adapted to identifying a misuse of market power.*[14]

The Harper Review recommended adopting a "purpose or effect" of substantially lessening competition test, which came into effect in November 2017. The Harper amendments made to s.46 are important. The amendments introduced an effects-based and competition-based prohibition, as opposed to a *competitor*-based prohibition. They also removed the "take advantage" element.

Section 46 now prohibits a corporation with a substantial degree of market power from engaging in conduct that has the purpose, effect, or likely effect, of substantially lessening competition in either the market in which it has a substantial degree of power, or any other market in which the corporation supplies or acquires goods or services.

Although it is not possible to identify with precision all types of conduct that may constitute a misuse of market power, the ACCC's Guidelines on Misuse of Market Power provide examples of conduct that may, depending on the circumstances.[15] These include a refusal to deal; restricting access to an essential output; predatory pricing; loyalty rebates; margin/price squeezing; and tying and bundling.

The former Chair of the ACCC, Rod Sims, told *Lawyerly* magazine in October 2017 that he was "eager" to test the new s.46.[16] However, since then, only one s.46 case started by the ACCC has concluded before the courts, namely, *ACCC v Tasmanian Ports Corporation Pty Ltd* [2021] FCA 482. As

the case was largely conceded by Tasmanian Ports, the scope of the operation of the new s.46 is left to be determined in a future case.

Repeal of the section 51(3) exemption – might it be reinstated?

Section 51(3) of the CCA was repealed on 13 September 2019 by the *Treasury Laws Amendment (2018 Measures No 5) Act* 2019 (Cth).

Prior to its repeal, s.51(3) of the CCA provided an exemption for conduct "relating to" IP rights from key competition provisions (including, importantly, the prohibitions on cartel conduct). While regarded by some commentators as a "limited" exemption, in practice, it tended to be treated broadly by IP practitioners.

As reported by the Australian Productivity Commission in its *Intellectual Property Arrangements* Report published on 20 December 2016, the exemption for IP from aspects of competition law was imported from similar UK law when the *Trade Practices Act* 1965 (Cth) was enacted in 1965.[17] The thinking at the time was that IP rights and competition policy were in fundamental conflict.[18]

The scope of the now repealed s.51(3) is difficult to identify with precision. There were very few explanatory materials or cases which considered its interpretation and application. Notwithstanding this, legal commentary offered the following guidance. First, a patentee was able to lawfully exercise control over price, quality, quantity, customers and territory of the licensee and the exercise of control over these matters was thought to "probably" fall "within the description of a condition that "relates to" the invention to which the patent relates".[19] Secondly, the Trade Practices Commission (now ACCC) and National Competition Council considered territorial restrictions (where a licensor restricts the licensee to selling goods produced under licence within a particular territory) fell within s.51(3).[20] Thirdly, s.51(3) of the CCA has a "very wide operation" because it "excludes [from the operation of Part IV] conditions in licences to the extent to which they relate to the subject matter of the patent".[21] Finally, in *Transfield Pty Ltd v Arlo International Limited* (1980) 144 CLR 83, Justice Mason held:

> *In bridging the different policies of the Patents Act and the Trade Practices Act, s 51(3) recognises 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 … 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 51(3) was not a total exemption. It did not extend, for example, to licence conditions in patent litigation settlement agreements that contravened the misuse of market power provisions in ss.46 and 46A of the CCA, or to the resale price maintenance prohibition in s.48 of the CCA.[22] Further, if a patent settlement agreement amounted to an "acquisition" which had the effect or likely effect of substantially lessening competition, then the fact that a condition attached to the acquisition was taken beyond the scope of the CCA did not mean that the acquisition itself would not amount to a breach of s.50 of the CCA.[23]

Why was section 51(3) repealed?

The Harper Review and the Productivity Commission recommended the repeal of s.51(3) largely on the basis that the rationale for the exemption had fallen away. As stated in the Explanatory Memorandum of the *Treasury Laws Amendment (2018 Measures No.5) Bill* 2018 (Cth), it was accepted that "IP rights and competition are no longer thought to be in "fundamental conflict".[24] The Explanatory Memorandum also stated:

> *IP rights do not, in and of themselves, have significant competition implications. Rather, competition implications arise in those cases where there are few substitutes or where the aggregation of IP rights may create market power.*
>
> *These matters largely echoed the findings of the Harper Review and the Productivity Commission's Report. The Harper Review found, for example, that excluding IP rights from competition law can, in some cases, have adverse implications for competition … IP rights can be used in a way that deters competition and limits consumer choice. For example, this could manifest in owners of IP rights extracting excessive royalties from IP licences or placing anticompetitive restrictions on knowledge dissemination. This would have adverse knock-on effects for innovation.*[25]

The Harper Review also found that when the balance is tilted too far in favour of rights holders there are dangers that the IP system could hinder competitive outcomes:

> *IP rights can help to break down barriers to entry but, when applied inappropriately, can also reduce exposure to competition and erect long-lasting barriers to entry that fail to serve Australia's interests over the longer term.*[26]

Following the repeal of s.51(3) on 13 September 2019, conduct relating to IP is now treated the same as any other conduct for the purposes of Part IV of the CCA. In particular, the following prohibitions, previously covered by the exemption, now apply to conduct involving IP rights: criminal and civil cartel conduct (Division 1 of Part IV); making or giving effect to a contract arrangement or understanding, or engaging in a concerted practice, for the purpose, or with the effect or likely effect of substantially lessening competition (s.45); and engaging in exclusive dealings for the purpose, or with the effect or likely effect of substantially lessening competition (s.47).

It is surprising, given the following aspect of recommendation 27 in the Harper Review, that the legislature, when repealing s.51(3), did not introduce an alternative exemption for IP licensing from the per se criminal and civil cartel prohibitions in the CCA:

> ***An exemption should be included for*** *trading restrictions that are imposed by one firm on another in connection with the supply or acquisition of goods or services (****including intellectual property licensing****), recognising that such conduct will be prohibited by section 45 of the CCA (or section 47 if retained) if it has the purpose, effect or likely effect of substantially lessening competition* [Emphasis added].[27]

This recommendation is consistent with the general view that per se prohibitions are only justified in limited circumstances, for example, those necessarily involving anti-competitive effects and no corresponding benefit. These sentiments are reflected in the following observation in the opinion of Kennedy J in the US Supreme Court in *Leegin Creative Leather Products v PSKS*, 551 US 877, 886 (2007):

> *Resort to per se rules is confined to restraints … that would always or almost always tend to restrict competition and decrease output … To justify a per se prohibition a restraint must have* ***manifestly anticompetitive effects … and lack any redeeming virtue.*** [Emphasis added].

Applying to the ACCC for authorisation under section 88(1) of the CCA

Where parties wish to enter into an agreement, but have concerns that their conduct in making or giving effect to a provision of the agreement might contravene Part IV of the CCA, such as in many patent litigation settlement contexts, the parties have the option of applying to the ACCC under s.88(1) for authorisation in relation to that conduct. If the authorisation is granted, the provisions of Part IV specified in the authorisation do not apply in relation to the conduct, to the extent it is engaged in by the applicant, or any other person or class of person referred to in the application for authorisation: s.88(2).

The decision whether to grant authorisation is a very serious one for the ACCC. The effect of authorisation, if granted, is to provide the parties to the agreement with immunity from legal action from any person (i.e., not just the ACCC). It involves authorising conduct that is illegal, under the civil or criminal provisions of the CCA. It would preclude, for example, any person harmed by the conduct from commencing an action for damages in respect of that conduct under the competition provisions in Part IV of the CCA for arrangements that may otherwise risk contravening those provisions but are not harmful to competition and/or are likely to result in overall public benefits.

It is in these circumstances that granting authorisation under s.88(1) of the CCA requires satisfaction of a utilitarian test. Pursuant to ss.90(7) and 90(8) of the CCA, the ACCC cannot grant an authorisation unless it is satisfied, in all of the circumstances, that the conduct would result or be likely to result in a benefit to the public, and the benefit would outweigh the detriment to the public that would be likely to result.

Although there is a clear benefit in obtaining authorisation to engage in conduct that has competition concerns, there are some downsides, the magnitude of which will vary depending on the circumstances. In terms of timing, the ACCC may take up to six months to issue a draft determination and may take an additional six months to take a final decision.[28] The authorisation needs to be properly considered and prepared, as the ACCC will generally only accept minor amendments to authorisations once they are filed. This means that the preparation of the authorisation will require a considerable amount of work, which is likely to come at significant cost to the parties. As a further practical downside, particularly for parties who are otherwise in adversarial litigation positions, and as explained further below, the ACCC requires a significant amount of non-confidential or "open" evidence in support of the application for authorisation. Where proceedings are currently on foot, the parties will need to seek a stay of those proceedings in order to approach the ACCC for authorisation.

In an important, if not key, development for the pharmaceutical industry, the ACCC recently published a draft determination in relation to an application for authorisation to enter into a pharmaceutical litigation settlement and patent licensing agreement between Juno Pharmaceuticals Pty Ltd ("Juno"), Natco Pharma Ltd ("Natco"), Celgene Corporation and Celgene Pty Ltd (together, "Celgene"). The draft determination indicated that the ACCC was going to decline to authorise the settlement agreement. On 29 July 2022, the parties withdrew their application for authorisation.

Although it concerns interlocutory matters, *Juno Pharmaceuticals Pty Ltd v Celgene Corporation* [2021] FCA 236 contains a useful summary of the patent dispute, as follows. Other useful information is set out in the ACCC's Draft Determination.[29]

On 9 November 2020, Juno and Natco commenced patent revocation proceedings against the patentee, Celgene, in order to clear the way for the future launch of their generic pharmaceutical products.

Celgene is the manufacturer of Revlimid® (active ingredient lenalidomide) and Pomalyst® (active ingredient pomalidomide), which are immunodulatory drugs indicated for the treatment of some blood cancers. Celgene owns several patents in relation to each of its products, comprising the compound patent and seven method of treatment patents for Revlimid® and Pomalyst®. Juno is a supplier of marketing

and distribution services to pharmaceutical manufacturers and specialises in generic products. Natco is an Indian-based generic pharmaceutical manufacturer, which operates in Australia for the purpose of selling and distributing generic pharmaceutical products it manufactures.

Celgene filed a cross-claim against Juno and Natco alleging threatened infringement of not only the Australian patent relating to cancer treatment drugs Revlimid® and Pomalyst®, but also of six method of treatment patents and an additional patent. The particulars of invalidity advanced by Juno and Natco are a lack of inventive step, failure to disclose the best method known for performing the invention, and false suggestion.[30]

The parties sought to enter into a settlement and licence agreement in order to avoid protracted and expensive litigation, and to provide Juno and Natco with certainty regarding when they can enter the market with generics as opposed to the "at risk" entry that would otherwise arise. Features of the settlement agreement included that Celgene would grant licences to Juno and Natco to enable them to supply the generic products from specified launch dates, which launch dates remain confidential.

On 3 December 2021, the ACCC received an application for authorisation under s.88(1) from Juno, Natco, and Celgene. The application sought authorisation until 2 August 2027, being the date when the last of the relevant Celgene patents was due to expire. Juno, Natco, and Celgene claimed that the settlement and licence agreement was likely to give rise to a public benefit in the form of cost savings to the Australian Government, greater supply security, and litigation cost savings. The applicants also claimed that the early launch of Juno and Natco's generics would trigger an immediate and substantial 25 per cent price reduction of Revlimid® and Pomalyst® under the PBS.

On 23 March 2022, the ACCC issued a draft determination denying authorisation for a number of reasons. First, the ACCC considered that Juno, Natco, and Celgene had "provided very few internal documents and have claimed confidentiality over much of the information provided to the ACCC to date". [31] Secondly, there was insufficient evidence, including from Juno, Natco, and Celgene and the PBS, as to the significance of any potential PBS savings associated with the settlement and licence agreement. The ACCC was also not satisfied that the settlement and licence agreement would result in greater supply security for lenalidomide and pomalidomide, as it had no evidence to suggest the patient cohort being treated with these drugs would change in the foreseeable future. For this reason, the ACCC could not be satisfied that Juno and Natco's entry with generics would give rise to public benefit. Thirdly, the ACCC was not satisfied that litigation cost savings resulting in the settlement of the litigation would result in a public benefit. Finally, the ACCC considered that the settlement and licence agreement was likely to lead to public detriment, because it would give Celgene greater control and certainty over the timing of generic entry by Juno and Natco, would give Juno and Natco a first mover advantage, and could deter other generic entry.

The ACCC's final determination of Juno, Natco, and Celgene's application for authorisation was due at the end of July 2022, however the parties withdrew their application for authorisation on 29 July 2022.

The future. How do we settle pharmaceutical patent disputes now?

Since the repeal of s.51(3) in September 2019, parties to patent litigation are now faced with having to resolve their disputes by managing the risk of entering into a patent settlement agreement in different ways than in the past when a conditional licence agreement may have been sufficient. One might be forgiven for thinking that, in the absence of the s.51(3) exemption, the better option might be to litigate the dispute to finality, given the breadth and per se nature of the cartel provisions.

While the ACCC (in civil cases) or the Commonwealth Director of Public Prosecutions ("CDPP") (in criminal cases) can grant a cartel participant immunity in exchange for cooperation, this is not an option in the context of patent settlement. Any immunity could only come after the fact of settlement so at least one party to the settlement will be exposed to potential civil or criminal liability for cartel conduct. Further, the likely outcome of any civil proceeding commenced by the ACCC, or criminal proceeding commenced by the CDPP, is the unravelling of the settlement agreement.

As discussed above, the anti-overlap provision in s.45AR of the CCA provides incentive for parties to patent settlement and licensing agreements to avoid the per se cartel prohibitions by framing their agreement to fall squarely within the definitions of exclusive dealing in s.47(2)–(9) of the CCA and, in order to avoid the prohibition on exclusive dealing, endeavouring to ensure the agreement is not anti-competitive, applying the "without and without" test.

Further, in the case of exclusive dealing, s.93(1)(b) of the CCA provides a mechanism for notifying the ACCC of the conduct and thereby obtaining protection from legal action commencing on the date a valid notification is lodged (e.g., to avoid litigation being commenced on the basis that the exclusive dealing is anti-competitive). That said, the ACCC will assess any notification under s.93(3) by first asking whether the notified conduct has the purpose, effect or likely effect of substantially lessening competition and, if so, assessing the notified conduct by reference to the same criteria as for an authorisation under s.88, being whether, in all the circumstances, the notified conduct results in a likely public benefit which would outweigh the likely public detriment (i.e., a time-consuming and difficult path).

Another option is to seek the ACCC's authorisation under s.88 of the CCA as a condition precedent to entry into a settlement agreement. For the reasons discussed above, and as shown by the recent case study of Juno, Natco and Celgene, applying for authorisation is time-consuming, costly and unlikely to be fruitful. If the ACCC refuses to authorise a patent settlement and licence agreement, the parties have one of three choices. They may enter into a settlement and licence agreement irrespective of the ACCC's refusal to authorise the conduct. Of course, in doing so, the parties risk being prosecuted for contravening Part IV of the CCA. The parties may instead reach a settlement that does not include a licence component or otherwise risk contravening Part IV of the CCA. Finally, parties can litigate the patent dispute to conclusion.

One criticism of an ACCC authorisation being refused in the litigation settlement context is that it seems to be at odds with modern litigation policy. Where authorisation is refused, for example, it creates a potential barrier to the settlement of litigation and places the burden of resolving disputes squarely on the courts. It is difficult to conceive of a patent settlement agreement that does not include a licence. Perhaps such an agreement would be for the proceedings to be dismissed and each party bear their own costs or an agreement for the patent to be invalidated in return for some consideration. Neither of these options appear to be satisfactory outcomes for these types of cases. It may be that the ACCC would like more patents to be tested in Australian courts than they have been in the past. There are obvious economic benefits associated with patent invalidity, including that invalidation should lead to increased supply of generics and lower prices.

In any event, parties to patent litigation would do well to read the ACCC's Draft Determination in the Juno, Natco, and Celgene matter. It is clear from that example that the parties to an application for authorisation face a difficulty: they are adversarial parties in litigation but in an authorisation context they may need to collectively provide the ACCC with information (including information on the perceived strength of the patents, prospects of success in the litigation, and so on) on a non-confidential basis. The information needs to be non-confidential to enable the ACCC to make public inquiries and speak to stakeholders about it. There is, therefore, inherent in the application for authorisation of a patent settlement and licence agreement a significant risk that trial strategy and critical information may find its way into the hands of an opponent.

1 Barristers, 5 Wentworth Chambers, Sydney.

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DABUS Down Under – AI at Work in Australia and Around the World

Dr Claire Gregg* and Professor Ryan Abbott**

Abstract

For many, thoughts of artificial intelligence ("AI") conjure Hollywood-esque images of once subservient robots taking revenge on their human masters and attempting to take over the world. In reality, AI has made a number of much more positive contributions to society, from medical diagnostics to autonomous vehicles to the creation of artistic works. While AI is not taking over the world any time soon, it is taking the world of innovation by storm and intellectual property law is struggling to keep up. For the last several years, the Artificial Inventor Project ("AIP")[1] has shone a light on the inadequacies of the IP system in dealing with AI-generated inventions, as patent offices and courts around the world grapple with the concept of AI inventors within current legislative frameworks.

Introduction

What a difference a year makes. On 30 July 2021, the Federal Court of Australia became the first (and remains the only) court worldwide to decide that an AI can be named as an inventor on a patent.[2] While the issue before the Federal Court was one of statutory interpretation, Beach J's decision recognised the broader significance of AI to the present and future of innovation and displayed a level of pragmatism so far unseen as the AIP saga unfolds globally.

However, on 13 April 2022, an enlarged five-judge bench of the Federal Court unanimously overturned the decision at first instance, finding that only a natural person can be an inventor under Australian law, and therefore that an invention conceived solely by AI (an AI-generated invention) could not receive patent protection.[3] Although the Full Court of the Federal Court recognised the urgency for lawmakers to consider the questions raised by AI in the context of patent law, it did not consider the legislation as currently drafted to be open to an interpretation that encompasses AI within the term "inventor".

The High Court of Australia has now been asked to weigh in, with an application for special leave to appeal the Full Court's decision filed on 16 May 2022. In the meantime, the AIP, led by Professor Ryan Abbott, continues to strive for protection of AI-generated inventions around the world and, more broadly, legal reform that recognises the increasingly important role of AI in technological and societal advancement. The AIP is also challenging the US Copyright Office's Human Authorship Requirement, which prohibits copyright protection of an AI-generated work.[4]

The AI known as DABUS

DABUS (the Device for the Autonomous Bootstrapping of Unified Sentience) is an AI system designed, created and owned by Dr Stephen Thaler. DABUS, itself an invention the subject of several patents,[5] operates by employing a sophisticated array of interconnected artificial neural networks to mimic aspects of human brain function.

DABUS autonomously conceived of two inventions – a beverage container based on fractal geometry ("fractal container") and a flashing light beacon for attracting attention in an emergency ("neural flame") – which it identified as being novel and salient. Dr Thaler has published detailed technical explanations of how DABUS functions and generated those inventions.[6] Relevantly, while DABUS received training in general knowledge in the relevant fields, it was neither directed towards nor trained to solve the specific problems of the fractal container or neural flame inventions. Moreover, Dr Thaler did not possess expertise in the relevant fields and does not seek to claim any rights as an inventor. However, Dr Thaler asserts ownership rights over the output of DABUS as its creator and owner under the common law principles of accession and first possession.

The AIP

The AIP's campaign for the protection of AI-generated inventions began with the filing of applications for the fractal container[7] and neural flame[8] inventions in the UK and Europe. Those applications, which named Dr Thaler as the applicant but did not initially list an inventor,[9] underwent preliminary examination before the UK Intellectual Property Office ("UKIPO") and the European Patent Office ("EPO"). However, when the applications were subsequently updated to list an AI as the inventor, the applications were rejected by the UKIPO and the EPO for failing to identify a human inventor.

Complete applications were ultimately filed in 17 jurisdictions naming Dr Thaler as the applicant and

DABUS as the inventor: Australia, Brazil, Canada, China, Europe, Germany, India, Israel, Japan, New Zealand, Republic of Korea, Saudi Arabia, South Africa, Switzerland, Taiwan, the United Kingdom and the United States. Many of those applications were national phase entries of a *Patent Cooperation Treaty* ("PCT")[10] application directed to both the fractal container and neural flame inventions and claiming priority from the two European applications.[11]

Recent AIP developments

Developments in relation to the AIP as at July 2021 were discussed in Issue 125 (September 2021) of *Intellectual Property Forum.*[12] Since that time, there have been notable developments from around the world.

United States

On 2 September 2021, the District Court for the Eastern District of Virginia affirmed a decision by the United States Patent and Trademark Office ("USPTO") that an inventor – defined in 35 USC § 100(f) as "the individual or, if a joint invention, the individuals collectively who invented or discovered the subject matter of the invention" – must be a natural person.[13] In that regard, the Court relied on the Dictionary Act,[14] as well as the use of personal pronouns before the term "individual" in the US Code, to conclude **that** Congress intended that term to have its "typical use". While the Court acknowledged "there may come a time when artificial intelligence reaches a level of sophistication such that it might satisfy accepted meanings of inventorship", it did not believe that time has yet arrived. That was despite the USPTO not disputing as a factual matter that DABUS, and no natural person, had invented the claimed subject matter. In any case, the Court considered it a matter for Congress to decide how inventive AI would be dealt with under patent law. This decision has been appealed to the Court of Appeals for the Federal Circuit, with oral arguments having taken place on 6 June 2022.[15]

United Kingdom

On 21 September 2021, a 2:1 majority of the England and Wales Court of Appeal upheld the England and Wales High Court's decision that only a natural person can be named as an inventor on a patent and a machine is not capable of transferring rights.[16] The majority also held Dr Thaler's ownership of DABUS was insufficient to establish derivation of title to the claimed inventions, and that there was no rule of law in the UK that "a new intangible produced by existing tangible property is the property of the owner of the tangible property".[17] The UK Supreme Court has recently accepted an application for special leave to appeal the Court of Appeal's decision.

Interestingly, while Lord Justice Birss agreed with the majority that the *Patents Act* 1977 (UK) ("UK Patents Act") as drafted requires an "inventor" to be a natural person, his Lordship did not see the fact that the creator of an invention is a machine as an impediment to grant of a patent.[18] In particular, his Lordship did not interpret the relevant sections of the UK Patents Act as necessitating an enquiry into whether a named inventor *actually* meets the requirement for inventorship or whether an applicant who is not an inventor is *legally* entitled to the invention. Rather, according to Birss LJ, the requirement to name an inventor on a UK patent application was satisfied where the applicant names who they genuinely believe to be the inventor,[19] and a statement of how title is believed to be derived is sufficient to establish the applicant's right to be granted a patent.[20]

Europe

On 21 December 2021, the EPO Legal Board of Appeal dismissed an appeal by Dr Thaler against a decision of the EPO Receiving Section.21 The decision, which was not published until 5 July 2022 (although it was the subject of discussion in a one-day conference hosted by the EPO on the case and inventorship under the EPC on 16 May 2022)22 found that an "inventor" within the meaning of Article 81 of the *European Patent Convention* ("EPC")23 must be a person with legal capacity.24 The Board also rejected an auxiliary request filed by Dr Thaler in which no inventor was identified but which specified that a natural person had the right to grant of a European patent by virtue of being the owner and creator of DABUS.25 In that regard, the Board agreed with the finding of the Receiving Section that a machine is not capable of transferring any rights and thus Dr Thaler could not be DABUS's successor in title within the meaning of Article 81 of the EPC.

The Board did, however, state that it "is not aware of any case law which would prevent the user or the owner of a device involved in an inventive activity to designate himself as inventor under European patent law", and that an applicant may report an invention is AI-generated in the specification.[26] However, while that approach may solve the problem of lack of patentability, it is inconsistent with jurisdictions such as the US and UK where the inventor must have "conceived" of or "devised" the invention, respectively – not just be someone who owns a computer. It is also unclear how inventorship would be determined where the user and owner of a device are different persons or groups of persons.

A pending divisional will allow the case to proceed on that basis, namely, that the owner of the inventive AI is listed as the inventor, and the AI is designated as having invented the subject matter in the specification.[27]

Germany

On 31 March 2022, the German Federal Patent Court handed down a decision that adopted a similar solution to the EPO Legal Board of Appeal for dealing with the formality requirements for grant of a patent for an AI-generated invention.[28] While the Court was not prepared to

interpret the term "inventor" as used in the *German Patent Act* in a manner that extended to non-humans in the context of the existing legislative framework, it recognised that the obligation to truthfully designate the inventor was at odds with the entitlement of Dr Thaler to grant of a patent as the owner of DABUS. In recognition of that dilemma, the Court acknowledged that designation of the inventor as "Stephen L. Thaler, PhD who prompted the artificial intelligence DABUS to create the invention" – one of several options put forward by the AIP team – would be allowable, and that an applicant could note that an invention is AI-generated in the patent specification. The German Patent Office is now appealing this decision.

New Zealand

On 31 January 2022, the New Zealand Patent Office found the application for grant of a patent by Dr Thaler to be void on the basis that it did not identify a natural person as the inventor.[29] In particular, the Assistant Commissioner of Patents considered the application did not comply with s.22(1) of the *Patents Act* 2013 (NZ) ("NZ Patents Act"), which provides a patent for an invention may only be granted to a person who:

> *(a) is the inventor; or*
>
> *(b) derives title to the invention from the inventor; or*
>
> *(c) is the personal representative of a deceased person mentioned in paragraph (a) or (b).*

The NZ Patents Act includes a definition of the term "inventor" as meaning "the actual deviser of the invention".[30] While there is no reference to natural persons in that definition, the Assistant Commissioner nonetheless considered it "intrinsic to the proper construction of the [NZ Patents] Act" that the inventor be a natural person.[31] Even if DABUS could be regarded as an inventor, the Assistant Commissioner was not satisfied Dr Thaler appropriately derived title to the invention from DABUS because, as a non-human, DABUS was not capable of holding title in the first place. This decision has been appealed to the High Court of New Zealand.

Other developments

Elsewhere around the world, on 19 August 2021, the Intellectual Property and Commercial Court ("IPCC") of Taiwan upheld a decision of the Taiwanese Patent Office that an inventor must be a natural person.[32] Dr Thaler's application has also been rejected by the Korean Patent Office and Israeli Patent Office, and the Indian Patent Office recently issued a first examination report in which it stated that the application could not proceed because it does not name a person as an inventor. The decisions of the Taiwanese IPCC and Korean and Israeli Patent Offices have each been appealed.

To date, South Africa remains the only jurisdiction to grant a patent naming DABUS as an inventor.[33] While South Africa does not conduct substantive examination, the application passed the necessary formalities requirements for grant of a patent in that jurisdiction. In addition, the application had successfully completed preliminary substantive examination before the UKIPO.

In related news, the AIP has launched a challenge against the US Copyright Office, which refused an application to register an AI-Generated Artwork. On 14 February 2022, the Copyright Review Board affirmed the refusal to register the copyright claim in the artwork because "human authorship is a prerequisite to copyright protection in the United States".[34] An appeal has now been filed against the Copyright Office in the US District Court for the District of Washington DC.[35]

DABUS Down Under

The decision by the Federal Court of Australia to recognise AI an inventor was a significant victory for the AIP and a seminal moment for owners and users of inventive AI. In Beach J's own words, to hold that AI can be inventor under the *Patents Act* 1990 (Cth) ("Australian Patents Act") "reflects the reality in terms of many otherwise patentable inventions where it cannot sensibly be said that a human is the inventor".[36] Further, in a significant departure from the findings to date in other jurisdictions, his Honour also considered there to be a prima facie case that Dr Thaler derives title to the invention by virtue of his possession of DABUS, ownership of the copyright in DABUS' source code, and his ownership and possession of the computer on which DABUS operates.[37] It was disappointing when that decision was overturned by the Full Court. If the High Court decides not to accept the special leave application, it will result in a legal framework that disincentivises the use of inventive AI in R&D.[38]

Legal framework

A formal requirement for PCT applications entering the national phase in Australia is that they must "provide the name of the inventor of the invention to which the application relates".[39] The naming of an inventor "is required to ensure that the entitlement of the applicant to be granted a patent is clear".[40] In that regard, subsection 15(1) of the Australian Patents Act provides that a patent may be granted to a person who:

> *(a) is the inventor; or*
>
> *(b) would, on the grant of a patent for the invention, be entitled to have the patent assigned to the person; or*
>
> *(c) derives title to the invention from the inventor or a person mentioned in paragraph (b); or*
>
> *(d) is the legal representative of a deceased person mentioned in paragraph (a), (b) or (c).*

The Australian Patents Act does not provide a definition of "inventor". However, an inventor is generally recognised as

a material contributor to the conception of the invention as described in the specification and the subject of the claims.[41]

Full Court decision

In determining that an inventor must be a natural person, much of the Full Court's consideration was directed to the historic use and meaning of the terms "inventor" and "invention". The Australian Patents Act defines an "invention" as "any manner of new manufacture the subject of letters patent and grant of privilege within section 6 of the Statute of Monopolies, and includes an alleged invention".[42] As such, the Full Court used the Statute of Monopolies (1623) as its starting point, which provided an exemption to the prohibition on the grant of patent monopolies for the "true and first inventors" of any new manner of manufacture.[43]

According to the authorities cited by the Full Court, identification of the "true and first inventor" is important because patents are granted as a reward for the ingenuity of such inventors, and that reward is a critical part of the bargain at the heart of the patent system (the other being an enabling disclosure of the invention to the public).[44] Since it is the inventor's invention that warrants the grant of a patent, and the disclosure of a patent is based on representations made by the inventor, the Full Court had difficulty reconciling non-human inventors with the ground of revocation on the basis that the patent was obtained by fraud, false suggestion or misrepresentation.[45]

The Full Court also reviewed the legislative scheme relating to entitlement to apply for a patent, which was historically predicated upon the existence of an "actual inventor" with a legal personality.[46] The role of the inventor was, according to the Full Court, not intended to change with the introduction of the present Australian Patents Act and bears its ordinary English meaning, being "the person who makes or devises the process or product".[47]

While the Full Court acknowledged that none of the cases or legislative history to which it referred definitively mean that an inventor must be a person, it nonetheless considered those materials proceeded on the assumption that the inventor is a natural person.[48] In reaching that conclusion, the Full Court also referred to the High Court's decision in *D'Arcy v Myriad Genetics Inc* [2015] HCA 35; 258 CLR 334 ("D'Arcy"), in which claims to isolated (naturally occurring) nucleic acid sequences were not considered patentable because they were not made by "human action".[49] The reference to human action was considered deliberate and indicative that human agency is a necessary requirement of invention, and that the origin of entitlement lies in human endeavour.[50]

As to the issue of Dr Thaler's entitlement to the output of his AI, the Full Court considered it to be plain from the judicial history that "the law relating to the entitlement of a person to the grant of a patent is premised upon an invention for the purposes of the Patents Act arising from the mind of a natural person or persons".[51] As such, a natural reading of s.15(1) required entitlement in the circumstances set out in paragraphs (b)–(d) to ultimately flow from the inventor defined in paragraph (a).[52]

Having found that AI cannot be an inventor, the Full Court did not consider it necessary to comment in detail on how Dr Thaler *could* derive title from DABUS. However, it agreed with the Commissioner of Patents that, without a legal identity, DABUS cannot give effect to an assignment as required under s.15(1)(b).[53] Further, in relation to s.15(1)(c), the Full Court merely noted it is doubtful Parliament intended for a different meaning to be ascribed to "inventor" in paragraphs (a) and (c).[54] To do so was said to be inconsistent with the evolution of the legislative scheme and would fail to give the section a natural reading.

The evolving nature of patent law

As science and technology evolves, so too does patent law. That is apparent from the evolution of the concept of "manner of manufacture" (patentable subject matter) in Australia, which harks back to 1623 and the Statute of Monopolies[55] and remains enshrined in s.18(1)(a) of the Australian Patents Act. The High Court has repeatedly acknowledged that "a widening conception of a manner of new manufacture has been a characteristic of the growth of patent law".[56] In particular, the plurality in *D'Arcy* considered that widening conception to be "a necessary feature of the development of patent law in the 20th and 21st centuries as scientific discoveries inspire new technologies which may fall on or outside the boundaries of patentability set by the case law which predated their emergence".[57]

It is interesting that the Full Court sought to rely on the plurality judgment in *D'Arcy* in finding that the act of inventing must involve human agency. *D'Arcy* was not concerned with inventorship, let alone AI inventorship, but with patentable subject matter. Further, *National Research Development Corporation v Commissioner of Patents* [1959] HCA 67; (1959) 102 CLR 252 ("*NRDC*"), which remains the starting point for the assessment of manner of manufacture, [58] says nothing about human action.[59] What critically emerges from *D'Arcy* and *NRDC* is that an invention must be an artificially created state of affairs, i.e., something must have been "made", in order to be patentable. An inventor, on the other hand, need not actually "make" anything – they must materially contribute to the inventive concept underlying the invention but not necessarily to its reduction to practice. Indeed, patents have been granted for inventions that are entirely reduced to practice by machines, for example, in the case of 3D printed products. Thus, it is far more likely that the reference to human action in *D'Arcy* was merely incidental than a deliberate commentary on how inventorship ought to be determined.

With reference to *D'Arcy*, Beach J considered the concept of "inventor" should be treated in "an analogously flexible and evolutionary way" to the concept of manner of manufacture so as to avoid a situation where a patent is denied for an otherwise patentable invention because the inventor is not a natural person.[60] That, his Honour said, would be the antithesis of the object of the Australian Patents Act.[61] Indeed, the concept of "inventor" has been treated with a good degree of flexibility throughout the years. As the Full Court noted, the term "true and first inventor" as used in the Statute of Monopolies was extended over time to encompass persons who imported the invention from abroad in recognition of the associated dangers, and that usage has since fallen away with the introduction of various Patents Acts.[62] The law has also evolved such that persons other than the inventor can be granted a patent. For example, with the implementation of the *Patents Act* 1903 (Cth) inventors could assign the right to be granted a patent in Australia.

The meaning of the word "person" as used in legislation has also been extended over time to include bodies politic or corporate as well as individuals, except where there is a contrary intention.[63] The Full Court was of the view that such a contrary intention existed in relation to s.15(1)(a), such that a single instance the word "person" in the preamble of s.15(1) is afforded a narrower meaning when used in relation to paragraph (a) than when it is used in relation to paragraphs (b)–(d).[64] The Full Court was not, however, prepared to accept that the meaning of the word "inventor" when used in paragraphs (b)–(d) could be broader than when it is used in paragraph (a).[65]

A more satisfactory, straightforward and sensible outcome arises when paragraphs (a)–(d) are read as alternatives (as their separation by the word "or" indicates). As Beach J explained in relation to paragraph (b), Dr Thaler could be entitled to have a patent on the invention assigned to him without a formal assignment instrument, citing examples such as employees or contractors who invent in the course of their employment or in the case of a third party who misappropriates the invention.[66] In relation to paragraph (c), Beach J noted that "title can be derived from the inventor notwithstanding that it vests ab initio other than in the inventor. That is, there is no need for the inventor ever to have owned the invention, and there is no need for title to be derived by an assignment".[67]

As other patent offices and courts agreed, the Full Court did not consider AI was intended to be encompassed within the meaning of "inventor" when the legislation was drafted. However, the Full Court also acknowledged that until now patent law has not been confronted with the question of whether an inventor can be other than a natural person.[68] As the German Federal Patent Court recognised, it cannot be assumed that the legislature intended to exclude AI-generated inventions from patent protection; it should rather be assumed that the legislature simply did not foresee the possibly.[69] There is an important distinction between lawmakers considering and rejecting the concept of AI inventorship (of which there is no evidence) and it simply not being contemplated. In other words, it wasn't intended that the term "inventor" *not* include something other than a natural person; without considering the possibility it was not possible for the legislature to form such an intention.[70] In a similar sense, claims directed to isolated (naturally occurring) nucleic acid sequences were not specifically contemplated when s.18(1)(a) was drafted but the law was interpreted to deal with that situation based on the underlying purpose of the patent system (notably taking into account policy considerations).[71] As the German Federal Patent Court acknowledged, "The term 'inventor' must always be reinterpreted in the light of the technical progress, which, ultimately, is the task of the courts".[72]

Much like the concepts of manner of manufacture, personhood and inventorship have been reinterpreted over time, so too can other patent law concepts such as inventive step (non-obviousness) and the skilled person be re-calibrated to account for AI inventors. The reality is that skilled workers are increasingly aided by machines, and that aid will continue to increase over time to the point where a number of traditionally human functions will be replaced by inventive machines. The inventive step threshold should be adjusted to reflect that reality; to do otherwise would result in a system where the ordinary skilled worker is routinely generating patentable output and an obviousness threshold that stifles rather than promotes innovation.[73]

Policy considerations

While the Full Court did not consider the case law or the Australian Patents Act and its underlying policy supported a conclusion that an "inventor" can be anything other than a natural person, it nonetheless appreciated the imperative for policy makers to address the issue "with some urgency".[74] However, notably lacking from the Full Court's consideration of the policy underlying the Australian Patents Act was any engagement with the recently included object statement, which states:[75]

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

That statement invites the courts to factor policy into the task of statutory construction, which is permissible to the extent that it is consistent with the legislative text.[76] In that respect, it is consistent with the object of the Australian Patents Act "to construe the term 'inventor' in a manner that promotes technological innovation and the publication

and dissemination of such innovation by rewarding it, irrespective of whether the innovation is made by a human or not".[77]

Denying patent protection for commercially valuable inventions on the basis that there is no human inventor would discourage investment in inventive AI, thus ultimately inhibiting innovation. It would also disincentivise disclosure of AI-generated inventions, which AI users would be encouraged to instead protect as trade secrets. It would also discourage the investments needed to transform inventions into commercial products, which are particularly critical in the life sciences, for instance with new drug development. By contrast, recognising AI as a category of inventor under patent law would promote all the goals of the patent system, such as incentivising innovation, promoting public disclosure and encouraging commercialisation of new products, all with net social gains.

Recognition of AI as an inventor would also ensure the public is correctly informed about the true deviser of an invention and reduce the likelihood of individuals listing themselves as inventors without having contributed to the conception of the invention in order to obtain a patent. Listing such individuals as inventors would be problematic not only because they would be taking credit for work they have not done, but because it could also render the patent invalid or unenforceable and, in some jurisdictions such as the US, possibly even lead to criminal charges. For example, in Australia, if an invention is otherwise patentable but for it having a non-human inventor, listing a person who does not fit the definition of an inventor in order to obtain a patent could lead to a revocation challenge on the ground that the patent was obtained by fraud, false suggestion or misrepresentation.[78] Interestingly, the Full Court expressed concern about how that ground of revocation might operate in cases where the inventor is not a human. However, it is unclear where the difficulty would lie in assessing fraud, false suggestion or misrepresentation under the current legal framework since it is the conduct of the *patentee* that is in question, and patentees need not be natural persons.

The AIP has now applied for special leave to appeal the Full Court's decision. Given the public importance of the question of law the High Court is being asked to consider, the divergent decisions reached by the primary judge and full bench of the Federal Court, and the injustice that would result if owners of inventive AI are denied patents for otherwise patentable inventions, it is hoped that the High Court will be minded to hear Dr Thaler's case.[79] It is also encouraging that the High Court has not shied away from factoring policy into its deliberations in recent history. Therefore, if the High Court does decide to hear the case, it is also hoped it will be more willing to engage with the issues and adopt a more purposive approach than the Full Court.

Where to next?

It is important for both lawmakers and courts to deal with the core issues of AI inventorship in a manner that recognises the societal, political and economic factors underpinning AI-generated inventions. In recognition of the ever-increasing role of AI in innovation, a number of countries/regions have implemented AI policies and frameworks to support the development of AI and establish global leadership in the field, including Canada, China, Denmark, the EU Commission, Finland, France, India, Italy, Japan, Mexico, the Nordic-Baltic region, Singapore, South Korea, Taiwan, the UAE, the UK and the US.[80]

In June 2021, the Australian Government released its "AI Action Plan", which contains a number of focus areas, including developing and adopting AI to transform Australian businesses, growing and attracting the world's best AI talent, using AI to solve national challenges and global leadership in responsible and inclusive AI.[81] However, despite key goals of the AI Action Plan being job creation, economic recovery and other social benefits, there is a distinct lack of focus on the nexus between AI and IP.

In contrast, the UK's "National AI Strategy", released in September 2021, promised to launch a consultation on copyright and patents for AI, which the UKIPO conducted from October 2021 to January 2022. The consultation addressed three main issues: AI-generated inventions and patents, AI-generated works and copyright, and text and data mining exceptions to copyright infringement. Ultimately, in response to the consultation, the UK Government proposes:[82]

(1) a broad copyright exception for text and data mining including for commercial uses and without the ability to opt out (a notably more expansive exception than that provided by the EU),

(2) that the UK retain its current framework for allowing copyright on AI-generated works, and

(3) that there be no changes to the patent framework at the present time.

The consultation, the second of its kind by the UKIPO, is a clear acknowledgment by the UK Government of the importance of AI to innovation and indicates a clear intention to deal with the issues it raises in the context of IP law.[83] While it is unfortunate that the consultation did not endorse protection of AI-generated inventions, it is promising that it maintained the framework for AI-generated works and promised to continue to monitor the situation with patents as AI functionality and adoption continues to grow.[84]

The Korean Intellectual Property Office has also called for an advisory committee of experts to discuss the issues surrounding AI-generated inventions.[85] Meanwhile, a Parliamentary Standing Committee Report issued by the

Indian Government has recommended that a separate category of rights for AI and AI-related inventions and solutions be created in recognition that "the condition to have a human inventor for innovating computer related inventions (innovations by AI and machine learning) hinders the patenting of AI induced innovations in India".[86]

The World Intellectual Property Organisation ("WIPO") is also leading discussions around AI and IP. WIPO has held a series of sessions of the "WIPO Conversation on IP and Frontier Technologies" involving discussions between IP stakeholders from its Member States, prepared issue papers on IP policy and AI, and conducted public consultations to "help define the most-pressing questions likely to face IP policy makers as AI increases in importance".[87] A number of those questions relate to inventorship and ownership of AI-generated inventions. In addition, the IP5 Offices set up a task force in conjunction with WIPO to coordinate initiatives in the areas of new emerging technologies ("NET") and AI.[88] The task force has developed a roadmap intended to serve as blueprint for "joint endeavours to harness NET/AI capabilities in support of their patent grant processes and provide transparency in their patent practices and predictability of patent prosecution for their users".[89]

These conversations and initiatives are important for the future of AI and IP. Meanwhile, as the law struggles to catch up with technology, the AIP continues to push for protection of AI-generated inventions under current legal frameworks.

Conclusion

The AIP has highlighted that current patent systems are ill-equipped to deal with AI-generated inventions, as well as the problems associated with applying antiquated concepts of inventorship and other patent law concepts. To recognise the inventive contributions of AI, both in terms of inventorship and inventiveness, would avoid creating a patent system in which otherwise patentable inventions but for the lack of a human inventor are denied protection while low-level innovations that would be obvious but for the skilled person standard being limited to non-inventive human workers are afforded protection. Accordingly, there is an urgent need for law- and policymakers to update legislation and re-evaluate patent law concepts in view of the present and future realities of AI.

1 * BTech (Forensic & Analytical Chemistry), BSc (Hons), Ph.D. (Flinders University); MIP (University of Technology, Sydney); GradDipPsych (Monash University); Patent Attorney and Senior Associate at Davies Collison Cave.

** Professor of Law and Health Sciences at University of Surrey School of Law; Adjunct Assistant Professor of Medicine at the David Geffen School of Medicine at University of California, Los Angeles; Partner at Brown, Neri, Smith & Khan, LLP. <www.ryanabbott.com>.

See *Artificial Inventor Project* (Website) <https://artificialinventor.com/>.

2 *Thaler v Commissioner of Patents* [2021] FCA 879.

3 *Commissioner of Patents v Thaler* [2022] FCAFC 62.

4 *Thaler v. Perlmutter*, 1:22-cv-01564 U.S. District Court for the District of Washington, D.C.

5 See, e.g., US 10,423,875.

6 See, e.g., Stephen Thaler, "Vast Topological Learning and Sentient AGI" (2021) 8(1) *Journal of Artificial Intelligence and Consciousness* 81.

7 GB 1816909.4 and EP 18275163.6, filed 17 October 2018.

8 GB 1818161.0 and EP 18275174.3, filed 7 November 2018.

9 As it was not necessary to do so until 18 months from the filing date in both jurisdictions.

10 *Patent Cooperation Treaty*, opened for signature 19 June 1970, 1160 UNTS 231 (entered into force 24 January 1978).

11 PCT/IB2019/057809 filed 17 September 2019.

12 Ryan Abbott, Rita Matulionyte and Paul Nolan, 'A Brief Analysis of DABUS, Artificial Intelligence, and the Future of Patent Law' (2021) 125 (September) *Intellectual Property Forum* 10.

13 *Thaler v. Hirshfeld*, No. 1:20-cv-903 (LMB/TCB), 2021 EL 3934802 (E.D. Va. Sept. 2, 2021).

14 1 USC § 8(a) provides: "In determining the meaning of any Act of Congress, or of any ruling, regulation, or interpretation of the various administrative bureaus and agencies of the United States, the words "person", "human being", "child", and "individual", shall include every infant member of the species homo sapiens who is born alive at any stage of development."

15 United States Court of Appeals for the Federal Circuit, 2021–2347: Thaler v. Vidal <https://cafc.uscourts.gov/06-06-2022-2021-2347-thaler-v-vidal-audio-uploaded/>.

16 *Thaler v Comptroller General Of Patents Trade Marks And Designs* [2021] EWCA Civ 1374.

17 *Thaler v Comptroller General Of Patents Trade Marks And Designs* [2021] EWCA Civ 1374, [137].

18 *Thaler v Comptroller General Of Patents Trade Marks And Designs* [2021] EWCA Civ 1374, [97].

19 *Thaler v Comptroller General Of Patents Trade Marks And Designs* [2021] EWCA Civ 1374, [58]–[60].

20 *Thaler v Comptroller General Of Patents Trade Marks And Designs* [2021] EWCA Civ 1374, [83].

21 European Patent Office, 'Press Communiqué on decisions J 8/20 and J 9/20 of the Legal Board of Appeal' (Web Page, 21 December 2021) <https://www.epo.org/law-practice/case-law-appeals/communications/2021/20211221.html>.

22 European Patent Office, 'Inventorship in patent law' (Web Page, 16 May 2022) <epo.org/news-events/events/conferences/inventorshipconference2022.html>.

23 *Convention on the Grant of European Patents*, opened for signature 5 October 1973, 1065 UNTS 199 (entered into force 7 October 1977) ("EPC").

24 European Patent Office Technical Board of Appeal decision J 8/20, 4.3.1; Article 81 EPC states "The European patent application shall designate the inventor. If the applicant is not the inventor or is not the sole inventor, the designation shall contain a statement indicating the origin of the right to the European patent".

25 European Patent Office Technical Board of Appeal decision J 8/20, 4.4.

26 European Patent Office Technical Board of Appeal decision J 8/20, 4.6.6.

27 Application Number 21216024.6.

28 11 W (pat) 5/21, 'Food Container'; unofficial English translation available at <https://www.linkedin.com/posts/malte-k%C3%B6llner-41838b22_dabus-decision-bpatg-english-translation-activity-6918193479516864513-drM_/>.

29 *Stephen L. Thaler* [2022] NZIPOPAT 2.

30 *Patents Act 2013* (NZ) s.5.

31 *Stephen L. Thaler* [2022] NZIPOPAT 2, [2].

32 *Thaler v. Taiwan IP Office (TIPO)*, 110 Xing Zhuan Su 3, Taiwan's IPC Court.

33 ZA2021/03242.

34 United States Copyright Office Copyright Review Board, Correspondence ID 1-3ZPC6C3; SR # 1-7100387071.

35 See PacerMonitor, *'THALER v. PERLMUTTER et al'* (Web Page) <https://www.pacermonitor.com/public/case/44763624/THALER_v_PERLMUTTER_et_al>.

36 *Thaler v Commissioner of Patents* [2021] FCA 879, [10].

37 *haler v Commissioner of Patents* [2021] FCA 879, [193].

38 Alexandra George and Toby Walsh, 'Artificial intelligence is breaking patent law' (2021) 605 *Nature* 616 <https://www.nature.com/articles/d41586-022-01391-x?utm_source=Nature+Briefing&utm_campaign=060f541601-briefing-dy-20220524&utm_medium=email&utm_term=0_c9dfd39373-060f541601-43534617#ref-CR1>.

39 *Patents Regulations 1991* (Cth) reg. 3.2C(2)(aa).

40 Explanatory Statement to Select Legislative Instrument No. 88, 2015.

41 *Vehicle Monitoring Systems v SARB Management Group Pty Ltd* [2021] FCAFC 224, [52]; *Polwood Pty Ltd v Foxworth Pty Ltd* [2008] FCAFC9; 165 FCR 527, [59]–[66] (Finn, Bennett and Greenwood JJ); *University of Western Australia v Gray (No 20)* [2008] FCA 498; 76 IPR 222, [1443] (French J) and upheld on appeal in *University of Western Australia v Gray* [2009] FCAFC 116; 179 FCR 346, [221] and [263] (Lindgren, Finn and Bennett JJ); and *Kafataris v Davis* [2016] FCAFC 134; 120 IPR 206, [62] and [65] (Greenwood, Middleton and McKerracher JJ).

42 *Patents Act* 1990 (Cth) Schedule 1.

43 *Commissioner of Patents v Thaler* [2022] FCAFC 62, [86]; Statute of Monopolies *1623* (*21 Jac 1 c 3*) s.6.

44 *Commissioner of Patents v Thaler* [2022] FCAFC 62, [86]–[88].

45 *Commissioner of Patents v Thaler* [2022] FCAFC 62, [86]–[93]; the ground of revocation on the basis that the patent was obtained by fraud, false suggestion or misrepresentation can be found in the *Patents Act* 1990 (Cth) s.138(3)(d).

46 *Commissioner of Patents v Thaler* [2022] FCAFC 62, [94]–[98].

47 *Commissioner of Patents v Thaler* [2022] FCAFC 62, [100], citing *JMVB Enterprises* at [71]–[72]; *Atlantis Corporation v Schindler* [1997] FCA 1105; 39 IPR 29, 54 (Wilcox and Lindgren JJ).

48 *Commissioner of Patents v Thaler* [2022] FCAFC 62, [115].

49 *Commissioner of Patents v Thaler* [2022] FCAFC 62, [116].

50 *Commissioner of Patents v Thaler* [2022] FCAFC 62, [116].

51 *Commissioner of Patents v Thaler* [2022] FCAFC 62, [105].

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58 *D'Arcy v Myriad Genetics Inc* [2015] HCA 35; 258 CLR 334, [28].

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In the Eye of Which Beholder? The Suitability (or Not) of the Moral Rights Framework in an Age of Moral Tumult

Anna Klepacki[1]

Introduction

We live in morally tumultuous times. Increasingly, we are seeing contention around issues which were previously either broadly agreed upon or not even thought about; and at the same time we also see the challenging of certain established values and beliefs.

This manifests itself in many contexts and instances, and this article is not intended as a social commentary; but by way of example: "equity" is a concept which has recently been widely debated, including the question of whether this denotes (and should denote) equality of opportunity, equality of outcome, or something in between.[2] Unconscious bias – the concept itself, and the question of what we as a society should do with it – is another example of a new and relatively radical idea in present-day society;[3] the notions of "privilege" and "patriarchy" also come to mind.[4] Another is the question of gender identity and pronoun usage – what gender is, how many pronouns there are/should be, and how society should proceed in respect of these issues.[5] Numerous "social justice" and other issues besides those mentioned here, most of them new and controversial, come to the fore on a regular basis. "Meta-issues" that come out of this include "cancel culture" and the at times intense distaste for, and reluctance to abide, opposing arguments;[6] as well as the setting up of safe spaces and trigger warnings to shield people from disagreeable experiences and arguably, in the process, from open and robust debate.[7]

These are all valid discussions, but their by-product is a ruffled moral and social fabric. One only needs to look at the recent *Friends* controversy[8] to appreciate how quickly society's perception of comedy and humour has changed; at the endless Trump sagas to witness the tendency of both sides to suspend intelligent discourse in favour of ad hominem jibes at those of a different mind; and at the move by some universities to tackle "elitism" by not penalising poor spelling and grammar to generally see how quickly society's priorities and preoccupations may be changing.[9]

In this context, one wonders whether a body of law built around the notion of morality is fit for purpose in the modern-day world, where diverging ideological views are pitted against one another, often with a fair amount of acrimony and with the views themselves morphing over time as the social debate progresses. One might argue that the term "moral rights" is merely an identifier given to this area of copyright law and should not be read into. However, as discussed below, the relevant legal tests have a genuinely "moral" ring to them in that they entail at least some degree of evaluation of the ideological stance(s) underpinning one or both parties' position(s).

Even relatively recently, the moral rights doctrine in Australian and New Zealand copyright law may have been suitable and workable due to an underlying consensus about societal conventions and therefore about what is meant, generally speaking, by "morality". As contention increases, however, one wonders whether this is still the case. Is the moral rights doctrine still equipped to deliver fair, consistent and predictable results, or does it need to be shored up and modernised? If so, what are the changes that need to be made? Answering this question requires asking what the "end game" is – what are the values we wish to uphold above all others?

The general premise of this article will be that the fostering of free and robust social discourse is of paramount importance, and that the moral rights doctrine, particularly the right of integrity of authorship ("right of integrity"), should aim to ensure that, no matter how volatile the social climate, an individual's preference not to be offended or challenged does not supersede another individual's right to express in good faith a contrary view, whether by way of critique per se or in some more incidental manner. It is submitted that this is a desirable outcome regardless of one's position on the political or ideological spectrum. While such a schema might make it easier for emerging viewpoints and ideologies to be subjected to critique, it would also provide a "level playing field" for such emerging views and ensure they would not be disadvantaged by their initial lack of popularity or prevalence in the way that they arguably are under the current legislative framework.

For the purposes of the argument, this article will deal only with the right of integrity, and will assume a scenario wherein the author has not consented to the relevant use of their work (consent being a defence to infringement of moral rights).[10]

The current "moral rights" framework, in particular the "right of integrity"

The basis of Australia and New Zealand's moral rights framework is Article 6*bis*(1) of the 1971 revision of the *Berne Convention for the Protection of Literary and Artistic Works* ("*Berne Convention*"), which states:

> *Independently of the author's 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 honor or reputation.*

Parties to the *Berne Convention* – including Australia and New Zealand – must ensure their copyright legislation contains provisions giving effect to this.

Australia

Australia's moral rights provisions are contained in Part IX the *Copyright Act* 1968 (Cth) ("Australian Copyright Act"). Part IX provides, inter alia, that an author has the right not to have their work subjected to "derogatory treatment";[11] and that their right of integrity is infringed when their work is so subjected.

Sections 195AJ and 195AL define "derogatory treatment" for, respectively, literary, dramatic or musical works, and cinematograph films. In both cases, "derogatory treatment" covers:

> *(a) the doing, in relation to the work [or cinematograph film], of anything that results in a material distortion of, the mutilation of, or a material alteration to, the work [or cinematograph film] that is prejudicial to the author's [or maker's] honour or reputation; or*
>
> *(b) the doing of anything else in relation to the work [or cinematograph film] that is prejudicial to the author's [or maker's] honour or reputation.*

For artistic works (covered in s.195AK), derogatory treatment additionally covers "an exhibition in public of the work that is prejudicial to the author's honour or reputation because of the manner or place in which the exhibition occurs".

Thus, paragraph (a) of the above definition concerns acts involving modification of the work itself, while paragraph (b) is a "catch-all"[12] provision covering situations where the work itself is left intact but is, for example, used in a context that the author finds objectionable,[13] such as by giving rise to a "prejudicial association of [the] work with other material".[14]

Section 195AQ specifies what constitutes infringement of the right of integrity. Infringement can occur in a direct sense, by the accused party "subject[ing]" the work to derogatory treatment.[15] It can also occur via the accused party "authoris[ing]" the work to be subjected to derogatory treatment.[16] Infringement can also occur via the doing of specified acts in respect of a work that has been "derogatorily treated" in the sense of paragraph (a) above. The specified acts vary depending on the type of copyright work in question, but in all cases include at least "communicat[ing the work] to the public" (where "communicat[ing]" is defined in s.10 of the Australian Copyright Act as "mak[ing] available online or electronically transmit[ting]"). For works other than cinematograph films, the specified acts also include "reproduc[ing the work] in a material form" and "publish[ing the work]".[17] Infringement can also be in the form of importing[18] or commercially "dealing with"[19] an infringing article,[20] "if the person knew, or ought reasonably to have known, that the article was an infringing article or, in respect of an imported article, would, if it had been made in Australia, have been an infringing article."

Section 195AS provides a "reasonableness" defence[21] (other than in the case of importation or commercial dealing). If the accused party can show that their derogatory treatment of the work was "reasonable in all the circumstances", then it is not an infringement of the author's moral rights. Factors relevant to "reasonableness" include the nature of the work, the purpose, manner, and context in which the work was used, and any relevant trade or industry practices, among other things.[22] Thus, for example, if an instructional manual is edited to make it clearer for the end user or to suit space constraints, this will likely be a "reasonable" modification of the work.

The Australian right of integrity provisions have a number of aspects that warrant close analysis. First, and most importantly, there are question marks around the metes and bounds of the phraseology "prejudicial to the author's honour or reputation" (even taking into account the differences in the definitions of these two terms).[23] There has been commentary around this, but little in the way of case law except for *Perez v Fernandez* ("*Fernandez*").[24] The provisional expectation appears to be that Australian courts are likely to favour a relatively "objective" application of these criteria – or at least "both [a] subjective and objective assessment"[25] – that is to say, they will not place excessive weight on authors' purely subjective sensibilities although they may take these into account.[26] This is somewhat encouraging, but, as discussed below, it may not be an effective remedy for the disconnect between the right of integrity framework and the nature of modern-day social and moral discourse.

Another point about the "prejudicial to honour or reputation" criterion is that it appears to enable an allegation of derogatory treatment not only in respect of conduct affecting an author's honour or reputation *as pertains to their works (or to them as an author*), but also in respect of conduct which the author finds objectionable in some ancillary sense, having nothing to do with their works or their vocation. While links have provisionally been drawn between honour/reputation and the author's vocational milieu,[27] this is not stated in the legislation – indeed, on its plain wording, the phrase "prejudicial to the author's honour or reputation" contains no such restriction, and some commentary indicates that uses of a work "in association with a [context] that would offend against the known views of the [author]" may

qualify as derogatory treatment.[28] Some overseas cases have read in the rider "honour or reputation *as an artist*"[29] (or to put it more broadly, *as an author*), but it is by no means clear that this approach would be taken locally.

Secondly, the "reasonableness" defence is vulnerable to the same sorts of uncertainties and issues as those affecting the "prejudicial" provisions. In the absence of case law, it remains ambiguous how the reasonableness assessment will run in cases that involve or turn on the moral or ideological values of one or more of the parties. The problems with the "prejudicial" and "reasonableness" criteria are discussed further below.

Thirdly, it is notable that, while the Berne Convention wording refers to "distortion, mutilation or other modification of [the work]", implying an action done *directly to* the work, the Australian formulation refers to "the doing, in relation to the work [or cinematograph film], of anything that results in a material distortion of, the mutilation of, or a material alteration to, the work [or cinematograph film]" [emphasis added]. This is a broader formulation and gives the Australian provisions a "stratified" structure that is apt to catch more remote behaviour (and potentially the actions of more than one party).

Fourthly, there is a curious terminological/phraseology issue in the definition of "derogatory treatment", albeit partly carried over from the original Berne Convention wording. That wording refers to "distortion, mutilation or other modification of, or other derogatory action". This arguably has the effect of conflating what are in fact qualitatively different kinds of action. "Mutilation" obviously has a built-in negative or destructive connotation about it. "Modification", in contrast, is a "neutral" word, while "distortion" can arguably be one or the other. The Berne Convention wording, in listing these acts sequentially and following with "or other derogatory action", implicitly suggests that all of these acts have a derogatory quality about them. The Australian formulation – "a material distortion of, the mutilation of, or a material alteration to" – appears to seek to avoid this. The terms "alteration" and "distortion" are prefaced with "material", seemingly recognising that not all actions of this type will fall into the "derogatory" category. "Mutilation" is not so prefaced, seemingly recognising that that term, unlike the other two, has an inherently negative (destructive) connotation. However, arguably this only partly addresses the issue and the Australian formulation still unduly groups categories of action that are qualitatively different. In this regard, New Zealand's formulation (discussed below) is arguably preferable.

As an aside, it is interesting to observe that s.195AS – the "reasonableness" section – is construed as exempting infringement, not as deeming treatment to be non-derogatory. Though this is likely an accident of legislative drafting, one can imagine how an accused party whose actions were demonstrably "reasonable in all the circumstances" might bristle at having their actions categorised as "derogatory treatment" notwithstanding a finding of no infringement under s.195AS. Arguably it would be preferable if the Australian Copyright Act provided that, where there is "reasonable[ness] in all the circumstances", the activity in question is deemed to not amount to derogatory treatment at all.

New Zealand

New Zealand's moral rights provisions in its Copyright Act 1994 ("NZ Copyright Act") are structured differently to Australia's, and follow the corresponding provisions in the UK's *Copyright, Designs and Patents Act* 1988.[30]

Section 98(1) defines "derogatory treatment" in a bifurcated fashion – first defining "treatment" as follows:

> *(c) the term treatment of a work means any addition to, deletion from, alteration to, or adaptation of the work, other than [a translation or a change of musical key or register]*

And then going on to define "derogatory" as follows:

> *(d) the treatment of a work is derogatory if, whether by distortion or mutilation of the work or otherwise, the treatment is prejudicial to the honour or reputation of the author or director[.]*

The main point to note about s.98(1) is that only "addition to, deletion from, alteration to, or adaptation of the work" qualify as "treatment" in the relevant sense. There is no "catch-all" provision covering other kinds of conduct, in contrast to Australia's provisions. This means that in New Zealand, an author likely cannot seek relief for "contextual" infringement of their right of integrity, for instance as a result of their work being used in association with a cause or position they find objectionable,[31] unless they can manage to argue that such use constitutes an "alteration" or "adaptation" of the work in spite of the work itself being left intact.

A further point about New Zealand's s.98(1) is that it delineates more neatly between, on the one hand, "neutral" acts that don't in themselves have a negative connotation (addition, deletion, alteration, adaptation), and those which have a negative association (distortion, mutilation) and are likely to be at the heart of any derogatory treatment.

Section 99 sets out the acts vis-à-vis the derogatorily-treated work the doing[32] or authorising[33] of which amount to infringement, including "communicat[ing] to the public" as well as various other acts depending on the type of copyright work. Section 99 also includes provisions covering the commercial dealing with derogatorily-treated works.[34] Unlike in Australia,[35] under New Zealand's s.99 the actual "subjecting" of the work to derogatory treatment is not itself

an infringing act; rather, it is subsequent acts in respect of the work so treated that constitute infringing acts. Under s.98(2) the author does have "the [positive] right not to have his or her work subjected to a derogatory treatment", i.e. the "right to object" to such treatment, but "subjecting" per se is not an infringing act. This is a semantic difference but an interesting one.

Section 100 contains exceptions,[36] being certain categories of work that are ineligible for moral rights protection, including computer programs, computer-generated works, typefaces, works made for the purpose of publication in a newspaper, encyclopedia, or the like, or for the purpose of reporting of current events. There is no "reasonableness" defence under New Zealand's moral rights provisions.

Problem areas

Problems with the "prejudice" and "reasonableness" tests

In the context of the issues examined in this article, the "prejudice" and "reasonableness" aspects of Australia's right of integrity framework suffer from broadly similar issues, notwithstanding that they are distinct limbs of the enquiry.

As noted above, Australia looks likely to adopt a moderately "objective" interpretation of the "prejudice to honour or reputation" test, in the sense that the author's subjective impression or perception may be factored in but will not be determinative on its own. Some suggest that the question may be a defamation-esque one framed in terms of a "substantial and respectable section of the community".[37] This may involve an enquiry as to whether the author's milieu (peers, fans, followers) would be prompted to alter their opinion of the author as a result of the conduct complained of vis-à-vis the work; and this was part of the approach taken in *Fernandez*.[38] This is promising, as it indicates that the test will not be hamstrung by an author's purely personal foibles or "hypersensitivities".[39]

However, an objective-esque test of this kind may still be an ill fit with modern social goings-on. It has certain built-in assumptions that don't necessarily reconcile with the nature of present-day social discourse. It relies on there being a notional group of persons against whose opinion a given action or situation can be assessed. This notional group has certain presumed characteristics – that they are reasonably prevalent (or at least not negligible); that they are of what would be considered decent or respectable character; and that they are, in some sense, the mainstream rather than at the fringes (though this can be mainstream in a relative sense, such as within the author's milieu). Arguably there is also a presumption that this non-negligible group, in holding a particular position or view, does so because that view has been socially vetted and tested, i.e. is in some sense established and is something other than a mere fleeting notion or feeling.

But today's social and moral discourse has more "moving parts" than that and is more complex and multifaceted. Viewpoints can be promulgated which are "radical" or "revolutionary", in the sense of challenging the status quo, and which are thus only held by a very few, at least initially. Indeed, in the eyes of some this adds to the virtue of such views due to their "trail-blazing" nature. Emergent viewpoints may go against the grain of established wisdom, indeed they might not claim to be rooted in science at all, or in anything other than feeling or preference. Often, those promulgating "radical" views may be perceived as oddballs or disruptors by society at large, while being revered among their own. Emergent viewpoints and theories may also change or morph as the debate goes on, and their proponents may ebb and flow with them: a marginal idea may gain traction with time, or it may, through social discourse, be discredited or modified. Furthermore, a given action can be perceived very differently depending on the beholder. An action or connotation which in the eyes of some is noble and salutary can be perceived by others as absurd or even offensive. The net effect is that, in the present-day social context, the quasi-substantive filters contained in an objective-esque test are almost meaningless. Worse, they risk leading us on a fool's errand whereby one set of values is pitted against another, and the decision-maker is placed in the unenviable position of adjudicating, in effect, which is "better" (or at least which should take precedence).

Similar problems apply to the "reasonableness" defence. Like the "prejudice to honour and reputation" enquiry, reasonableness is predicated on certain underlying assumptions and criteria (some of which are enumerated in the Australian Copyright Act). But again, yardsticks like the "nature" of the work and the "context" in which and "purpose" for which it is used, give rise to more questions than answers where an ideological stance (or competing stances) are involved, and will almost inescapably require some level of substantive examination of those stances – and then, what yardstick is to be used? At which point (and on what basis) does a salutary "purpose" or "context" become unsalutary? What are the criteria and factors to be applied? The examples of "reasonableness" given by commentators tend to focus on "utilitarian" uses and modifications of works, such as editing to suit space constraints or to render technical manuals more suitable for the end user[40] (with some mention of parodical/satirical uses as well);[41] in such contexts, reasonableness is relatively easy to determine. The framework will be much more difficult to apply to socially or morally contentious contexts, or situations involving competing values or ideologies.

Thus, the "prejudice to honour and reputation" and "reasonableness" yardsticks do not sit comfortably in the modern-day societal context. While intended to lend flexibility and resilience to the system, they are nonetheless premised on certain underlying suppositions which do not necessarily map onto present-day social and moral discourse.

What are the potential repercussions of this? For one thing, there is the ambiguity and lack of certainty that stems from a legislative framework that is not suited to present-day societal realities. This is to the detriment of creators and users of copyright works alike. Authors are arguably in a position of being unsure what level of protection will be afforded to them under the right of integrity provisions should they bring a complaint that is based on or related to their views, preferences or proclivities (whether "as an author" or personally). Would-be users of copyright material are unable to reliably assess ahead of time whether there is a risk of the use being objectionable under the provisions: it may be near impossible to predict the types of grievances an author might bring (particularly those grounded in personal proclivities), let alone run an infringement risk assessment. This potentially results in a chilling effect on social discourse; not only due to these ambiguities per se but also because social discourse, by its nature, must at times be blunt, even scathing, to get the point across. But it would seem that a harsher tone may, generally speaking, be more at risk of transgressing against the right of integrity provisions than a more mellow one. In similar vein, social discourse often involves the drawing of parallels, comparisons or analogies in a deductive manner. One can envisage an author objecting to an "unflattering" analogy as derogatory treatment. Thus, it is not only the general ambiguity of the current framework that may have a chilling effect on social discourse; the framework also seems like it may penalise some of the key "tools" used in that discourse.

There is also a risk of abuse or misuse of such a system, via exploitation of its ambiguities. This may seem farfetched – particularly given that the moral rights regime has hardly been invoked since its introduction two decades ago.[42] But as ideological contention becomes more impassioned in society, we can expect "cancel culture" to follow suit, with opposing sides increasingly looking for pretexts to silence one another. An outdated moral rights doctrine may be vulnerable to abuse in this regard. Until now, it may have simply been beyond the means of individual authors to assert their moral rights in court. Going forward, it is not implausible that assertion of moral rights – notably for the purposes of silencing opposing viewpoints – could be bankrolled not by individual authors, but by ideological groups or initiatives or even commercial entities. After all, some social media platforms have already come under fire for being too active as arbiters of social discourse.[43]

The widely-publicised "Charging Bull" and "Fearless Girl" scenario provides a good illustration of the fuzziness of the current principles when applied to scenarios involving competing viewpoints or ideologies. If the matter were being determined under Australian moral rights principles, the artist of the "Charging Bull" statue would presumably argue along the lines that the addition of the "Fearless Girl" statue in close proximity to the original work changed the meaning or connotation of that work (being a "celebrat[ion of] the perseverance of the American business professional"),[44] and thus was a "contextual" infringement of his right of integrity. Pitted against this would be the argument that the "Fearless Girl" statue itself stood for a noble cause – the promotion and encouragement of women's participation in finance and banking, and challenging "the glass ceiling regarding pay and promotion of women in the Wall Street community"[45] – and thus that, since the symbolism of the modification was positive, there could not be "prejudice to honour or reputation".

The argument would thereby become, explicitly or implicitly, a "qualitative" contest between the respective ideological positions: what are their relative merits/virtues, and accordingly, how "prejudicial" is one to the other, and of how much protection is the latter deserving? Is the alteration of the statue less grave because it results in a new connotation which in its own right is positive? How positive does that new connotation need to be to outweigh the damage done by the alteration itself? In turn, does it matter how positive the original connotation of the statue was? And what exactly do we mean by "positive" – is it a matter of whether the tone of the connotation is upbeat or depressing, inspirational or alarming? – or does it relate more to its propensity to highlight important social issues and encourage a response? Does it matter if the change to the connotation or context of the work was the alleged infringer's primary purpose or was incidental to some other end? Does an action for the purpose of "making a statement" fare better or worse under the analysis? And likewise, how do all these factors play out when determining the reasonableness or otherwise of the alleged infringer's actions?

At least in the "Fearless Girl" scenario, the underlying ideologies are both, by this point, both relatively "mainstream" – on the one hand ambition and enterprise, and on the other hand the facilitating of professional opportunities for women. Even so, to adjudicate between them to determine whether and to what extent "prejudice" had occurred would clearly be a fickle exercise. The problem would be even more pronounced where the ideologies in question were of a "nascent" or "emergent" variety, as is true of many viewpoints propounded in present-day social discourse (for instance some of those mentioned at the beginning of this article). A nascent viewpoint may be at a disadvantage in that it has neither popularity nor longevity on its side, and potentially cuts against the grain of mainstream thinking and even science. The "weighing" of the respective viewpoints would be even more complex than before – how to weigh an emerging and potentially radical idea against a more established and widely-accepted one? This must surely be arbitrary and dependent on the decision-maker's whim.

Assume that the "Fearless Girl" and "Charging Bull" statues had been allowed to remain as originally placed; and that now a further modification was effected (without permission) to

the "Fearless Girl" statue, for the purpose of making a stand against the notion of "binary" girls and women, in favour of an ideology propounding gender fluidity – say, the addition of gender-neutral garb to "Fearless Girl", or of facial hair, or some other non-binary indication (whether in the form of a direct physical alteration to the statue or some less intrusive modification as was the case in the original dispute). Now we would have a scenario wherein a relatively established ideology (promotion of professional opportunities for women) is pitted against a much newer and more radical ideology (gender fluidity et cetera). How does this affect the analysis? Is what has been done to "Fearless Girl" more "prejudicial" than what she did to "Charging Bull"? What factors come into play, and which way do they indicate? Is it the prominence/prevalence of the underlying ideologies? Their degree of radicality? The vehemence with which their proponents hold them? The extent to which they relate to sensitive or intimate matters such as a person's sense of identity? Are we to assess whether the change in connotation of "Fearless Girl" is "positive"? Undoubtedly proponents of gender fluidity doctrine would consider it to be so. At the same time, many would consider the modification a violation either of the "Fearless Girl" statue itself or of its original connotation.

A framework that engenders this kind of weighing-up of ideological viewpoints is to the detriment of all stakeholders: to the author in potentially giving less credence to their complaints if they are grounded in less popular or established ideologies or viewpoints; and to would-be users of works – indeed, to everyone – in that the results produced by such a framework are fickle, uncertain and unpredictable. If we cannot reliably articulate the factors to be considered in an ideologically-grounded moral rights dispute of the kind envisaged above, or how these are to be weighted and on what basis, then the system is self-evidently open to abuse. This could be either deliberate abuse, such as for "cancel culture" purposes, or even accidental abuse in that a decision-maker may be prone to being influenced, for want of a well-defined set of criteria, by extraneous factors such as political or social trends, newsworthiness, or even considerations tied up with "virtue signalling" or "optics" – none of which, for obvious reasons, we want creeping into a legal regime.

It is better for all concerned to deem all bona fide uses for social commentary/discourse (in a broad sense) exempt from moral rights-based attack, thereby protecting and fostering free speech and robust debate while still guarding against malicious or ill-intentioned uses of a work.

Australia's "stratified" right of integrity provisions

The Australian provisions are written in a "stratified" manner, which potentially makes them vulnerable to uncertain outcomes in that a user of a work can find themselves speared on a number of legislative tines.

As noted above, the Australian definition of derogatory treatment in s.195AJ(a) is not limited to direct modification of the work; rather, it includes "the doing, in relation to the work [or cinematograph film], of anything that results in" [emphasis added] modification of a prejudicial kind. Add to this the fact that infringement includes not just "subjecting" the work to derogatory infringement, but also "authorising" it to be so subjected, and a party at quite some remove from the actual allegedly-objectionable behaviour may find themselves in the firing line. For instance, one can imagine an institution representing some cause (ideological, political, et cetera) having an event committee that organises a rally or demonstration. The committee may hand out or make available to members an artistic or literary work, for instance for background information. Supposing one or more of the members modify the work, for the purposes of use as a placard in the rally, in a manner that is disagreeable to its author. The members themselves will have directly "altered" the work under paragraph (a) of the statutory definitions; but the event committee, making available the work to the members, might conceivably be found to have "done something that results in" the ultimate alteration by the members. Thus, both the members and the committee may be deemed to have "subjected" the work to derogatory treatment and thus infringed under s.195AQ. Furthermore, the institution may be found (depending on the facts, of course) to have "authorised" the actions of the event committee and/or even the members themselves. Likewise, the event committee may also be said to have "authorised" the actions of the members.

Thus, even without considering the "catch-all" provision of s.195AJ(b), the right of integrity provisions can catch activity that is not directly connected with, indeed that is quite remote from, any actual defacement or other objectionable behaviour. Relatedly, the provisions allow for a given activity by a party to be caught on different "levels" by the various provisions. This would seem to invite uncertainty and confusion.

Putting moral rights right

The main fix – immunity for uses in the course of bona fide social commentary/discourse

In my opinion, the moral rights framework needs amending to provide a safe haven for bona fide social commentary/discourse, thereby removing ambiguity around whether a given use of a work for such purposes may find itself accused of being a derogatory treatment.

I would favour a deliberately broad definition of "social commentary/discourse", to cover not only contexts touching directly on ideological or social issues, but other contexts as well – broadly speaking, all "innocent" (i.e. non-malicious, even if deliberate) uses of a work in the course of the exercise of free speech. At the risk of stating the obvious, it

is important to remember that the main "weapon" conferred by copyright legislation is economic rights, and thus all such users would still be obligated to recompense the owner of the work. My proposed exemption would operate not to confer a "freebie" but rather to ensure free speech and social discourse is not stifled on "moral" grounds.

The "bona fide" element of my proposal is important, and would ensure that uses that are ill-intentioned, malicious, or unduly misleading vis-à-vis the author or their work, would not be able to hide behind the social commentary exemptions. Such uses may well be actionable independently of copyright law (via misleading and deceptive conduct provisions, passing off, defamation, et cetera);[46] but the inclusion of a "bona fide" rider would reinforce that the purpose of the new framework is to foster genuine social debate, not to give safe harbour to malicious uses of copyright works. The framework could even include an explicit paragraph to the effect that "uses which are not bona fide are subject to the [existing] derogatory treatment provisions".

The effect of this amended framework would be to provide simpleness and clarity, and thereby promote and foster robust discourse around social and moral issues; while giving no quarter to uses of a malicious, ill-intentioned, or unduly misleading nature. A revised framework of this kind would still be in keeping with Australia's and New Zealand's obligations under the Berne Convention. The right to object to (and action) derogatory treatment of works would remain in place; the change would be to the ambit of this right, to ensure that an appropriate balance is struck between authors' "censorship or editing"[47] rights and the rights of users of works and of society in general. This is consistent with the original aims of the Australian moral rights framework.[48]

Consider the application of my proposed schema to the "placard" scenario referred to above, wherein members of some ideologically-driven institution incorporate a work (say, an artistic work, or an excerpt of a literary work) in a placard to be displayed at a demonstration or rally. Regardless of whether or not there were "alteration" of the work itself, as long as there were no malicious intent or false representation – notably, as long as there were no suggestion that the author of the work in fact endorsed or was affiliated with the particular movement or viewpoint – this would be an exempt use of the work by virtue of being use for the purposes of bona fide social discourse/commentary. The exemption would apply to the members, the event committee, and the institution itself. This differs from the current moral rights framework whereby such use is potentially a derogatory treatment due to being a use of the work in a "context" that the author disagrees with. Likewise, the "Fearless Girl" scenarios (the actual one and the further hypothetical scenario proposed above) would no longer be contingent on an evaluation of the respective viewpoints or ideologies involved. The sole question would be whether the subsequent user's actions are in the nature of a bona fide contribution to the social discourse, or whether there is malice or ill intent in play.

The same would apply to moral rights disputes involving any of the socially-contentious issues mentioned at the start of this article. A site or blog featuring an artist's work but omitting to use the artist's preferred pronoun would be immune from allegations of "contextual" infringement of the right of integrity so long as it was in good faith and free of malice et cetera. Likewise a site or blog featuring a work in a manner that is inconsistent with the author's belief in the "equality of outcome" doctrine (for instance where the work is one of several featured, and the respective authors are not equally represented with regard to some characteristic like race or gender) would not be amenable to accusations that it is a "contextual" infringement. This would be the case regardless of whether the user's purpose was to challenge the "equality of outcome" proposition per se, or whether the inequality came about accidentally or incidentally. This schema would apply, of course, not only to artistic works but also to literary works – such as where an excerpt of a work is quoted by a user, who goes on to critique, dispute or question the author's underlying ideology or viewpoint, including (as often happens during social discourse) by drawing parallels or analogies between the author's stance and other propositions or ideologies. Such use, even if done bluntly or in a strong tone and even if unflattering (even scathing) to the author and their viewpoint, would, provided it were factually defensible and free of malicious intent, be immune under the bona fide social commentary/discourse exemption.

Such a schema would remove the need for the decision-maker in a dispute to "screen" the respective ideological influences underpinning the author's and user's positions and adjudicate between them. The sole determiner would be whether there was malice (or ill intent, misrepresentation, et cetera) behind the user's use of the work. Such a framework would deliver predictable and consistent results for all stakeholders. Both authors and users would know definitively where they stand: users could be confident that their use would not be impeached so long as it was in the spirit of bona fide social discourse; and authors would have confidence that malicious, ill-intentioned or unduly misleading uses of their work could still be objected to.

This is, of course, in the nature of an initial proposition. The ultimate solution may need to be more nuanced than the high-level framework laid out here. For instance, it may be that different types of work may warrant slightly different treatment. Literary and artistic works are, generally speaking, non-rivalrous; thus the use (including modification and contextual use) of one instance of the work does not prevent further use of the work by others, in other contexts. In contrast, statues are often bespoke and one-

off pieces placed in a particular location. It may therefore be that the modification (or contextual use) of a statue or other bespoke work should rightly be considered, generally speaking, more serious than similar treatment in respect of a literary or artistic work: the test may need to place more weight on the significance of original form of the work. On the other hand, it has been pointed out that statues placed in public places are "public works" and thus may rightly be expected to tolerate a greater level of public interaction.[49] As another example, care would need to be taken when defining the parameters of what is "bona fide" versus "malicious" use. One can imagine borderline scenarios, particularly those steeped in intensely personal beliefs or ideologies. A preliminary suggestion is to provide that, as long as a user has a genuine and demonstrable purpose or end in their use of a work (said purpose or end relating to discourse, commentary, et cetera), as opposed to their sole objective being to cause hurt or injury to the author, then this is bona fide. These are just some examples of the nuances that would need to be examined and, ultimately, incorporated into a revised moral rights (right of integrity) framework of the kind I have proposed here.

What are some alternatives to my proposed approach, which would fix the issues I have canvassed above? First, one could try to finesse the existing legislative criteria to make them better align with the nature of modern-day social and ideological discourse. But this would require either the reading into those criteria of riders and qualifications which strain their natural meaning, or significantly changing the actual wording of the relevant provisions. For completeness, the option of adopting a more "subjective" approach to the "prejudice to honour and reputation" test should be covered off here – but clearly this would only make matters worse. While it might place authors holding emergent or marginal ideologies in better stead, it would risk letting "hypersensitivities" into the mix and would render the analysis yet more chaotic and unpredictable.

Another option may be to read in "prejudice to honour or reputation *as an artist* [or author]", as has at times been done overseas. This would have the effect of constraining the type of grievance an author may action under the moral rights provisions. This may be a viable solution (or part of the solution) worth exploring further.

A further option would be to import fair dealing-esque exemptions into the moral rights provisions. But this would not go far enough or really address the nub of the issue. Frequently in the course of social discourse, there will be uses of a work that may not fall within any of the discrete fair dealing categories – they are not critiques of the work itself, indeed the work may be tangential to the discussion; they are not a parody or satire because they are not aiming to ape or to be humorous; they are not reportages of news or current events as such; and if conducted outside of an academic environment then they are likely not in the nature of research or study. They are just contributions to the dialogue. Copyright law commentators have debated the idea of replacing the Australian "fair dealing" exemptions with a broader, "fair use" type framework for the economic provisions, placing the emphasis less on the type of use and more on whether it is "fair" in its overall character.[50] My proposition is along broadly similar lines, except that I am advocating the inclusion of something of this kind in the moral rights provisions as well.

Finally, another option would be to do away with Australia's "contextual infringement" provisions altogether, as is the case in New Zealand. However, in my view, there is a place for the "contextual infringement" provisions, even if they are at the nub of the issues with which this article grapples. The better solution is to ensure that the moral rights regime actively makes provision for robust social commentary and discourse.

Other improvements to the legislative framework

In addition, a general "tidying up" of the Australian right of integrity provisions may be desirable. This may include some combination of the following: tweaking the wording of the "derogatory treatment" provisions along the lines of the NZ Copyright Act, to more neatly delineate between those actions which are, in their own right, neutral (alteration, adaptation, addition, deletion) and those having a negative or destructive connotation and from which the actual "derogation" is likely to stem (distortion, mutilation). Reducing the "stratification" of the Australian provisions to ensure only those actors proximally responsible for a derogatory treatment are held to account, thereby also reducing ambiguity; notably, by amending the "derogatory treatment" provisions to refer to modification (et cetera) <u>of</u> a work, rather than the doing, in relation to the work, of anything that results in such modification. Also amending those provisions by defining "derogatory treatment" as being treatment that is prejudicial in the relevant sense *and to which none of the exemptions or defences apply;* with the semantic but important effect that an "exonerated" user of a work would not still have the label of "derogatory treatment" applied to them despite having been found not to infringe.

Arguably, New Zealand's right of integrity provisions are less problematic in the sense I have discussed in this article, since "contextual" infringement (without alteration of the actual work) is unlikely to be actionable under the NZ Copyright Act and thus an author will have a much harder time arguing that there has been derogatory treatment on a purely ideological basis. All the same, the introduction of a "bona fide social commentary/ discourse" provision would be desirable. A more incremental step would be to add in a "reasonableness" defence similar to that of the Australian Copyright Act, although this would still be prone to some of the problems discussed above.

Conclusion

This article has argued that the Australian (and to a lesser extent New Zealand) right of integrity framework is outdated and ill-suited to modern-day social and moral discourse. The main change needed is the institution of provisions giving blanket protection to uses of a work for the purposes of bona fide social commentary/discourse (in a broad sense). The current legislative criteria, such as "prejudice to honour and reputation" and "reasonableness", are difficult to apply to scenarios that are nested in present-day social, moral and ideological issues. If unchanged, the right of integrity regime risks giving rise to ambiguity, uncertainty, inconsistency, and potentially even misuse or abuse.

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Advancing Open Access in Australia: To Be Inspired by the Dutch?

Emma McKenzie[1] and Dr Nikos Koutras[2]

Introduction

Information is power, which in today's digital society, can be, and should be, freely and openly shared.[3] This proposition is supported by the concept of Open Access ("OA"), an international movement seeking to grant open online access to academic information, without financial, legal or technical barriers. There exist multiple types of OA. Those relevant to this article are green and gold. Green OA refers to a process whereby authors publish their work openly, by depositing an accepted version into a repository or freely accessible database, after a specific period of time, referred to as an "embargo period". Meanwhile, gold OA consists of making works immediately freely accessible online, through the websites of publishers.[4]

The OA movement acknowledges the onset of the "information age" has seen a plethora of information produced, by virtue of great technological advancements. Such developments have modernised academia, enabling vast volumes of scholarly literature to be published electronically. However, despite evident viability of widespread dissemination of scholarly information,[5] it has become apparent that a large quantity of academic knowledge remains "locked up" by private corporations.[6]

In response, certain countries such as the Netherlands, have proceeded to lead the way towards an OA world. The Dutch have taken progressive OA action, notably enacting an OA provision into national copyright legislation, to assist increasing OA engagement. The provision was introduced to further enhance OA for *publicly funded* research in pursuit of the nation's OA objective. Meanwhile, Australia does not appear to have significantly engaged OA and thus has not experienced notable uptake of the practice. This presents a significant issue, as access to the large volume of scholarly works published in Australia is currently restricted. This article explores whether Australia should be inspired by the Dutch to integrate OA into the *Copyright Act* 1968 (Cth), to assist increasing OA engagement in Australian institutions.

The OA Landscape

OA in the Netherlands

Recognising the increasing necessity for OA, the Netherlands has adopted a progressive approach to OA implementation, placing the nation at forefront of the OA movement.[7] Dutch commitment to OA is demonstrated by the Government having set an ambitious national objective of achieving 100 per cent OA.[8] In pursuit of this goal, several Dutch authorities, such as the Association of Universities in the Netherlands ("VSNU"), the Dutch Research Council ("NWO"), the National Library of the Netherlands, and the Dutch Government, have each played an instrumental role in the nation's OA approach.[9] Such authorities have unitedly provided strong OA support and encouragement,[10] whilst taking vital OA action.

A crucial and unique aspect of the Dutch approach, is that all key stakeholders are "on the same page, at the highest level" in regard to the nation's OA goal.[11] The Dutch Government has guided OA efforts, offering unparalleled OA support.[12] In a letter written to the Dutch House of Representatives in November 2013,[13] the Government expressed its view that "publicly funded research should be freely accessible".[14] Since then, the future of OA in the Netherlands has been secured by the Government having formally establishing the nation's 100 per cent OA goal.[15] To support efforts advanced by the Dutch Government, the VSNU has taken responsibility for managing the Netherlands' transition to a complete OA regime.[16] Its support is demonstrated by direction of OA negotiations with publishers, efforts to encourage international cooperation in the OA movement, and its involvement in raising OA awareness.[17] Such coordinated efforts have, thus far, been vital in bringing the Netherlands closer to realising its ambitious OA goal.

The Taverne Amendment

In pursuit of this OA objective, in 2015, the Dutch Parliament took a progressive step, by integrating OA into national copyright legislation. Article 25fa of the *Dutch Copyright Contract Act*,[18] also known as the Taverne Amendment, was enacted and enforced as of 1 July 2015.[19] The provision provides: [20]

> *The maker of a short scientific work, the research for which has been paid for in whole, or in part, by Dutch public funds, shall be entitled to make that work available to the public for no consideration, following a reasonable period of time after the work was first published, provided that clear reference is made to the source of the first publication of the work.*

In regard to legal application, the amendment does not restrict copyright.[21] If an author meets conditions of the provision, they "possess and retain" the right to publish their work OA.[22] Though, the provision does prescribe this right cannot be assigned,[23] also preventing publishers restricting the right, through contracts to which Dutch copyright law applies.[24] Thus, once the prescribed embargo period has lapsed,[25] authors are permitted to publish their work OA, irrespective of pre-existing publishing agreements entered into.[26] This intends to afford freedom to academics to engage with OA practice, without fear of legal repercussions.

The Taverne Amendment was enacted to provide a practical alternative of green OA, where the preferred gold route is not viable.[27] The explanatory memorandum stipulates the provision intends to address the "growing need to make academic work available in the form of OA".[28] Thus, whilst the amendment does not directly expedite the Netherlands' gold OA preference, it was enacted as a key instrument, intended to valuably contribute towards the nation's 100 per cent OA goal.[29] Authors of peer-reviewed publications, who are affiliated with institutions, are the focus of this provision, and the group intended to directly benefit from its enactment.[30] Though, as the amendment seeks to make academic works openly accessible, the wider research community and society generally, also stand to benefit from its introduction.

Impacts of the Taverne Amendment are multidimensional. First, by superseding pre-existing publishing agreements, the provision affords authors greater control over dissemination of their work. By removing publication restraints, authors are afforded freedom to engage with OA. On the other hand, the amendment also provides an alternative means of achieving OA to academic works, which are not typically covered in agreements made directly with publishers. This is evidence of Dutch authorities recognising the importance of OA being all-inclusive and investment in multiple methods of achieving OA, such as ensuring availability of scholarly works through institutional repositories. By providing an alternative of green OA,[31] the Dutch Government has also offered a sense of flexibility on the path to establishing a complete OA regime.[32] This is intended to encourage authors to be more receptive of OA and the multiple ways the nation's ambitious objective can be achieved. Finally, the retrospective application of the amendment removes time restraints upon works which can be made OA, expanding OA opportunity, by allowing authors to make works OA that were published prior to its enactment. The multiple positive impacts the Taverne Amendment has on OA in the Netherlands, indicate its true value to the Dutch OA approach.

Though the Taverne Amendment is considered "a great step forward" towards an OA world,[33] its enactment has not been without criticisms. Critics have noted various aspects of the amendment have required further interpretation, due to its broad nature. Questions have arisen as to whether a broad or limited application of particular terms should be afforded. For example, the words "short scientific work" have been interpreted, in accordance with the explanatory memorandum,[34] as meaning a work intended for peers, by persons employed by a university or publicly-funded research institution.[35] The term "short" suggests the provision applies only to academic articles, though has been applied to various types of academic works.[36] The general phrase "reasonable period of time" has been further interpreted as meaning a period of six months, uniformly applied to all academic fields.[37] This six-month "embargo period" has been said to "strike a balance" between publishers' interests in recovering publishing costs, and society's interest in scholarly works being shared in a timely fashion.[38] Despite such criticisms, the Taverne Amendment has been regarded as a vital instrument in the process of achieving the Dutch Government's 100 per cent OA goal,[39] whilst representing a progressive approach to OA implementation.

The Dutch Approach: A Literature Review

As the Netherlands is currently one of the most rapidly growing countries in the OA world,[40] several academics[41] have engaged in discussion of the Dutch OA approach. Margoni et al.[42] explain legislative integration of OA intends to provide a solid foundation for "better access" to information and to "boost" public investment in research.[43] In addition, academics argue that legislative initiatives are crucial in the process of adopting OA.[44] However, they also indicate complementary "bottom-up" measures are equally important to a successful OA approach.[45] Bosman et al.[46] note OA legislative provisions are extremely valuable.[47] The scholars explain the Taverne Amendment is no exception, emphasising the provision demonstrates that a "legally enshrined right to share" can be very strong and effective.[48] The academics explain that the value of the amendment is evident through its provision of a flexible alternative and retrospective application.[49] De Vries notes many researchers prefer the Taverne Amendment for the reasons of practicality and principle.[50] Academics[51] also indicate the strength and efficacy of the amendment has sparked consideration of similar provisions in other European countries,[52] thus further advancing the proposition that Australia should also be inspired by legislative integration effected by the Dutch.

Additional OA Efforts Undertaken

Dutch efforts towards achieving a complete OA regime have not been limited solely to enactment of the Taverne Amendment. The Dutch have recognised it must be supported by complementary measures to be effective. Key Dutch authorities have sought added support from entities such as Dutch universities, the European Commission and European Research Council.[53] These bodies have assisted in further facilitation of OA, by initiating various complementary measures. These measures include OA initiatives on both an international scale, such as the

"Horizon 2020" program,[54] and in the domestic landscape, initiatives such as the "You share, we take care" pilot. These measures have been employed to support OA progress advanced by the Taverne Amendment. Such support has also contributed critically to the Dutch OA approach.

Despite the Netherlands being considered one of the most rapidly growing OA nations,[55] Dutch authorities have argued that to ensure continued progression, OA action must be effected on a global scale.[56] Due to its size, currently the Netherlands only produces approximately 2 per cent of annual academic publications made globally.[57] Thus, the Dutch seek to inspire other countries with their OA approach,[58] and have called for international jurisdictions to follow suit, to increase OA worldwide.[59] Accordingly, in response to the Netherlands' request for corresponding international action, this article proposes Australia take inspiration from the Dutch, specifically in regard to legislative integration.

OA in Australia

In contrast to the Netherlands, although Australia is a country from which a large volume of scholarly works are published, existing information[60] suggests OA adoption has been a long, slow process.[61] Preliminary research[62] indicates in 2020 only approximately 46 per cent of academic works were published with OA in Australia.[63] When compared to countries such as the Netherlands, with approximately 66 per cent[64] and Switzerland with 53 per cent,[65] this indicates a deficiency of Australia's OA engagement in relation to comparable countries. The lack of OA engagement in Australia indicates a severe issue, requiring immediate action.

Current Copyright Legislative Framework

The current Australian copyright legislative regime intends to balance the provision of legal rights to owners of copyright with the public interest of accessing materials subject to copyright.[66] To give effect to this balance, most relevantly to open accessibility of research, there are a few "fair dealing" exceptions, included in the Copyright Act, to permit use of materials without permission of the copyright owner. Such exceptions indicate the Australian legislature's recognition that certain works should be freely dealt with, for additional societal benefits. However, these exceptions are only applicable in four circumstances, with the added restriction of satisfying dealings are "fair",[67] indicating their limitations.

The current legislation also acknowledges copyright protections for technological works, though not in the context of open accessibility specifically. Thus, it is evident the provision for such is extremely limited, although acknowledgement of digitalisation is made, and public access to academic information somewhat alluded to, in Australian copyright legislation. Though, Australian authorities have recognised legal adaptations are required to address these limitations,[68] the concept of OA continues to remain absent from the current legislative regime.

Although Australian copyright legislation does not currently include OA, the country is subject to several international agreements which provide a legal basis for OA. For example, Article 27 of the *Universal Declaration of Human Rights*,[69] to which Australia is subject, provides every person has the right to "freely participate" in community culture, to "enjoy the arts", and "share in scientific advancement and its benefits".[70] Article 27 is also supported by other international covenants such as Article 13(1) of the *International Covenant on Economic, Social and Cultural Rights*,[71] which further provides for the right to education, to enable free participation within society.[72] These international treaties are highly valuable components with regard to the current framework of protection for intellectual property endeavours in Australia, as they are legal bases denoting key concepts of OA. Thus, they may assist the drive for OA enhancement by way of legislative reform in Australia.

OA Efforts Thus Far

Despite the evident lack of OA uptake and absence of OA in Australian copyright legislation, Australia has taken OA action, albeit limited. Existing research infrastructure in Australia is, in fact, well-established for the purposes of OA.[73] For example, every one of the 37 publicly-funded universities in Australia has a repository for academic works, [74] 30 of which have OA policies.[75] However, being solely available to those affiliated with universities, it seems that approximately 10 per cent of the Australian population have access to the academic knowledge published in these repositories.[76] Moreover, though establishment of such repositories represents a step in the right direction, many of the existing OA policies are weak, and thus have been largely ineffective.[77] In the majority of cases, OA is not mandated, with authors merely "encouraged" to publish OA, rather than required to do so.[78] Furthermore, restrictions imposed by publishers are commonly prioritised, with such policies often being "subject to separate publishing agreements". [79] Thus, OA does not have to be afforded where agreements entered into with publishers require otherwise.[80] This substantially limits the application and efficacy of current Australian OA policies. Certain Australian entities, such as the Council of Australian University Librarians ("CAUL")[81] and Open Access Australasia ("OAA")[82] have committed to enhancing OA.[83] However, they currently lack the power to enforce binding policies, practices, and standards, and are limited to advocacy and mere encouragement.

Government funding has also comprised a substantial part of Australian academia over the years, often provided to support Australian institutions.[84] The fact that a large proportion of Australian research is publicly funded,[85] reinforces the argument that such research should be openly accessible. Two primary research funding bodies have been established, namely the Australian Research Council ("ARC")[86] and National Health and Medical Research Council ("NHMRC").[87] Prior to 2011, these bodies merely

encouraged academic authors to "consider the benefits of depositing" their work into OA institutional repositories,[88] thus maintaining a very weak position. In July 2012 and January 2013,[89] the NHMRC and ARC respectively, announced revised OA policies. The policies align to require that all publicly funded research be deposited into an OA institutional repository within 12 months of publication.[90] If authors do not elect to deposit their work in an OA repository, the policies require justification to be provided.[91] This requirement is intended to encourage authors to consider their reasons for refraining from engaging with OA practice. The limitation of these policies is that their application is restricted to research funded by the NHMRC and ARC specifically. The success rate for grants from these funding bodies has continuously been very low, commonly sitting at around 25 per cent.[92] This indicates the proportion of Australian research to which these policies apply is minimal. Nevertheless, revision of such policies represents a "renewed focus on OA" by Australian authorities,[93] a positive indication for the future of the practice in Australia.

Another optimistic step in the evolution of OA in Australia, is the inclusion of access to publicly funded research in discussions of Australian authoritative bodies. It has been recognised technological advancements have increased the scope of intellectual property protection required to be afforded under Australian copyright legislation.[94] This has sparked discussion as to reform of the current legislative regime. In 2016, the Australian Productivity Commission, in its Intellectual Property Arrangements Inquiry Report,[95] addressed copyright restrictions on access to publicly-funded research in Australia.[96] The purpose of which was to ensure continued efficacy of the country's intellectual property system, in providing opportunities for innovation and investment in research.[97] The report acknowledged OA was not compelled under Australian OA arrangements,[98] with compliance and implementation remaining the responsibility of authors.[99] Thus, recommendations for prospective reform of copyright policies were made. The Commission recommended Australian state and territory governments each develop an OA policy for all research published through universities using public funds.[100] A 12-month embargo period was proposed, after which it was suggested, such research should be made available OA, with minimal exemptions.[101] Though such proposals originally appeared promising, there still does not exist a comprehensive national OA approach in Australia, meaning the nation's OA position remains far from strong.

Overall, it is evident that Australia has not significantly engaged OA practice. Ineffective use of the well-established research infrastructure has failed to generate a substantial OA presence, whilst the flaccid nature of OA policies evidence a weak OA position.[102]

The Australian Approach: A Literature Review

The limited literature pertaining to OA in Australia acknowledges the country currently has majority of the "necessary structures in place"[103] to facilitate OA. Though, they are yet to be used to "the fullest extent".[104] Kingsley notes this is particularly evident by the substantial number of Australian institutional repositories which have been established.[105] Nevertheless, statistics published by CAUL Australian Institutional Repository Support Service[106] indicate the number of OA works available in such repositories has been extremely inconsistent,[107] indicating OA engagement in Australia remains highly unstable.

Australia's research structures have failed to translate to increased OA engagement, which the literature[108] indicates is primarily due to lack of coordinated national leadership and the absence of complementary measures.[109] Thus, scholars insist further OA action is required.[110] Kingsley[111] argues making a series of "simple changes" would allow Australia to take "full advantage" of existing research structures.[112] Emeritus Fellow Colin Steele, from the Australian National University, argues that another prominent issue is the relevant governmental divisions, such as the Australian Department of Industry, Innovation, Science, Research and Tertiary Education, have "not been significantly engaged" in OA policy.[113] In 2013, Kingsley noted that Australia did not have an established OA advocacy body, a major impediment to generating OA support.[114] Later that year the first Australian OA advocacy body, OAA, was founded.[115] Thus, the literature evidences the major delay in establishment of a significant support base for OA in Australia, another indication of the country's slow OA progress.

Australia's current OA policies have also been criticised in the literature. Kingsley[116] identifies the non-binding nature of institutional repositories' policies as an issue requiring alteration.[117] It is acknowledged many of these policies, though often referred to as OA mandates, are in fact "not actually mandates",[118] as they merely encourage authors to publish their work OA.[119] It is suggested to increase their efficacy, policies must be strengthened, particularly to omit restrictions which can be imposed by publishers.[120] Kingsley[121] also recommends Australian institutions change their reporting requirements, to permit repositories to make a "full complement of research output" OA.[122] It is acknowledged, due to the non-binding nature of current policies, granting OA is highly dependent on institutional rules and each works' copyright, limiting enforcement of such measures.[123] Collectively, existing literature pertaining to OA in Australia suggests although the nation has the potential to effect OA, with a majority of the "necessary research structures in place",[124] several issues indicate deficiency of the system, requiring immediate improvement.

Outcomes of OA Integration: The Dutch Case

This component of the article examines statistics pertaining to OA publications made through Dutch institutions, both prior to, and since, enactment of the Taverne Amendment. The purpose of which is to assess whether legislative integration effected by the Dutch has assisted to increase OA engagement through Dutch institutions.

OA Figures: Pre-enactment

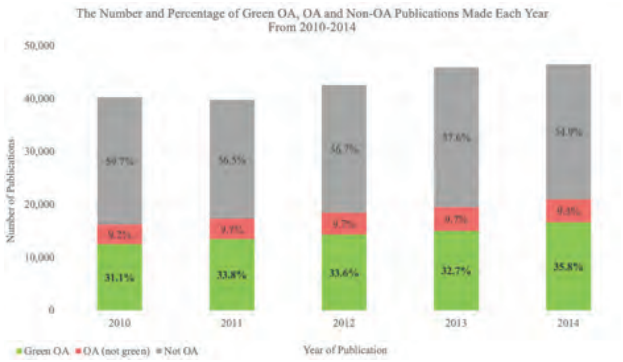

Figure 1: Bar graph displaying the number and percentage of publications made through Dutch institutions prior to enactment of the Taverne Amendment

As evident from Figure 1, prior to 2015 an average of 42,988 academic works were published through Dutch institutions per year. Of these annual publications, approximately 18,480 works were made OA. This indicates just shy of half (43 per cent) of total publications were made openly accessible over this period. Thus, prior to enactment of the Taverne Amendment, access to the majority of publications made through Dutch institutions remained restricted.

Figure 2: Bar graph displaying the number and percentage of OA publications made green OA through Dutch institutions prior to enactment of the Taverne Amendment

Focusing on OA publications exclusively, Figure 2 demonstrates of the average 18,480 works made OA per year, approximately 14,382 were published with green OA. Thus, green OA was granted to a substantial majority (78 per cent) of OA publications. Over this five-year period, green OA engagement rose by an average of 1,033 publications per year. These figures demonstrate the prevalence of green OA in Dutch institutions throughout this period and a rise in engagement with the practice, albeit slight.

It is evident from pre-enactment figures that, prior to 2015, OA facilitated through Dutch institutions was stable, though not prevalent, with less than half of publications made openly accessible. Dutch national leadership, recognising the need to "boost" OA engagement in their country, evidently capitalised upon the opportunity presented by the prevalence of green OA. Thus, the Taverne Amendment was enacted, to provide authors with the practical alternative to publish green OA, offering a sense of familiarity on the route to achieving the ambitious national goal.

OA Figures: Post-enactment

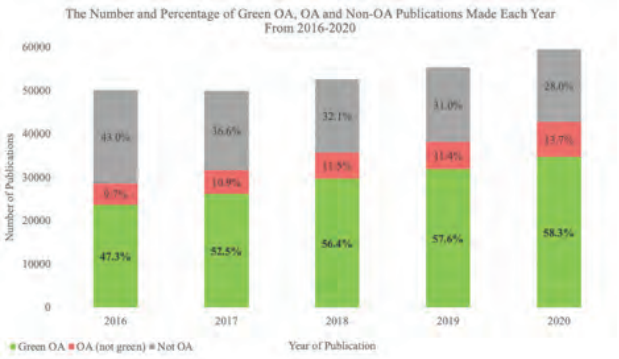

Figure 3: Bar graph displaying the number and percentage of publications made through Dutch institutions since enactment of the Taverne Amendment

Statistics derived from Figure 3, indicate an average of 53,463 scholarly works have been published through Dutch institutions annually over the past five years. Of these annual publications, approximately 35,368 were made OA. Thus, since 2015, 66 per cent of published works have been made openly accessible. These statistics demonstrate a clear and consistent increase in the number of publications made OA through Dutch institutions, since enactment of the Taverne Amendment.

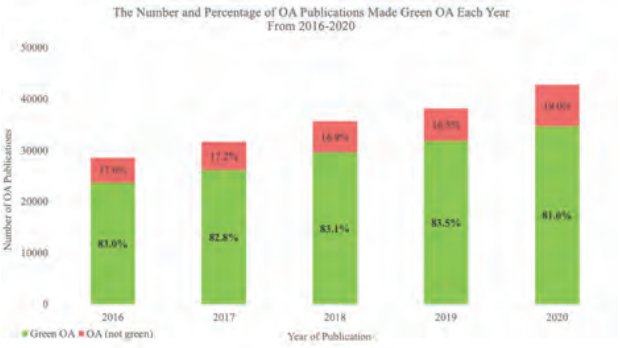

Figure 4: Bar graph displaying the number and percentage of OA publications made through Dutch institutions since enactment of the Taverne Amendment

Figure 4 demonstrates of the 35,368 annual OA publications made throughout this period, an average of 29,220 were published with green OA. In terms of growth, the number of green OA publications has increased by approximately 2,741 publications annually. This indicates although the number of green OA publications continue to rise, prevalence of this practice has not increased at the same rate. As explained, 2,741 of which represent green OA publications, whilst only 814 were published with other forms of OA.

These results are synonymous with the intention of the Dutch Government when enacting the Taverne Amendment. Such findings are indicative of the amendment contributing to increasing green OA publications, which have continually grown throughout this period. As green OA works evidently constitute a large proportion of the increase in total publications made OA, the amendment has also concurrently contributed to the increase in OA engagement generally. Thus, post-enactment statistics indicate the Taverne Amendment appears to have effectively assisted to increase OA engagement in the Netherlands.

"You share, we take care" Pilot

The limitation of these results is it cannot be ascertained as to the number of green OA publications made through use of the Taverne Amendment specifically, though the "You share, we take care" pilot provides guidance in this regard. This seven-month pilot, launched on 31 January 2019, was initiated by Dutch universities.[125] The study was intended to determine the level of academic support for the Taverne Amendment[126] whilst testing how the provision would contribute to the national OA objective.[127]

This pilot is significant for multiple reasons. First, the results indicate the Taverne Amendment has been successful in generating OA engagement. High participation from academics, combined with their evident willingness to engage the provision, indicate it is likely at least a substantial proportion of the increase in green OA engagement through Dutch institutions over the past five years is attributable to the Taverne Amendment. Secondly, this pilot also demonstrates the provision having an effect on continued OA commitment in the Netherlands, having inspired this initiative to be undertaken, in years subsequent to its enactment.

Pre- and Post-enactment Compared

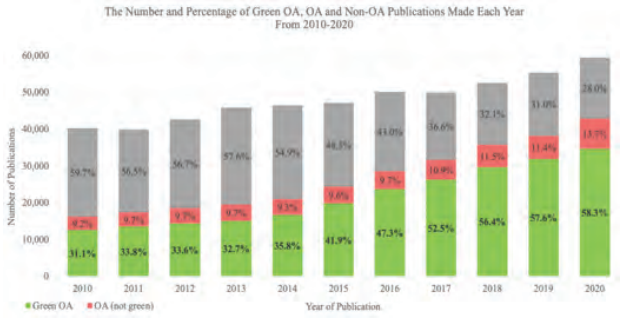

Figure 5: Bar graph displaying the number and percentage of publications made through Dutch institutions, pre and post-enactment of the Taverne Amendment (inclusive of year of enactment (2015))

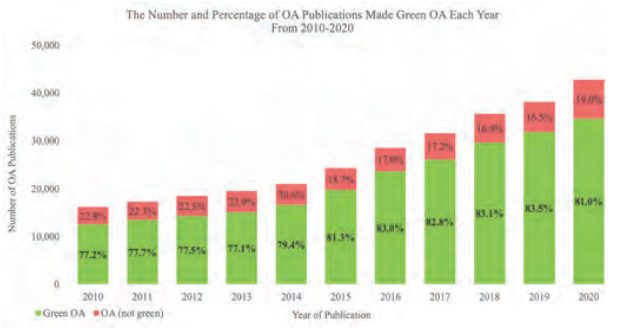

Figure 6: Bar graph displaying the number and percentage of OA publications made through Dutch institutions, pre and post-enactment of the Taverne Amendment (inclusive of year of enactment (2015))

As evident from Figure 5, the total number of publications made through Dutch institutional repositories over the past decade has varied. Though, despite moderate instability, Figures 5 and 6 demonstrate the number of publications made OA has continuously risen. This increase is particularly evident when comparing pre- and post-enactment periods. Prior to the introduction of the Taverne Amendment, only 43 per cent of works published through Dutch institutions were made OA. Conversely, since its enforcement, OA works have accounted for 66 per cent of total publications.

Comparatively, an average of 29,220 green OA publications have been made since enactment. Thus, the number of works published with green OA has increased by more than 200 per cent since the Taverne Amendment was introduced. Supporting this indication of growth, between 2010-2014, green OA was granted to an average of 78 per cent of OA publications. Whilst over the past five years, green OA has constituted approximately 83 per cent of OA works. This represents a 5 per cent increase in the number of green OA publications between the pre- and post-enactment periods examined.

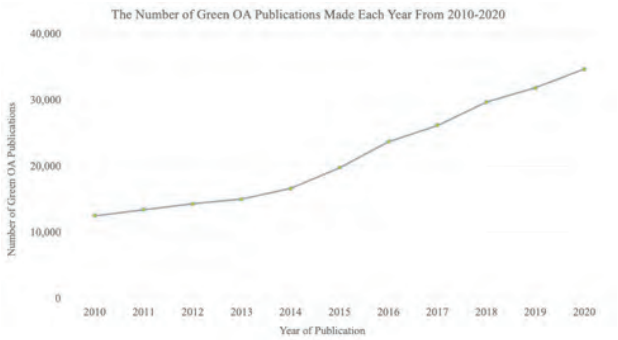

Figure 7: Line graph displaying an increase in the number of green OA publications made through Dutch institutions over the last decade

Figure 7 further supports this notion, demonstrating the trend of green OA growth evidently commences between 2014-2015, the year during which the Taverne Amendment was enacted. From the end of 2014 to the end of 2015, the number of green OA publications rose by 3,126 works. Comparing this figure to the preceding year (2013-2014), only 1,618 additional green OA publications were made.

Analysis, and subsequent comparison, of figures from pre- and post-enactment periods, indicate the Taverne Amendment has been effective in multiple ways. First, the substantial increase in green OA publications over the last five years is likely due, at least in part, to the Taverne Amendment providing the workable alternative of green OA. This conclusion is reinforced by results of the "You share, we take care" pilot, which indicate academics' engagement with the amendment and collective willingness to utilise the provision.[128]

Findings also evidence green OA has comprised a significant proportion of total OA publications made through Dutch institutions over the last decade. Moreover, the increase in total OA publications has been evidenced as largely attributable to the increase in green OA works. Hence, whilst assisting to increase green OA engagement, the Taverne Amendment has concurrently contributed to the rise in OA publications generally. Thus, it is concluded, legislative integration of OA effected by the Dutch has assisted, at least in part, to increase OA engagement in Dutch institutions.

Towards Efficient Operationalisation of OA: The Australian Case

Despite being an advanced, highly developed country, Australia does not appear to have significantly engaged OA practice. This component of the study critically analyses statistics pertaining to OA publications made through Australian institutions, to determine the condition of current OA engagement in Australia.

Total Publications

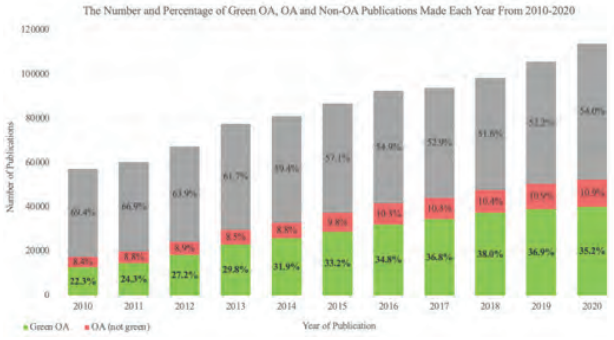

Figure 8: Bar graph displaying the number and percentage of total publications made through Australian institutions over the last decade

As evident from Figure 8, a significant number of academic publications are made through Australian institutions, with an average of 85,084 works published annually. In recent years, annual publications have surpassed 100,000 works, indicating the true academic prosperity of the nation. Though, despite high publication rates currently, only about 36,240 annual publications are made OA. Though this number may seem somewhat sizeable in comparison to smaller nations, such as the Netherlands, this figure only equates to a mere average of 43 per cent of publications being made openly accessible.

Despite OA works having only comprised a minority of publications over the past decade, engagement with OA has risen, albeit gradual. An average of 3,490 additional OA works have been published each year over the past decade. This is a positive indication, particularly when compared to the growth of non-OA publications, which have only increased by an average of 2,175 works per year. Such statistics suggests OA in Australia is on the rise. Though, in light of the substantial number of total publications made per year, it is clear Australia has the potential to considerably contribute to the OA movement. However, lack of engagement with OA practice has meant the country is yet to do so. This article is a step towards fulfilment of this potential.

OA Publications Exclusively

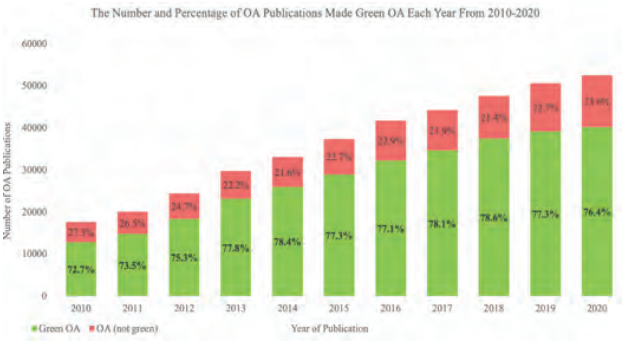

Figure 9: Bar graph displaying the number and percentage of total OA publications made through Australian institutions over the last decade

Figure 9 further indicates of the 36,240 publications made OA annually in Australia between 2010-2020, an average of 27,909 works were published with green OA. Thus, 77 per cent of OA works have been published with green OA each year. Accordingly, green OA is evidently the primary form of OA engaged with in Australian institutions. Though, despite a consistent increase in the number of publications, percentage figures from the last two years indicate the primacy of green OA may be declining. Such results suggest engagement with other forms, such as gold OA, may be on the rise in Australian institutions.

Collectively, statistics analysed demonstrate that, despite gradual growth in OA over the past decade, openly accessible works remain limited in Australia and currently, account for less than half of total publications made through Australian institutions. Of the limited works made OA, green OA currently constitutes the majority, though engagement with this form of OA, as a percentage of total publications, also remains inadequate. The evident primacy of green OA presents an opportunity for Australian authorities to capitalise upon this engagement, as the Dutch Government did with enactment of the Taverne Amendment. Nevertheless, the recent trend in Australian statistics, indicating potential declination of the primacy of green OA, emphasises that immediate action is required to take advantage of this opportunity, thus reinforcing that time is truly of the essence for effecting OA change in Australia.

Statistics analysed in this component of the article reinforce Australia has failed to significantly engage OA practice. The primary issue is the limited number of works made OA, despite the large number of publications made through Australian institutions per year. The current ratio, indicating less than half of publications are made OA, is inadequate. As an evidently academically prosperous country, it is clear Australia's potential to significantly contribute to the OA movement is currently inhibited by failure to significantly engage OA practice. Thus, immediate improvement of Australian OA engagement is required.

Country Comparison

Total Publications

As shown, the Dutch have taken progressive OA action, which has seen the country "lead the way" in the OA world. Contrastingly, OA has not been significantly engaged in Australia. To assess how OA engagement through Australian institutions compares to that in Dutch institutions, a comparative analysis is conducted between the countries. As Australia and the Netherlands differ in terms of size and available research infrastructure, to ensure accuracy of the comparison, the percentage of works made OA in each country are compared. This intends to remove any bias, which may otherwise arise. Thus, the percentage of publications made OA through Australian and Dutch institutions, from 2010-2020, are compared.

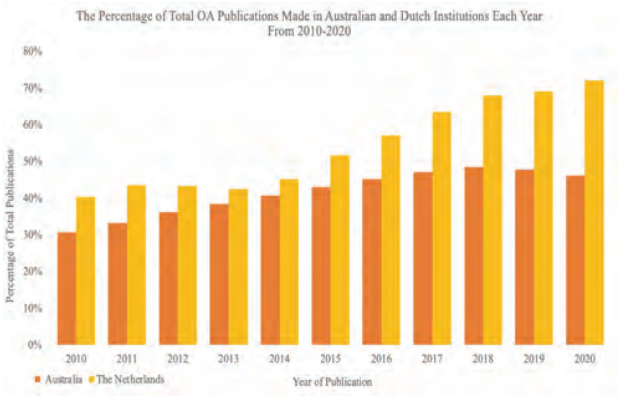

Figure 10: Bar graph displaying the percentage of OA publications made through Australian and Dutch institutions over the last decade

As evident from Figure 10, despite Australia having almost double the number of institutional repositories,[129] the percentage of total publications made OA in the Netherlands has consistently exceeded that in Australia over the past 10 years. In 2020, the greatest variance was evident, with a difference of 26 per cent between the percentage of OA publications made through Dutch institutions, as opposed to Australian institutions. Putting this difference into perspective, in 2020, 46 per cent of publications were made OA in Australia. This figure is equal to the percentage of works made OA in the Netherlands six years ago, in 2014. Not only does this comparison indicate the gap between the countries' engagement is ever-increasing, it emphasises Australia is currently "years behind" the Netherlands in regard to OA implementation. When considering Australia has a much larger volume of research infrastructure, through which OA could be facilitated, it is clear the nation is currently failing to utilise such structures effectively.

Most apparent from Figure 10, is the increased variance between the countries' engagement since enactment of the Taverne Amendment. Whilst OA publications in the Netherlands have increased by an average of 3.8 per cent annually over the past five years, Australian OA publications have only increased by 0.25 per cent. Moreover, prior to 2015, the percentage of OA works published in Dutch institutional repositories surpassed those in Australia, by an average of 7 per cent. In the years since 2015 this percentage has nearly tripled, having risen to almost 20 per cent. Thus, it is clear, since enactment of the Taverne Amendment, OA engagement in the Netherlands has grown at a much greater rate, whilst Australian engagement has remained somewhat stagnant.

These statistics indicate the true value of introducing an OA provision into national copyright legislation. In this instance, it appears legislative integration has seen Dutch OA engagement accelerate far beyond that in Australia, a nation which is yet to adopt any notable OA measures. These results reinforce both the value of an OA provision and the

true urgency for OA action to be undertaken in Australia, to ensure the country is not "left behind" in the OA world.

OA Publications Exclusively

Figure 11: Bar graph displaying break down of the percentage of OA publications through Dutch institutions over the last decade

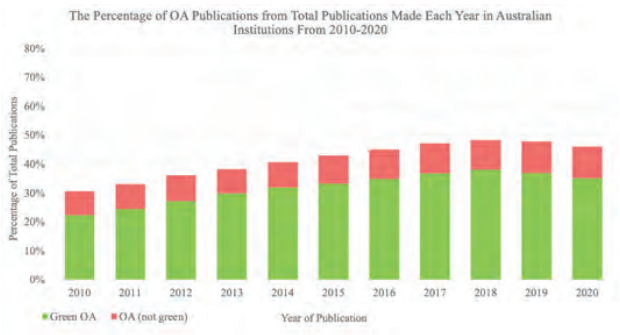

Figure 12: Bar graph displaying break down of the percentage of OA publications through Australian institutions over the last decade

Focusing upon OA exclusively, Figures 11 and 12 demonstrate green OA has been maintained as the primary form of OA in both countries over the last decade. Though, despite this trend indicating a point of similarity, in the context of total publications the percentage made green OA in Australia still remains inferior to that in the Netherlands. Over the last decade, green OA has been granted to an average of 44 per cent of total publications made through Dutch institutions per year. Meanwhile, only 32 per cent of works have been published with green OA in Australian institutions. In regard to OA publications exclusively, 80 per cent of OA publications were made green OA in the Netherlands, as opposed to 77 per cent in Australia. Thus, although green OA engagement in Australian institutions is deficient in comparison to that in Dutch institutions, when viewed in the context of OA publications exclusively, the variance is less severe.

Interpreting these statistics, it is clear OA engagement through Australian institutions is deficient in comparison to that in Dutch institutions. This is a major issue, as a large volume of publications are made through Australian institutions annually, thus indicating many more Australian academic works can be, and should be, made OA. Nevertheless, the prevalence of green OA engagement in Australia, appearing somewhat similar to that in the Netherlands, when viewed as a percentage of OA publications, indicates an opportunity for improvement of Australian OA engagement. It is suggested the nation capitalise upon the primacy of green OA, as the Dutch evidently did with enactment of the Taverne Amendment.

Recommendations

As findings in this article have demonstrated, since its enactment the Taverne Amendment has assisted to increase OA engagement in the Netherlands. It is also clear OA engagement through Australian institutions is deficient, when compared to that in Dutch institutions. As an academically prosperous country, from which a large volume of scholarly works are evidently published, this presents a live issue, requiring immediate improvement. Thus, it is proposed, to assist increasing the country's currently lacking OA engagement, Australia be inspired by the Dutch, to integrate OA into the Copyright Act. This poses the question as to how legislative reform could be undertaken in Australia to effect integration of OA.

Drawing Upon Preliminary Efforts

Measures Undertaken

Certain Australian authorities have begun to take action towards advancing OA, albeit limited. As previously discussed, in 2016 the Productivity Commission held an inquiry into Australian intellectual property arrangements.[130] OA was addressed in the Final Report, in which it was recommended all Australian state and territory governments establish OA policies.[131] In response to this Inquiry, in 2018, the Australian Department of Communication and the Arts ("DCA") published a "Copyright Modernisation Consultation Paper".[132] The paper proposed a series of amendments to the Copyright Act, recognising the legislation requires updating, to bring it in line with digital developments which have occurred in the research landscape. As part of this Consultation, a number of roundtable discussions were held between key Australian research stakeholders, with attendees from organisations such as the Australian Copyright Council, CAUL, State Governments and several Australian universities.[133] Though, despite being initiated in light of the previous Inquiry by the Productivity Commission, which identified OA as a copyright issue,[134] this Consultation failed to substantially address open accessibility of Australian research in any depth. Thus, whilst OA has previously been acknowledged as an issue relevant to amendment of the Copyright Act, reform to integrate OA is yet to be substantially considered or effected in Australia.

Other key OA stakeholders, such as the OA advocacy body, OAA, have also commenced minor action. OAA has begun consulting with research organisations with an interest

in OA, committed to making a case for development of a national OA strategy in Australia. In 2020, the group hosted a series of roundtables, attended by representatives from organisations such as the FAIR Steering Group,[135] CAUL and the Australian Council of Learned Academies.[136] These organisations' efforts demonstrate those passionate about OA are beginning to come together to advocate for reform, in a bid to increase OA awareness and effect OA change in Australia.

Uniting Key Stakeholders

A crucial aspect of the Dutch OA approach is that all key stakeholders are on the "same page, at the highest level" in regard to OA.[137] Thus, it is suggested, uniting efforts of key Australian OA stakeholders is an effective way by which integration of OA into Australian copyright law may be effected.

It is recognised Australia currently has a majority of the key OA stakeholder groups established though, to effect OA change, their efforts must be united. Previous inquiries, consultations and roundtables undertaken by Australian authorities are evidence of key OA stakeholders such as the ALRC, Copyright Law Review Committee and Productivity Commission having united to drive legislative change in the Australian research landscape. Uniting the ALRC with OA organisations is particularly crucial, as the Commission is "one of the most effective and influential" bodies in moving legislative reform in Australia.[138] To date, more than 85 per cent of ALRC recommendation reports have been, either wholly or partially, implemented by the Australian legislature.[139] This demonstrates the true ability of Australian authorities to effect legislative reform. Thus, it is crucial the efforts of these key stakeholders are combined if integration of OA is to be effected.

As part of this union, OAA and the numerous organisations with which it has collaborated[140] should also be "brought onto the same page" to cooperate with these Australian authorities. The advantage is that organisations dedicated to OA could contribute directly to legislative reform discussions and, accordingly, influence proposals for reform of current copyright law. This would ensure OA is afforded greater attention by Australian authorities with the power to effect legislative reform. This union is considered a crucial basis upon which to facilitate OA change in Australia, and a means by which OA could be integrated into the Copyright Act.

Renewed Focus on OA as a Copyright Issue

In conjunction with the union of key OA stakeholders, it is suggested Australian authorities renew their focus on OA. Past consultations and inquiries evidence Australian authorities having previously acknowledged modernisation of the Copyright Act is required, to maintain its relevance in today's digital world. Despite having previously been identified as a copyright issue in this regard, minimal action has been taken to further address OA in Australia. Thus far, only a mere, non-binding recommendation for OA policies to be introduced throughout Australia has been made, in 2016.[141] Since then, OA appears to have been put on the back burner.

Thus, it is recommended discussions exclusively dedicated to OA be placed at the top of the shared agenda of Australian authorities. The DCA's 2016 Inquiry[142] shows that OA has previously been considered in the context of legislative reform. This suggests if Australian authorities prioritise OA, reform of the Copyright Act to integrate the practice is viable. Thus, a renewed focus on OA as a copyright issue is recommended, as an effective means by which OA could be integrated into Australian copyright law.

Approach Informed by Findings

Capitalising Upon Green OA Engagement

Despite findings in this article demonstrating a great variance between OA engagement in Dutch and Australian institutions, a common trend identified is the prevalence of green OA. This presents an opportunity for the Australian legislature to capitalise upon the primacy of this form of OA, as the Dutch evidently did with the Taverne Amendment.

In regard to suitability in the current Australian research landscape, statistics analysed indicate an average of 77 per cent of OA works have been published with green OA in Australian institutions over the last decade. This suggests Australian authors are currently most familiar with this form. Thus, it is proposed introducing a legislative provision, which affords the option to publish green OA, would be suitable in the current Australian research landscape for multiple reasons. First, primacy of green OA provides a well-founded basis upon which the Australian legislature can justify enactment of such a provision. Evidence of green OA engagement indicates perceived efficacy of a legislative provision in this regard, likely to assist passage of an amendment proposal through the Australian Parliament. Secondly, familiarity and mitigation of drastic change are expected to be crucial for encouraging OA uptake from Australian authors, particularly to reduce uncertainty, as a majority have not previously engaged with the practice. Thus, capitalising upon the opportunity presented by the current primacy of green OA not only provides a sense of assurance to the Australian legislature, but also presents as an effective means to encourage OA uptake by authors, who are largely unaccustomed to OA practice.

In this regard, it must be noted, despite the current primacy of green OA in Australia, statistics indicate this prevalence may potentially be declining, with decline evident in the last two years analysed. This trend reinforces time is truly of the essence for Australia, not only if the country seeks to capitalise upon current green OA engagement as a basis

for legislative reform, but also to ensure the country remains academically competitive and is not left behind in the OA world.

Inspiration Taken from the Taverne Amendment

OA Provision as an Alternative

In adopting an OA provision, it is recommended Australia also take inspiration from key elements of the Taverne Amendment, which appear to have contributed to its effectiveness in elevating OA engagement. The Taverne Amendment was enacted as a provisional alternative to the Dutch preference of a gold OA route. As a somewhat conservative country, this approach appears most appropriate in Australia, for two primary reasons. First, as many academic authors are yet to engage with OA practice, measures which are flexible and encouraging, rather than arbitrary, are likely to be the most effective. Secondly, when effecting legislative reform, subtle amendments to current legislation are often favoured over major changes. Thus, the Australian legislature is likely to be more receptive of passing a provisional alternative, than a bill proposing to enforce stringent requirements upon academic authors. In this regard, a provision of this nature may be enacted as a preliminary measure before further, more comprehensive change is effected in the future, once OA has been sufficiently established in Australia.

Key Elements of the Provision

It is further proposed specific features of the Taverne Amendment be adopted. First, it is suggested the 12-month embargo period, prescribed by the Taverne Amendment, be assumed in the prospective Australian provision. This period is currently denoted in research policies of the ARC, NHMRC and several Australian universities.[143] Such policies are evidence of this period of time being considered appropriate and workable in the current Australian research landscape. The Taverne Amendment's retrospective application is a crucial element of the provision, which could also be usefully embraced in Australia. As statistics analysed throughout this article have shown, a large volume of scholarly works has been published in Australia over the last decade, the majority of which have not been published OA. Enacting an OA provision which applies retrospectively would reduce current concern as to the many Australian academic works to which access has been, and is currently, restricted. This invites the prospect that not only would an OA provision of this nature assist to increase future OA engagement in Australia, but would also permit improvement of the country's deficient engagement in years past.

Another desirable element of the Taverne Amendment which could be usefully adopted is the precedence of the provision over publishing agreements. In Australia, one of the major problems identified with current OA policies, is their application being subject to publishing contracts.[144] Introducing a legislative provision which eradicates such restrictions, is likely to encourage greater engagement with OA, by removing authors' concerns as to legal repercussions arising from pre-existing publishing agreements. This feature, which would be unique in the Australian research landscape, represents a desirable way by which to integrate OA into Australian copyright law.

Additional Considerations

Complementary measures

As evident from findings in this article, an OA provision presents as an effective means to contribute to increasing OA engagement. Though, it is acknowledged the prospect of integrating of OA into Australian copyright law is not a "quick fix" solution to the issue of Australia's deficient OA engagement. The process of legislative reform in Australia can be extensive, as once a final report is provided by the ALRC to the Government for consideration, there is no established time frame in which a response is required.[145] Thus, reform recommendations can in some instances take years to be adopted into the relevant legislation.[146]

To ensure Australian OA engagement does not remain stagnant in the meantime, it is recommended complementary OA measures, in addition to an OA provision, be effected. Such measures are considered likely to both "kick start" enhancement of OA engagement immediately, and support the prospective provision once enacted. It is suggested complementary measures adopted in Australia also be inspired by those implemented by the Dutch, particularly as such efforts have played a crucial role in the Dutch OA approach. In this regard, it is recommended domestic OA initiatives be established, whilst OAA and associated organisations drive heightened advocacy. Adopting a systematic approach by commencing efforts at Australian research institutions before broadening the scope, to raise OA awareness throughout Australia, is recommended. Such complementary measures are recognised as a future direction for OA in Australia. Thus, this article intentionally leaves scope for further studies to explore the prospect of introducing such measures, to assist increasing Australian OA engagement.

Conclusion

In conclusion, analysis of OA engagement through Australian institutions, alongside that in Dutch institutions, has confirmed concerns as to the deficiency of OA in Australia. As a country in which a large volume of academic works is published, this indicates a major issue. This article attempts to address this problem, "looking outside of the borders" to the Dutch OA approach, considering the progressive method of legislative integration as a potential solution. This study argues that immediate improvement of Australian OA engagement should be undertaken, not only for the benefit of Australia itself, by securing its future academic competitiveness, but also for the greater good, by realising

the country's true potential to significantly contribute to the global OA movement. In conclusion, to reduce the issue as to the large proportion of Australian academic works to which access is restricted, it is proposed Australia be inspired by effective legislative integration undertaken by the Dutch to integrate OA into the Copyright Act, to assist increasing the currently deficient OA engagement in Australian institutions.

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33 Quotation from Mr Paul Ayris, Head of library services at University College London and a spokesperson for the League of European Research Universities cited in Butler (2016) 1, 13.

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129 Australia currently has 75 institutional repositories registered with the Registry of Open Access Repositories, whilst the Netherlands has 39. See 'Registry of Open Access Repositories', *Australia* (Web Page, 26 October 2021) <http://roar.eprints.org/view/geoname/geoname=5F2=5FAU.html#group_institutional>; 'Registry of Open Access Repositories', *The Netherlands* (Web Page, 26 October 2021) <http://roar.eprints.org/view/geoname/geoname=5F2=5FNL.html#group_institutional>.

130 APC (2016) 4.

131 APC (2016) 4, 38.

132 Department of Communications and the Arts ("DCA"), *Copyright modernisation* (Consultation Paper, March 2018) 4.

133 DCA, *Routable on orphan works* (Consultation paper, May 2018) 3; DCA, *Roundtable on uses of copyright by the government* (Consultation Paper, April 2018) 2.

134 APC (2016) 4, 24, 29, 38, 92, 461.

135 The FAIR Steering Group comprises of organisations with an interest in OA, such as the ARC, NHMRC, CAUL and Universities Australia. Chaired by the CAUL, FAIR are dedicated to working towards establishing OA in Australia, primarily through the FAIR principles. See OAA, 'Making the case for a national approach for Open Research in Australia' (Online document, 31 January 2021) <https://oaaustralasia.org/2021/01/31/making-the-case-for-a-national-approach-for-open-research-in-australia/>; FAIR, 'FAIR Steering Group' (Web Page, 2021) < https://www.fair-access.net.au/about/steering-group>.

136 The Australian Council of Learned Academies is a forum whose members inform national policy, by providing expert advice, whilst developing 'innovative solutions' to issues, both within Australia and globally. See Australian Council of Learned Academies, 'About us' (Web Page, 2021) < https://acola.org/about-us/>; OAA, 'Making the case for a national approach for Open Research in Australia' (Online document, 31 January 2021) <https://oaaustralasia.org/2021/01/31/making-the-case-for-a-national-approach-for-open-research-in-australia/>.

137 AOUN (2016) 14.

138 ALRC, 'About' (Web Page, 2021) < https://www.alrc.gov.au/about/>.

139 ALRC, 'About' (Web Page, 2021) < https://www.alrc.gov.au/about/>.

140 The OAA has previously held roundtables with members of organisations such as the FAIR Steering Group, CAUL and the Australian Council of Learned Academies.

141 APC (2016) 4, 38.

142 APC (2016) 4.

143 ARC, 'Open Access Policy' (Policy, 30 June 2017) 7 <https://www.arc.gov.au/policies-strategies/policy/arc-open-access-policy-version-20171>; NHMRC, 'Who we are', *About us* (Web Page, 2021) <https://www.nhmrc.gov.au/about-us/who-we-are>.

144 Danny Kingsley, 'Build It and They Will Come? Support for Open Access in Australia' (2012) 4(1) *Scholarly and Research Communication* 1, 9.

145 ALRC, 'Law reform process' (Web Page, 2021) 1 <https://www.alrc.gov.au/about/law-reform-process/>.

146 ALRC, 'Law reform process' (Web Page, 2021) 1 <https://www.alrc.gov.au/about/law-reform-process/>.

Book Review: *Kritika: Essays on Intellectual Property: Volume 5*

Professor Kathy Bowrey[1]

Edited by Gustavo Ghidini, Hanns Ullrich and Peter Drahos

[Edward Elgar Publishing 2021 pp 224. The e-Book version is priced from £25/$AU44 from e-Book vendors while in print the book can be ordered from the Edward Elgar Publishing website <www.e-elgar.com>.]

The editors of *Kritika: Essays on Intellectual Property: Volume 5*, Emeritus Professor Gustavo Ghidini, Emeritus Professor Hanns Ullrich and Professor Peter Drahos, invited eight senior distinguished international intellectual property academics to contribute a chapter that offers a personal reflection that explores evolutionary trends in their respective area of interest.

Many chapters note that at the outset of their careers, intellectual property subject matter was not well developed. Books primarily communicated an understanding of the technicalities of the discrete specialisations. All authors plot significant shifts that have contributed to a broader understanding of the nature and scope of intellectual property rights. They identify new tensions between regimes and note concern for overlaps across that have emerged, especially as the global innovation economy developed from the 1990s. Many chapters reflect on social and political conditions likely to lead to new challenges to the scope of private rights and likely future developments. Here issues canvassed include employee rights, human rights, consumer rights, data rights, openness and trade secrets, technology, gene patents, international law and policy formulation and access to medicines and art markets. Many authors note that international ambitions for harmonisation have only been partly met in practice, yet international frameworks still matter considerably to the remit of national legislation and remain a potential source for productive legal development, alongside contract and, with more reservations, so do free trade agreements ("FTAs").

In chapter 1, "Reflections on the contradictory history of the regulation of employee intellectual property", Emeritus Professor Niklas Bruun explores the right of attribution of employee authors and employee inventors and the right to fair and proportionate remuneration for intellectual property. He notes that when he joined the Finnish Board for Employee Inventions in 1976, a statutory body that provided advisory opinions on the interpretation of the *Finnish Act on Employee Inventions*, the right of the employer to the intangible property could be evaluated under general principles of fairness and reward, reflecting the personalist approach to intellectual property of Continental countries. This was appropriate because in the 1970s–1990s employees could expect life-long stable employment, funding of research and development was long term, firms were national "champion" companies. There was a "teachers exception" where university employees retained first ownership of their intellectual property, and this made sense because universities were assumed not to be engaged in commercialisation. In 1991 there were only 300,000 patents granted worldwide.

Today, the employer is more likely a national subsidiary of a multinational, where no department is exempt from redundancies and belt tightening. In slimmed down companies, R&D is more likely outsourced with funding being project driven and short term. Universities are seen as engines of economic development and financing, part of the national investment in innovation, collaborating with industry. Patent portfolios relate to strategies to grow significance in big markets. In 2018 there were 1.4 million patents granted worldwide and "reward in the form of monetary compensation has become a part of the human resource management and employment system; it is not any more seen as being linked to intellectual property licensing."[2] This creates problems for employee inventors who increasingly need to be able to use their full knowledge and capabilities at the expiration of their contract or following redundancy, and be appropriately recognised for their research contributions to patents and to company portfolios.

Arguing against the proposition that a US entrepreneurial "work for hire" doctrine is sufficient, fair or even relevant in Europe, Emeritus Professor Bruun explores EU regulation that impacts historic presumptions of employer rights to employee inventions and copyright. This includes analysis of the *EU Directive on the Legal Protection of Computer Programs* (2009/24/EC); *Rome Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organisations*, and more ambitiously, beyond Art.6bis *Berne Convention for the Protection of Literary and Artistic Works*, other underused human rights law: "it is slightly surprising that the abundant literature on human rights and intellectual property has drawn very little, if any, attention to the fact that also as employees authors and inventors are entitled to human rights protection."[3] He goes on to consider not only Art. 27, *Universal Declaration of Human Rights* and Art. 15(1)(c) *UN International Covenant on Economic, Social and Cultural Rights* but also Art 17(2) *Charter of Fundamental Rights of the European Union* and Art. 18 *Digital Single Market Directive* (2019/790). Each is analysed to draw out avenues for asserting a stronger right of employee authors and inventors to attribution and fair remuneration. This

argument is then extended to suggest that even trade secrets provisions could be challenged for depriving due recognition as author or inventor in some circumstances, though he notes this might be "a challenge for modern intellectual property or labour law".[4] This first chapter is freely available for download on the Edward Elgar website.

In chapter 2, "The legal nature of intellectual property rights in public international law", Emeritus Professor Thomas Cottier explores an apparent contradiction. The Preamble to the *Agreement on Trade-Related Aspects of Intellectual Property Rights* ("TRIPS") describes intellectual property rights as private rights. Yet, the World Trade Organization ("WTO") challenge to Australia's plain packaging laws concluded, "it would seem quite natural that [intellectual property laws] entail a right to be used in the market. However, the Panel, the Appellate Body and the Court of Arbitration in *Phillip Morris v Uruguay* denied the existence of it."[5] If these are not private rights, understood in horizontal terms, that is, law is not simply regulating the space between private actors, he asks, what then, is the fundamental legal nature of an intellectual property right?

The chapter looks to public international law, drawing upon the author's background as a legal advisor in the Swiss Department of International Economic Affairs, responsible for TRIPS negotiations, and as Deputy Director-General of the Swiss Intellectual Property Office, 1986–94. He argues that intellectual property is properly a subject of public law because the state is needed to get policies right to regulate information and to promote innovation, but development of relevant expertise in this area has been minimal. The problem is that intellectual property thinking was abandoned by public lawyers and ceded to commercial and private lawyers. The chapter discusses the limited impact of anti-trust and competition law on intellectual property, but also the potential of human rights law to have greater reach. Emeritus Professor Cottier concludes that "intellectual property cannot be dealt with in isolation, but depends upon constant interaction with these other policy fields. Therefore it also needs to become more deeply integrated into the body of public international law." Ceding the turf to "a special epistemic community focusing on private rights clearly is a relic of the past."[6]

The chapter then goes onto evaluate the way investment treaties and trade law have changed the vertical relationship between the domestic state and (foreign) private actors. The state is still in control of its policy agenda, but not all private actors are treated as the same. Due to the operation of investment and trade agreements, the private rights of foreign actors are reinforced by public law. While this is true, and Emeritus Professor Cottier is mainly critical of private lawyers here, it is the priorities of government, as well as the interests of multinationals that are asserted through trade agreements and their interpretation. The fate of the COVID-TRIPS Waiver Proposal (far too little and far too late), and the current negotiation of a UK-Australian FTA (lowering UK environmental standards and failing to address the urgency and financial impacts of climate change) highlights a bigger problem. Can national governments really be relied upon to assert broad public policy and human rights interests on the international stage, where global co-operation may conflict with short-term domestic policy wins?

"Trade mark (and design) law from a personal perspective" by Professor Annette Kur is informed by the author's experience at the Munich Max Planck Institute, dating from 1976. Like Emeritus Professor Cottier, her reading of changes to the institution of intellectual property highlight some moderation of private rights through interaction with public law considerations, namely in the development of unfair competition principles as they have come to impact trade mark under the Court of Justice of the European Union ("CJEU"). But she argues this shift has been modest and somewhat disappointing.

Professor Kur notes that it was once thought unproductive to consider interfaces and overlaps between intellectual property regimes at all, but from the 1990s the CJEU led to a move away from a "specialists only" approach to rights. German law is largely discussed in terms of registration of shapes and the rise of protection for non-origin related functions of trade marks following *L'Oréal v Bellure*.[7] She highlights the creativity of the CJEU in developing relevant law through interpretation of the *Trade Mark Directive* and the *Community Trade Mark Regulation* where "trade mark law has been 'tainted' by unfair-competition-law thinking".[8] Examples discussed include tests of infringement that require accounts of market reality and contextual evidence for assessing likelihood of confusion. However, while the CJEU has utilised a notion of undistorted competition it has done so as "a label attached in a quasi-automatic manner". It has not sought to develop its normative foundations so that it operates as a principle filled "with substance and life" to create "a living ambitious benchmark to which … [CJEU] decisions must strive to conform".[9] Thus while competition law has impacted trade mark, there are few developments that are protective of consumers, or that address the myriad ways and means of luring consumers into purchasing decisions today, nor to support the information and critical communication functions of marks.

Chapter 5, Emeritus Professor Hector MacQueen's "Surprised by intellectual property law?" relates stories of the author personally coming to grips with the surprise of new computing, digital technologies and the internet. The question mark at the end of the chapter's title signals the author's approach to reading law through legal history and legal realism. Emeritus Professor MacQueen agrees with Oliver Wendell Holmes Jr that, "The substance of the law at any given time pretty much corresponds, so far as it goes, with what is then understood to be convenient; but its form and machinery, and the degree to which it is able to work out

desired results, depend very much upon its past." [10]

In exploring Scots and UK law and Copyright and InfoSoc Directives that have grappled with understanding how software, floppy disks and the internet function, Emeritus Professor MacQueen plots many changes to copyright tests and exceptions. However, he also shows legislative responses to these technologies occurred without a coherent address to what copyright exceptions are needed to serve the information society. This has created an underwhelming complex muddle replete with unnecessary technicality and uncertainty.

Emeritus Professor MacQueen's narrative should resonate with Australian readers and give cause for a collective sigh. Compared to the UK and EU, Australian law has accommodated commercial and technological realities of digital technologies far less. We have the benefit of two major independent reports: by the Australian Law Reform Commission Digital Economy (2013) and Productivity Commission (2016).[11] There is ample evidence of problems facing Australian based online businesses that seek to provide cloud computing solutions, and impediments to medical and scientific research, and universities. Yet Australia still fails to comply with even the *Berne* minimum requirement of a quotation right, has one of the most restrictive regimes for education and lacks any provision for text and data mining, which the UK achieved in 2014. And, as Emeritus Professor Sam Ricketson AM notes in chapter 6, "What other country's laws take nearly 40 pages to confer moral rights protections on authors and performers?"[12] Emeritus Professor MacQueen sums up his reflection about the development of intellectual property as a story of "slow dawning realisations and accompanying disappointments".[13] In drawing out the relevance of his history for Australia, surely the "convenience" of continually adding more and more legislative provisions, often well after all our major trading partners, and without reference to available evidence or principles, needs to shift in Australia too?

In a similar vein in chapter 5, "The pendulum of patents, principles and products - from the industrial revolution to the genetic revolution", Professor Dianne Nicol writes, "Might the availability of patents for intangibles such as genes and uses of genetic information be detrimental to efforts to alleviate human suffering, or, rather, might a lack of patents actually stifle these efforts? … While we might debate these issues at length in the abstract, what is really needed is a sound evidence base to move this debate forward."[14] Her chapter then sets out the evidence that has accrued in the last 20 years.

Arkwright's and Watt's steam-era patents provide the stepping off point to discuss tensions that have arisen with genetics arising from the distinction between products, processes and principles; discovery and invention; and experimental research and invention. Citing her own considerable research in this field,[15] as well as significant US study,[16] Professor Nicol concludes that there has been no clear evidence that innovation or research has been impeded by gene patents. This outcome is due to strategies adopted by participants including non-exclusive licensing of foundational research tools, including patented gene sequences; inventing around patents; litigation challenging validity; and ignoring patents that could block research. She argues that, whilst the patent landscape is not as tied up as some initially feared, there remains the risk of an "anticommons", particular impacting early stage research where owners of significant patents can control who enters the field and on what terms.

The Myriad Genetics patents relating to BRCA tests remain the go-to example where there has been significant analysis of the consequences of gene patent enforcement on the provision of genetic diagnostic testing. The related litigation, legislative and judicial aftermath is discussed with authority and at length. Nicol's account also includes discussion of recent US law such as *Vanda Pharmaceuticals Inc v West-Ward Pharmaceuticals*,[17] a decision she heralds as again, potentially opening up a pathway for patenting of diagnostic methods.

As a long time keen observer of the impact of patents on biotechnology research Nicol argues the climate for collaboration, compassion and community welfare is best served by tools that have already been developed like compulsory licensing, government use and experimental use that can temper patent enforcement excesses. But governments need to remain on the front foot here as these might need updating in light of new technological leaps, where "technology cannot wait for law to catch up".[18]

It will be no surprise to readers to learn that Emeritus Professor Ricketson AM's chapter, "Change or no change – a personal intellectual property journey", highlights the importance of history to understanding the shape and contours of intellectual property law. His contribution traces the expansion of the law, not in terms of scope, but in terms of frameworks and expertise. TRIPS, the networked environment, development and human rights agendas, have all impacted how we think about intellectual property. Compared to the 1970s and 1980s it is more essential than ever, to understand legislative history as well as to have some grasp on international law and policy making. Policy ideas now develop and reform is seeded across international fora. New inter-disciplinary capabilities are also drawn upon to formulate new ideas and respond meaningfully to address real world challenges. Along with this there is a high degree of specialisation, compartmentalisation and developments of different kinds of legal scholarship: "Intellectual property is an extremely broad church, and has moved into the mainstream of law and policy making at both national and international levels."[19] The current decline of multilateralism and loss of commitment to maintaining international co-operation in setting international norms, only adds to this complexity.

In the face of this political and legal turmoil Emeritus Professor Ricketson AM discusses the functions of different kinds of intellectual property publications that assist lawyers navigate the legal landscape. But his passion is to convince readers (in particular, academic colleagues who can be discouraged from conducting some kinds of research and writing) about the importance of legal treatises. Its essential characteristics are described as comprehensiveness; a sense of history; comparative and international perspectives; clarity; structure; awareness of policy and theoretical issues. These properties, of course, were evident from the beginning with his own masterly 1984 treatise.[20] It ran to 1201 pages, but to be fair the book traverses all the major categories of intellectual property, as they were then understood.

Negotiating intellectual property clauses as India's TRIPS negotiator 1989–91 and tracking the development of clauses on access to medicine while working at the WTO 2001–19 informs chapter 7, "North-South perceptions of the TRIPs Agreement: then and now (1990 and 2020)" by Adjunct Professor Jayashree Watal. It is a fascinating read about the workings of bureaucracy and trade negotiations across a long time span, with a concise, frank and balanced discussion around how particular issues were asserted, responded to, alliances formed and broken, and risks taken to achieve safeguards to ensure developing country secured pathways for access to pharmaceuticals.[21] He stresses the stretch of international agreements through domestic implementation and the tensions surrounding the Doha Declaration on the TRIPS Agreement and Public Health (2001) in response to the HIV/AIDS pandemic. This discussion, and what happened next to water down access to medicines, remains very much of contemporary relevance.

Adjunct Professor Watal helpfully includes a summary of provisions in intellectual property clauses in FTAs that impact access to medicine. Concerns resulted in India's failure to conclude an agreement with the EU (negotiations began in 2007) and the exclusion of an intellectual property chapter in the Japan-India FTA (2011). In terms of future developments, Adjunct Professor Watal predicts that, "Contrary to expectations given the sensitivity of policy makers post-COVID-19, *demandeurs* for stronger intellectual property protection in the area of pharmaceuticals are less likely to get a sympathetic hearing for [sic] USTR or the European Commission than earlier, jeopardising strategies that rely on obtaining their IP demands in FTAs."[22] He predicts firm-level licensing and marketing strategies as the likely means to maximise market access. Now a new round of India-EU FTA negotiations is resuming we will soon see how these (and other predictions) pan out.

Chapter 8, "A copyrightist for art's sake" by Professor Zhou Lin has three parts. He begins with an overview of the development of Chinese copyright law from its pre-modern regulation to the Draft Amendment to the Copyright Law of the People's Republic of China published in 2020. The author was employed at the National Copyright Administration in 1989. The chapter then moves to discuss the law in action, summarising three cases in which Professor Zhou Lin appeared (successfully) as legal counsel enforcing the rights of artists against the China Artists Association ("CAA"), and acting for Danish company, Interlego AG and Lego Overseas. The first two cases flesh out the complexities of applying copyright in an emerging art market where exhibition and art sales where once tightly regulated and controlled by the CAA. Historically artists had little autonomy over the distribution and exhibition of their works. The new copyright law provides, not just a means of redress for artists, but also a mechanism to develop more freedom in the art market.

The Lego case[23] involved the same complicated divide between original works/applied art; creative/industrial works and copyright/design that has troubled the company in many jurisdictions. Professor Zhou Lin's 2002 suit achieved recognition of 50/53 kinds of Lego blocks as practical art works capable of copyright protection, and 33 instances of infringement. However, very similar litigation concerning similar facts conducted 10 years later,[24] faced procedural frustrations and found a far reduced number of protected works because they "lacked creative work in the sense of copyright law".[25] Professor Zhou Lin suggests this is not a failure to protect foreign works. It could herald a reconsideration of the utility of design patents for applied art.

The final part of the chapter refers to "three principles of the rules of law on information", namely, openness, freedom of information and participation in information,[26] as the foundation for the development of Chinese art market/copyright law. Taking into account the history of art production in China, Professor Zhou Lin reflects on the utility of introducing a resale right for artists. Drawing upon research he supervised in China on behalf of the State Copyright Administration, he suggests there is limited evidence that a resale right would incentivise artistic creation, distribution and exploitation of works: "It cannot be assumed that a legal provision or legal system that has been successful or partially implemented abroad is necessarily beneficial for the Chinese art market."[27] Principles and an evidence-based approach is used to inform policy decision-making. The Chinese art market favours freedom, openness and participation: "only when certain conditions are in place, this system, which allows artists to share the dividends of the market, will be incorporated into Chinese law."[28]

In summary, what all the chapters share is the view that only history and political brokerage amongst elites can explain the status quo of intellectual property law. This is not a book directly seeking to expose the underside of international or domestic law reform processes or the impact of policy advocacy, yet all the contributors map how the global intellectual property law has developed incrementally over

the decades and impacted national regimes. Largely in the Global North, the law has grown under the influence of pragmatism, rather than principle. And this has resulted in inherent instabilities within the various intellectual property regimes and complicated the form and content of domestic legislation. The personal reflections are not necessarily critical of this, but they do largely yearn for something more.

It is very welcome to find that this volume provides an index and it also is freely available to download. This is a particularly useful to assist readers find references to areas of interest because of the enormous breadth in subject matter covered across the chapters.

1 Faculty of Law & Justice, University of New South Wales, Australia.

2 Niklas Bruun, 'Reflections on the contradictory history of the regulation of employee intellectual property', Gustavo Ghidini, Hanns Ullrich and Peter Drahos (eds.), *Kritika: Essays on Intellectual Property: Volume 5* (Edward Elgar Publishing, 2021), ("*Kritika: Essays on Intellectual Property: Volume 5*"), 5.

3 Niklas Bruun, 'Reflections on the contradictory history of the regulation of employee intellectual property', *Kritika: Essays on Intellectual Property: Volume 5*, 12.

4 Niklas Bruun, 'Reflections on the contradictory history of the regulation of employee intellectual property', *Kritika: Essays on Intellectual Property: Volume 5*, 21.

5 Thomas Cottier, 'The legal nature of intellectual property rights in public international law', *Kritika: Essays on Intellectual Property: Volume 5* (Edward Elgar Publishing, 2021), 24–5.

6 Thomas Cottier, 'The legal nature of intellectual property rights in public international law', *Kritika: Essays on Intellectual Property: Volume 5* (Edward Elgar Publishing, 2021), 38.

7 CJEU, case C-487/07, *L'Oréal v Bellure* [2009] ECR I-05185, ECLI:EU:C:2009:378.

8 Annette Kur, 'Trade mark (and design) law from a personal perspective', *Kritika: Essays on Intellectual Property: Volume 5* (Edward Elgar Publishing, 2021), 70.

9 Annette Kur, 'Trade mark (and design) law from a personal perspective', *Kritika: Essays on Intellectual Property: Volume 5* (Edward Elgar Publishing, 2021), 72.

10 Hector L MacQueen, 'Surprised by intellectual property law?', *Kritika: Essays on Intellectual Property: Volume 5*, 97.

11 Australian Law Reform Commission, *Copyright and the Digital Economy*, Final Report, ALRC Report 122, November 2013, 168; Australian Government, Productivity Commission, Intellectual Property Arrangements, *Productivity Commission Inquiry Report,* No 78, 23 September 2016, 19.

12 Sam Ricketson, 'Change or no change – a personal intellectual property journey', *Kritika: Essays on Intellectual Property: Volume 5*, 148.

13 Hector L MacQueen, 'Surprised by intellectual property law?', *Kritika: Essays on Intellectual Property: Volume 5*, 98.

14 Dianne Nicol, 'The pendulum of patents, principles and products – from the industrial revolution to genetic revolution', *Kritika: Essays on Intellectual Property: Volume 5*, 102.

15 Dianne Nicol et al, 'The Innovation Pool in Biotechnology: the Role of Patents in Facilitating Innovation', Centre for Law and Genetics Occasional Paper No.8, 2014.

16 John P Walsh, Ashish Arora and Wesley M Cohen, 'Effects of Research Tool Patents and Licensing on Biomedical Innovation', Wesley M Cohen and Stephen A Merrill (eds), *Patents in the Knowledge Economy* (The National Academics Press, 2003).

17 *Vanda Pharmaceuticals Inc v West-Ward Pharmaceuticals F.3d 1117* (Fed. Cir. 2018).

18 Dianne Nicol, 'The pendulum of patents, principles and products – from the industrial revolution to genetic revolution', *Kritika: Essays on Intellectual Property: Volume 5*, 124.

19 Sam Ricketson, 'Change or no change – a personal intellectual property journey', *Kritika: Essays on Intellectual Property: Volume 5*, 146.

20 Staniforth Ricketson, *The Law of Intellectual Property* (Law Book Co, 1984).

21 Adjunct Professor Watal highlights the importance of TRIPS Art 6 (exhaustion); Art 7 (objectives); Art 8 (principles); Art 40 (anti-competitive practices); Art 30 (limited exceptions); Art 31 (use without authorisation); Art 39 (undisclosed information; test data).

22 Jayashree Watal, 'North-South perceptions of the TRIPs Agreement: then and now (1990 and 2020)', *Kritika: Essays on Intellectual Property: Volume 5*, 173.

23 *Lego v Kegao (Tianjin) Toys Company Limited*. Civil Judgement of Beijing No. 1 Intermediate People's Court (1999); Beijing Municipal High People's Court (2002) Gao Min Feng Zi No. 279 Civil Judgment.

24 *Lego v Guangdong Xiabailong Company* (2011). No citation given.

25 Zhou Lin, 'A copyrightist for art's sake', *Kritika: Essays on Intellectual Property: Volume 5*, 189.

26 Zhou Lin, 'A copyrightist for art's sake', *Kritika: Essays on Intellectual Property: Volume 5*, 193.

27 Zhou Lin, 'A copyrightist for art's sake', *Kritika: Essays on Intellectual Property: Volume 5*, 199.

28 Zhou Lin, 'A copyrightist for art's sake', *Kritika: Essays on Intellectual Property: Volume 5*, 199.

Book Review: *Research Handbook on the World Intellectual Property Organization: The First 50 Years and Beyond*

Doug Calhoun[1]

Edited by Sam Ricketson[2]

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Have you ever wondered why World IP Day is celebrated on 26 April? That and many other IP quiz night questions are answered in this book.

Emeritus Professor Sam Ricketson AM and 24 other authors have run a magnifying glass over the World Intellectual Property Organization ("WIPO") from its somewhat shotgun marriage between the unions of the major IP Conventions in the 1960s, its greatest success in establishing and administering the *Patent Cooperation Treaty* ("PCT"), its uncertain relationship with the World Trade Organization ("WTO"), through to its frustrations in not finding a common ground between developed and developing nations. At the beginning of the text there is a comprehensive list of all the abbreviations and acronyms to help in navigating the text. And World IP Day celebrates the date the WIPO officially came into existence, 26 April 1970.

The introduction, somewhat modestly, disclaims the comprehensiveness of the text. But one obvious omission is any mention of the close relationship between the International Union for the Protection of New Varieties of Plants ("UPOV") and WIPO.[3] Emeritus Professor Ricketson AM describes the mix of perspectives of the authors. Some are insiders who were there when things were happening. Others are outsiders who have histories of engagement with WIPO in various capacities. But all contributors have long experience with areas of IP about which they have written and bring that experience to bear in each of their contributions.

History of WIPO

The history and governance of WIPO are outlined in chapters 1, 3 and 16. The *Convention Establishing the World Intellectual Property Organization* was signed at Stockholm in 1967 by 51 countries. By 2020 membership had grown to 193. WIPO became a specialised agency of the United Nations in 1974. It had grown to have 1,500 employees by 2020.

The Stockholm conference consolidated the bureaux (unions) established by the *Paris Convention for the Protection of Industrial Property* of 1883, the *Berne Convention for the Protection of Literary and Artistic Works* of 1886 and the various other IP unions that govern other aspects of IP. Before WIPO each of the unions were managed by a coordinating office, the Bureaux Interanion Réunis pour la Protection de la Propriété Intellectuelle ("BIRPI"), French for United International Bureaux for the Protection of Intellectual Property. But the only real link between BIRPI and the various unions was that the head of BIRPI was also the head of each union. The office of BIRPI was located in Berne, Switzerland. It was governed by Swiss law. While its operations were nominally funded by the member countries of the various unions, shortfalls were made up by the Swiss Government. Its Directors General were all Swiss. By the time of the Stockholm conference BIRPI had moved its headquarters to Geneva, the UN's European headquarters, and the first non-Swiss Director General had been appointed. The lead up to, and the Stockholm conference itself, were rocky affairs with some union members wanting to exclude non-members of existing unions. A compromise was eventually achieved and WIPO was born with membership open to all.

A formal agreement in 1974 between the UN and WIPO made WIPO a special agency of the UN given the responsibility for promoting creative intellectual activity and the transfer of technology to developing countries to accelerate economic, social, and cultural development. This went beyond the main objective of WIPO that focused on the international protection of IP. It has led to tensions between developed and developing countries about some of WIPO's initiatives.

The book's Appendix provides a chronology of events leading up to and following the founding of WIPO. It begins with the 1878 Paris Universal Exhibition and finishes with a relatively uneventful 2019. The colour coding, corresponding to the terms of the four Directors General, becomes progressively darker with each incumbent, inadvertently implying increasingly darker eras.

The first WIPO Director General was Georg Bodenhausen of the Netherlands. He had a distinguished career as an IP lawyer before becoming BIRPI Director for the last eight years of its existence. His three-year term oversaw the completion of a number of treaties and the bedding down of the WIPO organisation.

His successor, Árpád Bogsch, led WIPO with great energy from 1973 until his retirement in 1997. His term saw the introduction of the PCT, the conclusion and revision of many other international treaties and the launching of a programme for assisting developing countries. Bogsch led the modernisation of the Madrid system for the international

registration of trade marks, the establishment of the WIPO Arbitration and Mediation Centre and of the International Association for the Advancement of Teaching and Research in Intellectual Property ("ATRIP"). Although lauded for all that he had done, the general impression of the authors was that he had stayed on too long.

His successor was Kamal Iridis,[4] a Sudanese diplomat who had been Deputy Director General leading up to Bogsch's retirement. Notable achievements during the Iridis period were the introduction of standing committees and reforming of WIPO's financial processes. Idris was appointed for a second six-year term but that ended early when he resigned under a cloud (detailed in his biography). He succeeded in opening up WIPO to greater participation by developing countries, but that proved unpopular with developed countries, which may also have been a factor in his early departure.

Dr Francis Gurry was the fourth Director General of WIPO. This Australian academic, lawyer and practitioner had moved quickly up through the ranks of WIPO after joining the organisation. His era was marked by the expansion of WIPO's size and scope. His achievements included the establishment of the Marrakesh and Beijing copyright treaties as well as WIPO's online disputes resolution service.

Chapter 16 examines the governance and financing of WIPO under the title "muddling through". Probably uniquely among UN special agencies, WIPO is largely self-financing because the PCT and the Madrid systems are cash cows. But the resulting cross-subsidisation of the multitude of unions under WIPO has led to debate, not only about where the surplus user fees are spent, but also about the autonomy of unions with members who number only a fraction of the members of WIPO itself. The funding debate is about whether user fees should be reduced or whether their surpluses should continue to fund other WIPO programmes. The autonomy of unions came to a head when the Lisbon Union set out to organise a diplomatic conference to expand the geographical indications ("GIs") provisions, funded by the WIPO funds of its 193 members, but limited to voting by the small number of members of the Lisbon Union.

The main problems seen by the chapter's author, Ian Heath, are a lack of oversight by a governing body equivalent to a private sector board of directors, and the requirement for decisions to be taken by consensus, effectively giving a veto to a minority of members. In spite of these issues, the PCT and Madrid fee excesses have allowed WIPO to muddle through.

Multiple WIPO Roles

Chapter 2 discusses the role of WIPO as an international organisation. In that capacity it has established international law standards through treaties as well as recommendations and guidelines from its dispute resolution bodies. While it began as an entirely new organisation, it incorporated BIRPI's long-standing role in all of the established unions that make it up. Finally, it has a continuing problem of overlapping mandates. The most prominent of these is that while it enjoys pre-eminence in standard setting and provision of services in intellectual property matters, the most effective means of enforcement is by the *Agreement on Trade- Related Aspects of Intellectual Property Rights* ("TRIPS") Council of the WTO interpreting the TRIPS provisions.

In chapter 17, WIPO is characterised as playing loosely with the principles of the *Vienna Convention on the Law of Treaties* ("VCLT"), an interpretation treaty for international treaties. As examples the many preambles to the TRIPS explain its purpose and guide its interpretation. In contrast, WIPO treaties tend to be sparse in preambles that explain national views that led to their final forms. While this has given WIPO flexibility in its operations, it has also led to uncertainty about its mandate, particularly in relation to developing countries.

An Insider's Insights

Chapter 4, written by Mihály Ficsor, provides the fullest insider's view of how WIPO worked. The copyright development programme was formulated over a long lunch at an upmarket Geneva restaurant involving Bogsch and a few insiders. Fiscor's chapter shows how Bogsch shoulder tapped knowledgeable people to carry out his ideas, rather than tendering for expensive consultants.

Ficsor, as an employee, oversaw the establishment of many copyright and related rights treaties. After he left WIPO he was again called upon by Bogsch to write the commentaries on these treaties.

Ficsor describes the consternation within WIPO of WTO moving into its patch with TRIPS. But WIPO gradually worked out an accommodation – WIPO makes the rules and WTO enforces them.

WIPO and the Evolution of Copyright

Chapter 5 describes WIPO's attempts to evolve the international copyright norms to fit the new realities of digital technologies and the internet. The WIPO bureaucracy was a late digital adopter, not acquiring its first computer until after Bogsch's retirement in 1997. In an effort to regain some of its lost ground WIPO did conclude two copyright treaties[5] directed at issues relating to digital technology. However, it fell short in its attempts to amend the protocol to the venerable *Berne Convention*. Since then, there has been little progress, a sticking point being the protection for audiovisual performers.

WIPO's role in Substantive and Procedural Patent Law Development

WIPO inherited the 1883 *Paris Convention* on substantive patent law. The PCT made it work. This is perhaps an oversimplification of chapter 6 but an accurate one.

The authors attribute the lack of progress in changing substantive patent law compared to the progress achieved in procedural law to the different potential outcomes. Increasing patent rights were seen to benefit developed countries more than developing ones. Improved procedures were seen to benefit both. This contrast is a consequence of the different mandates of WIPO as a UN agency – advancing the interests of developing nations – and, from its own Convention – to advance IP protection per se.

Trade Marks and GIs

Chapter 7 traces the changes in international trade mark law both before and under WIPO. The negotiations mostly centred on specific issues where some articles in the 1883 *Paris Convention* had become irrelevant. The chapter concludes with suggestion that the Standing Committee on Trade Marks ("SCT") might tackle the question about uniform treatment of unconventional marks such as smells and sounds, which were never contemplated in 1883.

Chapter 8 begins with tracing how the designation of the origin of goods, initially governed by unfair competition laws, evolved to be a form of protection on its own as appellations of origin and other indications of source. WIPO is credited with being the forum for debating the emergence of GIs as a concept and for international protection between 1970 and 1990. But the international standards were set in TRIPS. The internal ructions between the Lisbon Union and WIPO were finally settled in 2020 when the *Geneva Act of the Lisbon System on Appellations of Origin and Geographical Indications*,[6] an updated GI registration system, came into force.

Industrial Designs

Chapter 9 traces the efforts of WIPO to establish modern norms in international designs law. It has had some success with its registration system, the *Hague Agreement Concerning the International Registration of Industrial Designs.* But WIPO has had little success in trying to find common ground in establishing substantive law. Part of the problem is the diversity of national laws that protect designs under copyright law (without registration) and designs law (with registration), or a hybrid of both. Australian and New Zealand laws illustrate this.

The author, Professor Antoon Quaedvlieg, explains that the basis for the length of designs law terms is to coincide roughly with the life of an industrial product, whereas the basis for the term of copyright is the life of an author plus an additional 50 years (now more commonly 70). It is further complicated by industrial designs being covered by the *Paris Convention* and copyright by the *Berne Convention* with little common ground. The chapter ends with the hope that WIPO will somehow bridge the gap.

WIPO Development Agenda

WIPO's development agenda is explored in chapters10, 11 and 18. When the *Paris and Berne Conventions* were agreed to in the 19th century the world was a different place, featuring far fewer countries and many colonies. By the time WIPO was formed, the post-World War Two decolonialisation was well advanced. As a UN special agency, WIPO began to acknowledge this reality by setting up its development agenda. While there were initiatives during the Bogsch and Iridis eras, a formal Development Agenda Coordination Division was only established in 2008/9. The division consisted of six clusters to handle 45 items. The programme has been examined in at least two reviews. One criticised it as lacking in clear definitions and any linkage with broader development and policy objectives tailored to the needs of individual countries. The second concluded it was too early to assess its impact.

Chapter 10 ends with the observation that the Agenda can be seen as a part of a push back against the "Washington Consensus" that the free market, free trade and expanding property rights were the best answer for promoting economic growth and development. In an organisation that rules by consensus it is hardly surprising that progress has been limited.

Chapter 11 outlines how the development agenda works in practice. Its main activities are education and training. A major impetus came from developing and least developed countries facing deadlines to meet TRIPS requirements, but lacking both the infrastructure and human resources to do so. WIPO's biggest asset is its expansive open online database of IPR documents and training materials. In support, it hires experts to conduct training.

While WIPO's outputs are voluminous, its outcomes have been less than the expectations of developing and developed countries – who were looking more for ways to take advantage of TRIPS exceptions rather than how to rigorously implement its standards. The chapter ends with the suggestion that WIPO should pay more attention to the outcomes of its programmes assessed against the objective of using IP as a tool for social, economic and cultural development.

Chapter 18 looks in more detail at the history of the deep divisions between developed and developing economies over the shape of the international IP system. WIPO was caught in the middle, beginning with its 1970 mandate that was oriented to the protection of IP as an end in itself. With its accession to become a specialised agency of the UN, the mandate changed so that IP became a means to the end of the transfer of technology to developing countries. The conclusion to the chapter summarises all of the challenges

WIPO has faced and concludes that on balance it has been very successful and ready to meet future challenges

WIPO and WTO

In chapter 12, Professor Daniel Gervais outlines the history of the relationship between the WTO and WIPO. In 1982, when the General Agreement on Trade and Tariffs ("GATT") members were negotiating what would become the 1995 WTO agreement, the topic of how to stop trade in counterfeit goods became a live one. The GATT, as a trade organisation, turned to WIPO for its IP expertise. Professor Gervais was one of three experts hired by the GATT. Increasingly, IP became more important and TRIPS was the result. From the beginning of the discussions, both WIPO and GATT officials set out to establish complementary roles for their organisations. However, WIPO did not waste time in staking out its territory as both the custodian and the archiver of all the treaties it has administered and the national laws made under those treaties. WTO runs the TRIPS dispute settlement process, assisted by WIPO's information resources.

Professor Gervais describes the WTO/WIPO relationship as both complementary and competitive. To some extent member states determine which organisation has jurisdiction. Each of WIPO and WTO will (usually) refer issues to the other with the appropriate expertise. The areas of public health and traditional knowledge have not been easily allocated, rather they have been seen as a hot potato. WTO got public health and WIPO got traditional knowledge.

Genetic Resources, Traditional Knowledge and Traditional Cultural Expressions

In 2001 WIPO established the Intergovernmental Committee on Intellectual Property and Genetic Resources, Traditional Knowledge and Genetic Resources ("IGC"). Its progress to 2020 could be summarised in the words of Greta Thunberg as, "Blah, blah, blah".

In chapter 13 the events leading up to the establishment of the IGC are outlined. Initially, during the 1967 Stockholm conference the discussion was limited to possible protection for expressions of folklore. It became apparent that copyright law, based on western concepts of property, fixation and finite term, was not compatible with Indigenous peoples' concepts of how their folklore was passed orally from generation to generation without a finite term of exclusivity. WIPO took on the task, not only of establishing norms for protecting folklore (now called "traditional cultural expression"), but also genetic resources and traditional knowledge.

The nature of the negotiations changed from being bipartite, between developed nations and the rest, to now include Indigenous peoples. Indigenous peoples' interests had been initially represented by government officials, familiar with existing IP norms but with little knowledge of what Indigenous people were looking for. To complicate matters, different groups of Indigenous peoples, sometimes even from within the same country, had different interests.

The result of this has been a lengthy "capacity building" exercise attempting to define the problem and tentatively explore solutions. The net result has been a series of draft proposals with so many alternatives that they are almost unreadable. The chapter concludes that there will be no progress until there is a common political will to do so. WIPO can, nevertheless, assist member countries in drafting national legislation.

The chapter makes no mention of the *Nagoya Protocol*[7] whose provisions on access to and benefit-sharing of traditional knowledge and genetic resources would seem to dovetail with their possible protection. The *Convention on Biological Diversity* has a specific article[8] to "respect, preserve and maintain knowledge, innovations and practices of Indigenous and local communities". Chapter 13 does mention the *Treaty of Waitangi* between Māori and the Crown in New Zealand and the prohibition of trade marks that are offensive to Māori as something unique to a developed country with an Indigenous population.

The book was completed before the New Zealand Plant Variety Rights ("PVR") Bill[9] was drafted. This Bill will establish a Māori Plant Varieties Committee with power to refuse a PVR application for a variety of an Indigenous species where a PVR would adversely affect a kaitiaki relationship with that variety. This Bill sets a possible precedent for national legislation. However, it is predicated on the existence of the *Treaty of Waitangi*, something few other countries have. The Bill sits outside the 1991 Act of the *International Union for the Protection of New Varieties of Plants Convention* ("*UPOV* 1991") because of the Māori Committee veto power, but is otherwise compliant. Officials in UPOV, but not WIPO, were consulted during the policy formulation of the Bill.

Dispute Resolution

Although the WIPO bureaucracy were late adopters of computers, WIPO was quick off the mark in establishing a dispute resolution service offering speedy, inexpensive and decisive resolution of domain name disputes. How this came about is set out in chapter 14. As soon as the domain name registration system was established it was gamed by rogue actors who registered famous names and trade marks before the rightful owners with no intention to use them – cybersquatting. They offered to sell them back for a handsome price that was much less than the costs of litigation through the courts. WIPO, as an international organisation was well placed to do this because the internet is international and law courts are national in their jurisdictions.

The Internet Corporation for Assigned Names and Numbers ("ICANN") made it a condition of registration of a domain

name that the applicant agreed to compulsory arbitration about any complaint and that the decision was binding. ICANN could either transfer the name to the rightful owner, or cancel to give effect to the decision of the arbiter. WIPO soon became the favoured arbitration service provider.

WIPO Data Collection, Distribution and Analysis

Chapter 15 outlines how data collection was a hallmark of both the *Berne and Paris Conventions* and has grown to make WIPO become a data driven organisation. Under Francis Gurry it has established an economics division to conduct its own data analytics. The direction of that data analysis is a balancing act between its primary WIPO mandate of promoting IP and its UN development mandate of equitable technology transfer. Supporting that is its comprehensive database of IP information.

Conclusions

Chapter 20 offers suggestions about where WIPO could have done better. Copyright is described as the paradigm shift that got away. The possibility that WIPO might have a role in delaying climate change is seen as very complicated. WIPO could become an integrated UN agency to advance more socially oriented goals. But vested interests mean none of these is likely.

Chapter 21 sums up WIPO's first 50 years as an institution that has undergone a cultural change from having a western orientation as the guardian of the *Berne and Paris Conventions* to also be a UN development agency largely funded by the PCT and Madrid Protocol registration processes, with the accompanying tensions of members with competing political agendas.

Where WIPO has succeeded is that it has remained a multinational organisation, not succumbing to the unilateralism of some of its member nations. Emeritus Professor Ricketson AM sees its future direction to be less likely to be oriented in trying to establish new international laws and more in aiding countries in drafting national laws. He concludes that in the light of its ever evolving role it is not always clear what WIPO stands for. But it is still there and has no direct competitors as an international IP institution.

For IP veterans who have been vaguely aware of WIPO throughout their careers, this text fleshes out the skeleton. For IP neophytes, it is an important backgrounder about how WIPO has shaped national IP laws and international Conventions, where they have succeeded, and where and why they haven't. It is worth a careful read and a prominent place for reference in the future.

1 IP Mentor, Wellington New Zealand.

2 Emeritus Professor of Law, Melbourne Law School, University of Melbourne, Australia.

3 WIPO/UPOV Agreement, 26 November 1982: <https://www.upov.int/edocs/infdocs/en/upov_inf_8.pdf>.

4 For the biography of Kamil Idris, see (Web Page) <https://www.ru.nl/publish/pages/816038/idris-ke-7march2016.pdf>.

5 The *WIPO Copyright Treaty* ("WCT") and the *WIPO Performances and Phonograms Treaty* ("WPPT").

6 The *Geneva Act of the Lisbon Agreement on Appellations of Origin and Geographical Indications*: <https://www.wipo.int/treaties/en/registration/lisbon/summary_lisbon-geneva.html>.

7 The *Nagoya Protocol on Access to Genetic Resources and the Fair and Equitable Sharing of Benefits Arising from their Utilization to the Convention on Biological Diversity*: <https://www.cbd.int/abs/>.

8 Article 8(J) of the *Convention on Biological Diversity.*

9 Plant Variety Rights Bill: <https://www.legislation.govt.nz/bill/government/2021/0035/latest/LMS352239.html?search=ta_bill%40bill_P_bc%40bcur_an%40bn%40rn_25_a&p=1>.

Book Review: *The Future of Copyright in the Age of Artificial Intelligence*

Stephen Rebikoff[1]

By Aviv H Gaon

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This is an ambitious, wide-ranging and thought-provoking book, looking at artificial intelligence ("AI") and its implications for the development of copyright law from a theoretical and philosophical perspective, and arguing for an expansive approach to the recognition of AI rights.

There is no subject more topical at the moment, given the advances that have been made in AI over the last five years, particularly in the areas of neural networks and natural language processing,[2] leading some to question whether they represent the dawning of a new era of machine development (or even consciousness).[3]

It is also topical given the challenge to traditional conceptions of authorship that are increasingly being raised by such technologies. In Australia, this debate has largely focused on the controversy surrounding whether AI can be an "inventor" for the purposes of patent law.[4] However, with the expanding availability of sophisticated text and image-generating programs like Google's LaMDA[5] and Imagen systems,[6] and OpenAI's GPT-3[7] and DALL-E[8] systems, the questions for copyright law raised by such advances are only likely to become more acute.[9]

The book is divided into three parts. The first, "Searching for Common Ground", provides an overview of the history of AI and introduces the theoretical concepts underlying AI and AI rights. The second, "AI-IP Theory", looks at philosophical justifications for intellectual property protection more generally, and discusses how these might accommodate protection for AI and its creations. The final part, "New Visions for AI Authorship", discusses the options for recognition of AI authorship and the legal changes that might need to occur to continue to foster AI development and accommodate the concept of a creative machine.

Part I Searching for Common Ground

Chapter 1 contains an overview of the emergence and growth of AI research and the major milestones in the development of AI technology. Gaon discusses the growing recognition by governments around the world of the challenges and opportunities raised by AI, and the varying responses that have been offered by policy-makers and academics to address its increasing proliferation and sophistication.

Chapter 2 introduces the concept of legal personhood for AI by reference to debates about other forms of non-human personhood. Gaon discusses the main philosophical objections to the recognition of AI legal rights: the idea that only humans should be given such rights; the belief that AI lacks a critical component essential for personhood (typically the idea of intentionally or "free will") and the view that AI is property with no legal rights.

Chapter 3 interrogates the concept of AI, and discusses what it means to describe a machine as possessing "artificial intelligence". Gaon argues that AI is an essentially contested concept with no fixed or coherent legal meaning, and suggests that a possible working definition of AI for this purpose could be: "A non-human entity that is based on codes that can perform tasks and express creativity or free will."

Part II AI-IP Theory

Chapter 4 provides an overview of the various philosophical justifications for the protection of intellectual property, and compares four principal justifications in detail: utilitarianism (seeking to maximise the greatest good for the greatest number); natural law theory (emphasising reward for labour); private property rights (derived from an expression of personhood); and social planning theory (seeking to allocate property rights so as to promote desirable societal goals). Gaon also discusses the theoretical justification for moral rights.

Chapter 5 seeks to provide a framework for the discussion of AI authorship by exploring the legal issues raised by intellectual property protection for computer programs in both patent and copyright law. Gaon discusses the issues raised by copyright protection for computer-generated works, and the various approaches that have been taken in common-law jurisdictions (including Australia) and the European Union to the protection of such works.

Chapter 6 considers how each of the theoretical justifications discussed in chapter 4 might apply to the protection of AI and its creations. In doing so, Gaon distinguishes between three stages of AI: the current stage, where AI systems possess limited creative abilities; the impending stage, where most AI will be able to perform tasks with minimal or no human intervention; and future stages, where AI reaches and even surpasses human-level intelligence. Gaon also discusses whether there is a justification for granting AI limited moral rights over its creations.

Chapter 7 returns to the question of authorship, and asks whether existing conceptions of authorship in copyright law are capable of accommodating authorship by AI. Gaon discusses the development of the concept of authorship in copyright law and notes that, despite its evolving and essentially contingent nature, in most jurisdictions authorship remains perceived as a concept rooted in human ingenuity.

Gaon concludes that for AI to be regarded as an author in law, the entire concept of authorship needs to be reassessed.

Part III New Visions for AI Authorship

Chapter 8 goes through the various options for recognising AI authorship, and addresses the normative justifications for attributing authorship to each of the parties involved in the creation of such works: the programmer, the user and the AI itself. Gaon also discusses "no-authorship" alternatives of the work being in the public domain or owned by the state, as well as the work being attributed to a fictitious "author-in-law" and the grant of AI moral rights.

Chapter 9 diverts to explore the issue of access to the data needed to develop effective (and unbiased)[10] AI systems. Gaon outlines the barriers to such access that are commonly raised by copyright, privacy and contract law, and asks whether new exemptions are needed to accommodate and continue to foster AI development. Gaon also considers the need to address the challenges raised by the proliferation of AI-created orphan works.

Chapter 10 looks further at the question of originality in copyright law, and the ability of machines to express creativity properly so called. After reviewing the variations in the way in which the originality standard in copyright is expressed across jurisdictions, Gaon argues that a consistent standard should be adopted that will accommodate the concept of a creative machine.

Finally, chapter 11 summarises the key conclusions drawn from the preceding analysis, and articulates a model for AI authorship that seeks to take account of the level of AI development while adopting a more inclusive approach to the protection of AI creations and the allocation of AI rights. Gaon concludes by proposing an alternative model for originality which focuses more on process than outcomes, while reserving protection for works that meet a heightened originality standard that, it is argued, will more appropriately balance the challenges raised by new developments in AI technologies.

Ultimately, this book is a stimulating exploration of the considerations raised by the increasing advance of AI and the difficulties of applying traditional intellectual property conceptions to works produced using AI systems. However, it is fair to say that for those involved in grappling with these issues on a day-to-day level, it lacks a certain practical application. At times it reads like the PhD thesis from which it was derived, and its emphasis on the theoretical implications of future AI developments means that it frequently fails to address (or address in detail) the issues raised by current AI technologies.

For example, current systems like DALL-E involve a form of authorship that adheres closely to the model of the Little Prince commanding the downed aviator to: "Draw me a sheep!"[11] As Ginsberg and Budiardjo explain, on the proper application of existing copyright principles, the works produced by means of the use of such systems could well be considered authorless.[12] Indeed, Australia already has a well-established history of denying copyright protection to computer-generated works,[13] following the High Court's emphatic and unqualified statement (not referred to in this book) that "original works emanate from authors."[14]

However, while acknowledging the issues raised by such technologies, Gaon does not attempt to engage in a detailed discussion of the application of copyright principles to current AI systems, preferring instead to focus on future advances in AI technology, and the point at which AI can be truly said to be engaged in an act of creativity in its own right.[15] While undoubtedly interesting, that analysis is likely to be of only theoretical relevance for some time to come.

That said, given the pace of recent developments in AI research, it is impossible to predict how such technologies will continue to develop. Further, if (or when) they do reach a level where true AI authorship becomes a realistic proposition, this book will certainly provide a useful starting-point on the issues that need to be considered and addressed in order for such systems (and their creations) to be accommodated within the framework of copyright law as we know it today.

1 Barrister, List G Barristers and Emmerson Chambers.

2 Steven Johnson, 'AI Is Mastering Language. Should We Trust What It Says?', *The New York Times Magazine* (online, 15 April 2022) <https://www.nytimes.com/2022/04/15/magazine/ai-language.html>.

3 Richard Luscombe, 'Google Engineer Put On Leave After Saying AI Chatbot Has Become Sentient', *The Guardian* (online, 13 June 2022) <https://www.theguardian.com/technology/2022/jun/12/google-engineer-ai-bot-sentient-blake-lemoine>.

4 See *Commissioner of Patents v Thaler* [2022] FCAFC 62.

5 Eli Collins and Zoubin Ghahramani, 'LaMDA: Our Breakthrough Conversation Technology', *The Keyword* (Blog Post, 18 May 2021) <https://blog.google/technology/ai/lamda>.

6 See <https://imagen.research.google>.

7 See <https://beta.openai.com/docs/models/gpt-3>.

8 See <https://openai.com/dall-e-2>.

9 See, eg, Nick Bonyhady, 'Photorealistic AI Images Have Arrived. Are Artists In Trouble?', *The Age* (online, 18 June 2022) <https://www.theage.com.au/technology/photorealistic-ai-images-have-arrived-are-artists-in-trouble-20220613-p5atb5.html>.

10 See Pranshu Verma, 'These Robots Were Trained On AI. They Became Racist and Sexist', *The Washington Post* (online, 16 July 2022) <https://www.washingtonpost.com/technology/2022/07/16/racist-robots-ai>.

11 Antoine De St Exupéry, *The Little Prince* (Penguin Books, 2010), cited in Jane Ginsburg and Luke Budiardjo, 'Authors and Machines' (2019) 34 *Berkeley Technology Law Journal* 343, 347.

12 Jane Ginsburg and Luke Budiardjo, 'Authors and Machines' (2019) 34 *Berkeley Technology Law Journal* 343, 427–33.

13 See. eg, *Telstra Corporation Ltd v Phone Directories Company Pty Ltd* (2010) 194 FCR 142 (15 December 2010); *Acohs Pty Ltd v Ucorp Pty Ltd* (2012) 201 FCR 173 (2 March 2012).

14 *IceTV Pty Ltd v Nine Network Australia Pty Ltd* (2009) 239 CLR 458, [96] (Gummow, Hayne and Heydon JJ).

15 By contrast, Ginsberg and Budiardjo emphasise the gap between current technologies and true AI, emphasising that the question of when a machine might be capable of possessing the kind of initiative sufficient to render it a principal-author in its own right "will be the subject of continuing debate well beyond the scope of copyright law." See Jane Ginsburg and Luke Budiardjo, 'Authors and Machines' (2019) 34 *Berkeley Technology Law Journal* 343, 400.

The Metaverse, NFTs and IP Rights: To Regulate or Not To Regulate?

Andy Ramos[1]

As far back as the late sixth century BC, the Greek philosopher Parmenides declared, "nothing comes from nothing". In the digital era, every two or three years now, apparently unprecedented phenomena seem to come from nothing and yet appear to have the power to revolutionise the world and the law. A few years ago, it was Web 2.0, then Cloud Computing, Blockchain and Web 3.0. Over the last year, countless articles have anticipated global transformation through the metaverse and non-fungible tokens ("NFTs"), fuelling interest around the question of whether there is an urgent need for new regulations to adapt to these innovations. In other words, should the law adapt to the metaverse or should the metaverse adapt to the law? For the reasons set out below, the most appropriate response at this stage is the latter.

Since the rise of the internet over two decades ago, we have enjoyed an online network based on information, data and telecommunication, with a range of standalone virtual worlds emerging, mainly on social media and video games such as *Second Life*, Instagram, *Fortnite*, TikTok and *Roblox*. The metaverse promises interconnected virtual environments controlled by electromyography ("EMG") movements and neural interfaces. In the metaverse, companies will have the unprecedented ability to exploit the full potential of the data they collect.

The technology sector and the video game industry are preparing for the advent of the metaverse: a network of 3D virtual worlds, where humans can interact with each other socially and economically, mainly through avatars. Despite great media attention, the metaverse does not yet exist, and is still far from being a reality, at least as currently described by some reporters. This is largely because of the demanding computing requirements and standardised protocols needed for it to take off.

In contrast, NFTs are already with us. Based on existing blockchain technology, NFTs are cryptographic units of data, with unique metadata. As such, NFTs can be distinguished from one another and can hold other kinds of information, like the identities or artwork of different individuals. Their uniqueness makes them capable of being sold or traded, with a digital ledger registering all transactions. NFTs harness the capabilities of blockchain technology to create non-fungible digital files with – most importantly for the entertainment industry – an image, graphic or video embedded in the token, which determine its value in the market.

As noted above, many voices are now demanding new regulations for the metaverse. Why? To protect users when they interact in this virtual world, and to close an apparent gap between reality and the law.

Assertions that the current regulations do not apply in the metaverse, that existing laws are not adapted to that environment, or that technology travels faster than the law, are common but, in my view, they are generally incorrect.

Over the last 30 years, countries with a strong internet presence have established new rules to address e-commerce, criminal activities involving technology, consumer rights on digital content and the liability regime for internet service providers, to name a few.

Take intellectual property laws as an example. They protect, among others, authors, inventors, producers, designers and performers by granting them exclusive rights over their copyright, trade marks, patents, industrial designs or trade secrets. The regulation of IP rights is not primarily focused on the physical object in which a creative work, a distinctive sign, or a technical innovation is embedded, but rather on their intangible aspects.

While civil legislation regulates the ownership of physical property (a car, a book, or a purse, all of which can contain trade marks, patents, or works of authorship), IP laws govern the ownership regime of the non-tangible elements of such property. In IP jargon, this is the difference between the corpus mysticum (the intangible asset) and the corpus mechanicum (the physical representation) of such an asset. This principle has been applied for centuries and is also fully applicable to the metaverse and NFTs.

The metaverse is a virtual universe where avatars controlled by humans or computers can control virtual items, such as vehicles, weapons, or furniture, all of which can feature trade marks or copyrighted works. Because IP laws deal with the intangible elements (corpus mysticum) of an object, whether physical or virtual, the obvious conclusion is that the builders of the metaverse will have to respect the rights of inventors, designers, and owners of distinctive signs as in

the real world. Consequently, a given right holder will be entitled to prosecute the exploitation of his or her IP rights in the metaverse, for example, when attached to a virtual purse or jacket developed for digital avatars.

Regarding NFTs, the conclusion is similar. NFTs are digital files in which creative works or other subject matter, such as a video or an artwork, can be embedded. As long as copyright provides an exclusive right over original works of authorship (corpus mysticum) and this is distinct from the ownership of any digital object in which the works are embedded (corpus mechanicum), then anyone who uses, for example, a sound recording or a clip from a video game in an NFT will need prior authorisation from the copyright holder of such work. There is, therefore, little debate on the application and validity of the current regulations to NFTs and the metaverse.

From a legal standpoint, the *Berne Convention for the Protection of Literary and Artistic Works*, now ratified by 181 countries, establishes that contracting parties must grant exclusive rights to authors over their works irrespective of the type or form of their expression. The Berne Convention has since been supplemented by other international agreements, including the World Intellectual Property Organization ("WIPO") Copyright Treaty, adopted in 1996, which adapts the Berne Convention to the digital environment. This agreement (Agreed Statement concerning Article 1(4) of the WIPO Copyright Treaty) makes it clear that the storage of a protected work in digital form in an electronic medium (such as an NFT or a file, the content of which is displayed in the metaverse) constitutes a reproduction which needs the prior approval of the copyright holder. It seems that the law does not always travel so slowly.

New challenges for IP rights owners

However, these new forms of entertainment do raise a number of challenges for IP rights owners, although these challenges stem from other sources. Authors, producers, publishers, and proprietors of trade marks have exclusive rights over their intangible assets. These rights, however, are not absolute, as the Berne Convention contemplates certain scenarios in which they may not exercise such rights. Some uses, such as the reproduction of a literary work for a book citation or the use of a brand to depict a brand owners' products or services are outside the exclusivity space of right holders.

In principle, therefore, if we want to use the trade mark of any company in a digital object, such as an NFT or an item in the metaverse, we need to request permission from the owner of the mark. Notwithstanding the fact that in cases involving video games, some courts have established, for example, that certain descriptive uses of third parties' trade marks don't need their prior consent.

In 2017, AM General LLC, the manufacturer of the famous *Humvee* military vehicle, sued the publisher of the video game franchise *Call of Duty*, for the depiction of the vehicle in the game, which reproduced the vehicle's design and used the trade mark. The United States District Court, Southern District of New York concluded, however, that as Activision's goal was to develop a video game that realistically simulated modern warfare, their use of the vehicle and the trade marks had artistic value and, therefore, met the requirements of the so-called "Rogers test". In the 1989 case of *Rogers v Grimaldi* 875 F.2d 994 (2d Cir. 1989), the United States Court of Appeals, Second Circuit developed a test to determine whether use of a trade mark requires prior authorisation. It has two elements: first, it seeks to determine if the use of the trade mark is "artistically relevant to the defendant's work", and second, if such use is "explicitly misleading".

What the courts are saying

In the copyright realm, there have also been a number of prominent cases of use of third parties' content without permission. One of the most relevant examples is the claim brought by Solid Oak Sketches, the copyright holder of certain tattoos, against 2K Games, the publisher of the well-known video game franchise *NBA 2K*. The claimant owned the rights to several graphic designs featured in the tattoos of famous basketball players (including Lebron James) and argued that its copyright was infringed when reproduced in the digital avatars of the athletes in the video game. The same court that judged the *Humvee* case (the United States District Court, Southern District of New York) also ruled in the defendant's favour, applying the de minimis use defence (where such a small portion of the protected work has been used that the infringing work is not substantially similar to the copyrighted work and is therefore none-infringing), the implied license defence, and the fair use defence, based on the artistic nature of video games.

Nevertheless, in other cases, courts have determined that video game developers have gone too far when using third parties' IP. As such, it is clear that these matters need to be analysed on a case-by-case basis.

The immediate conclusion, however, is that there are a good number of precedents to rely on when debating the necessity for specific uses of IP rights in NFTs or the metaverse. As said, "nothing comes from nothing" and, in fact, historically, the development of new regulation has been based on the application of the principle of learning from previous experiences. Another takeaway is that the metaverse and NFTs are not, at least from a legal standpoint, as disruptive as some believe; at the end of the day, virtual worlds and digital objects have already existed for two decades.

It is a certainty that NFTs and the metaverse, when it comes into being, will bring many challenges to owners of IP rights. Most of these challenges cannot be anticipated at this

stage. Consequently, we must analyse NFTs, the emergent metaverse and any other new digital phenomena against existing regulations, which have been enacted after thorough debate by multiple countries and cultures. These regulations have also been tested in various scenarios and have proven valid for decades. Undoubtedly, some adjustments will be necessary in the coming years to regulate human interaction in digitally-connected worlds, but these must come when we learn the nature of these challenges. In the meantime, IP rights will continue to be as valid as ever for the advancement of science and the arts.

1 Partner at Pérez-Llorca, Madrid, Spain. This report is an edited version of an article published by WIPO. It is reproduced here by kind permission of WIPO.

EXPRESSIONS OF INTEREST

Expressions of interest are invited from intellectual property ("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 significant contributions to the advancement of IP law in Australia and New Zealand. Expressions of interest are now invited from IP lawyers and writers who wish to suggest, facilitate or contribute profiles of local and international leaders and emerging leaders in the field of IP.

Initial enquiries or expressions of interest to contribute a profile are welcome. However, all expressions of interest to contribute a profile are critically appraised by the Editor (having regard to the Editorial Policies) who retains absolute discretion regarding the content of *Intellectual Property Forum*.

Some of those who have been profiled previously include:

- leading IP judges such as Chief Justice James Allsop AO, Justice Arthur Emmett AO QC, Former Chief Justice Robert French AC, Former Justice Dr Annabelle Bennett AC SC;
- leading IP lawyers such as the late Dr John McLaren Emmerson QC, the late Margaret Doucas, Angela Bowne SC, Katrina Howard SC, Dr Terri Janke, Katrina Rathie;
- leading IP academics such as the late Professor James Lahore, Dr Francis Gurry, Emeritus Professor Sam Ricketson AM, Professor Natalie Stoianoff;
- leading IP players such as Frank Moorhouse AM, Anna Funder, Kim Williams AM.

A full list of the distinguished persons previously profiled can be found at: <https://www.ipsanz.com.au/ip-forum/profiles/>

Initial enquiries or expressions of interest to contribute a Profile are welcome, and may be directed to the Editor. Please email: editors@ipsanz.com.au.

Current Developments — Australia

IP AUSTRALIA

Diana Bogunovic, Michelle Catto, Sarah Dixon and Esther Lestrell
FB Rice

Australian IP Report

The 10th Annual Australian Intellectual Property Report has been released and is available in full on the IP Australia website. The Report collates a wealth of IP data and presents an account of the latest IP trends in Australia, through the lens of commercialisation and economic change. Individual chapters detail patents, trade marks, designs, plant breeders' rights, copyright, IP rights and enterprise growth, and research programs.

The key findings of the report include:

- Applications in patents, trade marks and designs all reached record highs in 2021, up 11 per cent, 9 per cent and 13 per cent respectively compared to 2020.
- The United States and China remain the leading source of foreign filings despite a slowing of Chinese applications.
- Patenting by small- to medium-sized enterprises has increased to its highest level in at least a decade, evincing the importance of IP rights for business growth.
- Pandemic-related changes to daily life are reflected in IP trends, with increased patents in pharmaceuticals and remote work and interaction technologies, and increased designs and trade marks in household equipment.

EPO PPH program extended

IP Australia and the European Patent Office ("EPO") have agreed to continue the Patent Prosecution Highway ("PPH") program, continuing expedited examination in the second-most popular foreign filing jurisdiction for Australian patents. The program covers both Patent Cooperation Treaty ("PCT") and Paris Route applications. Examination under the PPHP has not changed. More information is available on the IP Australia website.

Self-service for PCT reports and notices

PCT reports and notices are directly available for self-service via ePCT from 22 July 2022, and will no longer be sent as email attachments. This brings IP Australia in-line with other IP Offices and better protects reports and notices from risk of loss. Customers will be notified by email, with links included. Further details on the email addresses used to send the notifications can be found on the IP Australia website.

2022 Customer Satisfaction Survey results

The results of the annual IP Australia Customer Satisfaction Survey are now published on the IP Australia website. 2,434 self-filers, IP professionals and Australian businesses responded, and IP Australia performed well in ease of contact, accuracy of information provided, responsiveness to customer queries and communication. The report can be accessed in full on the IP Australia website.

Update to eServices trade mark opposition process

IP Australia has commenced updating its eServices platform to streamline the process for filing an opposition to the registration or removal of a trade mark.

An online "Notice of Intention to Oppose" ("NIO") form was released on 8 June 2022. A separate NIO form can no longer be uploaded to the IP Australia eServices platform. An online form to replace the current forms for the "Statement of Grounds and Particulars" and the "Notice of Intention to Defend" is expected to be released next.

IP Australia's pilot trade mark opposition case conference

IP Australia has invited parties from selected trade mark oppositions filed in the period of January 2022 to participate in a pilot voluntary case conference. The case conference aims to provide parties with an early and free forum to:

- have the opposition process explained to them and to ask questions about the process; and
- discuss their dispute and consider possible options for resolution.

The case conference is confidential, conducted on a "without prejudice" basis and is hosted by a Hearing Officer. If one or both parties do not agree to participate in the case conference, or if the case conference fails to result in a resolution, the normal opposition process will recommence. Participation in the pilot is by invitation only. Given this pilot is in its early stages, very little further information is available at this time.

CASES

Tom Cordiner QC, Melissa Marcus, Clare Cunliffe and Marcus Fleming[1]
Barristers
Correspondents for Victoria, Western Australia, South Australia, Tasmania and Northern Territory.

Below, we report on Illinois Tool Work's nailing Airco for patent infringement where the dispute was primarily about the meaning of the terms "opposite" and "close proximity". Airco put up a good fight, though failed in its attempt to seek judicial review of an earlier amendment to the patent.

In another mechanically oriented case, Rock Tool Refurbishment failed to summarily dismiss various claims against it for supplying "non-genuine" parts for CME's patented grinding machines – claims of patent infringement, conversion and detinue in respect of microprocessors holding CME software in Rock Tool's possession, and inducing CME's customers to breach their contracts with CME not to use non-genuine parts on the CME grinding machines. For its part, CME failed to obtain production of Rock Tool's proposed new grinding machine because Rock Tool's claim for non-infringement declaration was linked to the product it described in its claim for that declaration, not its actual proposed machine.

And in a failed confidential information case, Justice McElwaine provides a helpful summary on the legal principles relating to breach of confidential information and the importance of stipulating that something is actually confidential. The case also articulates principles for all legal practitioners about the hands-off role required by lawyers when engaging experts to prepare expert reports for the Federal Court, and indicates that where a lawyer is involved in the drafting of an expert report or affidavit, the document should state as much.

We also report on the ongoing *Hells Angel v Redbubble* saga, the Full Court's consideration of the *Nichia* inventive step analysis in *Boehringer v Intervet*, and a lack of sufficiency for a mechanical patent which did not explain how the claimed system could be made to work if made of plastic rather than steel. And because we couldn't resist, we also report on some NSW cases that we found of interest.

1 Where any of the authors was involved in a case reported and the matter is still running, or potentially so, the other correspondents have taken the role of reporting that case and any comments by the authors are therefore attributable to them

Hells Angels Motorcycle Corporation (Australia) Pty Limited v Redbubble Ltd (No 5)
[2022] FCA 837
19 July 2022 – Greenwood J

Trade marks – declarations of infringement by reference to examples – damages and additional damages – attempted mitigation by respondent

Hell hath no fury like the Hells Angels – at least in respect of misuse of its trade mark portfolio.

Recently, Sonny Barger, known as the founding member of the Hells Angels Oakland charter, died after a long career as a "outlaw biker, author and actor". The Hells Angels Motorcycle club has had, to some degree, a similar career trajectory; where once it was considered solely an "outlaw" club with disparate charters across the United States and extending overseas to Australia, it now comprises a global group of ostensibly legitimate entities operating under the Hells Angels name and logo (comprising a skull wearing a winged helmet).

In this case, Hells Angels Motorcycle Corporation (Australia) Pty Limited ("Hells Angels Australia") sued Redbubble Ltd for infringement of Hells Angels Motorcycle Corporation's ("Hells Angels US") registered trade marks in Australia comprising the words "Hells Angels" and images of skulls wearing a winged helmet. Hells Angels Australia did so as an exclusive licensee, or "authorised user", of the US corporation's registered marks.

Avid readers will recall an earlier proceeding commenced in 2015 and determined in 2019 in which Hells Angels Australia successfully sued Redbubble for trade mark infringement: *Hells Angels Motorcycle Corporation (Australia) Pty Limited v Redbubble Limited* [2019] FCA 355. The present proceeding concerns fresh allegations of trade mark infringement.

Even more avid readers will recall that in March this year, a separate question was raised concerning whether Redbubble could rely on a settlement agreement reached between Hells Angels US and a third party, TP Apparel Inc, which Redbubble subsequently purchased. Rudbubble's asserted reliance on the settlement agreement was rejected by Jagot J in *Hells Angels Motorcycle Corporation (Australia) Pty Limited v Redbubble Limited (No 4)* [2022] FCA 190. With that side skirmish dealt with, the parties rode on into the final stage of the dispute.

As annoying as lawyers might find the missing apostrophe in the Hells Angels name, the club is adamant that "... it is you who miss it. We don't" (happily not forgetting the apostrophe in "don't"). But that lack of attention to detail in relation to its own brand is not replicated when it comes to others' alleged appropriation of it. And so we return to the present case.

Redbubble provides an online marketplace where independent artists promote their works to consumers who can then have that artwork applied to various goods supplied by other providers. The artist chooses what products customers can apply the artist's work to and the cost of doing so. No company within the Redbubble group provides the artistic works or manufactures, warehouses, despatches, receives or distributes any physical products ordered by customers.

Notwithstanding that "hands-off" business model, the Court found in the 2019 decision that Redbubble had engaged in trade mark infringement. The questions in that earlier case were whether the application of the Hells Angels marks to goods was Redbubble's conduct and if so whether that involved Redbubble using the mark as a badge of origin. In the 2019 decision the Court held:

> *Redbubble is the supplier of the goods (clothing) bearing the trade marks because it enables the sale and purchase transaction, confirms the order, takes payment, receives revenue for itself and facilitates revenue payable to the artist, instructs the fulfiller, arranges delivery and places its own name and logo on the goods in the form of swing tags as part of its set of procedures for the supply of the goods. The artist makes the work available for selection by consumers for application to selected goods. Redbubble is directly engaged in all facets of the transaction for the supply of goods bearing the works, to the consumer. That is the way the Redbubble business model works, and the way that it is designed to work.*

The Court in the 2019 decision found that Redbubble was using the Hells Angels marks "within its own business and revenue model, in the course of its supply-side transactional trade effected through the Redbubble website, in relation to the supply of goods" for the purpose of indicating a connection in the course of trade between clothing bearing the marks and Redbubble "as a source of supply of those goods". In doing so, the Court arguably applied very broad meanings to the words "using" and "source", but Redbubble did not appeal that decision.

Hells Angels' complaint in the present proceeding was that Redbubble's business model had led to further occurrences of trade mark infringement. After the 2019 decision, a "trade mark officer" of Hells Angels Australia ordered goods to which the relevant images could be applied for purchase, sale, payment and delivery, through Redbubble's website. He ordered coasters, a canvas-mounted print, an acrylic block, a sticker, t-shirts and facemasks.

Redbubble's primary defence to infringement was that the evidence of alleged infringement was limited to trap purchases by Hells Angels Australia which comprised an authorisation to use the mark. Redbubble contended that to the extent that Hells Angels caused the trap transactions to occur, Redbubble's impugned conduct had occurred with the authority of the rights owner and could not constitute infringing conduct, as the very essence of infringement is engaging in conduct falling within section 120(1) of the *Trade Marks Act* 1995 (Cth) without the licence or authority of the trade mark owner. Justice Greenwood did not give this defence much credit, observing that:

> *No trap purchase could ever be evidence of conduct constituting infringing use if that evidence was habitually displaced or ignored by courts on the footing that it necessarily occurred with the authority of the rights owner. A trap purchase is, functionally, evidence of whether a party is "using", as a trade mark, a "sign" exhibiting the features described in s 120(1) of the Act in relation to goods or services for which the mark is registered, on the footing that what is reflected in the trap purchase is conduct which is occurring in the relevant marketplace. By reference to that evidence, the Court is put in a position where it can see by disciplined and accurate probative evidence, the emblematic character of conduct occurring on the part of the relevant trader in the course of its business so as to be in a position where it can reach a conclusion about whether all of the integers of s 120(1) of the Act are satisfied (if that is what is occurring).*

Curiously, his Honour did not refer to the decision of Justice Merkel in *Ward Group Pty Ltd v Brodie & Stone Plc* [2005] FCA 471; (2005) 143 FCR 479, where it was found that trap purchases did not evidence infringing use of a registered trade mark in Australia because that use was consented to by the trade mark owner. The circumstances of that case were peculiar, because it was clear that the impugned website was registered overseas and was not directed to Australian users, and the first (and perhaps only) purchase made from the website, was by the trap purchaser, the trade mark owner's solicitor. Nevertheless, it is odd that no mention of that decision was made.

While Redbubble accepted that its overall business model had not changed, it contended that it had increased the automation of particular functions on its website and engaged in "constant improvement of processes designed to discourage, prevent and penalise infringements and contraventions of IP rights". However, the Court observed that those activities had "failed in large measure to protect the applicant" and so did not warrant denying the injunctive and declaratory remedies sought by Hells Angels Australia. Redbubble's contention that the better course was for Hells Angels' solicitors to promptly advise Redbubble of any concerning content on the website was rejected.

As to damages, Justice Greenwood observed that this was not a case where the respondent has sold a wide-range of goods bearing the impugned trade marks. The impugned transactions were all made by Hells Angels Australia's trade mark officer, Mr Hansen. There was no evidence

of reputational loss, or a lost licence fee, or lost sales. Nevertheless, there was likely some loss or injury suffered through the unauthorised use. Accordingly, his Honour awarded a "nominal" sum of AU$8,250 for the 11 examples of trade mark infringement.

Finally, his Honour found that an award of additional damages was warranted. While the infringements did not occur as a result of a callous disregard of the applicant's rights, and significant steps had been taken to avoid the infringements "the fact is that [Redbubble's] business model enables the conduct" and Hells Angels Australia "is entitled to expect and have Redbubble act according to law." Importantly for purveyors of online markets, his Honour held that:

> *Redbubble is not entitled to proceed on the basis that because its business model involves the management of a large digital platform, unfortunately, from time to time, infringements of the rights of others will occur and it will seek to proactively manage and moderate that circumstance as best it can according to the programs it puts in place from time to time. Redbubble has an obligation to act according to law and observe the rights conferred on others.*

Accordingly, his Honour primarily awarded additional damages to ensure general and specific deterrence of the misconduct, in the sum of AU$70,000.

Illinois Tool Works Inc v Airco Fasteners Pty Ltd
[2022] FCA 495
5 May 2022 – Rofe J

Patents – where invention claimed is a fuel cell for use in a combustion tool – construction of patent – meaning of "close proximity" – meaning of "opposite". Application for extension of time in which to file an appeal against decision of Commissioner to allow certain amendments to patent in suit. Application for judicial review decision to amend patent (and extension of time in which to lodge said application).

Summary

This patent infringement case concerned Illinois Tool Works' patent claim to a metering valve used in fuel cells that provide a dose of fuel into a combustion chamber of, for example, a nail gun. The case turned primarily on the proper construction of the patent claims, including the meaning of the terms "opposite" and "close proximity". There was also an attempt by Airco to seek judicial review of an amendment made to the patent some years before. Justice Rofe found that Airco's products infringed Illinois Tool Works' patent and that it was unnecessary to engage in a review of the amendments to the patent which concerned additional patent claims to those found to be infringed.

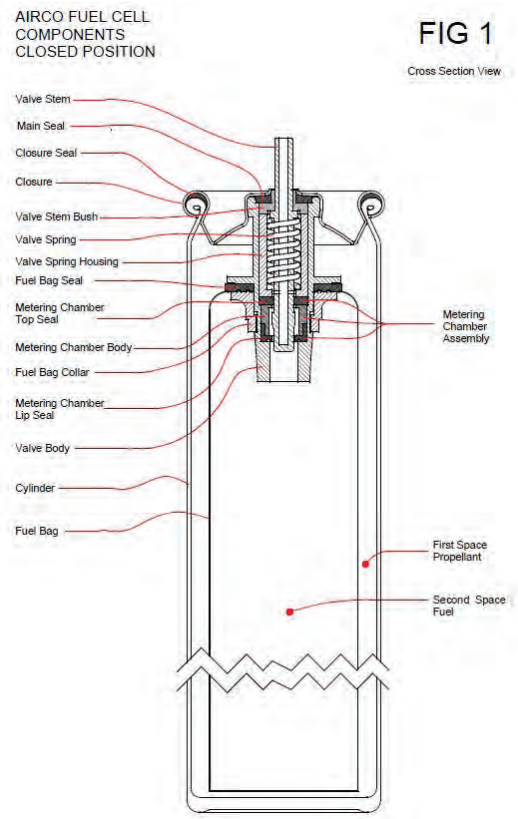
Detail

A popular form of nail gun uses a controlled explosion to provide the necessary force to drive a nail into wood. The explosion occurs in a combustion chamber which, in order to work safely and consistently, must receive a particular amount of propellant from a separate storage tank, or "fuel cell". Broadly, the invention described in Illinois Tool Works' patent is such a fuel cell which includes an internally mounted metering valve arranged such that a measured dose of fuel is dispensed each time the stem is pressed into the "open" position. The patent also explains how the invention can be used in relation to cosmetics – a somewhat frightening proposition.

Claim 1 of the patent provided for a (emphasis added):

> *fuel cell for use with a combustion tool, comprising:*
>
> *a housing defining an open end enclosed by a closure;*
>
> *a main valve stem having an outlet, disposed in operational relationship to said open end and reciprocable relative to said housing at least between a closed position wherein said stem is relatively extended, and an open position wherein said stem is relatively retracted;*
>
> *a fuel metering valve associated with said main valve stem, including a fuel metering chamber* ***disposed in close proximity to said closure*** *and configured so that when said stem is in said open position only a measured amount of fuel is dispensed through said outlet;*
>
> *said housing including a separate fuel container,*
>
> *wherein said fuel metering valve is located within said housing and includes a valve body having a second end* ***opposite*** *said fuel metering chamber located within said container, and wherein the flow of fluid out the outlet of the fuel cell is solely from said separate fuel container.*

The bolded terms above were those which Airco contended meant its product did not infringe the patent. While her Honour addressed the question of construction of the claims of the patent before revealing the detail of Airco's allegedly infringing fuel cell, in order to understand why these bolded terms were important, it is worth explaining why Airco said its fuel cells were arranged such that they did not infringe the claim. An Airco fuel cell is depicted below. Importantly, the fuel metering chamber is positioned at the end of the fuel metering valve which is furthest from the closure.



Her Honour rejected Airco's contention that "in close proximity" has the same meaning as "closely proximate" or "adjacent or next to". Her Honour found that the requirement that the fuel metering chamber be disposed in "close proximity" to the closure is:

> *to be determined by assessing the relative locations of the fuel metering chamber and the closure within the context of the fuel cell as a whole, with the two components being sufficiently nearby or close to each other in that context that the same measured dose of fuel is dispensed for each combustion event.*

Unsurprisingly, her Honour found that the Airco's fuel metering chamber was in "close proximity" to the closure.

Next, her Honour considered whether the Airco fuel cell's "fuel metering valve … includes a valve body having a second end **opposite** said fuel metering chamber located within said container." Airco contended that the meaning of the word "opposite" in claim 1 was to be assessed by determining whether the fuel metering chamber is located closer to the identified "first" end of the valve body, being a fixed location, in other words, at the other end of the valve body to the first end. Illinois Tool Works contended that the question was whether the second end of the valve body is "opposite" the fuel metering chamber in the sense of "facing" or "across from it", which involves a spatial relationship between the two identified objects.

The patent appeared to use the word "opposite" consistently to mean at opposing ends of a particular object. Furthermore, the preferred embodiment in the patent shows the fuel metering chamber being in the top end of the valve body (i.e., at the opposite end to the lower/second end of the valve body), consistently with Airco's construction. However, her Honour noted that the claim is describing the relationship between two objects – the valve body and the fuel meting chamber, and so need not be using the term "opposite" consistently with the description of a single object. Furthermore, her Honour observed that when the word "opposite" is used to define the relationship between two separate objects, that does not convey that those objects are as far away from each other as is possible. Her Honour gave the example of two people sitting opposite each other at a table.

The difficulty for Airco may have resided in the fact that the claim defines where the second end of the valve body is by reference to the position of the fuel metering chamber (which is not previously identified as being in a particular position) rather than, for example, saying that the "fuel meting chamber is within the valve body and opposite to the second end of the valve body". While her Honour accepted Illinois Tool Works' construction of "opposite" we note that, at least on the passages from the patent identified in her reasons, minds could reasonably differ.

It will be interesting to see whether Illinois Tool Works appeals this decision based on construction, and whether the Full Court would supplant Rofe J's view, which is an evaluative one of a primary judge, even if the Full Court concludes that it might take a different view.

Given the finding that claim 1 was infringed, her Honour did not need to grapple with Airco's complaints about amendments made to add claims 17, 20 and 21 to the patent before the proceeding had commenced. Nevertheless, her Honour first observed that the only person having a right under section 104(7) of the *Patents Act* 1990 (Cth) to appeal a decision of the Commissioner to allow an amendment to a patent, is a person who opposed the making of the amendment in the first place. Accordingly, Airco's application for an extension of time within which to file a notice of appeal from the Commissioner's decision was futile. We note that the extension of time that Airco likely needed was one in which to file a notice of opposition to the grant of the amendments (although it did not apply for it).

Justice Rofe also dismissed Airco's application for an extension of time under rule 31.02 of the *Federal Court Rules* 2011 (Cth) within which to lodge an application for an order of review under section 11(1)(c) of the *Administrative Decisions (Judicial Review) Act* 1997 (Cth), to review the Commissioner decision to allow the amendments. Given Airco had not provided any explanation as to why it had not availed itself of the right to oppose the amendments when

allowed by the Commissioner, her Honour concluded that it was unlikely that an extension of time would be granted.

Finally, Rofe J also dismissed Airco's application pursuant to section 39B of the *Judiciary Act* 1903 (Cth) for review of the Commissioner's decision to amend the patent. Her Honour observed that non-compliance with sections 102 and 104(5) of the Patents Act does not render the Commissioner's decision to allow amendments, invalid. In particular section 26(2) provides that a patent is not invalid merely because an amendment of the specification has been made that was not allowable. In the present case, her Honour observed that, although there is no prescribed time limit in which to bring an application under section 39B of the Judiciary Act, the remedies available are discretionary and delay can be a relevant factor in refusing relief.

C.M.E. Blasting & Mining Equipment Ltd v Rock Tool Refurbishment Solutions Pty Ltd (No 2)

[2022] FCA 632

3 June 2022 – Besanko J

Patents - interlocutory applications – respondent cross-claims for a non-infringement declaration and applicant sought interlocutory orders for sample of respondent's machine and related documents –respondent sought summary dismissal of various of applicant's claims – both interlocutory applications dismissed

The applicant, C.M.E. Blasting & Mining Equipment Ltd ("CME"), owns various patents concerning grinding apparatus which sharpen the teeth (buttons) on rock drill bits for mining equipment. In drilling operations, the buttons on the drill bits become flattened after continued use. Regular regrinding of the buttons enhances the drill-bit life, speeds up drilling and reduces drilling costs.

CME claims, among other things, that Rock Tool Refurbishment Solutions Pty Ltd ("RTRS") has exploited a grinding machine that will infringe three of CME's patents. By an interlocutory application, RTRS sought summary judgment of parts of the claims made against it insofar as they concern: infringement of "Patent 1"; claims against a third party (Ausharp); claims for conversion and detinue in relation to microprocessors which contain "CME software"; and claims for inducing other parties to breach their contracts with CME. Besanko J dismissed RTRS's summary judgement application, for reasons we will explore below.

For its part, by way of cross-claim, RTRS has sought a declaration of non-infringement pursuant to section 125 of the Patents Act in respect of a grinding machine it intends to exploit (the RTRS grinding machine). In answer to that, CME sought interlocutory orders requiring RTRS to provide documents concerning, and a sample of, the RTRS grinding machine. Justice Besanko also dismissed CME's interlocutory application for those orders, which we will address first.

Non-infringement declarations – going behind the "full description"

Section 126(1)(a)(ii) of the Patents Act provides that the Court "must not make" the non-infringement declaration RTRS seeks unless, among other things, RTRS has "given the patentee [CME] full written particulars of the act done, or proposed to be done". Justice Besanko noted that the dispute between the parties centres on whether CME has been provided with such "full written particulars" by RTRS.

Early in the litigation, RTRS provided CME with a document identifying four features of the RTRS Grinding Machine and details of each of those features ("Particulars"). Subsequently, it filed an affidavit from an independent expert witness, Mr Hunter, who considered the Particulars contained sufficient information to conclude none of CME's patents were infringed. Mr Hunter was then provided with photographs, schematics and a video of the RTRS Grinding Machine and made another affidavit confirming he had not changed his mind. A director of RTRS filed an affidavit including those additional materials.

In answer, CME then filed an affidavit from another independent expert witness, Mr Van de Loo, who concluded that he did not have sufficient information to independently assess what components the RTRS grinding machine has, how those components are comprised and work together and how the machine operates. Mr Van de Loo then set out what further kinds of information he would require to make his own assessment.

CME argued, in part, that the Particulars and additional materials were "not a full description of the relevant machine but just a description of those parts that RTRS and its lawyers consider relevant". As a result, CME filed its interlocutory application seeking such materials, including inspection of a prototype of the RTRS grinding machine.

Pausing here, one might ask: why did CME want further information? If it can establish that it has not been provided with "full written particulars" of the RTRS grinding machine, then that will be a complete answer to RTRS's cross-claim for a non-infringement declaration by operation of section 126(1)(a)(ii). Alternatively, if the Particulars and additional materials do not accurately reflect the RTRS grinding machine in a material way, it is difficult to see how RTRS could benefit from a non-infringement declaration – there would need to be unity between the machine the subject of the non-infringement declaration and that which was subsequently exploited for the declaration to have any bite pursuant to section 127 of the Act.

No doubt with such matters in mind, RRTS pointed out that the non-infringement declaration regime was amended by the *Intellectual Property Laws Amendment (Raising the Bar) Act* 2012 (Cth) so as to focus on whether any product or process that falls within the written description could reasonably be

taken to infringe the claims of the patent in issue. Justice Besanko agreed that the question of non-infringement is "circumscribed by the full written particulars" and the declaration "does not preclude the patentee from bringing an infringement action if it later turns out that the actual product, method or process is different to what is disclosed in the full written particulars."

Justice Besanko also concluded that there was no requirement in section 126 to provide a prototype, sample or existing machine or product, if it existed – the requirement was only to give "full written particulars". His Honour quoted, with apparent approval, Pumfrey J's observation in *Baxter Healthcare Corp v Abbott Laboratories* [2006] EWHC 3185 (Pat) in respect the United Kingdom equivalent to section 126 of the Act:

> *What I am extremely uneasy about is the suggestion that the real world can be used to supplement either inadequacies in the product and process description on the one hand, or to supplement a proof of infringement, or a proof of non-infringement, by materials.*

Summary judgment of claims – dismissed but some hanging in the balance

RTRS sought an order pursuant to section 31A of the *Federal Court of Australia Act* 1976 (Cth) for summary judgment of various claims made against it, as outlined above. The basis for the application was that CME had no reasonable prospect of successfully prosecuting those claims. Justice Besanko observed that, while the power to summarily dismiss pursuant to section 31A should not be lightly exercised, it was not necessary for RTRS to show that the CME's case is "hopeless" or "bound to fail". However, "where the technology is complex or the Court is not able to construe confidently the relevant claim, then summary determination may not be appropriate".

The first of the claims sought to be summarily dismissed involved CME's allegation that RTRS infringed "Patent 1". CME claims that RTRS continued the business of Ausharp which supplied grinding cups and parts for use on CME's grinding machines. The allegation is that the installation of those parts on CME's grinding machines meant the CME machine ceased to exist and a new infringing grinding machine was made, alternatively the conduct of supplying those parts to customers who made the machines was an infringement pursuant to section 117 of the Act. No doubt the parties are carefully treading through the implications of the rights (if any) of purchasers to repair (and replace worn parts of) a patented machine in light of the High Court of Australia decision in *Calidad*. Perhaps the parties will visit the breadth (or limits) of section 117 – as to which we wait with bated breath!

Putting those matters to one side, CME has filed evidence of Mr Van de Loo to the effect that the CME grinding machines had all the integers of various claims of Patent 1. Notwithstanding that broad view, as to one particular integer, which requires the machine to control the feed pressure of the drive shaft during grinding based on the size of the connected grinding cup, he said could not determine whether there was such a feed pressure change. RRTS asserts CME could not, therefore, make out infringement of Patent 1. However, CME relies on other, lay, evidence to the effect that the CME grinding machines are designed to change feed pressure on the grinding cups. For that reason, Justice Besanko was satisfied that RTRS's attempt at summary judgment of the infringement of Patent 1 claim should be dismissed.

As to RTRS's attack on CME's pleading regarding the former conduct of Ausharp (the company which RTRS apparently bought the business of), Justice Besanko was not convinced there was any problem, noting that those allegations explained how the second respondent (a director of RTRS and former employee of Ausharp) might have joint liability with RTRS, and in any event the Ausharp conduct was said to be continued by RTRS.

Next was RTRS's attack on the claims by CME for conversion or detinue in respect of microprocessors in the possession of RTRS that contain CME software. In short, it appears that CME had supplied, through a distributor, a number of CME grinding machines to Ausharp each of which had a microprocessor with CME software on it. CME asserts that the supply was subject to terms which prohibited Ausharp from transferring the CME Software and that, upon Ausharp's transfer of the CME grinding machine to RTRS, CME was entitled to the immediate return of the media on which the software was incorporated.

Justice Besanko identified some difficulties with CME's conversion and detinue claims but not to the point of concluding they had no reasonable prospect of success. One difficulty arose in that an action in conversion or detinue does not lie in intangible property. But since CME puts its argument on the basis of a right to the microprocessor upon which the CME Software was incorporated, the case was considered to have some prospects of success. Having said that, Besanko J noted one further difficulty being that ownership of the microprocessor had already passed to Ausharp. Curiously, CME does not appear to have asserted any ownership of copyright in the CME software so as to rely on the conversion and detinue rights in section 116 of the *Copyright Act* 1968 (Cth). It might have a stronger case if it can obtain and establish ownership of that copyright.

Finally, RTRS's application for summary judgment of CME's claim for inducing breach of contract was also dismissed. That claim concerns CME's contention that purchasers of its grinding machines are subject to terms of sale that preclude the customers from purchasing non-genuine parts for the machines, and RTRS knows this and, by selling its

grinding caps for use on the CME grinding machines to such customers, it has induced the breach of those contracts. Justice Besanko considered there was sufficient evidence on foot to establish that claim. We wonder if section 144(1) and (4) of the Act (void conditions) might provide an answer to this claim and wait to see if that will be raised at trial.

All in all, a pox on both houses, but perhaps CME weathered the pox better – with its some of its primary claims staying on foot and no doubt learning something useful about the limits of non-infringement declaration sought against it.

New Aim Pty Ltd v Leung
[2022] FCA 722
23 June 2022 – McElwaine J

Equity – confidential information – whether information is required to be a trade secret – WeChat list of contacts maintained by employee

Evidence – independent expert's report – duties and responsibilities of instructing solicitors

The Applicant, New Aim Pty Ltd ("New Aim"), conducts a large-scale e-commerce business in Australia and sources its products from suppliers in China. It is a competitive market. The first respondent, Mr Leung, commenced employment with New Aim as a junior office assistant in 2009, and when he resigned in January 2021, he was Chief Commercial Officer.

The second and third respondents were also former employees of New Aim. The fourth and fifth respondents are competitors of New Aim.

In October 2021, New Aim obtained an interlocutory injunction against the respondents, including orders restraining them from reproducing or disclosing the confidential information of the applicant, defined in the orders as meaning the identity and/or contact details of persons who were suppliers of products to the applicants as at January or March 2021.

When the proceeding commenced, it was confined to claims of equitable breach of confidence, breach of the *Corporations Act* 2001 (Cth) and breach of contract.

A critical issue for the Court was to determine how it should characterise the information which the applicant said had been misused. The question for the Court was what specific information had been used by the first respondent and whether the confidentiality of that information was protected by the law. The case is illustrative of the fact that breach of confidence cases turn on their own facts, rather than hard and fast principles.

Also of particular significance in this case are the findings arising from the following introductory comments by Justice McElwaine,

> *[s]ave for one witness, I conclude that each person who gave evidence before me did so conscious of the need to assist me in making findings of fact on contested issues between the parties … The exception is Ms…, an expert witness for the applicant.*

What followed is a must read for everyone who works with experts in relation to the preparation of their independent reports or affidavits. The authors suspect that many practitioners will need to review their practice in light of the decision.

WeChat information

In relation to the confidential information case, Justice McElwaine set out the four elements to the claim and then analysed each. His Honour found that he was principally concerned with the conduct of the first respondent, Mr Leung, and by reason of that fact, there was a need to distinguish between know-how and information which is obviously confidential to which the label of "trade secret" is sometimes applied.

Contrary to the principles discussed in *Faccenda Chicken Pty Ltd v Fowler* [1987] 1 Ch 117, Justice McElwain concluded that, when considering post-employment restrictions on employees, the Australian authorities do not support confinement of the post-employment principle to confidential information which is in the nature of a trade secret, "if by that label what is intended is reference to a readily identical subset of confidential information". The situation is more fluid.

New Aim's claim as finally expressed was found by the Court to be limited to the list of WeChat contacts recorded in Mr Leung's personal mobile telephone ("WeChat information"). Mr Leung used his personal mobile for his work, including to communicate with Chinese suppliers to New Aim. Mr Leung added to his WeChat contacts various comments. Mr Leung's use of WeChat was with the knowledge of New Aim.

While the Court accepted that the WeChat information was not generally known outside New Aim's business, it did not follow that the information was not able to be ascertained by inquiry, noting that New Aim had not adduced any evidence of exclusive supply agreements with any supplier nor that it required suppliers to enter into confidentiality agreements or to provide undertakings which bound a supplier not to divulge the fact they were suppliers to New Aim.

The Court concluded that, with persistence, some degree of market knowledge of the e-commerce business in Australia and the range of potential suppliers, a person who is employed in a competing e-commerce business to that of New Aim was able to ascertain the identity of particular suppliers of particular products to New Aim. It may be observed here that other cases have found that something that has been constructed solely from materials in the public

domain may possess the necessary quality of confidentiality: for something new and confidential may have been brought into being by the application of human skill and ingenuity.

The Court also concluded that New Aim did not ever make it known to Mr Leung that it regarded the WeChat information as confidential. New Aim did not attempt to restrict the use of the WeChat information by Mr Leung. New Aim was aware that Mr Leung maintained the WeChat information on his personal mobile telephone and permitted Mr Leung to use his personal mobile telephone for work-related purposes. New Aim did not ever request Mr Leung to transfer his personal WeChat contact details to any of the more formal supplier databases that it developed and maintained over time.

A further matter in the case was the extent to which the WeChat information was able to be identified and readily isolated from the employee's general know-how which the employee was entitled to use after the end of employment. The Court concluded that a person of ordinary honesty and intelligence would not conclude that the WeChat information was the property of New Aim. The WeChat information lacked the inherent quality that was necessary to elevate it above the accumulated general knowledge and know-how of Mr Leung.

Expert evidence

The consideration by his Honour of the expert evidence is instructive to all practitioners about the care that needs to be taken in the preparation of expert evidence before the Federal Court.

Of significant concern for the Court was the degree of collaboration between the applicant's solicitors and the expert in relation to the report by the expert. Ultimately, the expert agreed in cross examination that her report was a collaboration between her and the lawyers for the applicant. The Court found that parts of the deponent's witness statement bore "a remarkable similarity to paragraphs in the witness statement" of another witness for New Aim and the judge concluded those parts were written by a lawyer not the deponent. One of those parts was a crucial conclusion of the deponent relevant to the case. After it was revealed during cross-examination that the deponent had received email communications from the lawyers suggesting that she make changes to her draft report, those communications were called for production and revealed that all that the deponent had initially sent to the solicitors was her biography and some general information about her company and the lawyers drafted her statement apparently by reference to a book she had written and some videoconferences. The Court concluded:

> *It would appear that most of the report was, at least initially, the product of drafting by the lawyers for the applicant, albeit in reliance upon some material of a non-specific nature that Ms Chen provided to the lawyers.*

The Court stated that, in some circumstances, the fact that an expert witness may agree with a form of words for the expression of the expert's opinion which are put to the expert in an admissible form may not detract from the independence of the expert and the reliability of the opinion expressed. However, the Court concluded that what occurred in this case went well beyond permissible guidance of that character.

The Court was invited by counsel for the respondents to reject the entirety of the expert report, or alternatively to place no weight upon it. The Court ultimately rejected the expert evidence in its entirety.

The Court concluded that the expert could not be regarded as independent and also found that the conduct engaged in in preparing and delivering the report of the expert was misleading. Importantly, the Court stated that, even if in some circumstances it is proper for lawyers to draft an independent expert witness statement for consideration by the putative expert (where the statement is drafted based on instructions from the expert), that fact must be disclosed in the expert report conformably with the obligations that the expert assumes in accordance with the *Expert Evidence Practice Note* and the *Harmonised Expert Witness Code of Conduct*.

Further, in the event of such collaboration, all correspondence relating to the manner of preparation of the report should be disclosed and, to the extent that oral advice is conveyed to the expert, the substance should be documented and disclosed. The Court found that in this situation those obligations had not been complied with and therefore, the Court rejected the expert's written report in its entirety, together with the expert's oral evidence.

This decision may come as a surprise to many intellectual property law practitioners, who often work closely with experts in the preparation of their evidence, especially when the expert has not assisted a court before. It is well understood that, while assistance can be provided with the form of words used to seek to ensure they are in admissible form, the opinions expressed must be those of the expert and not those of the lawyers representing a party and that the expert is there to assist the Court and not the party who has engaged them. However, practitioners may be surprised by the Court's indication that, where there is collaboration of that kind, it must be spelt out in the report ultimately prepared. It is not presently clear how detailed that account of collaboration needs to be.

For example, where a report or affidavit is prepared by a solicitor on oral instructions from an expert (that is, in conference), the decision leaves open to question whether it

will be sufficient for the deponent to simply state as much and confirm that the opinions expressed are those as were conveyed by the expert to the solicitor with the solicitor assisting in, for example, the structure of the document and the form of expression, but not the substance. Alternatively, it may be the case that the Court would expect far greater detail. We expect that there will be further guidance in relation to this issue, either in decisions to come (including in the recently filed appeal in this case) or in amendments to GPN-EXPT practice note, the Federal Court's guidance to practitioners concerning expert evidence.

Hood v Down Under Enterprises International Pty Limited

[2022] FCAFC 69

4 May 2022 – Yates, Moshinsky and Rofe JJ

Section 117 of the Patents Act – staple commercial product – whether essential oil from Kunzea ambigua is a staple commercial product – inventive step – misleading or deceptive conduct – representations on a website – costs

At first instance, the patentee, Mr Hood, brought five sets of patent infringement proceedings against five different parties, alleging infringement of his Patent, which was for methods of using an essential oil derived from the shrub *Kunzea ambigua* (the "Oil"). The claims were to methods of treatment in which the Oil, obtained by steam distillation of the green matter of the shrub, is applied topically as a treatment to relieve pain, minimize bruising, or to assist in healing, including for specified ailments.

In the proceedings involving Down Under Enterprises International Pty Ltd, New Directions Australia Pty Ltd and Native Oils Pty Ltd, the trial judge, Nicholas J, dismissed Mr Hood's claim of infringement based on section 117. Mr Hood appealed, and Down Under Enterprises and New Directions cross-appealed. In particular:

(a) Mr Hood appealed the conclusion that Down under Enterprises, Native Oils and New Directions did not infringe the Patent under section 117;

(b) Down Under Enterprises and New Directions appealed the conclusion that certain of the claims of the Patent were not invalid for inventive step;

(c) Mr Hood appealed the conclusion that there should be no award of additional damages;

(d) Down Under appealed the conclusion that it had engaged in misleading or deceptive conduct; and

(e) Mr Hood challenged the conclusion that each respondent should pay a fixed portion of Mr Hood's costs, alleging that they should be jointly and severally liable.

Section 117

The primary judge found that the Oil was a staple commercial product, by reference to the Full Court and High Court decisions in *Northern Territory v Collins* ("*Collins*") and the Full Court's decision in *AstraZeneca AB v Apotex Pty Ltd*. In *Collins,* the High Court had found that standing cypress pine trees were a staple commercial product.

The primary judge considered the decisions of Hayne J and Crennan J in *Collins*, and observed that the plurality in *AstraZeneca* (with whom Jessup J agreed on this issue) noted that the considerations relevant to the question of whether a product is a staple commercial product include how widely the product is used and for what range of purposes. The primary judge noted that, unlike *AstraZeneca* (where rosuvastatin could only be used for the prevention or treatment or a particular disease), in the present case, the therapeutic uses to which the Oil could be put were very broad indeed. His Honour found that the Oil was commonly used for its perceived therapeutic properties; that the evidence showed that the Oil was considered to be a commodity or a raw material; and that the Oil is supplied in its raw state for use as an ingredient to manufacture various consumer products (including aromatherapy and for hair and skin care), which was not was an uncommon or de minimis use.

The primary judge concluded that the Oil was a staple commercial product for four reasons. First, the Oil is a raw material supplied commercially for use either in its raw form or as an ingredient in a range of hair and skin products. It is a basic product with a wide variety of possible uses. Secondly, the Oil may be used for a range of therapeutic purposes due to its anti-inflammatory and antimicrobial properties. The patented methods of treatment did not extend to many of the uses for which the Oil is supplied (such as aromatherapy, or use in a blend of essential oils). Thirdly, the Oil had been registered on the Australian Register of Therapeutic Goods since 2002 for a wide range of indications, not all of which were within the scope of the claims. Lastly, the crucial question is whether the relevant product is supplied commercially for various uses, and the evidence suggests that it is.

The primary judge concluded that, even if the relevant class of products is narrowly defined as consisting of essential oils derived from shrubs of *Kunzea* or *Kunzea ambigua*, the products would still to be treated as staple commercial products. For that reason, the case against Down under Enterprises, New Directions and Native Oil failed.

Mr Hood submitted that the primary judge erred, because he failed to give sufficient weight to Mr Hood's expert evidence as to supply and uses of the Oil. The Full Court observed that Mr Hood's submissions conflated any asserted "therapeutic use" of the Oil, whatever the method of administration or condition, with a method of treatment falling within the

scope of the claims. On Mr Hood's case, any "therapeutic use" of the Oil was to be excluded from the consideration of whether the Oil is a staple commercial product as it was a use falling within the patent monopoly.

The Full Court found that these submissions failed to take into account that the method of treatment claimed was limited to a method of treatment in which the essential oil is applied topically, which did not include other modes of treatment, such as those involving the inhalation of emitted vapours from the essential oil, and that the primary judge was justified in rejecting the expert's evidence. The Full Court expressly did not consider whether the correct class of product was the broader class of all essential oils from native shrubs or the narrower class of *Kunzea ambigua* Oil, given that the primary judge found that even *Kunzea ambigua* Oil was a staple commercial product. The ground of appeal was rejected and, accordingly, the Full Court held that the primary judge did not err in concluding that the Oil is a staple commercial product and that Down Under Enterprises, Native Oils and New Directions did not infringe the Patent.

Mr Hood also appealed the primary judge's conclusion that section 117 does not apply to supply by the respondents to customers outside the patent area. As the Full Court made clear, although the primary judge had found that the product must be supplied within the patent area, his Honour had found that:

(a) a patent could be infringed under section 117(2)(a) where a product with only one reasonable use was supplied within the patent area, even if the product was for use outside the patent area;

(b) a patent would not be infringed under section 117(2)(b) where there was no reason to believe that the product would be used in the patent area; and

(c) a patent could be infringed under section 117(2)(c) where the product is supplied in the patent area with instructions or inducements for use, even if the supplier had no reason to believe that the person who had been given the relevant instructions or inducement would follow that instruction or act.

The question raised by Mr Hood was as to the primary judge's conclusion on section 117(2)(b). However, Mr Hood did not challenge the conclusion that it is necessary to show that the supply of the product is in the patent area. The Full Court found that no error had been shown in the primary judge's conclusion that Mr Hood had not established any relevant supply by Down Under Enterprises in the patent area (nor in his Honour's findings as to whether the Oil was a staple commercial product), and therefore that it was not necessary to consider the correctness of his Honour's construction of section 117(2)(b) or 2(c).

The Full Court also rejected a submission that the primary judge had erred in finding that New Directions did not provide instructions for "topical use". That submission was inconsistent with the primary judge's construction of the claims, which was not challenged.

We make two observations about the questions of infringement under section 117 raised in this case.

First, it is exciting to see a case, after *Collins*, in which a product is found to be a staple commercial product. The primary judge's and Full Court's reasoning might equally be applicable to pharmaceutical products which can be used for non-patented as well as patented uses. We can expect to see this defence agitated in cases of patents for methods of treatment, although it may run aground on the question of the specificity by which the product is defined.

Second, although we agree with the Full Court that section 117 is not directed to situations where the use of the product is to take place outside the patent area, we respectfully question whether the primary judge's conclusions in relation to section 117(2)(a) and (c) are consistent with that analysis. The Full Court did not need to revisit his Honour's analysis of those issues: we will watch with interest to see how future courts deal with these questions.

Inventive step

Down Under Enterprises, Native Oils and New Directions challenged the primary judge's finding on inventive step. The respondents had challenged whether the patent claimed involved inventive step on the basis of common general knowledge, but failed because the primary judge found that their submissions took, as their starting point, the hypothetical situation where the skilled addressee (a microbiologist) was provided with a sample of *Kunzea ambigua* for evaluation, but did not explain how *Kunzea ambigua* would have presented itself as a candidate in the first place.

The Full Court noted that there was no challenge to the conclusion that *Kunzea ambigua* had not been used for therapeutic purposes before the priority date and concluded that it was open to the judge to reject the respondents' submissions as to lack of inventive step, in circumstances where there was nothing in the evidence that would indicate that the skilled addressee would have any reason to test *Kunzea ambigua* for medicinal uses.

The Full Court's reasoning emphasises the importance of ensuring that inventive step evidence provides a basis for the particular starting point which is adopted by the party seeking to revoke a patent (whether or not that is the same starting point that the patentee had). If there is not, the inventive step challenge will very likely fail.

Australian Consumer Law

The primary judge found that Down Under Enterprises had engaged in misleading or deceptive conduct because the website www.downunderenterprises.com represented that Down Under Enterprise's *Kunzea ambigua* Oil products were listed on the Australian Register of Therapeutic Goods. However, the unchallenged evidence was that Down Under Enterprises did not own or control the website – rather, it was owned and maintained by a different entity, Down Under USA. The Full Court therefore overturned the primary judge's finding, observing that there was otherwise no basis on which to conclude that Down Under Enterprises had contravened sections 18 or 29(1)(a) of the Australian Consumer Law.

Costs

The primary judge had made orders that the cross-claimants below were each liable for an equal portion of Mr Hood's costs in respect of those parts of the cross claim which failed (manner of manufacture and inventive step). Mr Hood submitted that the parties should be jointly and severally liable. The Full Court found that the primary judge had not made any error.

GME Pty Ltd v Uniden Australia Pty Ltd
[2022] FCA 520

9 May 2022 – Burley J

Registered designs – whether respondent's product is substantially similar in overall impression to the registered design – consideration of relevant factors

GME Pty Ltd ("GME") contended that Uniden Australia Pty Ltd ("Uniden") threatened to infringe its registered design by the launch of its XTRRAK UHF mobile radio product. The GME design is registered under the *Designs Act* 2003 (Cth) for a microphone – in particular, a microphone for use with a "walkie talkie". Validity was not disputed but Uniden denied infringement. The proceedings were fast tracked (rather than proceed by way of application for interlocutory injunction), and dealt with liability alone.

As outlined by the Court, a person infringes a registered design if the infringing product embodies a design that is substantially similar in overall impression to the registered design: section 71(1)(a) of the Designs Act. This involves a qualitative evaluation of the importance of the similarities and differences between the competing designs, focusing on the whole of the appearance, rather than counting the differences. It is necessary for the Court to apply the standard of the informed user within section 19(4) of the Designs Act (expert evidence), having regard to the prior art.

In relation to the informed user, Justice Burley outlined in detail the evidence of the respective experts, namely that of Mr MacDonald for GME, and Mr Simpson for Uniden. His Honour commented that, while Mr MacDonald's professional experience in the design of handheld microphones exceeded that of Mr Simpson, both met the description of the informed user within section 19(4) of the Act. In this regard, his Honour approached the evidence of the experts in light of the comments by Justice Yates in *Multisteps Pty Ltd v Source and Sell Pty Ltd* [2013] FCA 743 at [66]-[70]. Notably the necessary and only qualification is that the person be familiar with the product or similar products. No matter how such a person might come to be appropriately qualified, he or she will have an awareness and appreciation of the visual features of a product that serve its functional as well as its aesthetic purposes. This "familiarity" approach is broader than the approach adopted by Kenny J in *Review 2 Pty Ltd v Redberry Enterprise Pty Ltd* [2008] FCA 1588, where her Honour was guided by European authorities and concluded that the informed user must be a user of the class of product in question.

The Court noted that, in assessing whether or not there was an infringement of a registered design, it is necessary for the Court to focus on the overall impression created by the two designs. This is not done by ignoring matters of detail, but by assessing the impact of particular design features, including any matters of detail, on the overall impression created by each of the two designs. The Court also noted that section 19(1) of the Designs Act requires the Court to give more weight to the similarities between the designs than to the differences between them. Justice Burley referred to *Keller v LED Technologies Pty Ltd* [2010] FCAFC 55, where the Court noted at [234] the comments by Laddie J in *Household Articles Ltd's Registered Design* [1998] FSR 676 at 686:

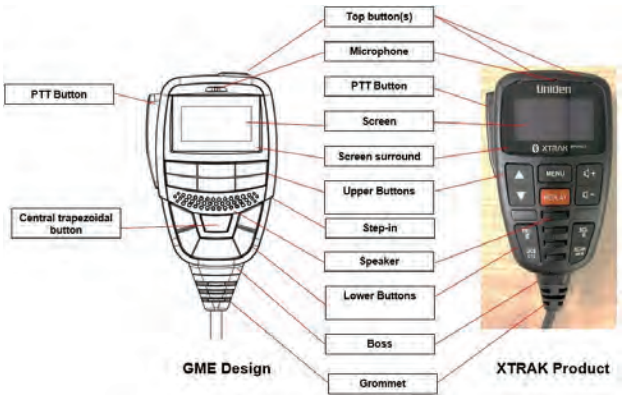
> *A design can be novel even if it is made up entirely by blending together a number of old designs provided the resulting combination itself has a sufficiently distinctive appearance. It is only where all the features have been used before, and used commonly (or are immaterial), that the Act deems them to be novelty-destroying.*

Justice Burley also noted that section 19(2)(d) of the Designs Act requires the Court to have regard to "the freedom of the creator of the design to innovate".

Guided by the evidence from the experts, Justice Burley carefully examined a number of prior art devices, noting that section 19(2)(a) of the Designs Act requires the Court to have regard to the state of the development of the prior art base for the design. His Honour also noted that a number of features of the prior art devices were common to microphones but that there was considerable variability within the design characteristics of each. Having regard to the prior art base, his Honour then considered relevant functional aspects of microphones and freedom of designers to innovate. His Honour accepted that there are basic ergonomic requirements the designer has to consider when designing radio frequency products, and in particular handheld radio and microphone products, that limit the

freedom to innovate. However, his Honour did not accept that functional limitations "drive the design". Nor did his Honour accept (as Uniden submitted) that all of the designs "look so similar". Rather, his Honour was of the view that the informed user will be attuned to variation and that there was considerable scope for variability within each of the features and as such, there was freedom of the creator of the design to innovate.

Having regard to the relevant legal principles, his Honour then compared the two products identified below.



His Honour set out in detail the similarities and differences between the GME design and the XTRAK device, noting that the overall shape of the XTRAK is very similar to the GME design in that both are vertically symmetrical curve-shaped trapezoids, tapering to the base. Justice Burley noted one point of difference is that the XTRAK has a smooth silhouette whereas the GME design has a step-in in its lower third on its front and sides that follows around to the lower portion of the housing at the rear. His Honour did not consider that the step-in was a strong, let alone the dominant visual element, of the design. Rather, his Honour concluded that it was one of the aspects that added to the overall aesthetic. His Honour considered the similarity of overall shape and silhouette to be important points likely to make a strong visual impression.

His Honour also noted that the screen arrangement and screen surrounds are very similar and that the PTT button is also very similar in both, the latter being a prominent feature, and one that is curved to blend in with the overall silhouette of the devices. The boss and grommet on both were also very similar. Justice Burley noted that the effect of these similarities was to accentuate the vertically symmetrical curve-shaped trapezoid shape of the XTRAK, which is a significant aspect of the GME design. His Honour also noted that another relevant similarity is the fact that both have clear spatial separation below the upper buttons and the lower buttons. In the case of the XTRAK, this is created by the first of the speaker grilles and the two dummy buttons, in the case of the GME design it is created by the speaker.

His Honour considered these similarities against three relevant differences. First, the smooth housing shape of the XTRAK compared to the GME design, which includes the step-in at its waist and extending around the device. Secondly, the arrangement of lower buttons around a central trapezoidal button in the GME design compared with the two columns of buttons separated by the central column of the speaker grille in the XTRAK device. Thirdly, the row of two dummy buttons and the central row of the speaker grille in the XTRAK compared to the speaker in the GME design. His Honour noted that other differences and similarities were relatively trivial and he gave them lesser weight.

Taking into account these similarities and differences, but placing more weight on the similarities between the designs than the differences as required by section 19(1) of the Designs Act, Justice Burley considered that the XTRAK embodied a design that was substantially similar in overall impression to the GME design.

Justice Burley also took into account the state of development of the prior art in making his assessment, in accordance with section 19(2)(a) of the Designs Act. His Honour concluded that the informed user would regard the XTRAK to be more similar in overall impression to the GME design than any of the other prior art devices. His Honour concluded that the prior art base demonstrated that the overall shape of each of the devices considered in the case varied considerably and that the two closest pieces of prior art had more obviously different appearances in terms of their front face arrangements.

His Honour also noted that the statement of newness and distinctiveness of the GME designs drew attention to no individual aspect to which "particular regard" should be given pursuant to section 19(2)(b) of the Designs Act.

Justice Burley concluded that having regard to all of these matters, the XTRAK device was substantially similar in overall impression to the GME Design.

Australian Mud Company Pty Ltd v Globaltech Corporation Pty Ltd (No 3)

[2022] FCA 596

20 May 2022 – Besanko J

Patent infringement – election between damages or an account of profits – evidence filed by applicant going to damages and by respondent going to account of profits – should applicant make election now or could it wait until evidence in answer on damages from the respondent?

Avid followers of this dispute will recall our recent report about Globaltech's application to stay a hearing on the quantum of pecuniary relief it owed to Australian Mud Company Pty Ltd ("AMC") for patent infringement. Justice Besanko refused to do so. In this most recent part of the saga, Globaltech sought an order that AMC make its election

between seeking damages or an account of profits for that patent infringement. AMC contended that it should only do so once it had seen Globaltech's evidence in answer on damages. Justice Besanko agreed with AMC.

The relevant facts are as follows. AMC had succeeded in its patent infringement claim against Globaltech. That left for determination AMC's claim for pecuniary relief. AMC has not yet made its election as to whether it will seek damages or an account of profits with respect to Globaltech's infringing conduct. AMC had filed its evidence with respect to damages and Globaltech had filed its evidence with respect to an account of profits.

In terms of evidence, the remaining steps were for AMC to file its evidence with respect to an account of profits and Globaltech to file its evidence with respect to damages. Plainly enough, if AMC were forced to make its election before those steps, only one side would be required to file evidence, no doubt saving significant cost and time.

Justice Besanko set out four working principles espoused by Lindgren J in *LED Builders Pty Ltd v Eagle Homes Pty Ltd (No 3)* [1996] FCA 972; (1996) 70 FCR 436 at 447 as follows:

(1) A party can apply for damages and an account of profits in the alternative, it can obtain judgment only for one or the other.

(2) Once judgment has been entered for damages or for an account of profits, any right to elect for the other remedy is forever lost.

(3) A party should, in general not be required to elect or be found to have elected between remedies unless and until it is able to make an informed choice. A right of election, if it is to be meaningful and not a mere gamble, must embrace the right to readily available information as to its likely entitlement in case of both the two alternative remedies. It is quite unreasonable to require the party to speculate totally in the dark as to whether or not the sum recoverable by way of damages will exceed that recoverable under an account of profits.

(4) The exercise of the right of election must not be unreasonably delayed to the prejudice of the defendant.

Globaltech sought to make much of Lindgren J's observation in *LED Builders*:

> *In the ordinary case, the owner of copyright or other intellectual property will be able to be adequately informed prior to the hearing, for the purpose of making its election, by the interlocutory procedures of discovery and, if appropriate, the administration of interrogatories, or by other means referred to in the cases discussed earlier.*

Globaltech pointed out that, in the present case, there were no outstanding interlocutory procedures of that type in respect of the claim for pecuniary relief.

Globaltech also pointed out that, if it had to file evidence as to damages and AMC subsequently elected for an account of profits, that would involve unnecessary costs (and delay) contrary to parties' obligations under sections 37M and 37N of the Federal Court of Australia Act.

Nevertheless, Besanko J acceded to AMC's contention that it was reasonable for it to be able to assess Globaltech's evidence in answer on damages prior to making its election. AMC noted that Globaltech had foreshadowed up to six lay witnesses and an accounting expert report in its evidence on damages, and it wanted to consider that evidence so as to assess the merits of its own evidence.

Minds could credibly differ as to whether AMC in fact had sufficient information to make its election. However, it is not unheard-of for a plaintiff to only make its election just before hearing on pecuniary relief: see e.g. *Gentry Homes Pty Limited v Diamond Homes Pty Limited* (1993) AIPC 91-008, per Beazley J.

Indeed, Goldberg J in *Dr Martens Australia Pty Ltd v Bata Shoe Co of Australia Pty Ltd* [1997] FCA 505; (1997) 75 FCR 230 rejected Lindgren J's view in *LED Builders* that a plaintiff must make an election well before the close of the hearing on pecuniary relief. Justice Goldberg held:

> *None of the cases referred to by His Honour in my respectful opinion support the proposition that the election cannot be made either at the conclusion of the evidence in an "all issues" hearing or in the second stage of a "split" hearing. … In my view, an applicant cannot be compelled to insist upon an election being made before the commencement of trial and, consistently with the cases to which I have referred, in my opinion the applicant is entitled to delay making an election at least until all the evidence is in.*

Justice Mortimer in *Shape Shopfitters Pty Ltd v Shape Australia Pty Ltd* [2016] FCA 610 at [33] described this as a "forensic right" of the party making the election.

Interestingly, Besanko J referred to Goldberg J's decision in *Dr Martens* in an earlier dispute between the parties on the question of an election in *Australian Mud Co Pty Ltd v Globaltech Corporation Pty Ltd* [2020] FCA 1806, but not to Goldberg J's reasoning above.

It may also be noted that AMC had previously said that it would be in a position to make an election upon receipt of information about the Globaltech's revenue and deductions (which is the point at which an election is commonly given).

However, his Honour was not troubled by that, noting the question of whether a party had sufficient information to make an election was an objective one – presumably Besanko J concluded that it did not matter that AMC held a subjective belief that it would have sufficient information at an earlier time and it could change its mind.

Justice Besanko's decision accords with the view that it is not unreasonable for a party to delay making its election until, at least, all evidence is filed relevant to the election, and the view that the principles articulated in sections 37M and 37N do not provide valid reasons to deprive a party its forensic rights, merely because a delay in election will increase costs and time. However, that approach might be seen to be somewhat inconsistent with modern case management principles, and there is an argument that a party who has exhausted interlocutory steps, such as discovery, is well equipped to exercise its forensic rights to elect, even before it receives evidence, or equipped enough such that it should not put the other party to wasted costs.

Boehringer Ingelheim Animal Health USA Inc v Intervet International B.V.

[2022] FCAFC 88

18 May 2022 – Perram, Nicholas and Burley JJ

Patents – leave to appeal against decision dismissing appeal from decision of delegate of the Commissioner of Patents – assessment of expert evidence – lack of inventive step

This decision concerned an application for leave to appeal from a judgment of the primary judge dismissing an appeal brought by Boehringer Ingelheim Animal Health USA Inc ("Boehringer") against a decision of a delegate of the Commissioner of Patents rejecting its opposition to Australian Patent Application No. 2011268899. The Patent Application relates to an invention for injectable formulations comprising a macrocyclic lactone and levamisole for controlling parasites in animals, and the use of such formulations in the preparation of a medicament for controlling parasites.

In the appeal to the Full Court, Boehringer pursued only one ground of invalidity – lack of inventive step – deciding not to pursue to other grounds of invalidity (lack of novelty and lack of utility) which had also been unsuccessful before the primary judge.

In the result, the Full Court refused Boehringer's application for leave to appeal, as their Honours were not persuaded that the applicant had demonstrated a clear prima facie error of the primary judge which, if not corrected, would be likely to result in the grant of an invalid patent.

Boehringer's criticisms of the primary judge's reasons fell into three broad categories.

Boehringer's first criticism was, in essence, that the primary judge's consideration of inventive step unduly focused on issues relating to the efficacy, release rate and rate of absorption of the claimed anti-parasitic formulation. Boehringer pointed to the primary judge's references to "considerable uncertainty", "significant unknowns" and "uncertainties" in relation to efficacy, as matters that would point the notional skilled team away from adopting the claimed formulation with the requisite expectation of success. It said that, in referring to those uncertainties and unknowns in relation to efficacy, the primary judge adopted too high a standard for invalidity by way of lack of inventive step, because claim 1 does not require a formulation within its scope to have any particular release profile or absorption rate or other measure of efficacy.

In this regard, Boehringer placed reliance upon the judgment of Jagot J (with whom Besanko and Nicholas JJ agreed) in *Nichia Corporation v Arrow Electronics Australia Pty Ltd* [2019] FCAFC 2 ("*Nichia*") at [114]–[120], in which her Honour found that the primary judge had, in applying the Cripps question, wrongly approached the matter on the basis that the relevant "useful result" was a device that possessed certain desirable qualities found in embodiments described in the body of the specification, but which were not referred to in the relevant claim.

The Full Court rejected Boehringer's complaint, finding it was apparent from the primary judge's reasons that, in considering matters of efficacy and the impact of the identified uncertainties on the skilled team, the primary judge was merely recognising that a formulation within the scope of claim 1 had to be safe and efficacious (in the sense that the formulation had to have some meaningful anti-parasitic effect). The Full Court observed that the very nature of the invention – a pharmaceutical composition for use in the treatment of animals – requires that it be safe and efficacious for it to be useful. Their Honours distinguished the circumstances of this case from those in *Nichia*, which concerned desirable but non-essential qualities identified in the body of the specification but not referred to, or implicitly contained, in the claims.

Boehringer's second criticism was that the primary judge required too high a standard of expectation on the part of the notional skilled team to find the claimed invention obvious, and in doing so failed to give proper weight to the evidence of one of its experts, Mr Lau, and the other experts when applying the Cripps question. Boehringer relied in particular upon oral evidence from Mr Vickers (with whom another witness, Dr Martin, agreed) that if he were to use what were agreed to be standard concentrations of a macrocyclic lactone and a levamisole salt as the active ingredients in an injectable formulation then this "may well produce an acceptable formulation in terms of its efficacy …". It argued that the primary judge should have given that

evidence decisive, or at least greater, weight when addressing the Cripps question.

The Full Court also rejected this criticism. Their Honours noted that Boehringer's submission was not directed to any error of principle but was rather a complaint as to the primary judge's evaluation of the relevant evidence. They noted that "the relevant evidence was directed to an aspect of the Cripps question which involves a hypothetical test expressed in subtle language (including "in the expectation that it might well") that is capable of being understood in different ways", and observed that, although the primary judge "was bound to consider the oral evidence of the expert witnesses in question, he was not bound by the answers given by them, and was entitled to assess the strength of that evidence in light of the evidence as a whole".

One of the matters upon which Boehringer placed reliance was the primary judge's finding that the testing that would need to be done to determine the efficacy of a combination formulation in which the levamisole was present in particulate form in an oil-based phase would not be routine, which Boehringer said was inconsistent with the evidence and other findings in the primary judgment. However, the Full Court observed that:

- it was necessary for Boehringer to establish that there was no inventive step involved in arriving at a composition in which the levamisole would be present in particulate form in an oil-based phase and the macrocyclic lactones present in solution;
- in the present case, the inventive step resided in the selection of that system; and
- whether or not any testing of the system was, or would be, routine does not establish that the selection of that system would have been obvious to the notional skilled team or that it would have been directly led as a matter of course to try such a system with the requisite expectation of success.

Boehringer's third criticism was directed at the primary judge's treatment of the information contained in a prior art document, CN291, and his Honour's assessment of the evidence given by Mr Lau in relation to the significance of the information contained in that document. The Full Court rejected those criticisms, finding that there was no substance to the submission that the primary judge failed to have regard to the common general knowledge in combination with CN291, and that it was open to the primary judge to reject the obviousness case based on CN291 when read with the common general knowledge.

Jusand Nominees Pty Ltd v Rattlejack Innovations Pty Ltd

[2022] FCA 540; 167 IPR 1

Rofe J

Patents – construction – infringement – "experimental purposes" under s 119C of the Patents Act – validity – lack of support and sufficient description – clarity

In this proceeding, Jusand Nominees Pty Ltd claimed that Rattlejack Innovations Pty Ltd ("Rattlejack"), Pan Australis Pty Ltd ("Pan Australis"), Murray Engineering Pty Ltd ("Murray") and Mr Leigh Sutton had each infringed three Australian Innovation Patents each titled "Safety System and Method for Protecting Against a Hazard of Drill Rod Failure in a Drilled Rock Bore", being Australian patent numbers 2019100556 (the "556 Patent"), 2020100163 (the "163 Patent") and 2020103956 (the "956 Patent").

By way of cross-claim, Rattlejack sought revocation of all the asserted claims on the basis that each was invalid for lack of sufficient description (section 40(2)(a) of the Patents Act) and lack of support (section 40(3) of the Patents Act), and that some of the claims were invalid for lack of clarity (section 40(3) of the Patents Act).

Rattlejack alleged that a finding of lack of sufficient description necessarily meant that each of the asserted claims was not entitled to a priority date earlier than the filing date of its specification, which meant that each of the claims of each of the Patents lacked novelty over the Patents' own priority documents.

Murray independently asserted that its use was experimental by way of defence to the infringement claim pursuant to section 119C of the Patents Act. The other respondents did not rely on that defence.

In the result, Rofe J held that the SafetySpear did not infringe the asserted claims of the Patents, but that those claims were invalid for lack of sufficient description and lack of support, and that Murray's use was not experimental.

The Patents

The background of the invention notes that, in underground mines, the material to be extracted (ore) is often accessed by excavating cavities into the rock strata below the ore, using a long drill rod, and then working towards the ore deposit from below.

The specification notes that a significant problem associated with this technique concerns drill rod failure when drilling the multiple bores extending upwards – in particular, that it is not uncommon for the drill rod to break somewhere along its length and for the upper broken part of the drill rod to become stuck in the bore. The specification also notes that the broken drill rods can unexpectedly become dislodged

and fall down the bore into the main cavity below where miners are working.

Generally, the Patents are directed at a safety system to avoid the hazard of falling drill rods during long-hole underground mining. The system involves a product comprising two "members", being (1) an "anchor member" fixed in a proximal end region of the drilled bore and (2) an "impact reduction member" for reducing an impact of a broken drill rod section striking the anchor member.

Infringement

The respondents' product is known as the "SafetySpear", which Rofe J described as "a long plastic device that looks somewhat like a spear". If a drill rod fails up in a bore, the SafetySpear is attached to the end of a drilling rig and pushed up into the bore, where it is intended to stop the drill rod from falling out of the bore.

Jusand contended that Rattlejack had infringed the 556 Patent and the 163 Patent by offering to sell, supply or otherwise dispose of the SafetySpear, and that it had infringed the 956 Patent by supplying the SafetySpear together with instructions, by reason of section 117(3) of the Patents Act.

Rattlejack contended that the SafetySpear did not have all of the integers of the claims of the Patents. There were two construction issues relevant to infringement. First, whether the SafetySpear had an "anchor member", secondly whether it was configured to be fixed (or located) "in the proximal end region of the bore", and thirdly whether it was configured to be fixed (or located) "adjacent to a rock-face".

As to the first construction issue, Rofe J held that the term "anchor member" in the claim meant a component of the safety system that, once fixed in the bore, acts as an anchor to stop movement of the safety system relative to the rock when impacted by a falling broken drill rod section. Her Honour held that, while the claims encompass a de minimis movement of the anchor member in the order of a few millimetres, they do not encompass a safety system that moves substantially down the bore hold before coming to a stop.

As to the second and third construction issues, Rofe J held that the phrase "in the proximal end region of the bore adjacent to a rock-face" meant that the "anchor member" is configured to be fixed at the collar end of the bore, at or near the rock-face. Observing that the safety system would be located entirely within the rock part of the bore, with no part extending out into the mine chamber, this would encompass the anchor member being placed a short distance into the bore situated beyond the friable rock so as to be fixed in competent rock further up the bore.

For the purposes of its experimental use defence, Murray adduced evidence of testing of a prototype of the SafetySpear (the "August 2020 drop tests"), which was not the same as the production SafetySpear the subject of the proceeding. For the purpose of its infringement case, Jusand relied upon that evidence. Justice Rofe found that the evidence from the August 2020 drop tests was, at best, inconclusive but probably indicated movement of the SafetySpear of more than a few millimetres (i.e., more than de minimis movement).

Ultimately, neither of the parties' experts could say definitively if, or how far, the SafetySpear would move in the bore under any impact loading. Thus, Jusand failed to discharge its onus of demonstrating the presence of an "anchor member" in the SafetySpear, and the infringement case failed.

Rofe J also held that the SafetySpear did not have the integer of being installed in a "proximal end region of the bore adjacent to a rock-face". Her Honour noted that the instructions for the SafetySpear made it clear that it should be pushed into the bore hole at a minimum of at least 1.5m into competent rock, which meant that the base of the SafetySpear is at least 1.5m into the bore from the collar and therefore the "anchor member" would be installed in the outer limits of the proximal end region and no part of the SafetySpear would be adjacent or near a rock-face.

Section 119C – experimental purposes exemption

As noted above, Murray relied upon the experimental purposes exemption provided by section 119C of the Patents Act, in relation to Jusand's infringement claims in respect of the 200 SafetySpear products supplied by Murray to Byrnecut Australia Pty Ltd ("Byrnecut") (which is the largest underground mining contractor in Australia). Byrnecut was involved in the testing of the prototype SafetySpear products at Northern Star's Carosue Dam Gold Mine ("Carosue Dam") in Western Australia.

Justice Rofe commenced by examining the scope of the experimental purposes exemption. Her Honour held that the scope of the exemption provided by section 119C must be narrower than the section 9(a) exception (the secret use exemption) as section 119C makes no reference to trials, reasonable or otherwise. Her Honour noted that the rationale for the existence of each is different.

In the case of the secret use exception, the focus is on the use of an invention by a patentee prior to filing a patent application. It recognises the tension between a patentee obtaining a de facto extension of patent term and the patentee's need to perfect and fine tune an invention prior to filing to obtain the best protection possible. On the other hand, her Honour observed that section 119C provides a limited exemption from patent infringement, balancing the right of the patentee to be rewarded for disclosing their invention (with a statutory monopoly) with the ability of members of the public to study, test and improve upon the invention, to determine the properties of or modify the invention, or evaluate the likely risk of infringement.

Justice Rofe observed that applying section119C to ordinary commercial activities with minimal or no actual experimental purpose would be contrary to the object of the Patents Act. Her Honour also noted that, while there may be a commercial aspect or ultimate aim to the experimentation to benefit from the exemption, the experiments should be undertaken for the predominant purpose of gaining new knowledge or testing a principal supposition about the invention. In that regard, her Honour observed that the reference to "experimental purposes" connotes at least some application of scientific method to the discovering of new information or testing a principle or supposition, the testing of a hypothesis, the existence of a protocol or methodology documentation, the recording of results or observations, and the reporting of the results or observations.

Murray argued that there was a year-long field trial of the SafetySpears for an experimental purpose – namely, to prove that the product which worked in the specific conditions at Carosue Dam would also work in a range of other geological conditions around Australia. It submitted that the need for a year-long field trial reflected the fact that earlier prototypes of the SafetySpear had failed on three occasions during drop tests, and that a lengthy trial was prudent, given the challenging nature of the design task and the safety risk to miners.

Jusand rejected the proposition that the supply to and use of the SafetySpears by Byrnecut was for experimental purposes, pointing in particular to a Partnering Agreement between Murray and Rattlejack and Pan Australis, which it submitted provided contemporaneous evidence of an intention on the part of Murray to supply the 200 SafetySpear products for profit and not for the purposes of any trial or experiment.

Justice Rofe accepted that the drop tests of the SafetySpear up to and including the successful August 2020 tests fell within the experimental purposes exemption, but held that the 12-month "testing" of the 200 production model SafetySpears did not. Her Honour held that the Partnering Agreement did not support Murray's characterisation of the use as being for experimental purposes, and observed that there was no scientific method associated with, or documentation recording the details of, the trial of the 200 SafetySpears.

In summary, Rofe J held that Byrnecut's 12 month "real world testing" of the SafetySpear was nothing more than use in the ordinary course of mine operations.

Invalidity

As observed above, Rattlejack sought revocation of all the asserted claims on the basis that each was invalid for lack of sufficient description (section 40(2)(a)) and lack of support (section 40(3)), and that some of the claims were invalid for lack of clarity (section 40(3)). Justice Rofe's findings in relation to lack of sufficient description and lack of support grounds are particularly interesting in the context of mechanical patents, where the ability of the product to work may be strongly linked to what the product is made of and where it would not be clear how to make the product out of any given material.

In addressing the disclosure obligation under section 40(2)(a), Rofe J observed that the critical question was whether the non-inventive person skilled in the art could perform the invention across the full scope of the claims without undue experimentation and without needing inventive skill or ingenuity. Her Honour held that the answer to that question was "no".

Determining the scope of the claims, Rofe J found that the claims of the Patents are to a product, a safety system, that comprises an anchor member and an impact reduction member for stopping broken drill bits falling to the floor, and that, other than claim 5 of the 556 Patent (which required the impact reduction member to be made of an "impact dampening material"), the claims are not limited to the safety system being made of any particular material. Her Honour noted in particular the agreement between the experts that the claims were not limited to a safety system made from steel and that a range of different materials could potentially be used to make the safety system of the Patents.

Justice Rofe held that the steps the skilled person would need to take in following the teaching of the specification in order to make a system out of plastic, or a mixture of steel or plastic, or other non-steel materials, would go well beyond the ordinary steps of trial and error and would require the person skilled in the art to engage in undue effort and invention to first identify a suitable material and then produce a working safety system within the scope of the claims. Her Honour observed that the skilled person would need to take many factors into account in light of the properties of the chosen materials and how they would work with each other and the rock in a dynamic way, as contemplated by the invention. Her Honour noted that no such information is disclosed in the Patents in relation to plastics or any material other than steel.

Justice Rofe considered it plausible that the invention could be worked across the full scope of the invention – namely, that a safety system of the invention could be made from a material or materials other than steel – but that the Patents provided no guidance in how to make a safety system out of a material other than steel. Her Honour held that the process of determining how to do so would require prolonged research, enquiry and experiment and would not be the work of a non-inventive skilled person; rather, that it would require an exercise of inventive skill or ingenuity or undue effort.

Thus, the Patents did not satisfy the disclosure obligation under section 40(2)(a).

As to the claim support obligation under section 40(3), Rofe J held that the evidence made plain that what was included within the scope of the claimed invention – a safety system made out of plastic – far exceeded the technical contribution the Patents make to the art, which was (at best) a safety system made out of steel or alternatively with the impact reduction member made out of an unspecified polymer foam.

Justice Rofe observed that the breadth of a claim will exceed the technical contribution if the claim covers ways of achieving the desired result which owe nothing to the patent or any principle it discloses. Her Honour noted that enablement across the scope of a product claim is not established merely by showing that all products within the relevant range will, if and when they can be made, no matter how much ingenuity is required, deliver the same general benefit intended to be generated by the invention.

In the present case, Rofe J held that the evidence did not support the existence of a general principle to support the broad scope of the claims of the Patents. Further, her Honour held that the task involved more than the mere selection of a "suitable" material or materials, and extended to considering the properties of those materials and how they may interact with the properties of the rock or other materials chosen.

Finally, while not ultimately determinative, Rattlejack's attack on the validity of the Patents on the basis of lack of clarity – arising from the meaning of the terms "plug", "plug member" and "plug type anchor member" – failed, as Rofe J held that each had a sufficiently clear meaning.

Simon Broner, Ben Turner, Lauren Eade, William Hird
Davies Collison Cave, Sydney

Dr Thomas Dysart, Miriam Zanker
Davies Collison Cave Law

Rakman International Pty Limited v Boss Fire & Safety Pty Ltd
[2022] FCA 464
29 April 2022 – Yates J

In this case, Rakman International Pty Limited ("Rakman") and Trafalgar Group Pty Ltd ("Trafalgar") sought to sue Boss Fire & Safety Pty Ltd ("Boss") and its sole director, Mark Prior, for infringement of patent no. 2017101778 (the "patent"). Boss denied the infringement claims, and cross-claimed seeking revocation of all the claims of the patent. The case also involved an appeal from the Trade Marks Office's decision in two trade mark opposition proceedings.

The Trade Mark Appeals

Background

In November 2015, Trafalgar (then called Fire Containment) filed a trade mark application for the word FIREBOX (the "748 application"). Two days later, Boss filed an application for the word FYREBOX (the "702 application"). Then, approximately one year later, Trafalgar filed an application for the mark 

(the "214 application"). Before the Trade Marks Office, Boss opposed both applications, failing in its opposition to the 748 application and succeeding in its opposition to the 214 application.

Opposition Proceedings at the Trade Marks Office

The 748 Application – FIREBOX

In the opposition proceedings before the Trade Marks Office, there was no dispute between the parties that the goods specified in the 748 application are the "same kind of thing" as those the subject of Boss's claimed prior trade mark use. The delegate also found that there is a total impression of resemblance between FIREBOX and FYREBOX such that they are appropriately regarded as substantially identical. However, the opposition was unsuccessful including on *Trade Marks Act* 1995 (Cth) s.58 ownership grounds because the delegate found that the opponent's evidence did not demonstrate the claimed prior use of the mark prior to the filing of the application.

The 214 Application – FYREBOX (Composite Mark)

In the opposition proceedings before the Trade Marks Office, the delegate noted that the opposition to the 748 application had been determined earlier in Fire Containment's favour (as the trade mark applicant), but that the opposition was currently under appeal. The delegate explained that, for that reason, the examination of Boss's 702 application had been deferred pending the outcome of the appeal, as the 748

application was an impediment to its registration, by reason of Trade Marks Act s.44. The delegate nevertheless proceeded to determine the opposition to the 214 application, even though the "potential consequence" of the 748 application proceeding to registration was that Boss's 702 application would, itself, be refused and no longer pose a bar to the 214 application on the s.44(1) ground.

The delegate found in Boss's favour, concluding that even though the 702 application had been deferred, registration was blocked due to s.44. The wisdom of determining the opposition in those circumstances is open to question in this appeal (NSD 1242 of 2019).

Issues in Dispute on Appeal

On appeal to the Federal Court of Australia, by the time of closing submissions the issues in dispute were as follows:

- Boss had confined its appeal case in relation to the 748 application to a contest as to who, between itself and Trafalgar, was the owner of FIREBOX as a trade mark in respect of the relevant goods at the time the application was filed. The essential ground of opposition to registration of the 748 application, now concerning the question of when and in what circumstances prior use of a sign (which is said to constitute the trade mark) can defeat a claim to ownership that is made in a trade mark application.
- The dispute between the parties in relation to the 214 application was largely confined to the ground of opposition under Trade Marks Act s.44(1). However, this was something of a moot point given the final outcome of the 748 appeal as detailed below.

Boss's Case on the 748 Application

Boss's claim to ownership of the FIREBOX mark was based on its use of FIREBOX, and then FYREBOX, in 2014 and 2015 before the priority date of the 748 application (24 November 2015), in relation to cable and pipe transit boxes, namely: a product supplied by Abesco Fire Limited ("Abesco"), which Abesco sold under the name FIRECLAMP ("the Abesco product"), the Pass-It (from around 2014), and the Fyrebox device (from 2016).

The sole director of Boss, Mark Prior, submitted that from 2013, he began to use FIREBOX in relation to the Abesco product when discussing it with customers, and from "around" 2014 when he began promoting the Pass-It. Mr Prior said that, in about May 2015, he decided to use FYREBOX rather than FIREBOX so as to facilitate trade mark registration (given that registration of FIREBOX might face difficulty because it "comprised two common words joined together").

Conclusion on Prior Trade Mark Use

Yates J found that while a number of the examples of use relied on by Boss did not demonstrate trade mark use (including a social conversation in a pub and commercial discussions in Norway), the following did demonstrate trade mark use by Boss of the marks FIREBOX and FYREBOX prior to the priority date of the 748 application on 24 November 2015:

- Mr Prior's evidence of conversations which were corroborated by the other participants, where Mr Prior referred to the product as the FIREBOX;
- Mr Falkiner's evidence that after installing a number of the Boss-supplied products for the University of Newcastle through his employment with Wormald International as Passive Fire Services Manager, he was asked by the University to provide technical data that would enable it to specify the products on new projects, and the data sheet relied on in evidence showed the words FYRE-BOX and FYRE BOX used as a trade mark in respect of relevant goods.

The use was deemed sufficient to establish Boss's ownership even though the use in the period before the priority date was sporadic and somewhat random and that Boss also additionally or alternatively used other trade marks for the same goods. Ultimately, Yates J was satisfied that the use demonstrated by the evidence was such that, at the priority date, Fire Containment (now, Trafalgar) could therefore not validly claim to be the owner of the FIREBOX trade mark and the opposition succeeded under Trade Marks Act s.58. The delegate's decision to the contrary was set aside.

The 214 Application

Yates J was satisfied that Boss's FYREBOX mark and the composite FYREBOX mark are substantially identical. In view of the above finding in the 748 appeal that Trafalgar could not validly claim to be the owner of FIREBOX as a trade mark, and that the 748 application should be refused, the 748 application could also no longer be an impediment to registration of Boss's 702 application for FYREBOX on the Trade Marks Act s.44(1) ground. Boss's 702 application therefore remained an obstacle to the registration of the 214 application under s.44. Yates J also found that Trafalgar could not claim to be the owner of the FYREBOX mark for the reasons detailed above.

Yates J's provisional view was that the appeal in relation to the 214 application should therefore be dismissed, but his Honour permitted the parties to make further submissions on whether the application ought to be accepted under s.44(3), if wished.

Key Take Aways – Trade Marks

While use-based decisions necessarily turn on their facts, this decision is a useful illustration of the instances that may constitute prior use of a trade mark and the applicable

principles for assessing evidence of purported trade mark use. It also demonstrates that sporadic or random use of a trade mark may be sufficient to establish ownership for the purposes of Trade Marks Act s.58.

The Patent Infringement and Validity Proceeding

The patent specification in suit related to an invention in the field of passive fire protection, having application in the construction of buildings, such as residential apartment buildings and the like. The patent claimed a method of constructing a barrier (typically, a wall) and routing services (electrical cables, water pipes, and the like) through the wall. In particular, the patent was said to be distinguished from the prior art by the deployment of a "firestopping device" (a fire transit) that is fastened to an external object (typically, but not necessarily, a soffit) with the barrier constructed around the firestopping device.

Trafalgar contended that the supply of Boss's FyreBox device would be an infringement of the patent, as the use of the FyreBox device in accordance with Boss's installation instructions would infringe claims 1, 2, 3, and 5 of the patent. Moreover, Boss had reason to believe that, once supplied, the FyreBox device would be put to use in a way that would infringe the claims of the patent.

Claim Construction

Claim 1 defines a method in which, after the first portion of the fire stopping device is fastened to an external object, and after at least one service is positioned adjacent to or in alignment with that portion, the second portion is positioned "around" at least one service.

Expert evidence from both sides agreed that "around" must be construed as meaning less than to "surround", being a dictionary meaning of "around", and that a U-shaped configuration would be considered positioned around the at least one service.

Trafalgar considered that partially surrounding the service(s) would be described as positioning it "around" the service in the context of the method. In view of this construction, the expert evidence of the witness for Trafalgar proposed that in embodiments where the second portion was planar, and could thus only provide one side of the device, it would still be appropriate to describe it as being positioned "around" the (at least one) service.

Boss argued that if the second portion is a planar and/or "top" portion of the fire stopping device (i.e. forms only one side of the device) it cannot be described as being "around" the at least one service. On this basis Boss contended that claim 1 confines the shape and configuration of the second portion to exclude a one-sided or substantially planar element, even though earlier integers in the claim do not do so.

In addition, Boss noted that claim 1 also recited the feature of "constructing the barrier around the firestopping device".

As the word "around" in this context could not be construed as meaning constructing the barrier on one side of the firestopping device (instead of on three sides), Boss argued that the word "around" should similarly be construed in context of how the second portion is positioned.

Yates J considered the word "around" to be "perfectly clear"[1] in context of claim 1, which is "agnostic as to the shape or configuration of the firestopping device".[2] Yates J thus found that the word "around" does not function as a limitation on the shape or configuration of the second portion.

> *When these sequential steps of claim 1 are recognised—appreciating that neither the firestopping device nor its two separate and "mateable" portions are required to be of any particular shape or configuration—the step of positioning the second portion "around" the (at least one) service means no more than positioning the second portion in relation to the (at least one) service (which is already adjacent to or in alignment with the first portion) so that, when the second portion is mated with the first portion to create the first and second openings at respective ends of the device and the intermediate internal volume, the (at least one) service is accommodated within the device.*[3]

Of note, Yates J further concluded that it was possible for the word "around" to have a different meaning when used in a different context within the same claim. In each context, the word speaks to different relationships, and as such they should not be construed conformably.

Further regarding claim construction, Yates J also noted that whilst claim 1 requires the first and second portions of the firestopping device to be formed from a metallic material or a thermally insulative material, the claim is silent on the composition of other elements that might be part of the firestopping device, but which are extraneous to the definition of the firestopping device in the claims. Yates J thus did not consider it necessary to pursue the question of whether such extraneous elements being fire resistant equated with them being formed from "thermally insulative" material.

Nor did Yates J accept that the expression "thermally insulative" as used in the specification and claims should be limited to use in fires of any particular temperature (e.g. lower temperature fires). Instead, the expression "thermally insulative" has the meaning of "to restrict the passage of heat in a fire", as per the context of the specification and claims as a whole.

Patent Validity

Lack of Novelty

Boss alleged that the invention, as claimed in each claim of the patent, was not novel in light of the disclosures made by FSi Limited (formerly called Firestopit Limited) at two meetings in relation to fire transits.

Regarding the assessment of novelty, Yates J noted as follows:

> *As is made clear in General Tire, if a prior documentary publication contains clear instructions which, if followed, will inevitably constitute an infringement of the invention as claimed (assuming the claim to be valid), then the prior publication will be novelty-destroying. However, if the prior publication gives a direction which could be carried out in a way that would infringe the claim, but could also be carried out in a way that would not infringe the claim, the prior publication will not be novelty-destroying. In short, the "flag" will not have been "planted".*[4]

Yates J further noted regarding implicit disclosure, that a prior documentary publication, which is alleged to be novelty-destroying, must be read through the eyes of the person skilled in the art.

> *If an essential feature of the invention, as claimed, is not explicitly disclosed, the publication may still be novelty-destroying if the person skilled in the art would infer the presence of the feature from the document itself.*[5]

However, citing *Hoechst Celanese Corp v BP Chemicals Ltd* [1998] FSR 586 at 600–1 and *Ramset Fasteners (Aust) Pty Ltd v Advanced Building Systems Pty Ltd* [1999] FCA 898; 164 ALR 239, Yates J cautioned against blurring the distinction between lack of novelty and obviousness. Yates J concluded:

> *Thus, in a challenge to validity based on lack of novelty, it is not sufficient to say that, on reading the prior documentary publication, the person skilled in the art would see that the need for a claimed feature, which is not explicitly referred to or illustrated, is obvious. The question is whether the claimed feature would be (is) revealed to the person skilled in the art, implicitly, by the disclosure itself, based on that person's understanding of the disclosure. This is a nuanced, but important, distinction.*[6]

On a review of the evidence, Yates J held that claims 1, 2, 3, and 4 of the patent were invalid because, at the priority date, the invention, as claimed in each of those claims, was not novel in view of the evidence provided regarding a meeting that took place in September 2015 at the premises of Seltor Gruppen AS in Norway.

The evidence indicated to Yates J that, on balance, Mr Prior brought two samples of the Pass-It Version 2 (a fire transit produced by FSi) to the meeting where he explained the use and method of installation of the device, and presented a copy of the Firestopit PDS.

Yates J thus found that Mr Prior had disclosed all the features of the method claimed in claim 1 of the patent, with reference to the Pass-It Version 2, as well as all of the additional features of the method claimed in claims 2 and 4.

Lack of Innovative Step

Boss also alleged that the invention, as claimed in each claim of the patent, did not involve an innovative step. Whilst Yates J had already found claims 1 to 4 lacked novelty, Yates J was not satisfied that at the Seltor meeting Mr Prior had disclosed, with sufficient clarity, the additional features of the method claimed in claim 5.

As per the *Patents* Act 1990 (Cth) s.7(4), an invention is to be taken to involve an innovative step, when compared with the prior art base, unless the invention would, to a person skilled in the relevant art, in light of the common general knowledge before the priority date, only vary from certain kinds of information, in ways that make no substantial contribution to the working of the invention.

Yates J referred to the test devised by Gyles J[7] for determining whether an innovative step is present. Gyles J explained that a claim is not innovative in circumstances where a claim is only found to be novel because of an integer which makes "no substantial contribution to the working of the claimed invention". In other words, the integer must provide a "real" or "of substance" contribution as contrasted with distinctions without a real difference.

Claim 5 claims the additional step of marking a line on the external object to depict the proposed centre line of the barrier.

Yates J noted that claim 1 merely requires the step of positioning the first portion of the firestopping device so that it straddles the proposed positioning of the barrier. Moreover, claim 5 itself does not require the step of centring the device. Rather claim 5 simply stipulates the step of marking the centre line of the boundary on the external object to which the first portion of the firestopping device is to be fastened.

Yates J thus concluded that this step did not make a substantial contribution to the working of the invention, calling it "a trivial addition"[8] to the method that is otherwise described and claimed. Furthermore, the same conclusion would also be found, even if centring the device on the centre line that is marked was actually a requirement of the step.

Regarding claim 3, Yates J noted that, even if novelty were found for this claim, the invention defined in claim 3 also did not involve an innovative step.

Lack of Claim Support

Boss submitted that the specification did not support a construction of the word "around" that includes embodiments where the second portion is positioned on one side only of the services. In particular, Boss argued that the mere statement of an alternative configuration was insufficient to provide such support and did not make any technical contribution.

Yates J disagreed, finding that when such an embodiment is seen in the context of the earlier description of the first embodiment, no further description is necessary for there to be a technical contribution. In addition, Yates J noted that none of the expert witnesses had any trouble understanding the configuration of the alternative embodiment.

Yates J thus concluded that the specification discloses the embodiment clearly and completely enough for the method to be performed using this particular form of firestopping device (as required by Patents Act s.40(2)(a)) and is supported by matter disclosed in the specification (as required by s.40(3)).

Claim 2 was also found to be supported, with Yates J finding that is sufficient that the patent specification discloses that the two portions can be mated using a mechanical fastener. It was thus not necessary for the specification to detail each and every mechanical fastener that might be deployed for that purpose (although some are exemplified).

> *The person skilled in the art can be taken to possess the wit to choose an appropriate fastener, including one that does not require the use of tools.*[9]

Lack of Utility

Boss asserted that if "thermally insulative material", as used in claim 1 includes material that cannot withstand the very high temperatures experienced by a firestopping device in a fire, "the invention claimed in the patent is not useful and does not meet the promise of the invention".

Yates J refuted this assertion, noting that Boss had mischaracterised the invention. In truth, Yates J considered that the invention that is claimed is a method of constructing a barrier "having at least one service routed there through", and not a firestopping device as such. Thus, the promise was actually made with respect to the method of the invention, and not with respect to the firestopping device.

In addition, the patent specification does not specify any requirement that the firestopping device (or barrier constructed in accordance with the claimed method) meet a particular fire rating. Nor does the specification place any limitations on the materials used other than that they must be formed from a metallic material or a thermally insulative material. Instead, the specification leaves it to the user to choose the thermally insulative material that might be suitable for use in the particular application in which the method is performed.

Infringement

Yates J found that claims 1, 2, 3, and 4 were invalid on the ground that the invention, as claimed, was not novel. Claim 5 was also found invalid on the ground that the invention, as claimed, did not involve an innovative step.

On this basis, Yates J concluded that Boss had not infringed the patent under Patents Act s.117(1).

However, Yates J noted that Boss would have been found to have infringed the claims of the patent had the patent not been invalid.

Regarding the possibility of finding Mr Prior as having infringed the claims of the patent, Yates J noted that Mr Prior would not have been liable for infringement regardless.

Referring to the Dictionary in Schedule 1 to the Patents Act, Yates J observed that, in the case of a method or process, the word "exploit" includes "to use the method or process" or to exploit "a product resulting from such use". However, in the present case, the use of the method or process does not result in a product that can, itself, be exploited.

> *The case against Boss on infringement is based solely on s 117(1) of the Patents Act—the supply of a product (the Fyrebox device), where the use of that product satisfies one or more of the circumstances in s 117(2) of the Act.*[10]

Trafalgar contended that Mr Prior authorised Boss's infringement (or, alternatively, joined in a common design with Boss to infringe the patent).

> *However, as the invention is not a product, and as the Fyrebox device is not a product that results from use of the claimed method, the notion of authorisation, as derived from s 13(1) of the Patents Act, has no role to play when determining the question of Mr Prior's alleged liability for infringement.*[11]

Thus, as supplying the Fyrebox device was not found to be an exploitation of the invention, the case against Mr Prior of infringement by authorisation would also not be found.

Regarding the allegation of joint tortfeasance, Yates J referenced the ruling in *JR Consulting & Drafting Pty Ltd v Cummings* [2016] FCAFC 20; 329 ALR 625, and concluded:

> *To adapt the question posed by the Full Court in JR Consulting at [351]: on the facts, what was the conduct, in the present case that went beyond Mr Prior's role as a director of Boss and descended into the realm of close personal involvement in Boss's alleged infringement? The answer to that question is: there was no conduct by which Mr Prior went beyond his role as a director. The supply of the Fyrebox device was Boss's act, and its act alone.*[12]

Key Take Aways – Patents

The case demonstrates the following key points:

- Regarding claim construction, a word appearing more than once in the same claim can be construed to have a different meaning when used in a different context.

- Yates J confirmed that when assessing innovative step the claimed innovative integer must be said to provide a "real" or "of substance" contribution, as contrasted with a distinction that does not impart a real difference.
- Although the specification did not explicitly disclose the feature, Yates J considered that, in view of the limited examples provided, a claim directed broadly to mechanical fasteners that do not require the use of tools was sufficiently supported as this would be obvious to the person skilled in the art.

***CampaignTrack Pty Ltd v Real Estate Tool Box Pty Ltd* [2022] FCAFC 112**

6 July 2022 – Greenwood, Cheeseman and McElwaine JJ

This case concerned an appeal of a decision of the Federal Court regarding authorisation of copyright infringement in relation to real estate marketing software. The case highlights the fact-specific nature of the assessment under ss.36(1)–(1A) of the *Copyright Act* 1968 (Cth) and the courts' role in considering and weighing evidence, drawing inferences, and making conclusions as part of that assessment.

Background and relevant facts

Campaigntrack Pty Ltd ("CPL") provides online marketing and sales services for the real estate agencies through its "Campaigntrack" software system. Biggin & Scott Corporate Pty Ltd ("Biggin & Scott"), a franchisor of a group of real estate agencies, used the Campaigntrack system between 2006 and 2009, and then from 2013 until moving to a competitor system known as "DreamDesk" in May 2015. DreamDesk had been developed for DreamDesk Pty Ltd ("DDPL") by Mr Semmens, an independent contractor who later admitted to copying a third party marketing system known as "Process 55" in the development of DreamDesk.

In July 2016, CPL acquired ownership of the copyright in both DreamDesk and Process 55 with the intention of shutting down those systems and persuading its competitors' clients to move to Campaigntrack. CPL granted a licence-back to DDPL effective until October 2016 to allow DDPL's customers (including Biggin & Scott) time to make the move.

In August 2016, Mr Semmens approached Mr Stoner, a director of Biggin & Scott, offering to create a new online marketing system with similar functionality to DreamDesk and Campaigntrack. At a meeting, Mr Stoner showed Mr Semmens a letter instructing him to build a new system "that does not breach any other [company's] IP or ownership, in particular DreamDesk or Campaign Track" (the "August Letter"). In mid-August 2016, Mr Stoner and Ms Bartels, also a director of Biggin & Scott, set up a new entity, Real Estate Tool Box Pty Ltd ("RETB"), for the development of that new system, to be known as "Toolbox", by Mr Semmens.

In September 2016, CPL paid the purchase price for the DreamDesk and asked DDPL to return to it all relevant details, passwords and web-server access for DreamDesk pursuant to the terms of the purchase agreement. DDPL was not immediately forthcoming with these details, prompting CPL to investigate DDPL's ongoing use of DreamDesk. This in turn lead to CPL's discovery of RETB and its registration of a Toolbox domain name, the IP address for which resolved to a login page for DreamDesk.

On 29 September 2016, following further investigations, CPL's solicitors sent an email to DDPL noting, among other things, that CPL was "aware of improper access and duplication of code which is intellectual property now owned by [CPL]" and the incorporation and involvement of RETB (the "September Letter"). In that letter, CPL offered to extend its licence-back to DDPL in exchange for undertakings from DDPL, Biggin & Scott, RETB and their officers, including Mr Semmens, not to copy or use any of the DreamDesk code and to immediately return or destroy any code which had already been copied. All relevant parties, except for Mr Semmens, provided the undertakings. On 10 October 2016, Biggin & Scott's access to DreamDesk was terminated.

In January 2017, an independent forensic IT expert engaged by the parties to inspect the Toolbox system reported there was a "high probability" that DreamDesk had been copied and that evidence probative of such copying had been removed, most likely by Mr Semmens. Following this report, CPL sent a further letter to Biggin & Scott, RETB and their officers requesting they cease operating the Toolbox system. The request was refused and proceedings commenced.

First instance

At first instance, Thawley J found that Mr Semmens had directly infringed the copyright in the DreamDesk system by reproducing the whole or a substantial part of its source code in the Toolbox system. [13]

Justice Thawley further held that DDPL, Biggin & Scott, RETB and their officers had not authorised infringing acts within the meaning of ss.36(1)–(1A) of the Copyright Act, whether of Mr Semmens or of other developers or users of the ToolBox system, as they did not know (nor had reason to suspect) that Mr Semmens had copied DreamDesk in developing Toolbox. In reaching this position, Thawley J relied on the following findings:

- DDPL, Biggin & Scott, RETB and their officers trusted Mr Semmens not to infringe the intellectual property rights of DDPL or Campaigntrack;
- in the case of Mr Stoner (and thus Biggin & Scott and RETB), Mr Semmens had been instructed in the August Letter to build a system that did not infringe such rights; and
- Mr Stoner and Ms Bartels did not conduct any independent audits or verification of the Toolbox

system to ensure it did not infringe such rights, leaving development of the system to Mr Semmens.

CPL then appealed to the Full Court of the Federal Court of Australia.

Key issues on appeal

The key issue considered by the Full Court on appeal was whether Thawley J erred in failing to have regard to, weigh and make findings about, the September Letter and events following which, CPL contended, ought to have caused reasonable persons to suspect infringement. In this regard, CPL argued that while the respondents may have initially had reasonable grounds not to suspect Mr Semmens' infringement on the basis of trust, their failure to make further inquiries in response to the September Letter amounted to authorisation of the infringement, either through wilful blindness or indifference.

(a) Appeal allowed

Greenwood J, allowing the appeal, held that Thawley J had erred in failing to have regard to, and give sufficient weight to, the September Letter and the subsequent events. Taking into account that evidence and its weight, Greenwood J considered the authorisation factors under s.36(1A), finding that for the period, each respondent was on notice of serious allegations of infringement, that each had the power to investigate those allegations and prevent Toolbox going "live", and that no reasonable steps were taken to prevent or avoid this. Instead, the respondents demonstrated an indifference to the repeated allegations and growing evidence of infringement which Greenwood J was satisfied amounted to authorisation.

McElwaine J, also allowing the appeal, similarly found that Thawley J had erred in failing to make findings upon evidence which was important or critical to the proper determination of the matter. In undertaking his authorisation analysis for the period after 29 September 2016, McElwaine J found that the respondents (as contracting parties and, in the case of Biggin & Scott, as joint venturers) stood to gain financially from Mr Semmens' conduct. Further, on becoming aware of the allegations, the respondents had the power to investigate the claims and terminate their respective contractual and joint venture arrangements with Mr Semmens as means of, at the very least, significantly disrupting the infringing conduct, yet they took no such steps.

McElwaine J dismissed any argument that the respondents' conduct following the September Letter amounted to "reasonable steps", noting that no reasonable person would give an undertaking with the consequential exposure to liability, without making specific inquiries in order to be satisfied that it was safe to rely on the undertaking. Further, his Honour found that while the appointment of a forensic IT expert to review the Toolbox system for infringement was an "appropriate" step, it was taken at too late a point in time and, in any event, the findings of the expert's report were largely ignored by the respondents.

(b) Dissent

In her Honour's dissenting opinion, Cheeseman J dismissed the appeal on the basis that it was not the role of the Full Court, in exercising its appellate jurisdiction, to embark on a real review of all the material that was before Thawley J. Unless there was an error framed by reference to the grounds of appeal (which her Honour concluded there was not), the Full Court should not substitute its own findings for those of the primary judge. In this respect, Cheeseman J asserted that Thawley J, having had the benefit of receiving all evidence at trial, regarded the September letter as immaterial when viewed in the context of the continuing relationship of trust and the way in which CPL put its case at trial.

Both Greenwood and McElwaine JJ responded to Cheeseman J's dissent, each noting that, in this case, the Full Court is "obliged" to conduct a "real review" of the trial and the primary judge's reasons for dismissing the authorisation case in the period after the September Letter, and that the Full Court could reach its own conclusions in determining proper inferences to be drawn from the facts found according to the "correctness" standard of appellate review.

Conclusion

In conclusion, CPL was successful on appeal in establishing that the respondents had authorised the acts of infringement by Mr Semmens by failing to investigate those allegations or taking any other "reasonable steps" to prevent infringement.

1 *Rakman International Pty Limited v Boss Fire & Safety Pty Ltd* [2022] FCA 464, [62].

2 *Rakman International Pty Limited v Boss Fire & Safety Pty Ltd* [2022] FCA 464, [64].

3 *Rakman International Pty Limited v Boss Fire & Safety Pty Ltd* [2022] FCA 464, [66].

4 *Rakman International Pty Limited v Boss Fire & Safety Pty Ltd* [2022] FCA 464, [101].

5 *Rakman International Pty Limited v Boss Fire & Safety Pty Ltd* [2022] FCA 464, [102].

6 *Rakman International Pty Limited v Boss Fire & Safety Pty Ltd* [2022] FCA 464, [107].

7 *Delnorth Pty Ltd v Dura-Post (Aust) Pty Ltd* [2008] FCA 1225; 78 IPR 463, [52]–[53].

8 *Rakman International Pty Limited v Boss Fire & Safety Pty Ltd* [2022] FCA 464, [339].

9 *Rakman International Pty Limited v Boss Fire & Safety Pty Ltd* [2022] FCA 464, [423].

10 *Rakman International Pty Limited v Boss Fire & Safety Pty Ltd* [2022] FCA 464, [457].

11 *Rakman International Pty Limited v Boss Fire & Safety Pty Ltd* [2022] FCA 464, [458].

12 *Rakman International Pty Limited v Boss Fire & Safety Pty Ltd* [2022] FCA 464, [469].

13 *Campaigntrack Pty Ltd v Real Estate Tool Box Pty Ltd* [2021] FCA 809 (Thawley J). Justice Thawley also considered claims in relation to use of confidential information and breach of contract. CPL's grounds of appeal also included grounds relating to the contract claims, however, consideration of these issues fall outside the scope of this update.

Dr Dimitrios Eliades
Barrister[1]

In this edition, I report on a case where Justice Greenwood provided, shortly before his Honour's retirement on 19 July 2022, a succinct but helpful reminder of the obligations of parties who have submitted to the jurisdiction of the Court, to conduct the proceeding in accordance with the overarching purpose set out in the *Federal Court of Australia Act* 1976 (Cth).

I also report on a judgment and the supporting reasons of Justice Downes regarding two interlocutory applications by the respondents in a proceeding. The first was a strike out of the originating application ("OA") and statement of claim ("SOC"), or in the alternative, a repleading of the applicant's SOC. This would usually be a very factual exercise based on the circumstances of a case, with little broader application. However, where, as in this case, an applicant has agreed to amend the initiating process thereby resolving most of the complaints, the issue is raised as to whether an application should be pressed for the residue of complaints. Here, the respondents pressed the residual complaints, unsuccessfully as it turned out.

In addition, the Federal Court encourages practitioners to consider alternate resources the Court offers. In this case the applicant offered, in addition to its OA and SOC amendments, a Position Statement on Infringement within the meaning of [6.12] of the *Intellectual Property Practice Note* (IP-1). The second interlocutory application was a security for costs application which is informative amongst other matters, in relation to the evidence to support such an application and various elements which should be considered, in making or resisting such an application.

Group One Limited v GTE Gesellschraft Fur Technische Entwicklungen GMBH

[2022] FCA 767

29 June 2022 – Greenwood J

Justice Greenwood's reasons for judgment deal with an interlocutory application seeking orders compelling the respondents to file an address for service in accordance with the *Federal Court Rules* 2011 (Cth) ("FCR"), specifically r.11.08 [1]. The circumstances arose due to the filing by the respondents' solicitors of a document stating that their retainer by the respondents, a German corporation and an individual, had been terminated [4].

This was not a fresh proceeding. On 6 February 2020, the applicant was granted leave to amend its OA and SOC against the respondents, which it did, and in response, the respondents filed a defence to the amended SOC. The respondents' unconditional defence was a submission by them to the jurisdiction of the Court and the proceeding [2].

The amended OA sought declaratory and other relief in relation to a patent. In April 2020, the applicant sought and was granted the right to inspect and take copies of documents [3]. The applicants and the respondents, who had submitted to the jurisdiction of the Court, were expected to complete documents and take necessary steps, which enabled the matter to be dealt with properly within the jurisdiction and in the context of the particular issues of the proceeding. Various mechanisms underpin the Court's power to progress and reach that result.

Justice Greenwood identified ss.37M, 37N and 37P of the Federal Court of Australia Act, as the "most important". Relevantly, in relation to s.37M, "the overarching purpose of those provisions is to facilitate the just resolution of disputes according to law as quickly, inexpensively and efficiently as possible". In furtherance of that purpose, the Act imposes an obligation on the parties to conduct the proceeding in a manner consistent with that overarching purpose [5].

The direct mechanism in a civil proceeding before the Court is provided by s.37P of the Act, which enables the Court or a Judge to give directions about the practice and procedure to be followed in relation to the proceeding, or any part of it [6]. The consequence of the legal representation being removed from acting on behalf of the respondents did not amount to a withdrawal of the respondents from the proceeding.

His Honour made orders, amongst other matters, requiring the respondents to file a Notice of Address for Service within the jurisdiction in accordance with the FCR r.11.08 and requiring a copy of the sealed order to be sent to the address identified in the order in Germany, as the last known address of the respondents. In consequence of a failure to file the Notice of Address within six weeks of the date of the Orders, Justice Greenwood ordered that the respondents' defence be struck out and judgment be entered for the applicant pursuant to the claims in the amended SOC and damages, interest and costs to be assessed.

Southern Cross Industrial Group Pty Ltd v Mickala Lighting Towers Pty Ltd

[2022] FCA 598

23 May 2022 – Downes J

The applications

Justice Downes considered two separate applications by the respondents. The first, an application to strike out the OA and SOC with leave to refile, or in the alternative striking out identified paragraphs of the SOC, with leave to replead. The second, an application for security for the costs to be incurred by the respondents, in the sum of AU$450,000, which was reduced at the hearing to AU$300,000.

These applications, foreshadowed by the respondents at the first case management hearing held on 4 February 2022, also

1 Barrister, Queensland.

raised a related infringement proceeding (QUD470/2019) which had been the subject of an order for security for costs by consent, made by Justice Greenwood on 18 October 2019 in the sum of AU$200,000. The security was ordered to be in a form acceptable to the respondents and if the security ordered was not provided within the time specified, the proceeding would be stayed until the security had been provided. On 13 August 2020, an amended SOC was accepted for filing in QUD470/2019 but nothing further had occurred in the proceeding until an order in April 2022 that QUD470/2019 be managed, heard and determined together with this proceeding [7].

Background

The applicant commenced this proceeding in relation to alleged infringement of an expired innovation patent, Australian Innovation Patent No. 2013100095 ("the patent in suit") in relation to lighting tower products. At the first case management hearing the respondents raised complaints regarding the OA and SOC and foreshadowed a strike out application and an application for security for costs. As a result, her Honour made programming orders for the two interlocutory applications and set a hearing date for them on 28 April 2022.

Prior to the hearing, the applicant by its solicitor's letter of 2 March 2022, agreed amongst other things to amend the OA and the SOC and annexed the amended iterations of each document. The applicant also agreed to provide a Position Statement on Infringement within the meaning of [6.12] of the *Intellectual Property Practice Note* (IP-1) [4]. Her Honour observed that the applicant's responses "had the consequence that many of the respondents' complaints fell away", which the respondents accepted. However, Justice Downes queried why the drastic consequences of the strike out application were pressed in those circumstances [17].

The two unresolved residual matters pressed at the hearing were, firstly, an amendment to the OA, seeking by amendment a "springboard" injunction rather than a "permanent" injunction. Secondly, a technical issue relating to the proper construction of a term in one of the patent in suit's claims.

As to the "springboard" injunction relief, which is often applied in confidential information cases, her Honour referred to several authorities including *Streetworx Pty Ltd v Artcraft Urban Group Pty Ltd (No 2)* (2015) 110 IPR 544; [2015] FCA 140 per Beach J ("*Streetworks*"); *Mastec Australia Pty Ltd v Trident Plastics (SA) Pty Ltd (No 3)* [2018] FCA 99 per White J ("*Mastec*"), who referred to *Streetworx* and *IPC Global Pty Ltd v Pavetest Pty Ltd (No 4)* (2017) 124 IPR 101; [2017] FCA 260 per Moshinsky J.

Referring to *Mastec*, her Honour noted White J's following statement [27]:

> *[The term "springboard injunction"] sometimes refers to the restraint of future lawful conduct when the respondent has, by previous unlawful conduct obtained a head start in a market. The injunction then prevents the respondent from deriving a benefit from its previous unlawful conduct, even though its future conduct may be lawful.*

Justice Downes summarised the distilled principles substantially as follows [32]:

- a springboard injunction may be granted in a patent case, including by way of final relief;
- s.122(1) *Patents Act* 1990 (Cth) and s.23 Federal Court of Australia Act do not impose any specific requirements as to the form of a springboard injunction in a patent infringement case;
- a springboard injunction can be obtained which captures otherwise lawful conduct with a foundation in an earlier act in the causal chain that infringed a patent;
- the unfair advantage alleged to have been obtained must be identified by the party seeking the springboard injunction so as to justify the restraint of otherwise lawful conduct;
- the form of springboard injunction granted should be proportionate to, and linked with, the unfair advantage obtained by the infringing conduct. This may mean that the injunction is granted for a limited period;
- if the springboard injunction sought is not proportionate to the unfair advantage obtained by the infringing conduct, then the injunction is likely to be refused.

Justice Downes could not say that the applicant had not pleaded the material facts supporting the springboard injunction in the amended SOC [35].

The applicant pleaded the causal connection justifying a springboard injunction as the alleged commercial exploitation of lighting towers which were claimed to have been unlawfully made or imported into Australia during the term of the patent. This pleading formed the foundation to prevent [33]:

> *the unfair or unwarranted advantage which will be obtained by the respondents (if not restrained) [being] that they will continue to commercially exploit lighting towers which were made in, or imported into, Australia by the first respondent during the term of the patent, and will earn substantial profits to which they are not entitled.*

The second objection to the amended SOC pressed at the hearing was a technical issue. The relevant amendment was:

> *wherein the LED lighting unit has at least one -24V (~~or -24V~~ meaning, on the proper construction of claim 2,*

approximately 24V) LED light assembly having a plurality of LED elements;

The respondents' objection was that the proper construction of "-24V" in the relevant claim was itself an issue which should be separately pleaded rather than "a plea of the proper meaning in parenthesis" [44]. Her Honour disagreed, determining that it was not to the point that the construction of "-24V" was "in issue between the parties" because FCR r.16.21 was "concerned only with the adequacy of the pleading" referring to *Takemoto v Moody's Investors Service Pty Limited* [2014] FCA 1081,[17]. The application relating to the inadequacy of the applicant's pleading on the second ground was struck out.

The security for costs application was successful but not to the degree sought by the respondents. The amount ordered to be paid or in the absence of payment, a stay of the proceeding, was AU$200,000. The respondents had sought AU$450,000 reducing the amount to AU$300,000 at the hearing. The respondents' solicitor estimated the recoverable costs of the proceeding (including the trial), were AU$542,425.00 to AU$755,625.00, with evidence from an expert costs consultant that that estimate was "fair and reasonable" [81]. The respondents had underpinned their estimate on several assumptions, notably, a trial of five to 10 days on liability alone and that expert evidence would be adduced. The respondents accepted that there may be some overlap with QUD470/2019, however emphasised that the new proceeding added four new products to the six products, the subject of claims in QUD470/2019.

Downes J considered that in the absence of a defence yet to be filed in the proceeding, the extent of the overlap between the two proceedings was uncertain. Until the pleadings were closed, the overlap of factual and legal issues between the two proceedings was unknown [83]. It followed that the respondents' trial length was uncertain and carried less weight.

Deducting the costs of the trial from the respondent's estimate and applying a 65 per cent recoverable costs as done by the respondents' solicitor, her Honour arrived at approximately AU$340,000 being the estimated recoverable costs based on the low end of the respondents' estimates, up to the first day of trial. Taking a "broad brush" approach and taking into account that the applicant had accepted in QUD470/2019 the amount of AU$200,000 as security "without demur", Justice Downes ordered the security in the amount of AU$200,000.

Justice Downes took particular account of the evidence of a former director of the applicant who had deposed as to serious financial irregularities within the applicant's business and its financial records [67]. In addition, that evidence was more powerful where, as was the case, the applicant's financial statements had not been audited, the external accountants had not conducted any verification of the reliability, accuracy or completeness of the information provided to them to prepare the statements. In addition, no director of the applicant had come before the Court to swear to their accuracy and two of the three sets of financial statements had not even been signed by the directors [62], [66], [70]. This provided, in her Honour's determination, a reasonable basis to consider that at the end of the proceeding, the applicant may not be able to pay the respondents' costs.

Current Developments – New Zealand

Andrew Brown QC
Auckland
Correspondent for New Zealand

Burden & Ors v ESR Group Ltd

High Court of New Zealand, Downs J
27-28 June, 29 July 2022
[2022] NZHC 1818

Copyright – issuing to the public – primary infringement – infringing furniture made in Vietnam and imported into and sold in New Zealand by defendant – scope of "issuing to the public" – fact that copies were first sold overseas held irrelevant to interpretation – ss.9, 12, 16, 29 and 31 Copyright Act 1994

Comment: This is a very welcome decision which clarifies the meaning (and application) of the "issuing to the public" primary act of infringement under the *Copyright Act* 1994. There had been continuing ambiguity in various earlier New Zealand decisions on the scope of this exclusive right. Downs J has clearly rejected the claim that, once the infringing copies were placed on the market *anywhere in the world* (even without the copyright owner's consent), there could be no liability for "issuing to the public" in New Zealand.

In the period March 2013 to November 2014 the defendant (ESR) imported and sold articles of furniture (made in Vietnam) that were infringing copies of detailed technical drawings of furniture items created by the plaintiffs. The infringing copies (known as the Roseberry and Westbury collections) were sold by ESR to New Zealand customers through its retail stores.

In this proceeding the High Court of New Zealand and, subsequently, the Court of Appeal of New Zealand held that:[1]

(a) the second and third plaintiffs owned copyright in a number of technical drawings of their Irish Coast collection of furniture;

(b) the Roseberry articles of furniture imported and sold by ESR were infringing copies of the second and third plaintiff's copyright works; and

(c) ESR imported the infringing copies into New Zealand knowing that they infringed the plaintiffs' copyright as of 28 August 2014. This was a secondary infringement cause of action.

Following further discovery, the plaintiffs obtained leave from the Court of Appeal[2] to amend their pleadings for the remedies hearing to expressly include a primary infringement cause of action, i.e. that ESR had *issued copies to the public*,[3] namely the infringing Roseberry and Westbury furniture. If established, this cause of action avoided the knowledge requirement and would enable a claim for the whole of the period of importation and sale of the infringing copies in New Zealand.

The Court of Appeal found that the plaintiffs had pleaded a claim of issuing to the public in the proceedings as issued and, further, that it was in the interests of justice for the plaintiffs to be able to argue the primary infringement cause of action at the remedies hearing.[4]

For the remedies hearing, the plaintiffs elected an account of profits. The parties reached agreement as to the quantum of profits:

(a) for secondary infringement from 28 August 2014 until cessation of sales (22 November 2014) being NZ$9316.50; and

(b) for the primary infringement cause of action, if established, covering the period April 2013 to 22 November 2014, being NZ$221,134.50.

In the present case, the infringing copies of furniture had been manufactured and finished in Vietnam. The infringing copies were shipped from Vietnam and imported into New Zealand by ESR. Delivery of the goods occurred when the goods were placed on board the ship in Vietnam. Title to the goods passed upon payment by ESR which occurred when the goods were in transit to New Zealand.

At trial ESR argued that primary infringement was not established. It contended that, once the infringing copies were placed on the market *anywhere in the world* (even without the copyright owner's consent), then there could be no liability for "issuing to the public" in New Zealand.

The plaintiffs argued that section 9(1) (containing a definition of "issue to the public") meant "the act of putting into circulation copies [in New Zealand] not previously put into circulation [in New Zealand by or with the consent of the copyright owner]." Further, that this interpretation followed as a matter of necessary implication by reading sections 9, 16. 29 and 31 together, was consistent with the United Kingdom Act on which the New Zealand statute was largely based, and accorded with New Zealand's international obligations under the World Intellectual Property Organization ("WIPO") Copyright Treaty.

Held:

1. Once the Act's text and purpose were considered, alongside related developments, "issue to the public" in section 9(1) meant "the act of putting into circulation copies [in New Zealand] not previously put into circulation [in New Zealand by or with the consent of the owner]". This was not adding words to the Act nor recrafting it. Rather it was

just drawing out what was already implied in it by virtue of sections 9, 12, 16, 29 and 31 [55]–[56].

2. This conclusion was revealed by nine points:

   (a) Section 16 identified an elementary feature of copyright, namely that it is territorial. Section 16 afforded the owner of copyright in a work "the exclusive right" to do various things "in New Zealand" [46].

   Atkinson Footwear Ltd v Hodgskin International Services Ltd (1994) 31 IPR 186 and *Gao v Zespri Group Ltd* [2021] NZCA 442; (2021) 165 IPR 161 referred to.

   (b) Section 16 created a code of rights of a copyright owner. The right of first circulation ("issuing to the public") was one such right. As with the others, it was exercisable in New Zealand only [47].

   (c) By sections 29 and 31, contravention of the right of first circulation was a primary infringement. It was no answer for an infringer of *this* right to say a plaintiff may have recourse to secondary copyright infringement; that was to invert statutory purpose [48].

   (d) If antecedent foreign circulation of infringing copies constituted first circulation, then, in any such instance, the copyright owner would not have an actionable primary infringement. This would, in turn, compromise the efficacy of the right of first circulation and the Act more generally [49].

   (e) The plaintiffs' construction was consistent with section 9(1)(d), whereas the defendant's interpretation presupposed it was a mistake. Sections 9(1)(d), 12(3) and 12(5A) would not have been necessary if earlier foreign circulation qualified as "issuing to the public" under section 9(1) [50].

   (f) ESR's construction cut across the Copyright Act's distinction between genuine and infringing copies and was inconsistent with the statutory regime in relation to parallel imports. When copyright works were genuine and had been placed in foreign circulation by the copyright owner or licensee, the legislature had chosen, as a matter of policy (reflected in section 12(5A)) to treat those copies as not infringing the owner's rights [51].

   (g) The plaintiffs' construction was consistent with the concept of exhaustion, the approach of the UK and importantly, Article 6 of the WIPO Copyright Treaty which imposed an international law obligation on New Zealand [52].

   (h) The plaintiffs' construction was also consistent with the concept of exhaustion in relation to other forms of intellectual property, such as trade marks under section 97A of the *Trade Marks Act* 2002. Further section 97A in the *Copyright (Parallel Importation of Films and Onus of Proof) Amendment Act* 2003 made only modest changes to the Copyright Act, in turn suggesting that the right of first circulation operated as the plaintiffs were contending rather that meaning that copyright owners lost their rights by unauthorised foreign circulation of infringing copies [53].

   (i) The above eight points were consistent with the Ministry's observations in relation to the Copyright Act.

3. The defendant's contention that delivery of the furniture to the shipping company in Vietnam meant that someone earlier in the chain, and not it, engaged in issuing to the public was rejected. The defendant had admitted to importing the furniture in its statement of defence and had been found liable for importation in the 2016 liability judgment. It was not open to the defendant to advance such a submission [62].

4. The defendant's claim that others in Vietnam were selling copies of the furniture was rejected. The focus of section 9(1) is on *the copies in question* not other copies. This conclusion was affirmed in text authority.

European Union-New Zealand Free Trade Agreement ("EU-NZ FTA")

Negotiations over the EU-NZ FTA were concluded in early July 2022. Once the FTA has been ratified by the New Zealand Parliament and the EU Parliament has given its consent, it will then enter into force.

The Intellectual Property chapter of the FTA will necessitate a number of changes to the scope and protection of IP rights in New Zealand.

Copyright

Term

To date copyright term in New Zealand has been maintained at the life of the maker plus 50 years. In the case of sound recordings, films and audio-visual works and communication works, the term is 50 years from the end of the calendar year in which the work was first made (or in the case of communication work was first communicated to the public).[5]

In the course of negotiating the Trans-Pacific Partnership ("TPP") and in particular in anticipation of the United States joining this Treaty, New Zealand had agreed to extend copyright term to life plus 70 years/70 years. However, this reform was held back when President Trump abandoned the TPP and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership ("CPTPP") replaced it.[6] It appears that New Zealand negotiators wanted to retain copyright term as a negotiating "card" for the separate EU FTA then in prospect.

Under the EU-NZ FTA, New Zealand will now implement a copyright term of the life of the maker plus 70 years or 70-year term.[7] However, New Zealand has negotiated itself a four-year period from the date of entry into force of the agreement to effect this change.

Resale Rights for Artists

New Zealand has two years from the entry into force of the agreement to implement an artists' re-sale right for the benefit of authors of original works of graphic or plastic art. The artist is entitled to receive a royalty based on the resale price of the work, subsequent to first transfer of the work by the author. The resale right applies only to sales by salesrooms, galleries and dealers, not to private sales. The initial three-year period following first sale is excluded from the scheme.

Collective Rights Organisations ("CMOs")

The IP chapter recognises the importance of ensuring that not-for-profit CMOs are transparent in relation to revenue, deductions, the use of rights revenue collected and their distribution policies. Examples of CMOs in New Zealand are APRA (musical compositions), Recorded Music New Zealand (sound recordings) and Copyright Licensing Limited (books and journals). At present New Zealand has no statutory provisions governing CMOs, although section 234(n) of the Copyright Act 1994 does already contain a power permitting regulation to be enacted:

> *(n) Imposing requirements in respect of licensing bodies or any specified class or classes of licensing body or any specified licensing, body, in relation to all or any of following matters:*
>
> *(i) the contents of the constitution or other form of rules of the licensing body or bodies;*
>
> *(ii) the representation of copyright owners in the management of the licensing body or bodies;*
>
> *(iii) the collection, holding, and distribution of money by the licensing body or bodies;*
>
> *(iv) the disclosure of the financial affairs of the licensing body or bodies;*
>
> *(v) access to, and disclosure of, records held by the licensing body or bodies;*
>
> *(vi) any other matter relating to the conduct or the operation of the licensing body or bodies.*

It would seem likely that more specific regulation of CMOs may follow.

Geographical Indications ("GIs")

At present New Zealand operates a GI system for wines and spirits only. Under the FTA, New Zealand must now extend the scheme to agricultural products, foodstuffs and other sorts of beverages.

Annex XX-B to the FTA lists 2,146 GIs from across member nations of the EU which will have to be recognised in New Zealand. These include the names of beverages such as Port, Sherry, Prosecco, Armagnac, Grappa, Irish Cream, Muscadet, Mosel and Madeira. Multiple cheese names are provided for including Roquefort, Gruyere, Comte, Feta and Parmigiano Reggiano.

The Annex provides customised phase-in periods for a small number of the GIs. There is a phase-in period of five years for Madeira, Sherry and Prosecco and a nine-year phase-in for Port.

In the case of Parmigiano Reggiano or Gruyere, prior users of "Parmesan" or "Gruyere" who have used the term in good faith for at least five years before the agreement may continue to do so provided the product contains a clear indication of the geographical origin of the product.

For the GI Feta there is a safe harbour period of nine years from the date of the FTA where those persons who have made a continuous commercial use of the term prior to the FTA can continue to use it.

New Zealand's list of GIs that the EU must protect is a slender one, comprising just 23 GIs for wines, including Marlborough, Martinborough, Hawkes Bay, Waipara and Waiheke Island.

Plant Variety Rights

Both the EU and New Zealand must have protection in place which meets the obligations of the 1991 Act of the *International Union for the Protection of New Varieties of Plants Convention* ("*UPOV* 1991"). New Zealand is presently finalising regulations which will enable the new *UPOV* 1991-compliant Plant Variety Rights Bill (presently before Parliament) to pass into law and come into force. The Bill has had Select Committee consideration and is sitting on the Parliamentary Order Paper (awaiting its final reading). Some possible last minute tweaks through a Supplementary Order Paper may yet be made, but it is clear the legislation is close at hand.

Article X.47 allows New Zealand to include measures that it deems necessary to protect Māori rights, interests, duties and responsibilities in fulfilment of its obligations under the Treaty of Waitangi. This is to recognise Māori rights in flora as recognised in the Report of the Waitangi Tribunal on the Wai262 claim and provided for in the new Bill.[8]

Under Article X.35 the registration of a trade mark which contains or consists of a GI of the other party listed in the Annex shall be refused or invalidated ex officio (if the party's legislation permits), at the request of an interested party with respect to a product that falls within the product class in Annex XX-A for that GI and that does not originate in the place of origin specified in Annex XX-B for that GI.

However, if a trade mark has been applied for or registered in good faith, or if rights to a trade mark have been acquired through use in good faith in a party before the date of the FTA coming into force, measures adopted to implement the

GI protection shall not prejudice the eligibility for or the validity of the trade mark, or the right to use the trade mark, on the basis that the trade mark is identical with or similar to a GI. Such a trade mark may continue to be used and renewed for that product, notwithstanding the protection of the GI, provided that no grounds for the trade marks invalidity or revocation exist in the legislation on trade marks of the parties. This latter proviso would seem to open the door for possible bad faith challenges in certain circumstances.

1 2016] NZHC 1542; [2017] NZCA 217, [53]–[56] and [63].

2 *Burden v ESR Group (NZ) Ltd* [2020] NZCA 560.

3 Sections 26 and 31 *Copyright Act* 1994.

4 *Burden v ESR Group (NZ) Ltd* [2020] NZCA 560.

5 Sections 23(1) and (2); section 24(1) *Copyright Act* 1994.

6 The members of the CPTPP are Canada and ten other countries in the Asia – Pacific region namely Australia, Brunei, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore and Vietnam.

7 From the date of first publication or communication to the public.

8 *Ko Aotearoa Tenei: Report into Claims Concerning New Zealand Law and Policy Affecting Māori Culture and Identity* (2 July 2011).

Current Developments – Asia

CHINA & HONG KONG SAR

Dan Plane
Simone Intellectual Property Services (SIPS) Hong Kong
Correspondent for China and Hong Kong SAR

In-Sink-Erator Case Demonstrates Chinese Courts' Increasing Willingness to Punish Trade Mark Piracy Using the Anti-Unfair Competition Law

Introduction

The Chinese trade mark regime is a first-to-file system. Accordingly, priority is given to the individual or entity that first applies for and registers, rather than uses, the trade mark.

Due to this first-to-file system, China has for decades been a hotbed for trade mark piracy (also known as trade mark squatting), the practice of registering in bad faith trade marks owned by others before the rightful owners can, quite often with the aim of either using these marks on counterfeit products or, more commonly in China, "warehousing" the marks, holding them in the hope they will be purchased by the genuine brand owners for significant sums of money.

Whilst the *Chinese Trademark Law* does provide brand owners with tools to fight back against pirates, recovering stolen trade marks is inevitably lengthy and expensive, and the outcomes by no means certain. As an example, we note the recent MANOLO BLAHNIK trade mark dispute in China, where the true brand owner was finally able to recover their mark after a fight of more than 20 years. Worse yet, as purely administrative proceedings, there is no provision for recovery of the costs related to recovery efforts.

Many pirates, particularly dyed-in-the-wool warehousers, often take a scattershot approach to their piracy, filing for dozens or even hundreds of marks owned by third parties in multiple classes. Other pirates, however, are more selective – some would say obsessive – in their piracy, focusing with laser-like precision on a given brand. These pirates will file multiple applications for a single brand in multiple classes (and usually, multiple applications in the same class). Their intention is clear: to entirely co-opt the People's Republic of China ("PRC") market for the brand, stealing it out from under the rightful brand owner.

These types of pirates are much more pernicious than the usual warehouser, forcing the foreign brand owner to fight action after action after action to protect their brand and quite often, to salvage their entire business in China.

Given the nature of these attacks, many legal commentators have long viewed the Chinese *Anti-Unfair Competition Law* ("AUCL") as a solid potential basis for claims against these pirates, where the AUCL would provide access to both injunctive relief preventing further filings and damages to compensate for the often significant legal fees incurred in these fights. Nevertheless, it has been nearly impossible for victimised brand owners to establish unfair competition claims against trade mark pirates in the absence of commercial conduct by the pirate exceeding the mere filing and constant refiling of trade mark applications pirating the brands. This is primarily due to the view that such acts have generally been viewed by the courts to only constitute "administrative" acts, not "civil" acts that can be redressed under the AUCL and other PRC tort laws.

The Fujian Higher People's Court recent judgment in the In-Sink-Erator case,[1] however, represents a significant shift, where the pirate was found to have violated Article 2 of the AUCL *without evidence of substantial use of the pirated marks*. In other words, the act of trade mark squatting in and of itself was sufficient to constitute a civil act worthy of redress under the AUCL.

Facts of the Case

The distinctive trade mark in dispute, "IN-SINK-ERATOR", is a famous global brand dating all the way back to 1938, and now belonging to Emerson Electric Co. ("Emerson"), used by it in conjunction with its instant hot water dispensers and food waste disposal systems.

Emerson had registered the " insinkerator 爱适易 " mark in China in classes 7 (for, inter alia, "food waste disposers") and 11 (for, inter alia, "water purification devices") back in 2009 (collectively, the "Emerson trade marks"), and had enjoyed a certain degree of fame in the Chinese market as early as 2010. In spite of the fame of the IN-SINK-ERATOR brand in China, the defendants in the case aggressively targeted Emerson's coined brand.

The first defendant, Xiamen Angel Water Spirit Drinking Water Equipment Co., Ltd. (formerly known as Xiamen Hemeiquan Drinking Water Equipment Co., Ltd.) ("Angel Water"), was established in 2008. Starting from December 2010, Angel Water, with the help of its trade mark agent Xiamen Xingjun Intellectual Property Affairs Co., Ltd. ("Xingjun", the fourth defendant), filed applications for the mark IN-SINK-ERATOR for use on goods and services closely related to those offered by Emerson under its brand.

Emerson filed numerous trade mark oppositions, opposition appeals, and even court appeals to defend itself against Angel Water's bad-faith filings, enjoying initial success in those actions. In spite of multiple decisions in Emerson's favour, however, Angel Water's trade mark piracy continued unabated. As well, and to skirt the initial findings against

Angel Water's trade mark filings, its legal representative, Wang Yiping (the third defendant) established another company, Xiamen Haina Baichuan Network Technology Co., Ltd. ("Haina Baichuan", the second defendant). Haina Baichuan took up Angel Water's cause, filing additional applications for trade marks similar to the Emerson trade marks.

As at the date of filing of the civil action against the defendants, Angel Water and Haina Baichaun had filed 48 trade marks which were identical or similar to the Emerson trade marks in 14 different classes, 47 of which were applied through their trade mark agent Xingjun.

Summary of First Instance Decision

In March 2020, Emerson brought a civil action against the defendants with the Xiamen Intermediate People's Court.[2] Amongst other claims in its complaint, Emerson argued that the defendants' long pattern of trade mark piracy constituted acts of unfair competition pursuant to Article 2 of the AUCL, which states as follows:

> *Businesses shall, in their production and distribution activities, adhere to the free will, equality, fairness, and good faith principles, and abide by laws and business ethics.*

On 22 April 2021, the Court rendered its first instance judgment, ruling in favour of Emerson in relation to its argument based on Article 2 of the AUCL. The Court noted that Angel Water and Haina Baichuan were both engaged in the production of water purification equipment and were therefore competitors of the plaintiff. The Court noted further that Angel Water and Haina Baichuan, as well as Wang Yiping in his individual capacity, had a history of trade mark piracy, targeting well-known domestic and foreign brands, including Dow, Daimler, Unilever, etc. Therefore, it was hardly a coincidence that Angel Water and Haina Baichuan applied for the pirated marks, especially considering that Emerson had at the time of their filings already achieved a certain degree of fame. Further to this point, the defendants had failed to provide any reasonable explanation as to how their pirated marks were created, nor did they provide any evidence of use or any reasonable explanation for their intention to register the pirated marks.

Based on the above, the Court found Angel Water, Haina Baichuan, and Wang Yiping to be jointly liable for the harm done here, and also held Xingjun, the trade mark agent, to be contributorily liable for that harm. Accordingly, the Court issued an order enjoining the four defendants from filing any further trade marks identical or similar to the Emerson trade marks. The Court also awarded damages totalling Rmb640,000 (around US$96,000) to compensate Emerson for the reasonable expenses incurred by Emerson in relation to battling the defendants' trade mark piracy. Lastly, the Court ordered the defendants to publish a statement distributed over "nationally-issued media" to eliminate the negative effect of their actions.

Ruling of the Fujian Higher People's Court

Not deterred by the lower court's finding, the defendants appealed the first instance decision to the Fujian Higher People's Court. On 27 September 2021, the Court dismissed the appeal and upheld the first instance decision.

In dismissing the pirates' appeal, the Court held that it was difficult to categorise the trade mark squatting behaviour of the defendants as being in good faith and necessary for normal business activities or for the maintenance of their own intellectual property rights. Instead, the ongoing acts of maliciously acquiring and exercising trade mark rights that "directly infringed the prior rights of Emerson violated the principle of good faith, disrupted the normal order of trade mark registration and management, disrupted the market order of fair competition, and damaged the legitimate rights and interests" of Emerson. As a result, their actions were properly characterised as acts of unfair competition.

Interestingly, the Court made this finding although Emerson was only able to establish limited ancillary use of the pirated mark by Angel Water – Angel Water had only used a single In-Sink-Erator logo on the banner of the front page of its website. There was no continuous use of the pirated marks on any other goods or services – a fact that one would normally expect to be the death knell for an AUCL claim in this type of case.

In supporting its decision upholding the first instance decision, the Court's rationale was supported by the recognition that trade mark piracy disrupts the market transaction order, and that cost to the defendants of engaging – and continuing to engage in this behaviour – was insignificant. As result, the Court found that if it did not legally enjoin the defendants from filing further trade mark applications, they would only continue to do so. As a result, the true brand owner would be forced to continue an endless legal battle against the defendants' and their pirate filings if it was to protect its legitimate rights and interests. This would not only lead to the genuine brand owner incurring significant costs, but also result in a significant waste of public resources, including the time of the Trade Mark Office ("TMO") and the Trade Mark Review and Adjudication Division in handling those cases.

The Court also found that Wang Yiping, being the legal representative, executive director, and controlling shareholder of both Angel Water and Haina Baichuan, clearly had subjective knowledge of Angel Water and Haina's unlawful acts. Accordingly, it was correct for the lower court to pierce the corporate veil and hold Wang Yiping jointly and severally liable.

Xingjun, the trade mark agent behind the pirate filings, was also held contributorily liable as it should have been obvious to it that its clients' actions were in bad faith and therefore in violation of the Chinese Trademark Law. In spite of that, Xingjun still accepted and continued to accept its

clients' entrustment, acting as their trade mark agent for 47 of the 48 pirated trade mark applications and registrations. Accordingly, it was appropriate for Xingjun to bear joint legal responsibility with the other defendants.

Takeaway

Unfortunately, as China is a civil law country, the ruling in this case will not have direct precedential effect, we may not see other courts issuing similar rulings, even in Fujian Province. That said, the decision clearly demonstrates a shift in the usual approach to these cases, with a higher-level Chinese court willing to recognise the practical harmful impacts caused by unchecked trade mark piracy. The decision is also in step with the PRC Government's recent reforms to the Trademark Law and related regulations placing ever-greater emphasis on the targeting of bad faith trade mark registrations and the parties that file for them, including through the increased actions against the trade mark agencies that suborn such filings.

As promising as this case is, however, it should be kept in mind that, generally speaking, AUCL cases in China are notoriously fact specific. Indeed, absent a laundry list of facts similarly egregious to those present here (nearly 50 separate trade mark filings, efforts of the corporate defendants' legal representative to escape Emerson's administrative victories at the TMO by establishing a new corporate vehicle to continue its piracy, the blind eye turned to this broad course of illegal conduct by its trade mark agent, etc., etc.), we are sceptical that other PRC courts will be as receptive to claims such as this. Cases tied strictly to repeated trade mark filings, without accompanying counterfeiting, infringement threats against the real brand owner's distributors and/or other similarly aggressive conduct, will most likely continue to be viewed as purely "experimental" by courts.

Still, in light of the PRC Government's increasing recognition of trade mark piracy's negative impact on China's reputation and brand owners' businesses, it is hoped that more and more courts will be persuaded by reasoning akin to that of the Fujian Higher People's Court. This makes it more worthwhile than ever to consider taking the fight directly to the pirates themselves, as opposed to just their bad-faith filings, particularly where their conduct is considered outrageous even by the standards of your run-of-the-mill trade mark squatter.

1 Case Docketing Number: (2021) Min Min Zhong No. 1129 [(2021) 闽民终1129号].

2 Case Docketing Number: (2020) Min 02 Min Chu No. 149 [(2020) 闽02民初149号].

JAPAN

John A Tessensohn[1]
Board Member, SHUSAKU·YAMAMOTO, Osaka, Japan
Correspondent for Japan

JPO Accepts WIPO Standard ST.26 Sequence Listings from 1 July 2022

As agreed by the World Intellectual Property Organization ("WIPO") member states, all sequence listings accompanying patent applications filed at the Japan Patent Office ("JPO") on or after 1 July2022, are required to comply with WIPO Standard ST.26. Patent applications, here, include new applications as well as divisional applications, converted applications (patent applications converted from design applications or utility model applications), applications based on utility model registrations and applications claiming priority.

The requirement does not apply to sequence listings filed via Japanese national phase entry of *Patent Cooperation Treaty* applications having a filing date before 1 July 2022, in which case sequence listings in accordance with the conventional Standard ST.25 should be filed where applicable. The general purpose of a sequence listing is to enable the sequence data to be searchable by the JPO and in some cases by publicly available databases. For example, several Patent Offices e.g., the JPO and the United States Patent and Trademark Office ("USPTO"), submit sequence data to publicly searchable databases such as the National Center for Biotechnology Information ("NCBI") and the European Molecular Biology Laboratory ("EMBL") Nucleotide Sequence Database.

Upon submission of said sequence listings, the JPO will use the "WIPO Sequence Validator" (a web service for patent offices to check that filed sequence listings comply with WIPO ST.26) or other tools. If the deficiencies are only for format issues other than actual sequences, such deficiencies are curable without harming the effective filing date by re-submitting the correct sequence listing. If the deficiencies are substantial issues based on the sequences themselves, then such deficiencies may be incurable unless the amendments are supported in the specification or the like.

According to a WIPO presentation,[2] the main technical differences between WIPO Standard ST.26 and the previous regulation (WIPO Standard ST.25) are as follows:

1. Peptides of less than four and nucleotides of less than 10 are not permitted (they were optional in the previous ST.25).
2. Only the first applicant should be listed in the applicant's section (in the previous ST.25, only the first applicant could be listed in the case of a joint application).
3. In the priority application section, only the earliest priority application should be written (in the previous ST.25, all priority application information could be included).

4. The "t" stands for uracil in RNA and thymine in DNA (previously "u" stood for uracil in ST.25).
5. D-amino acids should also be included (in the previous ST.25, only L-amino acids were required, and D-amino acids were optional).
6. Branching sequences and nucleotide analogues should also be listed (previously optional in ST.25).
7. Amino acids are represented by a single letter (in the previous ST.25, amino acids were represented by three letters).
8. Sequence listings must be provided as XML file (previously a txt file was required in ST.25).

The JPO together with other national patent offices like the USPTO, IP Australia and the European Patent Office, have adopted the WIPO ST.26 in order to harmonise sequence listing practice and to render the sequence listing format compatible with international sequence databases. This will ensure more sequence types are accessible in publicly searchable databases and prevent loss of patent sequence data.

Patent applicants should ensure the ST.26 sequence listing is prepared well in advance. This is particularly important where conversion of a ST.25 sequence listing format to ST.26 format will be required as this is likely to require applicant input.

1 Board Member, SHUSAKU·YAMAMOTO, Osaka, Japan. Any questions about this update should be e-mailed to John A Tessensohn at jtessensohn@shupat.gr.jp. This update reflects only the personal views of the author and should not be attributed to the author's firm or to any of its present or future clients.

2 WIPO, *WIPO Standard ST.26 INTRODUCTION: Webinar training*, slides 9–12 <https://www.wipo.int/edocs/mdocs/mdocs/en/wipo_webinar_standards_2021_1/wipo_webinar_standards_2021_1_www_536511.pdf>.

SINGAPORE

Geraldine Tan, Melvin Pang and Marcus Hoh
Amica LLC
Correspondents for Singapore

I-Admin revisited: modified approach for breach of confidence limited to cases of unauthorised acquisition

Lim Oon Kuin and others v Rajah & Tann Singapore LLP and another appeal
[2022] SGCA 29

In *Lim Oon Kuin and others v Rajah & Tann Singapore LLP and another appeal* [2022] SGCA 29 ("*Lim Oon Kuin*"), the five-member Court of Appeal clarified that its modified test for establishing breach of confidence set out in its earlier decision, *I-Admin (Singapore) Pte Ltd v Hong Ying Ting and others* [2020] SGCA 32 (*"I-Admin"*) ("modified approach"), was not intended to replace the traditional test for breach of confidence as established in *Coco v AN Clark (Engineers) Ltd* [1969] RPC 41 ("traditional approach"). Instead it was only intended to fill the lacuna in the law to protect a plaintiff's "wrongful loss interest" in protecting the confidentiality of its information.

The modified three-step test for establishing breach of confidence in *I-Admin*

Previously, the Court of Appeal in *I-Admin* devised the following modified approach to establishing a breach of confidence claim:

1. An action for breach of confidence is presumed when the plaintiff proves that: (1) the information possesses the necessary quality of confidentiality; and (2) the information has been imparted in circumstances importing an obligation of confidence.
2. The presumption would be displaced on proof by the defendant that its conscience was unaffected, i.e., the defendant did not deal with the plaintiff's confidential information in a manner that adversely affected the defendant's conscience.

This is a modification of the traditional approach set out in *Coco v AN Clark (Engineers) Ltd* [1969] RPC 41, which places the onus on a plaintiff to prove all of the following:

1. The information must possess the quality of confidentiality;
2. The information must have been imparted in circumstances importing an obligation of confidence; and
3. There must have been unauthorised use of that information to the detriment of the party from whom the information originated.

The key difference between the modified approach and traditional approach is that when elements (1) and (2) are proven by the plaintiff, the burden of proof shifts to the defendant at the third stage of enquiry. It is up to

the defendant to prove that its conscience had not been affected, as the defendant is comparatively better positioned to account for suspected wrongdoing in such instances. This, in turn, serves to safeguard the plaintiff's "wrongful loss interest" – i.e., the plaintiff's right to protect the confidentiality of its information per se. Such loss is suffered as long as a defendant's conscience has been impacted in the breach of the obligation of confidentiality.[1]

***Lim Oon Kuin*: the traditional approach remains good law**

Lim Oon Kuin concerned a joinder application by family members of embattled oil tycoon Mr Lim Oon Kuin (the "Lim Family") to join themselves as co-applicants to injunction applications commenced by two companies ("Companies") which were managed by the Lim Family. The injunction applications sought to restrain the law firm Rajah & Tann Singapore LLP ("R&T") from acting for the judicial managers of the Companies in order to protect the confidentiality of information which was disclosed by the Companies and the Lim Family to R&T under a joint retainer.

The basis of the joinder application was that the outcome of the injunction applications would affect the Lim Family's rights to commence a separate action to restrain R&T from acting for the Companies' judicial managers on the same basis. Therefore, a key issue in the joinder application, as characterised by the Court of Appeal, was whether the Lim Family could articulate a claim of confidence against R&T which was not obviously factually or legally unsustainable.[2]

As part of its discussion on this issue, the Court of Appeal provided three clarifications on the modified approach.

1. First, the modified approach was not intended to replace the traditional approach in its entirety. Rather, the modified approach only applies to cases involving alleged harm to the plaintiff's "wrongful loss interest", and the traditional approach would continue to apply for cases involving alleged harm to a plaintiff's "wrongful gain interest" – namely, where the defendant had gained a benefit from making unauthorised use or disclosure of confidential information.[3]
2. Second, in line with the above, the modified approach is limited to cases involving unauthorised acquisition of confidential information.[4]
3. Third, the third limb of the modified approach – namely, the burden on the defendant to prove that his conscience is unaffected in his dealings with the plaintiff's confidential information – is a legal burden.[5]

Comments

The introduction of the modified approach in *I-Admin* was generally lauded for ameliorating the significant legal and evidentiary difficulties that owners of confidential information typically face when establishing an action in breach of confidence. However, this left open the question of whether the traditional approach and the element of misuse were no longer relevant considerations in breach of confidence cases. If so, there was a fear that this may have tilted the balance too far against recipients of confidential information in certain circumstances – for instance, where the recipient had acquired the information lawfully or with due authorisation from its owner.

The decision of the Court of Appeal in *Lim Oon Kuin* is a welcome clarification. It is now clear that the modified approach does not displace the traditional approach entirely and is limited only to cases involving unauthorised acquisition of confidential information. The implication of this is that parties to a breach of confidence action will now have to address a de facto preliminary issue of whether there was unauthorised acquisition of the allegedly confidential information, to determine which approach should apply.

1 *Lim Oon Kuin and others v Rajah & Tann Singapore LLP and another appeal* [2022] SGCA 29, [36].

2 *Lim Oon Kuin and others v Rajah & Tann Singapore LLP and another appeal* [2022] SGCA 29, [29], [31], and [43].

3 *Lim Oon Kuin and others v Rajah & Tann Singapore LLP and another appeal* [2022] SGCA 29, [39]. There, the Court of Appeal endorsed a commentator's view that "for cases involving alleged harm to the plaintiff's 'wrongful gain interest' … the traditional approach should be applied".

4 *Lim Oon Kuin and others v Rajah & Tann Singapore LLP and another appeal* [2022] SGCA 29, [41].

5 *Lim Oon Kuin and others v Rajah & Tann Singapore LLP and another appeal* [2022] SGCA 29, [41].

Current Developments – Europe

UNITED KINGDOM

Simon Clark and Maria Ryan
Bristows LLP
Correspondents for the United Kingdom

Copyright protection for fictional characters – lovely jubbly

***Shazam v Only Fools The Dining Experience and Others* [2022] EWHC 1379 (IPEC)**

For the first time, the UK High Court has found that a fictional character can be protected by copyright. In *Shazam v Only Fools The Dining Experience and Others* [2022] EWHC 1379 (IPEC), the claimant, a company set up to exploit the intellectual property rights subsisting in the popular TV show "Only Fools and Horses" ("OFAH"), sued the defendants for copyright infringement and passing off. The Judge, John Kimbell QC, sitting as a Deputy High Court Judge, found that there had been substantial copying of the show's script and main character, Del Boy. His Honour rejected the defendants' attempts to rely on the defences of fair dealing with respect to parody and pastiche. Below we assess the impact of this case and briefly compare the decision with the treatment of characters in other jurisdictions.

Background to the case

The case was based on the BBC comedy OFAH; a long-running, well-loved show televised between 1981 and 1991. The show revolves around the lives of market trader Derek Trotter, otherwise known as Del Boy, and his younger brother, Rodney. The show was created and written by John Sullivan, who died in 2011.

The claimant, Shazam, was a company set up by the descendants of John Sullivan for the purpose of exploiting the IP rights relating to OFAH. Most recently, in February 2019, Shazam launched a musical based on OFAH called "Only Fools and Horses the Musical".

The defendants were the developers of an interactive Dining Show based on OFAH, which was marketed as "Only Fools The (cushty) Dining Experience" ("OFDE") and launched in September 2018. The OFDE involved a three-course meal along with performances by actors taking on the roles of the main OFAH characters, including Del Boy. The OFDE was based on a script developed by the cast (the "OFDE Script"), which gave the actors room to improvise and react spontaneously to guests.

The defendants did not seek permission from the claimant before developing the show and, in July 2018, the claimant wrote to the defendants complaining that any performance of the show would infringe the copyright held by Shazam. The defendants denied that this would be the case and went ahead with their planned shows. As a result, in December 2019, Shazam sued the defendants for copyright infringement and passing off in respect of the intellectual property rights subsisting in OFAH.

The works

The claimant alleged that copyright subsisted in the script for each of the 64 episodes of OFAH, as well as the body of scripts taken as a whole. This included the characters, the stories and the "imaginary world" established by the scripts. In addition, the claimant argued that copyright subsisted in the character of Del Boy.

The UK has a closed list of specified "works" which are set out in the *Copyright, Design and Patents Act* 1988 ("CDPA") s.1. These include literary, dramatic, musical and artistic works, as well as sound recordings, films, broadcasts and typographical arrangements. CDPA s.3(1) states that a work cannot be both a literary work and a dramatic work and defines "literary work" as any "work, other than a dramatic or musical work, which is written, spoken or sung". Dramatic works are not defined, but are said to include works of dance or mime. Due to the nature of the closed list, the Judge was required to decide whether each alleged work qualified as a work under the CDPA and, if so, into what category. If the work relied on did not fall within any of the closed list of works under the Act, then no copyright could subsist under UK copyright law. As we discuss below, this is in direct contradiction to recent case law from the Court of Justice of the European Union ("CJEU"), which provides that any work can be protected by copyright provided that it is sufficiently original and precisely defined.

The Judge first assessed the individual scripts and confirmed that these would qualify as dramatic works under the CDPA. In doing so, he relied on the recent UK case of *Martin v Kogan* [2019] EWCA Civ 1645 in which the UK Court of Appeal overruled the UK High Court and held that a film screenplay should be considered a dramatic work, not a literary work, on the basis that its primary purpose was to be performed. The Judge considered that it was a "very small step" to conclude that a TV screenplay was a dramatic work as it was intended to be performed.

Turning next to the body of scripts, the Judge rejected the argument that copyright subsisted in the body of scripts taken as a whole. The Judge reasoned that, unlike the individual scripts, the body of work was not intended to be performed as a whole and so would not be considered a dramatic work under the CDPA. The Judge also rejected the argument that the body of scripts was a literary work, despite the works being published as whole by the BBC in 1999,

because there had been no additional intellectual creation involved in the publication.

When assessing the character of Del Boy, the Judge confirmed that:

> *There is surprisingly little discussion in English case law or commentary on whether (and if so in what circumstances) copyright might subsist in a character from a dramatic or literary work.*

As such, the Judge held that it was necessary to approach the case from first principles, and started by considering the test for subsistence of copyright laid down by the CJEU in *Cofemel v G-Star Raw* Case C-683/17 [2020] ECDR 9. This cumulative two-stage test first assesses whether there exists an original subject matter, in the sense of being the author's own intellectual creation (the "originality requirement") and secondly whether the subject matter is expressed in a way that makes it identifiable with sufficient precision and objectivity (the "identifiability requirement"). As this judgment predates Brexit, it forms part of retained EU law and is therefore binding on UK courts.

The Judge held that the character of Del Boy satisfied the originality requirement for a number of reasons:

- The character of Del Boy was an expression of John Sullivan's own intellectual creativity and was inspired by his experiences of growing up in South London in the 1950s and 1960s. The market traders and second-hand car salesmen that Sullivan observed in his youth provided the source material for Del Boy, who was known for being involved in dodgy dealings throughout the show.
- John Sullivan provided the character with a full back story and home life, included his quasi-parental relationship with his younger brother, Rodney, and aspirational nature. Del Boy's "complex motivations" meant that he was more than just a "stock character or cliché".
- Throughout the show, the character of Del Boy developed iconic mannerisms and recurring storylines that had been purposefully chosen to express his complex character. For example, Del Boy often used mangled, incorrect French phrases that demonstrated his desire to appear sophisticated. The character also used many iconic phrases, including "lovely jubbly", "cushty" and "plonker", some of which were coined by John Sullivan.

The Judge commented that, while some ingredients of Del Boy's character listed by him could be considered unoriginal in isolation, it was the "particular combination of all the parts and aspects" that created the distinct and original character.

In relation to the individuality requirement, the Judge confirmed that the original character traits of Del Boy were "precisely and objectively discernible" from the script and could be separated from the performance of the actor, Sir David Jason, who played the character on screen. In coming to this decision, the Judge pointed to the detailed descriptions of the character's clothing and actions that are included in the script, as well as the dialogue itself. Through his use of dialogue, John Sullivan clearly described the complex dynamics between Del Boy and his brother and incorporates the character's classic phrases and use of mangled French.

Following his conclusion that the character of Del Boy was a protectable work under EU copyright law, the Judge concluded that the character would be a literary work under the UK's closed list of defined works. His Honour explained that the character was not intended to be performed, in the same way that a screenplay was, and thus would not qualify as a dramatic work. However, other than saying that his conclusion that the character was a literary work did not require a "strained interpretation" of the CDPA, his Honour gave no further reasons for his conclusion.

The infringement

Infringement is defined by the CDPA s.17(2) as the reproduction of the work in any material form, which is qualified in s.16(3) as meaning that copying must be of a substantial part of the work. The Judge found that there had been infringement of the OFAH scripts as a significant number of features in the OFDE Script had been copied, including well-known catch phrases and recurring jokes from the show.

In addition, the Judge easily found that there had been substantial copying of the Del Boy character as the creators of OFDE admitted in their evidence that they "imported" the key aspects of Del Boy's character into the OFDE Script. This included his back story, catch phrases, use of mangled French and involvement in dodgy dealings. Therefore, the creation and performance of OFDE was held to be an infringement via indirect copying of the Del Boy character via the broadcasts of the OFAH episodes.

The defences

The defendants put forward the defence of fair dealing under CDPA s.30A, which was inserted into UK law in 2014 and originated from the *InfoSoc Directive* Articles 5(3)(k) and 5(5). The Judge referred to the three-step test applicable to exceptions to copyright infringement, originally laid out in the *Berne Convention*.[1] These are that the exception must be confined to certain special cases, must not conflict with the normal exploitation of the work and must not unreasonably prejudice the legitimate interests of the rights owner. In this case, the defendants attempted to rely on the rarely used exceptions of "parody" and "pastiche".

In looking at parody, the Judge confirmed that a parody must in itself be an expression of mockery or humour. As such, the fact that OFDE was not intended to mock OFAH,

or use OFAH as a vehicle to mock a third party, and was in fact a "mere imitation" of protected works which precluded the defendants from relying on the parody exception.

Pastiche is an imitation of the style of a work or the compilation of a number of styles. It was held that to qualify for the exception a work should be noticeably different to the original work. The Judge found that OFDE was not an imitation of the style of OFAH; instead, it took characters and their backstories and recreated them. This meant that OFDE was not a work of pastiche.

The Judge went on to hold that, even if OFDE did qualify as a parody or pastiche, the acts of the defendants did not amount to fair dealing and would fail steps two and three of the three-step test. The defendants' aim was to commercially exploit the characters and there was a significant risk that consumers would purchase tickets for OFDE instead of the official OFAH Musical that was being marketed at a similar time. It was found to be reasonable that the claimant, as the owner of the OFAH intellectual property rights, expected to be able to control when and how the OFAH characters and script were used.

Result of the trial

As a result, the defendants were found to have infringed the copyright in both the OFAH scripts and the character of Del Boy. The claimant's allegation of passing off was also successful as there was significant goodwill in relation to the name OFAH and the character of Del Boy; the defendants had misrepresented to the public that OFDE was connected to the OFAH show; and this was likely to cause the claimant damage by affecting sales of the OFAH Musical, as discussed above.

Wider impact

This case is of particular interest as it is the first time a UK Judge has looked in detail at the possibility of copyright subsisting in a fictional character. Both the German and US Courts have previously ruled on this issue. The Judge in the present case confirmed that this decision aligned with the findings of the German Supreme Court in *Re Pippi Longstocking* [2014] E.C.C. 27 which held that, under German copyright law, the character of Pippi Longstocking was a protectable literary work. The Supreme Court confirmed that it was possible for a fictitious character to exist independently of the framework of the novel's plot if the character's typical behaviours are shown in various contexts. Whether this might occur relies on the creator "endowing the character with an unmistakable personality". Similar to Del Boy, it was Pippi's full back story, personality and use of word play that combined to make her distinctive.

In *Klinger v Conan Doyle Estate Ltd.,* 755 F.3d 496 (7th Cir. 2014), the US Appeal Court had to decide whether copyright could subsist in the original characters Sherlock Holmes and Dr Watson after the copyright in some of the early works had expired. The Court confirmed that a character could qualify for copyright protection under US copyright law if it was sufficiently distinctive, which Sherlock Holmes and Dr Watson both were.

It is interesting that the Judge found that the Del Boy character was capable of copyright protection under both the EU law test for subsistence of copyright under *Cofemel* and under the UK's closed list of defined works in the CDPA, without commenting at all on the apparent non-compliance of the CDPA with retained EU law, which does not permit a closed list of works. A similar issue arose in the recent UK case of *Response Clothing v Edinburgh Woollen Mill Ltd* [2020] EWHC 148 (IPEC); [2020] F.S.R. 25 where it was held that a piece of fabric fell within the category of "work of artistic craftsmanship" but not "graphic work" under the CDPA. Although the Judge in that case raised the issue of the obvious tension between EU law and UK law, his Honour concluded that he did not need to deal with the issue if, as he did, he found that the piece of fabric did fall within one of the categories of work under the CDPA (which meant that copyright protection would be available under both EU and UK law).

It is not yet clear whether the present case will go to appeal. However, we anticipate that, in the wake of this ruling, more cases will look to test the boundaries of what is capable of being considered a work under UK copyright law. What is known is that UK practitioners would welcome a ruling from the Court of Appeal on this issue, which would provide much needed clarity and may also push the government to consider changes to the legislation. However, although seemingly out of step with the rest of Europe, there is currently no sign that the UK Government is planning on updating the CDPA to remove its closed list of works.

1 *The Berne Convention for the Protection of Literary and Artistic Works,* opened for signature 9 September 1886, 828 UNTS 221 (entered into force 5 December 1887) Art 9(2).

EUROPEAN UNION

Professor Phillip Johnson[1]
Correspondent for the European Union

Mandatory filtering *is* required of content-sharing platforms

C-401/19 Poland v European Parliament and Council, EU:C:2021:613; EU:C:2022:297

Introduction

The Digital Copyright Directive[2] has always been controversial, and most controversial of all has been what became Article 17 of the Directive. The provision is intended to "rebalance" the relationship between copyright holders and online content-sharing service providers (eg TikTok, Facebook, YouTube, Twitter and Instagram, but not non-commercial actors such as Wikipedia).[3] It does this by placing an obligation on sharing platforms to use some form of filtering software to prevent their users uploading infringing content onto their services. The rationale for doing so is to remedy the "Value Gap", that is the perceived gap between the value content-sharing services derived from copyright works and the revenue they distributed to right holders.[4]

Before the adoption of the Digital Copyright Directive, sharing platforms could rely on Article 14 of the E-Commerce Directive[5] to avoid liability for any damages caused by their users' infringement until they knew, or ought to have known, that infringing content was available on their service (usually in the form of notice-and-takedown). The approach under Article 17 of the Digital Copyright Directive is to encourage sharing platforms to obtain licences from groups of right holders, but if the two parties cannot agree, then the platforms will be liable for any infringing content uploaded, albeit with certain safeguards.

The Polish challenge

In C-401/19 *Poland v European Parliament and Council*[6] the Polish Government challenged the legality of Article 17 on the basis that it improperly restricted freedom of expression contrary to the Charter of Fundamental Rights of the European Union.[7] At the outset, Article 17(1) provides that a content provider "performs an act of communication to the public or an act of making available to the public … when it gives the public access to copyright-protected works or other protected subject matter uploaded by its users."[8] This provision resolves a dispute which had existed as to whether sharing platforms were communicating a work to the public when their users uploaded infringing content.[9] Further, Article 17(3) excludes any such communication to the public from the exemption under Article 14 of the E-Commerce Directive. Where no authorisation is granted, this leaves sharing platforms liable unless they can demonstrate they:

> *(a) made best efforts to obtain an authorisation, and*
>
> *(b) made, in accordance with high industry standards of professional diligence, best efforts to ensure the unavailability of specific works and other subject matter for which the rightholders have provided the service providers with the relevant and necessary information; and in any event*
>
> *(c) acted expeditiously, upon receiving a sufficiently substantiated notice from the rightholders, to disable access to, or to remove from their websites, the notified works or other subject matter, and made best efforts to prevent their future uploads in accordance with point (b).*

Paragraph (a) of this rule is uncontroversial[10] and paragraph (c) initially reflects the existing rule in Article 14 of the E-Commerce Directive[11] but it, like paragraph (b), includes an obligation to prevent the future upload of the notified conduct. This is supplemented by a rule setting out the factors to be taken into account when assessing whether the steps taken under Article 17(4) were proportionate.[12] It is paragraphs (b) and (c) of that provision which were central to the Polish challenge. The Advocate-General summarised the Polish position adeptly:[13]

> *… in accordance with Article 17(4)(b) and (c) … sharing service providers are obliged, in order to be exempt from any liability in the event of the unlawful 'communication to the public' of works or other protected subject matter on their services, to carry out preventive monitoring of the content users wish to upload. To do this, they must use software tools which enable the automatic filtering of such content. That preventive monitoring is said to constitute a limitation on the exercise of the right to freedom of expression, guaranteed in Article 11 of the Charter. That limitation is not compatible with the Charter since it undermines the 'essence' of that fundamental right or, at the very least, fails to comply with the principle of proportionality.*

Freedom of expression

The Court of Justice acknowledged that freedom of expression applies not only to the content of the information itself, but also its dissemination.[14] It also accepted that Article 17(4) was premised on the fact that the content-sharing platforms would not be able to obtain authorisations for all the copyright works that may be uploaded to their sites. This is because there is no obligation on right holders to grant any authorisation (whether the refusal is reasonable or not) to content providers and, if a licence is refused, then Article 17(4) is engaged.[15] What is significant about Article 17(4) is that it is a prior restraint, that is it requires the content-sharing platforms to prevent pre-notified content being made available on their websites by using automatic recognition and filtering tools.[16] The Court of Justice accepted that such a prior restraint is a limitation of the rights of free expression guaranteed under the Charter of Fundamental Rights of the European Union[17] and so it had to consider whether this restriction was justified.

Only infringement may be targeted

The Court of Justice stated that "in the context of online content-sharing services, copyright protection must necessarily be accompanied, to a certain extent, by a limitation on the exercise of the right of users to freedom of expression and information."[18] This reiterates the fact that (almost) any exercise of copyright is necessarily a restriction of some form of expression. However, any such restriction cannot affect the "essence" of that right[19] and must be strictly targeted to ensure there is effective protection of copyright works without affecting those lawfully using the service.[20]

Critically, the Court concluded that while the rules on filtering and blocking were not prescriptive they were sufficiently clear and precise to be enforceable.[21] It went on to accept that the wording was adopted to allow for the development of industry practices and available technology.[22] As to the standard of the blocking it was held that any filtering system needed to *distinguish adequately* between lawful[23] and unlawful content to avoid being an improper restriction of freedom of expression.[24] The adequacy of the current filtering technology will probably be considered in due course[25] and in any event the Court's approach leaves scope for technological development. So, for instance, it may be that a sufficient system in 2022 is deemed inadequate a few years later when there is software available which can better distinguish between lawful and unlawful content. In any event, any filtering is rooted in information provided to content-sharing platforms to identify the potentially infringing works as there is no general monitoring obligation.[26] This information might be supplied in advance of any work being uploaded or as part of the notice and take down rules to prevent unlawful content being uploaded again.[27] The need for information might be seen as a form of safeguard, but Article 17 includes some more explicit ones as well.

Safeguards

The safeguards in the Directive begin with Article 17(7) which provides that content-sharing platforms and right holders *must* cooperate to ensure that the exceptions for quotation, criticism, review, and for the purposes of caricature, parody and pastiche are protected for users. In contrast to the filtering obligation, this is not framed in terms of making "best efforts" and so the Court of Justice made clear it is a specific result that *must* be achieved.[28] The Advocate General took the view that the safeguards in Article 17(7) should be taken into account at the filtering stage *and* later when any complaint is being investigated.[29] The Court did not expressly state that Article 17(7) had to be considered at the filtering stage, but its discussion of filtering software adequately distinguishing between content mentions exceptions as a type of lawful work[30] and so it appears the Court shares the view of the Advocate General. This means that any filtering software must take account of exceptions as far as is possible.

A further safeguard is found in Article 17(9) which requires content providers to adopt effective and expeditious complaint and redress mechanisms to support lawful use of works. This mechanism requires a degree of human review[31] and is supplemented by a requirement to have out-of-court and judicial redress.[32] However, it is not permissible to rely on the complaint mechanism as a reason to have an overly broad filtering system. The final safeguard in the Directive is the need for stakeholder guidance, sharing of best-practice and the issuing of guidance.[33]

The implications

Overall, the Court concluded that the safeguards in place ensured that there was a proper balance between the protection of freedom of speech and the protection of copyright.[34] In short, therefore, Article 17 – with all its controversy – is still in force. While the Court of Justice was ruling only on the legality of the Article 17, its ruling has a broader relevance for the provision. It made it clear that when implementing the Directive into national law there is very little freedom left to Member States. This is because they must ensure the balance between the fundamental rights is maintained.[35] Secondly, it is probably the case that the guidance issued by the European Commission will need an early revision.[36] Thirdly, the decision sets the broad parameters for when the filtering software implemented by content providers will distinguish adequately between lawful and unlawful works. Finally, it makes it clear that these providers will need to constantly develop and evolve their automated systems as the adequacy of the system will change as technology improves. While many social media companies and content-sharing platforms already have filtering technology in place, Article 17 may limit access the market for new platforms until they too have filtering in place and, more importantly, it will mean that the content-sharing platforms will have to constantly revise and improve their filtering technology to avoid liability.

1 Professor of Commercial Law, Cardiff University and Barrister.

2 Directive (EU) 2019/790.

3 As to the definition see Directive (EU) 2019/790, Art 2(6): "'online content-sharing service provider' means a provider of an information society service of which the main or one of the main purposes is to store and give the public access to a large amount of copyright-protected works or other protected subject matter uploaded by its users, which it organises and promotes for profit-making purposes. Providers of services, such as not-for-profit online encyclopedias, not-for-profit educational and scientific repositories, open source software-developing and-sharing platforms, providers of electronic communications services as defined in Directive (EU) 2018/1972, online marketplaces, business-to-business cloud services and cloud services that allow users to upload content for their own use, are not 'online content-sharing service providers' within the meaning of this Directive."

4 See *Commission Staff Working Paper, Impact Assessment on the Modernisation of EU Copyright Rules* (SWD(2016) 301 final), 137–41; also see Directive (EU) 2019/790, Recitals (61) and (66).

5 Directive 2000/31/EC on certain legal aspects of information society services, in particular electronic commerce, in the Internal Market ('Directive on electronic commerce').

6 EU:C:2021:613 ("AG"); EU:C:2022:297 ("Court").

7 This was actually the alternative position as the more limited challenge to Article 17 was found not to be admissible: AG, [42]–[45]; Court, [21].

8 See Court, [32].

9 See AG, [17] and [27]; also see C-682/18 *YouTube*, EU:C:2021:503 and case comment: Phillip Johnson, 'User generated content and intermediary liability' (2021) 126 *Intellectual Property Forum* 101–4.

10 The provision was not challenged in the narrower, inadmissible challenge.

11 See Court, [50] and [51].

12 Directive (EU) 2019/790, Art 17(5).

13 AG, [46] (also see Court, [24] and [29]).

14 Court, [46] relying on the fact Article 11 of the Charter is the same as Article 10 of the European Convention of Human Rights and so the Court relied on two decisions of the European Court of Human Rights: *Cengiz v Turkey*, ECHR:2015:1201JUD004822610, [52]; *Kharitonov v Russia*, ECHR:2020:0623JUD001079514, [[33].

15 Recital (61); Court, [48].

16 Court, [54].

17 Court, [55]–[58].

18 Court, [82].

19 Court, [80].

20 Court, [81] citing C-314/12 *UPC Telekabel Wien*, EU:C:2014:192, [55] and [56].

21 Court, [67] and [85] and AG, [164], [165], [191] to [193].

22 Court, [73] and [74] relying on *Delfi AS v Estonia*, ECHR:2015:0616JUD006456909, [121].

23 Lawful content being that in the public domain and which can properly rely on a copyright exception: Court, [86].

24 Court, [86].

25 In this regard see European Commission, *Guidance on Article 17 of Directive 2019/790 on Copyright in the Digital Single Market*, 4 June 2021 (2021) COM 288 final.

26 Directive (EU) 2019/790, Art 17(8); Court, [91]; also Directive 000/31/EC, Art 15(1).

27 See Directive (EU) 2019/790, Art 17(4)(b) and (c) and Court, [89] and [91]; and Recital (66).

28 Court, [78].

29 AG, [171] to [177].

30 Court, [86] and [87].

31 Directive (EU) 2019/790, Art 17(9) and Recital (70) and Court, [94].

32 Court, [95].

33 Directive (EU) 2019/790, Art 10; as to the guidance see endnote 27 above.

34 Court, [98].

35 Court, [99].

36 The Advocate General questioned some of it: AG, [223].

GERMANY

Christopher Weber and Sören Dahm
Kather Augenstein
Correspondents for Germany

Retroactive Standing to Sue

Federal Court of Justice decision of 22 February 2022, docket number X ZR 102/19

Introduction

Like any legal action, a patent infringement action in Germany requires standing to sue, or locus standi. In patent matters that means inter alia that the claimant is able to demonstrate that he/she has the rights to assert the patent. For the patentee this is usually presumed. Usually, the patentee is able to demonstrate ownership of the patent by providing a copy of the patent specification from the patent register. In contrast to other jurisdictions, each of multiple owners of a patent is eligible to bring an action of his/her own. Under German law and caselaw the exclusive licensee also has standing to sue, in contrast to non-exclusive licensees and sole-licensees, because in this case the patentee retains the rights as well.

Background and facts of the case

The background to the present case concerns the question whether an exclusive licence can be granted retroactively and, if not, whether there are other ways to cause such a retroactive effect.

In 2011, the patent proprietor granted "A" a licence to the patent in suit. It was disputed between the parties whether the licence had legal effect, because it was doubtful whether the persons signing on behalf of the patent proprietor were properly authorised. "A" then granted a sub-licence to the licensee with the same date. In supplementary agreements in 2017, the patent proprietor and the licensee agreed on an exclusive licence and sub-licence under German law, retroactive to the date of the first agreement in 2011.

Confirming the decision of the Regional Court, the Higher Regional Court ("HRC") Düsseldorf found that the defendant infringed the patent and was liable vis-à-vis the licensee who launched the action on the basis of the retroactive exclusive licence.

The defendant challenged the judgment by the HRC, inter alia, on the grounds that the licensee was not entitled to sue.

Decision by the Federal Court of Justice ("FCJ")

The FCJ confirmed the patent infringement found by the lower courts and dismissed the appeal.

The licensee had the right to sue. In contrast to the decision of the HRC, the FCJ held that an exclusive licence could not be granted retroactively. This would give rise to retrospective claims against third parties in favour of one party to the

contract. At the time of the act of infringement, it must already be known whether and to whom a third party is liable. Retroactivity is generally inadmissible if a contractual agreement subsequently gives rise to additional claims against third parties. This is the case with an exclusive licence, since the holder of this licence is then entitled to his/her own claims for injunctive relief, damages, recall, etc., which by their very nature would not have arisen without the licence. It would be conceivable, for example, that the licensee could assert a claim for compensation for lost profits, to which the patent proprietor would not have been entitled. Thus, the liability of the infringer would retroactively increase.

However according to the FCJ, an exception could be considered insofar as the law directly provides for retroactivity, as is the case in § 177(1), § 184(1) and § 185(1) and (2) of the German Civil Code. These sections deal with the case of an unauthorised agent:

> ***Section 177***
> ***Entry into contract by an unauthorised agent***
>
> *(1) If a person enters into a contract in the name of another without power of agency, then the effectiveness of the contract to the benefit or detriment of the principal requires the ratification of the principal.*
>
> ***Section 184***
> ***Retroactive effect of ratification***
>
> *(1) Subsequent approval (ratification) operates retroactively from the point of time when the legal transaction was undertaken, unless otherwise provided.*
>
> ***Section 185***
> ***Disposition by an unauthorised person***
>
> *(1) A disposition of a thing made by a person without the authority to do so is effective if made with the consent of the person entitled.*
>
> *(2) he disposition becomes effective if the person entitled ratifies it, or if the person disposing acquires the thing or if the person entitled has succeeded to the estate of the disposer and has unlimited liability for the obligations of the estate. In the last two cases, if more than one conflicting disposition has been made in respect of the thing, then only the first disposition is effective.*

Thus, a contract entered into on behalf of another person without authority can become retroactively effective if that person grants that authority (sections 177 and 184). The same is also true for dispositions over things (section 185). Two separate sections are required here, however, because German law distinguishes between contracts that give rise to legal obligations and dispositions fulfilling such obligations.

As with a (not permitted) retroactive exclusive licence, the retroactive effect of the authorisation or ratification also leads to the subsequent accrual of claims against third parties. However, this is linked to the original – now approved – legal transaction. Since these provisions are also applicable to the approval of an exclusive licence, any deficiencies in the representation of the original licence can be cured.

The HRC decision was therefore correct in its conclusion, as the original licence from 2011 was to be interpreted as an exclusive licence. In addition to the conduct of the parties after the conclusion of the agreement, this was supported by the fact that the agreement also granted the licensee the right to conduct disputes with third parties on its own accord.

Thus, while the FCJ strictly denies the possibility of a retroactive exclusive licence, setting into force a previously ineffective exclusive licence with complete retroactive effect is possible.

The Court found as follows:

1. The retroactive agreement of an exclusive patent licence with effect vis-à-vis third parties is in principle excluded from retroactive acts provided by law.
2. An agreement on the grant of an exclusive patent licence which is ineffective due to lack of authority may be approved with retroactive effect under sections 177(1) and 184(1) of the Civil Code.
3. If the licensee is granted the right in a patent licence agreement to pursue rights arising from an infringement of the IP right on his own accord and if the licensee subsequently exercises the rights associated with an exclusive licence, the agreement is to be interpreted as granting an exclusive licence.

Conclusion

The FCJ confirmed that an exclusive licence cannot be granted retroactively, but held that an exclusive licence that was originally not validly granted can very well be approved retroactively. Moreover, it is said to be an important factor for classifying a licence agreement as exclusive if it includes the right to enforce the patent.

In individual cases, before filing a lawsuit, it should be carefully examined whether an exclusive licence has been concluded in compliance with all formal requirements by persons actually entitled to do so. If not, subsequent authorisation may be considered. What is most favourable for the parties in individual cases, taking into account many factors such as options for damages, security for litigation costs and the like, should be part of this legal and economic examination.

FRANCE

Emmanuel Baud and Philippe Marchiset[1]
Jones Day
Correspondents for France

A Champagne dispute over the Taittinger name

The geographical indication "Champagne" has become one of the most widely known labels within the intellectual property world. While it conveys many different ideas, such as celebration or glamour, the legal or economical life of Champagne houses or estates can, in some instances, be more conflicting. Many estates were or remain family owned and are known under the family name of the founders.

The existence of legal conflicts surrounding a family name and the corresponding trade mark is timeless. Following a decision by the French Cassation Court in the *Bordas* case,[2] it is held that a family name, when incorporated as a company name or filed as a company trade mark, becomes the legal asset of the company.

Despite this ruling, various conflicts may still occur around the name's ownership or use. For instance, family members may decide to launch their own business, thus competing with the rest of their family. Or, the trade mark may be owned by some individuals in the same family, which may also generate conflicts amongst various family members.

The well-known Champagne House "Taittinger" is no exception to these principles.

For some years, Ms Virginie Taittinger has been embroiled in a legal dispute with the Taittinger House. Ms Taittinger is a former employee of said House. The dispute has been protracted as the House was sold by the family to a third party and the sale included the ownership rights over the name.

In the most recent and final decision issued in this matter on 22 June 2022, the Cassation Court confirmed that the reputation of the "Taittinger" trade mark may not be an obstacle to the use of the corresponding sign as a patronymic name in the course of trade.

The "Taittinger" trade mark was registered in 1968 in classes 32 and 33 by the Taittinger family from Champagne and is today one of the most renowned Champagne trade marks. In 2005, the members of the Taittinger family sold their shares in the company owning the "Taittinger" trade mark through one of their representatives. The deed of transfer included a clause under which the family irrevocably undertook not to use the name Taittinger to designate competing products and services, worldwide.

However, in 2008, Ms Virginie Taittinger, who had worked for 20 years as an ambassador for the Taittinger brand, decided to create the company "BM & VT", specialising in the production and distribution of Champagne. She registered the trade mark "Virginie T" in classes 32 and 33 and registered domain names composed of the combination of her family name "Taittinger" and her first name "Virginie".

The company Taittinger CCVC, owner of the Taittinger trade mark, complained that such use was made in connection with competing products. Then, Taittinger CCVC brought an action against Ms Virginie Taittinger before the Paris Court of First Instance with two different claims. One related to a breach of the clause in the contract of assignment restraining her use of the name "Taittinger". The second was an infringement claim of the reputed "Taittinger" trade mark and acts of parasitic behaviour were raised.

The Court of Appeal held that no breach of contract was established. In particular, the Court held that the mandate given by Ms Taittinger in view of selling her shares was not enforceable with respect to the restrictions surrounding the use of her name. The mandate was too broad and not sufficiently precise insofar as the restriction to use the name was considered.

With respect to infringement, it was ruled that there was no harm of the reputed trade mark.[3] The line of reasoning was based on Article 10(2) (c) of the *EU Trademark Directive* which provides:

> *… the proprietor of (a) registered trade mark shall be entitled to prevent all third parties not having his consent from using in the course of trade, in relation to goods or services, any sign where: (…) (c) the sign is identical with, or similar to, the trade mark irrespective of whether it is used in relation to goods or services which are identical with, similar to, or not similar to, those for which the trade mark is registered, where the latter has a reputation in the Member State and where use of that sign without due cause takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the trade mark.*

The Judges' reasoning consisted of two steps. First, they considered that the use of the name "Virginie Taittinger" together with Champagne products was taking unfair advantage of the "Taittinger" trade mark. However, the Judges found that Ms Taittinger had due cause to use the name. In particular they considered that since the reference to the Taittinger name is inherent to Ms Taittinger's identity, and she had extensive experience in the Champagne production, then no trade mark infringement could be found. They also found that the products had different labels and that the Champagne was not commercialised under the "Taittinger" trade mark. This is the approach that the Cassation Court confirmed, by noting inter alia that the Taittinger name was used as a mere family name in association with the history of Ms Taittinger, while the product had a different trade mark.[4]

This outcome illustrates that trade mark rights cannot always prevent the use of a patronymic name, including when the trade mark is reputed/well-known. It also opens possibility

to use a patronymic name for purposes other than trade mark use; such purpose being now strongly regulated by the *EU Trademark Directive*. Article 14 of said Directive now provides:

> *A trademark shall not entitle the proprietor to prohibit a third party from using, in the course of trade: (a) the name or address of the third party, where that third party is a natural person.*

This exception is therefore now limited to natural persons and requires the use to be in accordance with honest practices in industrial or commercial matters.

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.

2 Commercial section, 12 March 1985, n° 84-17.163.

3 Paris, 3 March 2020, n° 18/28501.

4 Commercial section, 22 June 2022, 20-19.025.

Current Developments – North America

CANADA

Catherine Dennis Brooks
Partner, Miller Thomson LLP
Correspondent for Canada

Bad Faith as a Ground for Trade Mark Invalidation

A recent decision of the Federal Court of Canada has set out criteria to be applied in assessing whether a Canadian trade mark registration should be declared invalid on the basis of bad faith. The bad faith ground for trade mark invalidation is a relatively recent addition to the *Trademarks Act* and this is the first decision in Canada to invalidate a registration on this basis.

In *Beijing Judian Restaurant Co., Ltd. v Wei Meng*, 2022 FC 743, the Federal Court declared Canadian trade mark registration number TMA1020055 JU DIAN & Design, depicted below, to be invalid and struck it from the Canadian Trademarks Register.

Background and Evidence

The JU DIAN & Design Mark was registered in the name of Wei Meng (the "Respondent"), on 25 August 2019 for use in association with "restaurant services; take-out restaurant services" and "beer".

The Beijing Judian Restaurant Co. Ltd. (the "Applicant") owns and operates two restaurants in Canada as well as a chain of well-known restaurants in China. In China, it used a family of JU DIAN Design trade marks, including one identical to the JU DIAN & Design Mark applied for by the Respondent.

In Canada, the Applicant used and applied for the following JU DIAN trade mark which incorporates some of the elements of its JU DIAN Design trade mark used in China which was applied for in Canada by the Respondent:

The application was filed in November 2017 but the Respondent had already filed the JU DIAN & Design application in June 2017.

The Applicant sought a declaration of invalidity pursuant to section 57(1) of the Trademarks Act and requested that the JU DIAN & Design mark be struck from the Canadian Trademarks Register. The Applicant asserted that the Respondent had registered the JU DIAN & Design Mark in bad faith contrary to section 18(1)(e) of the Trademarks Act and only registered the mark with the intention of trying to sell the registration to the Applicant or otherwise interfere with, or profit from, the Applicant's business and reputation. The Applicant asserted that the Respondent similarly applied to register the marks of other well-known Chinese restaurants with the same intention.

The Respondent filed a Notice of Appearance but did not file evidence or any further documents and did not participate in the hearing of the application.

The Applicant's evidence included its use of the following marks in association with close to 40 restaurants in China:

聚点串吧 in written and design form, an English stylised character design for the word "Partybase" and/or a circles design.

聚点串吧	Chinese JU DIAN Characters Mark (jù diǎn chuàn bā)
	Chinese JU DIAN Characters Design Mark
	Stylised English language "Partybase" mark
	Circles Design Mark
	Combination Mark

The Applicant's evidence established that it used its trade marks extensively and for many years in China to promote its restaurant services through various media, including in publications, billboards, signage at subway stations, pop-up shops and social media.

The Applicant opened its first three restaurants in Canada in 2018 and 2019 and established use of JU DIAN marks in Canada, as well as a reputation in association with its marks among the Chinese-Canadian community in Canada.

In 2019 the Respondent approached the Applicant, alleging that the Applicant had stolen his trade mark. Based on the Canadian registration, the Respondent claimed ownership rights in the JU DIAN Design mark and demanded CA$1,500,000 for the Applicant to use it in Canada. The request for payment was refused. The Respondent then placed an advertisement for the sale of the trade mark registration on an online marketplace news website. When contacted, the Respondent requested CA$100,000 per year to license use of the mark in association with a restaurant franchise.

The Issues

Section 18(1)(e) of the Trademarks Act is a recent addition to Canadian trade mark legislation and provides a new ground to invalidate a trade mark registration if "the application for the registration was filed in bad faith". A definition of "bad faith" is not, however, included in the Trademarks Act.

The Court noted that there are similar provisions in European Union and United Kingdom trade mark law and considered the interpretation of bad faith by courts in those jurisdictions, including that under EU and UK law, "bad faith conduct can include applying for registration of a mark without any intention of using it in a legitimate commercial way, where the sole objective is to prevent a third party from entering the market or to interfere with their business" and "… may also exist when an applicant seeks or obtains registration of a trade mark for use as an instrument of extortion".

The Court's finding that the "evidence demonstrates that the Respondent registered the JU DIAN & Design Mark without a legitimate commercial purpose", that "the circumstances here constitute bad faith" and that the registration for the JU DIAN & Design Mark is invalid and should be expunged accordingly, was based on the following key factors:

- At the time Respondent filed the trade mark application for JU DIAN & Design mark, he was aware of the Beijing Judian restaurants and the reputation associated with the JU DIAN trade marks in China and with the Chinese-Canadian community in Canada.
- The Respondent did not have a legitimate commercial intention to use the JU DIAN & Design mark but instead sought to obtain the registration to benefit from the Applicant's reputation and extort money from the sale of the mark.
- The JU DIAN & Design mark is a direct reproduction of the Applicant's mark and it is implausible to contemplate that the Respondent could have created the same original design on his own.
- The evidence established that the Applicant had some reputation relating to the JU DIAN trade marks in Canada at the time the Respondent filed its trade mark application.
- There was no evidence from the Respondent to rebut the inference created by the circumstantial evidence or to indicate any intention to use the JU DIAN & Design mark as a trade mark in association with restaurant services; all evidence pointed to the Respondent's intention of using the JU DIAN & Design Mark to extort money from the Applicant, or to obtain money from others.

Conclusion

The Court concluded that the evidence demonstrated that the Respondent registered the JU DIAN & Design Mark without a legitimate commercial purpose and that the circumstances constituted bad faith. As a result, the registration for the JU DIAN & Design Mark was found to be invalid and the Registrar was ordered to strike it from the Canadian Trademarks Register.

The decision provides Canadian trade mark owners with greater certainty regarding the position courts will take with respect to applying the relatively new ground to invalidate a trade mark registration on the basis that it was filed in bad faith. The analysis in this case is relevant not only in invalidity proceedings, but also trade mark opposition proceedings which can now also be based on the ground of bad faith.

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