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AUSTRALIAN INTELLECTUAL PROPERTY LAW



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Australian Intellectual Property Law

Intellectual property law in Australia has changed dramatically in the last decade and continues to change. Developments in technology, the rise of the internet, the globalisation of trade and the increasing importance of ‘superbrands’ or trade marks with global appeal have all affected the laws surrounding intellectual property. Furthermore, globalisation has resulted in greater pressure to expand the rights of intellectual property owners as they endeavour to capture the potential benefits of ownership in an increasingly affluent and integrated world economy.

This book provides a detailed and scholarly insight into Australian intellectual property law. It aims to offer students and legal professionals a detailed discussion of the black-letter aspects of the law, with the primary emphasis on the legal principles and complexities within.

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For Rachel

For Alan, Louise and Tim

For Brad and Lucy

Australian Intellectual Property Law

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Preface

Intellectual property law in Australia has changed dramatically in the last decade and continues to change. These changes are the product of a number of different influences. One of these has been developments in technology such as the rise in the importance of the internet and the use of computer technology generally, developments in biotechnology and changes in plant breeding. Each of these technological influences has had its effects on almost every facet of intellectual property law.

Other influences have included the globalisation of trade, which has resulted in a push for harmonisation of intellectual property laws, and the increasing importance of superbrands or trade marks with global appeal and selling power. This has led to new international treaties and a return to the use of bilateral trade agreements. Globalisation has also resulted in greater pressure to expand the rights of intellectual property owners as they endeavour to capture the potential benefits of ownership in an increasingly affluent and integrated world economy.

The increasing importance of intellectual property has given rise to an increasing need for an understanding of the technicalities of intellectual property law. Both due to and despite some of the harmonising effects of globalisation, Australian law in this area has continued to develop and expand.

This book attempts to provide a detailed and scholarly insight into Australian intellectual property law. Its primary emphasis is on the legal principles and the complexities in that law. The authors have made a deliberate decision to focus on these issues to the exclusion of the wider policy issues surrounding intellectual property law. They have done so for a number of reasons. The first of these is that space constraints make it impractical to adequately deal with those policy considerations in a meaningful way. Consequently, they are flagged throughout the book and detailed references made to the many excellent works that already discuss those matters. The second and related reason is that an adequate investigation into and examination of the legal principles and complexities of Australian intellectual property law requires the sort of detailed treatment that has been undertaken and, again, space constraints demanded a choice about which issues to focus on. The intention is, therefore, to provide an in-depth and scholarly analysis of intellectual property law. By so doing, we aim to increase the stock of knowledge in this important area of the law.

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- United Telephone Co v Sharples* (1885) 2 RPC 12, 542–3
- United Wire Ltd v Screen Repair Services (Scotland) Ltd* [2000] 4 All ER 353 (HL), 519, 522, 526
- Universal Music Australia Pty Ltd v Australian Competition and Consumer Commission* (2003) 131 FCR 529, 607–8
- Universal Music Australia v Cooper* [2005] FCA 972, 250, 260–1, 262
- Universal Music Australia Pty Ltd v Sharman Licence Holdings Ltd* [2004] FCA 183, 596–7
- Universal Music Australia v Sharman Licence Holdings Ltd* [2005] FCA 1242, 256, 260
- University of British Columbia v Conor Medsystems, Inc* (2006) 70 IPR 248, 481–2, 549
- University of Georgia Research Foundation Inc v Biochem Pharma Inc* (2000) 51 IPR 222, 435
- University of London Press Limited v University Tutorial Press Limited* [1916] 2 Ch 601, 4, 211
- University of Nottingham v Fishel* [2000] ICR 1462, 490
- University of NSW v Moorhouse* (1975) 133 CLR 1, 243–4, 248, 256–8, 281
- University of Southampton's Patent Applications* [2005] RPC 220, 482–3

- Re Upham and Commissioner of Patents* (1998) 28 AAR 276, 548
- Vac-U-Flex Trade Mark* [1965] FSR 176, 143
- Valens v British Radio Corporation Ltd* (No. 1) [1972] FSR 273, 471–2, 549
- Veuve Clicquot Ponsardin, Maison Fondée en 1772* [1999] ATMO 29, 97
- Re Application by Veuve Clicquot Ponsardin, Maison Fondée En 1772* (1999) 45 IPR 525, 93
- Victoria Park Racing & Recreation Grounds Co Ltd v Taylor* (1937) 58 CLR 479, 4, 61, 179
- Victoria University of Technology v Wilson* (2004) 60 IPR 392, 220, 487, 488, 489, 490, 490–1
- Vidal Dyes Syndicate Ltd v Levinstein Ltd* (1912) 29 RPC 245, 471–2
- Vine Products Ltd v McKenzie & Co Ltd* [1969] RPC 1, 28
- Virgin Enterprises Ltd v Klapsas* (2002) AIPC 91–670, 147
- Vitamins Australia Ltd v Beta-Carotene Industries Pty Ltd* (1987) 9 IPR 41, 498, 507
- Vokes Ltd v Heather* (1945) 62 RPC 135 (CA), 341, 364, 489
- Von Heyden v Neustadt* (1880) 14 Ch D 230, 525
- Vono Ltd's Appn* (1949) 66 RPC 305 (UK Reg), 86
- Walker v Alemite Corporation* (1933) 49 CLR 643, 468, 510–11, 521, 528, 529, 530
- Wal-Mart Stores Inc v Samara Bros Inc* (2000) 529 US 205, 32, 95–6
- Walt Disney Production v H John Edwards Publishing Co Pty Ltd* (1954) 71 WN (NSW) 150, 252
- Walter v Lane* [1900] AC 539, 188, 212, 215
- Wanem Pty Ltd v Tekiela* (1990) 19 IPR 435, 270, 336, 546
- Ward Group v Brodie and Stone* (2005) 143 FCR 479, 45–6, 54, 78, 79, 160–1, 168
- Washex Machinery Corp v Roy Burton & Co Pty Ltd* (1974) 49 ALJR 12, 457
- Washington Post v Total News Inc* No 97 Civ 1190 (PKL) (SD NY), 49
- WD & HO Wills (Australia) Ltd v Rothmans Ltd* (1955) 92 CLR 131, 78, 79
- WD & HO Wills (Australia) Ltd v Rothmans Ltd* (1956) 94 CLR 182, 79
- Webster v James Chapman & Co* [1989] 3 All ER 939, 354
- Welch Perrin & Co Pty Ltd v Worrel* (1961) 106 CLR 588, 407, 453, 454, 457, 468–9, 474, 475–6, 510, 512, 513
- Welcome Real-Time SA v Catuity Inc* (2001) 113 FCR 110, 11, 410, 414, 415–16, 418, 538, 539
- Welcome Real-Time SA v Catuity Inc* (No 2) (2001) AIPC 91–736, 534
- Wellcome Foundation Ltd v Commissioner of Patents* [1979] 2 NZLR 591, 412
- Wellcome Foundation Ltd v V R Laboratories (Aust) Pty Ltd* (1981) 148 CLR 262, 437, 444, 447–8, 450
- Weller Hotels and Taverns Pty Ltd v TGI Friday Inc's Application* (1994) 30 IPR 631, 106
- Wells Fargo & Co v WhenU.com Inc* 293 F Supp 2d 734 (ED Mich, 2003), 50–1
- Wessex Dairies Ltd v Smith* [1935] 2 KB 80, 341, 365, 367, 488
- Westpac Banking Corporation v John Fairfax Group Pty Ltd* (1991) 19 IPR 513, 370
- Wham-O Manufacturing v Lincoln Industries* (1984) 3 IPR 115, 203
- Wheatley v Bell* [1982] 2 NSWLR 544, 344, 351, 368
- Re Wheatley's Application* (1984) 2 IPR 450, 427, 458, 459, 460–2
- Whirlpool Trade Mark* [1997] FSR 905 (India), 25
- Wilderman v FW Berk & Co Ltd* [1925] Ch 116, 526
- William Edge & Sons Ltd v William Niccolls & Sons Ltd* [1911] AC 693, 32, 95

- Williams Advanced Materials Inc v Target Technology Company LLC* (2004) 63 IPR 645, 444
- Windsurfing International Inc v Petit* [1984] 2 NSWLR 196, 528, 529, 530, 534
- Windsurfing International Inc v Tabur Marine (Great Britain) Ltd* [1985] RPC 59, 439
- Wingate Marketing Pty Ltd v Levi Strauss Inc* (1994) 49 FCR 89, 38, 102, 141, 158–9
- Winner v Ammar Holdings Pty Ltd* (1993) 41 FCR 205, 470
- Wissen Pty Ltd v Kenneth Mervyn Lown* (1987) 9 IPR 124, 499
- Wm Wrigley Jr Company v Cadbury Schweppes Pty Ltd* (2005) 66 IPR 298, 407, 454, 465
- WMC Ltd v Westgold Resources NL* (1997) 39 IPR 319, 35
- Re Wolanski's Registered Design* (1953) 88 CLR 278, 326, 332
- Woodward v Hutchins* [1977] 2 All ER 751, 369, 370
- Woolly Bull Enterprises Pty Ltd v Reynolds* (2001) 107 FCR 166, 134
- Woolworths Ltd v BP* [2006] FCAFC 52, 69
- Woolworths Ltd v BP (No 2)* [2006] FCAFC 132, 73, 97, 610–11
- Woolworths Ltd v Olson* (Unreported, NSW Supreme Court, 7 September, 2004), [336], 226
- Woolworths v Register of Trade Marks* (1998) 45 IPR 445, 100, 102, 103–4, 106–7, 140, 143
- Worthington Pumping Engine Co v Moore* (1903) 20 RPC 41, 487, 490
- WR Grace v Asahi Kasei* (1993) 25 IPR 481, 445
- Wright v Gasweld Pty Ltd* (1991) 22 NSWLR 317, 346, 359, 361, 363, 364, 365, 366, 367, 368
- Wright v Hitchcock* (1870) LR 5 Exch 37, 525
- Re Yanx Registered Trade Mark; Ex parte Amalgamated Tobacco Corp Ltd* (1951) 82 CLR 199, 79
- Yorke v Ross Lucas Pty Ltd* (1982) 45 ALR 299, 62
- Young v Wilson* (1955) 72 RPC 351 (ChD), 484
- Yunghanns v Elfic Ltd* (Unreported, Supreme Court of Victoria, Library No 5970 of 1997, 3 July 1998), 345

Introduction

1.1 The nature of intellectual property

Intellectual property is now a term that is widely used within both the legal profession and society at large. Despite this extensive use, a comprehensive definition of the term remains elusive, especially as some forms of ‘intellectual property’ such as ‘sweat of the brow’ copyright¹ are not intellectual and others, such as confidential information, are very arguably not property.² On the other hand, most forms of intellectual property are clearly regarded as just that – forms of property that are recognised as flowing from the exercise of intellectual activity. For example, patents, designs, plant breeder’s rights, copyright and registered trade marks are expressly stated by legislation to be property. In addition, various statutory requirements evidence the need for the exercise of intellectual activity to obtain that property status. For example, patent applications must demonstrate an inventive step before they acquire registration³ and literary, dramatic, musical and artistic works must be original in order to qualify for copyright protection.⁴

In the absence of a satisfactory exhaustive definition of intellectual property, probably the best that can be done is to rely upon an inclusive list of categories of legal rights that are generally recognised as constituting intellectual

¹ *Desktop Marketing Systems Pty Ltd v Telstra Corporation Ltd* [2002] FCA 112.

² See *Federal Commissioner of Taxation v United Aircraft Corp* (1943) 68 CLR 525, 534; *Breen v Williams* (1996) 186 CLR 71, 81, 90, 111, 128; *Australian Broadcasting Corp v Lenah Game Meats Pty Ltd* (2001) 208 CLR 199, 271. See also *Smith Kline & French Laboratories (Australia) Ltd v Secretary, Department of Community Services and Health* (1990) 17 IPR 545, 592–4. Cf *Colbeam Palmer Ltd v Stock Affiliates Pty Ltd* (1968) 122 CLR 25, 34.

³ s 18(1) *Patents Act 1990* (Cth).

⁴ ss 31, 32 *Copyright Act 1968* (Cth).

property. Article 2(viii) of the *Convention Establishing the World Intellectual Property Organization* states that:

‘intellectual property’ shall include the rights relating to:

- literary, artistic and scientific works,
 - performances of performing artists, phonograms, and broadcasts,
 - inventions in all fields of human endeavor,
 - scientific discoveries,
 - industrial designs,
 - trademarks, service marks, and commercial names and designations,
 - protection against unfair competition,
- and all other rights resulting from intellectual activity in the industrial, scientific, literary or artistic fields.

1.2 Theory of IP

Even more elusive than a simple and satisfactory definition of intellectual property is a consensus about the underlying rationale or rationales for intellectual property. This book does not attempt to resolve these issues⁵ but it is important to have some idea of the various justifications put forward for intellectual property. These will be discussed briefly below.

1.2.1 The ‘property’ in intellectual property

In order to understand any of those rationales it is first important to understand the unique nature of the ‘property’ aspect of intellectual property. Most property rights such as those in chattels or real estate are relatively easily justified in a capitalist society by the potential consequences of what is known as ‘the tragedy of the commons’. For example, if a piece of land is owned by no-one but available for use by everyone, the likely consequence will be that the land will be overused and deteriorate in value because the cost of using it is nil and there is no incentive for anyone to maintain or improve the land because they will not derive the benefit of their investment. Exclusive rights over the land solve this problem by conferring exclusive rights of enjoyment of the land on one party who then has the incentive to maintain and improve it in return for that exclusive enjoyment.⁶ The net result is that the land is maintained and improved with consequent benefits to everybody.

Intellectual property is different. It does not deteriorate through use. For example, if an intellectual property owner gives you the right to copy their book or

⁵ For further reference see B. Sherman and L. Bently, *The Making of Intellectual Property Law* (Cambridge University Press, 1999); P. Drahos, *A Philosophy of Intellectual Property* (Aldershot: Dartmouth Publishing Company Limited, 1996).

⁶ See R.A. Posner, *Economic Analysis of Law* (6th ed, New York: Aspen Publishers, c. 2003); R. Cooter and T. Ulen, *Law and Economics* (4th ed, Boston: Pearson Addison Wesley, c. 2004).

make their invention, their right to copy their book or make their invention is still intact and they may continue to do so, unimpeded and unaffected by the fact that you now also have that right. The position remains the same even if the right is given to another 100, 1000 or even a million people.

On the other hand, while intellectual property is different from other forms of property in this important sense, there remains the need to ensure that there is an incentive to create that property in the first place and then to distribute that property. It is argued that exclusive property rights are needed to provide the incentive to create expressive works and inventions and to invest in the development of the reputations associated with trade marks. The critical decisions for both legislators and courts relate to how they achieve a balance between the need for an incentive for investment in the creation and distribution of intellectual property and the need to ensure that the products of that investment are not locked up by individuals indefinitely. Consequently, there are considerable debates about issues such as the appropriate period of protection for patents and copyright and the appropriate exceptions to the rights of owners.

1.2.2 Natural or personality rights

In addition to the incentive argument, there is no doubt that the concept of natural rights has influenced the development of some aspects of intellectual property law. Hence, it is often argued that copyright material such as literary and artistic works is the extension of the creator's personality and, as such, should be respected and protected. This argument clearly influences copyright in Continental Europe. It is a basis for moral rights such as the right of an author to be attributed as such and the right of integrity, the right to prevent alterations to an author's work that would adversely affect their honour or reputation. These rights have been recognised for many years in Europe but have only recently been recognised in common law countries that usually adopt an approach to copyright that is driven by economic considerations.

1.2.3 Incentive to create and disseminate

Another frequently made argument is that intellectual property laws are necessary to encourage both the creativity involved in producing the subject matter of intellectual property and the dissemination of that subject matter. Hence, it is argued that there is no incentive to write a novel, produce an artistic work or make a film if it can be copied by anyone who chooses to do so. Similarly, even if the work may be created even without the incentive of intellectual property rights, there is little incentive for a creator to undertake the further and possibly even more difficult task of disseminating the subject matter to the public at large. For example, where is the incentive to widely advertise a new invention and establish an expensive marketing regime for it if others can freely copy the invention and take a free ride on the marketing efforts of the original inventor?

A particular manifestation of the dissemination argument is that the process of registering patents requires the patent holder to reveal the best known method for the working of their invention.⁷ This dissemination of information to the public via the patents register is the public benefit gained from providing exclusive rights to the owner of the invention for a limited period of time. In the absence of such rights, there would be no incentive to make the information publicly available. Similarly, with copyright, the copyright owner gains little, if any, benefit from their copyright unless they disseminate their material to the public and so they have an incentive to make it available to as many people as possible who are willing and able to pay for the material.⁸

1.2.4 Protection for investment

The argument that legal protection is needed to encourage the creation and dissemination of information is often transformed into an argument that any commercial investment should be protected. When the digital information revolution led to a significant increase in the number of databases of value that did not acquire copyright protection because they did not meet the originality requirements of many copyright regimes, the European Union responded by creating a new *sui generis* database right. That new right is acquired simply by proving a substantial investment has been made in obtaining, verifying or presenting data.⁹

This general approach has led to calls to implement a general principle of protecting investment from unfair competition and claims that ‘what is worth taking is worth protecting’.¹⁰ To date, these calls have largely been resisted, especially in Australia, where the High Court has explicitly rejected this proposition as a test for copyright infringement and rejected the notion of a general tort of unfair competition.¹¹ On the other hand, many European countries have such a civil action¹² and the majority of American states have a common law tort of misappropriation which does not require proof of deception but is aimed at preventing commercial free riding on the efforts of others in certain defined and quite limited circumstances.¹³

7 s 40(2)(a) *Patents Act 1990* (Cth).

8 M. Richardson, J. Gans, F. Hanks and P. Williams, *The Benefits and Costs of Copyright: An Economic Perspective* (Discussion Paper prepared by the Centre for Copyright Studies Ltd, 2000); The Allen Consulting Group, *Economic Perspectives on Copyright Law* (Sydney: Centre for Copyright Studies Ltd, 2003).

9 Directive 96/9/EC of the European Parliament and of the Council of 11 March 1996 on the legal protection of databases, OJ L 77, 27/03/1996, 20.

10 *University of London Press Limited v University Tutorial Press Limited* [1916] 2 Ch 601.

11 *Victoria Park Racing Co v Taylor* (1937) 58 CLR 479; *Moorgate Tobacco Co v Philip Morris [No 2]* [1984] 156 CLR 414. See *Network Ten Pty Ltd v TCN Channel Nine* (2004) 218 CLR 273.

12 A. Kamperman Sanders, *Unfair Competition Law: the Protection of Intellectual and Industrial Creativity* (New York: Oxford University Press, 1997).

13 *International News Services v Associated Press* (1918) 248 US 215; see also *NBA v Motorola, Inc*, 105 F 3d 841 (2nd Cir, 1997); *Festo Corp v Shoketsu Kinzoku Kogyo Kabushiki Co* 234 F 3d 538, 627 (Fed Cir, 2000) (en banc) (Linn J, dissenting), rev'd, 535 US 722 (2002) (where court debates the proper role of patent law's doctrine of equivalents in terms of whether it permits free riding); *Morris Comms Corp v PGA Tour Inc*, 364 F 3d 1288 (11th Cir, 2004) (where the court permits the imposition of a private intellectual property-like restriction that would otherwise violate the antitrust laws on the grounds that the restriction is necessary to prevent free riding on data created by the restrictor). See also *Ty, Inc v Perryman* 306 F 3d 509, 512 (7th Cir, 2002) (where the court rejects intellectual property claims because they cannot find evidence of free riding).

There are some obvious difficulties with the idea of protecting investment per se. Apart from the uncertainty of determining which investment should be protected, there is no immediately obvious justification for determining that all investment is necessarily worthy of protection, either from a natural rights perspective or from an economic perspective. There may even be the possibility of encouraging too much investment by providing too much protection.¹⁴

1.2.5 Rent seeking

Related to the push to protect investment per se are attempts at rent seeking. In this context, 'rent seeking' refers to the tendency of interest groups to devote considerable resources to obtaining benefits from the introduction of or the expansion of legal rights for members of those interest groups.¹⁵ Rent seeking is not a justification for intellectual property rights but an explanation of their existence. One possible explanation for why some groups have successfully lobbied for the expansion of intellectual property rights is that it is in their interests to do so. Related to this point is the frequent lack of organisation of, and therefore lack of opposition from, groups that would benefit from a reduction in intellectual property rights or the containment of them. For example, the many millions in developing countries suffering from AIDS had a particular interest in minimising intellectual property rights in relation to pharmaceutical drugs but it was difficult, if not impossible, for their voices to be effectively heard in the *TRIPS* negotiations that resulted in a global expansion of such rights. In contrast, pharmaceutical companies in the United States have one full-time lobbyist for every two members of the American Congress.¹⁶ Some aspects of intellectual property law may well be a product of the disproportionate investment in securing legal protection.

1.2.6 A combination of all the above

The likely reality is that our present intellectual property laws are a combination of these and other factors whose respective influences wax and wane over time. Hence, as Sherman and Bently have stated:

[I]n spite of what many present-day commentators would have us believe, the emergence of modern intellectual property law was neither natural nor inevitable, nor was it an example of the law coming to occupy its proper philosophical position.¹⁷

The diversity and complexity of today's intellectual property laws reflect the various principles and forces that have influenced their development and so no easy explanation for the existence of any particular law is readily forthcoming.

14 Prices Surveillance Authority (PSA), *Inquiry into Book Prices and Parallel Imports* (Report No 61, 1995).

15 W. M. Landes and R.A. Posner, *The Economic Structure of Intellectual Property Law* (Cambridge, MA: Harvard University Press, 2003).

16 P. Drahos, *Information Feudalism: Who Owns The Knowledge Economy?* (London: Earthscan, 2002), 160–1.

17 Sherman and Bently, *The Making of Modern Intellectual Property Law*, above n 5, 141.

1.3 The intellectual property regimes

With the inclusive description of the categories of intellectual property and the possible rationales for legal protection of those categories of rights in mind, we can turn to a consideration of the individual intellectual property regimes. Below is a very brief summary of the major intellectual property regimes that reflect the categories in the list above, together with some comments on the various rationales for those regimes.

1.3.1 Passing off

This tort protects traders from harm to their reputations that flow from misrepresentations by other traders to prospective customers of the defendant or those who may ultimately acquire the defendant's goods or services. The classic form of passing off is for the defendant to represent that its goods are those of the plaintiff, but the cause of action has been expanded to almost any misrepresentation that wrongly suggests an association between the defendant's product and the plaintiff. It has also been extended to more general misrepresentations where the defendant has not suggested any association between its goods and the plaintiff but the defendant has nevertheless misappropriated the plaintiff's reputation.¹⁸ Consequently, the plaintiffs may be other traders who compete directly with the defendant or they may be well-known celebrities such as sporting heroes or famous actors objecting to the misuse of their celebrity status to promote the defendants' products.

The tort has a twofold justification. From the plaintiff's perspective, the benefit of the tort is to prevent the misappropriation of its commercial image or goodwill by another. In this sense, it protects business investment by providing a vehicle through which the owners of a commercial image or reputation may protect it. However, in doing so, the tort also protects consumers from deceptive conduct and misinformation concerning the products that they may choose to buy. This protection performs an important economic function. In order for a market economy to work efficiently, buyers and sellers need reliable and accurate information concerning the products they are buying and selling. By giving a cause of action to those with a valuable reputation to protect, the tort provides an incentive to the owners of that reputation to promote the public benefit of preventing the deception of consumers.

A number of statutory consumer protection provisions such as s 52 of the *Trade Practices Act 1974* (Cth) have a similar effect to passing off although their focus is on consumer protection and the protection of reputations is a side effect of that focus. For that reason, there are some differences between these consumer protection provisions and passing off that need to be considered.

¹⁸ *AG Spalding Brothers v AW Gamage Ltd* (1915) 32 RPC 273.

1.3.2 Registered trade marks

Trade marks are signs used to distinguish one person's product, be it goods or a service, from another person's products. A registered trade mark owner can proceed to use their trade mark in respect of their products with confidence that others may not use it or a deceptively similar trade mark in respect of similar goods or services or closely related goods or services.¹⁹ Well-known trade marks also get additional protection under the current legislation. Registration therefore provides some guaranteed protection for investing in the development of goodwill whereas the tort of passing off only applies after the investment has been made and the reputation has actually been developed. The system therefore provides not only protection for investment but an incentive for traders to differentiate their products from the products of others. Again, consumers gain a benefit from this differentiation as it indicates the various characteristics of the products. As long as the trade mark continues to perform its role of distinguishing the owner's products from other products, the trade mark protection may be continued indefinitely by paying the relevant registration fees.

Once registered, trade marks constitute personal property in their own right,²⁰ but if they are used extensively they may also signify in shorthand form the reputation of a trader and as such may have significant additional commercial value. Consequently, there is some overlap between protection for registered trade marks and passing off and the latter was the common law precursor to the former.

1.3.3 Copyright and related rights

Copyright confers rights in relation to the reproduction and dissemination of material that expresses ideas or information. The *Copyright Act 1968* (Cth) defines the categories of material that receive copyright protection as literary, artistic, dramatic and musical works²¹ and sound recordings, cinematograph films, television and sound broadcasts and published editions of works.²² Copyright does not prevent alternative or independently created expressions of the same ideas or information and in this regard the scope of a copyright owner's rights are more limited than those of other intellectual property owners, such as patentees and owners of trade marks.

In addition, unlike trade marks, designs, patents and plant breeders' rights, copyright is not registered and is generated automatically when the copyright material is reduced to a material form. The main justification given for copyright

19 s 120(1), (2) *Trade Marks Act 1995* (Cth). Section 14 of the Act defines goods and services as being 'similar goods' and 'similar services' if they are (a) the same as the other goods/services; or (b) if they are of the same description as that of the other goods/services. 'Closely related' goods and services may be defined by the function of the service with respect to the good, for example, televisions and television repair services: *Registrar of Trade Marks v Woolworths Ltd* (1999) 45 IPR 411.

20 s 21 *Trade Marks Act 1995* (Cth).

21 Part III of the *Copyright Act 1968* (Cth).

22 Part IV of the *Copyright Act 1968* (Cth).

protection in common law jurisdictions is that it provides an incentive for the creation and subsequent distribution of the material in question.

In addition to this economic justification for copyright and the consequent conferral of economic rights on copyright owners, the Australian copyright legislation also confers moral rights on authors. Moral rights permit authors to insist that others give them proper attribution of their authorship and to restrain others from interfering with the integrity of their works. Moral rights are the consequence of the view that some copyright works are an expression of their authors' personality and, as such, the author has a personal interest in the attribution of their work and in ensuring that it is not altered in a manner that would be disparaging of the author. For this reason, moral rights differ from the economic rights of authors in a number of critical respects. For example, moral rights cannot be transferred to another person.

Both sets of rights last, as a general rule, for the life of the author plus 70 years. This period of protection was only recently introduced as a consequence of the *Australia–USA Free Trade Agreement*. The duration of protection for copyright is and has been a controversial issue. If copyright is based on natural rights arguments, protection should probably be perpetual. On the other hand, if the purpose of copyright is to provide an incentive to create and disseminate copyright material, the duration of copyright need only be sufficiently long to provide the necessary incentive and no longer.

Part IX of the *Copyright Act 1968* (Cth) also confers rights on performers in certain circumstances; such rights were introduced relatively recently.²³ These rights presently differ from and are less than those of a copyright owner although that situation has also recently changed as a consequence of the *Australia/USA Free Trade Agreement*.²⁴ The justification for performers' rights is that those who perform and thus interpret copyright material such as musical works contribute a significant amount of creativity to the process of disseminating and exploiting that underlying material.

There are other forms of statutory protection which are similar to copyright. For example, the *Circuit Layouts Act 1989* (Cth) also provides separate protection for the 'representation . . . of the three-dimensional location of the active and passive elements and interconnections making up an integrated circuit'. In the European Union, databases receive protection which is over and above the protection provided by copyright under the copyright provisions that apply there.²⁵ These pieces of legislation deal with specific issues that relate to perceived gaps in the copyright regime.

23 ss 189–195AZG of the *Copyright Act 1968* (Cth) came into operation on 21 December 2000 as a result of the *Copyright Amendment (Moral Rights) Act 2000* (Cth).

24 *US Free Trade Agreement Implementation Act 2004*.

25 See *Directive 96/9/EC of the European Parliament and of the Council of 11 March 1996 on the legal protection of databases*, OJ L 77, 27/03/1996, 20. See also M. Davison, *The Legal Protection of Databases* (Cambridge University Press, 2003).

1.3.4 Designs

A design in relation to a product is ‘the overall appearance of the product resulting from one or more visual features of the product’. The design of a product is often critical to its commercial success. In addition, designs have industrial and commercial application which results in them often having a functional aspect as well as an aesthetic aspect. Partly for that reason, it is important to restrict the extent of protection conferred upon them; the period of protection for designs is a maximum of ten years.²⁶

This limited period of protection contrasts with the lengthy period of protection for copyright; and as designs usually also constitute artistic works, there are important issues about the overlap between copyright and designs. In Australia, these overlap issues are dealt with by denying copyright protection to some designs once they have been industrially applied.²⁷ In addition, designs law differs markedly from copyright in that design protection, like patent and trade mark protection, is subject to a system of registration.

In addition, unlike copyright, independent creation of the same or a substantially similar design is not permitted. Partly for that reason, there needs to be a balance between creating an incentive to produce new designs while preventing indefinite monopolisation of functional designs.

1.3.5 Confidential information

In Australia, common law and equitable principles combine to protect confidential information with commercial or other value from being acquired, disclosed or used by others in circumstances where an obligation of confidentiality arises. The obligation may arise from any one or a combination of sources such as contract or the fact that the circumstances in which a person acquired the confidential information are such that the courts consider that those circumstances impose an obligation of confidentiality.

There are a number of possible benefits flowing from the law imposing such obligations. For example, they encourage people to innovate and discover valuable information, they make it possible for people to share that information with potential business partners and thus increase its value without running the risk of losing control of it and they reduce the extent to which others will devote resources to ‘stealing’ information rather than acquiring their own information via their own intellectual efforts.

1.3.6 Patents

Patents confer an exclusive right to exploit an invented product or process.²⁸ A patent owner must demonstrate that: their invention is useful in the sense that

²⁶ s 46(1) *Designs Act 2003* (Cth).

²⁷ ss 74–77A *Copyright Act 1968* (Cth).

²⁸ The word ‘exploit’ is defined in the Dictionary of sch 1 of the *Patents Act 1990* (Cth) as the making, hiring, selling or otherwise disposing of a product, offering to make, sell or hire or otherwise dispose of a product,

it achieves the outcomes claimed by the inventor; the patent is inventive in the sense that it is not an obvious addition to pre-existing knowledge or inventions; and novel in the sense that it has not been previously made publicly available via publication or use by either the patent owner or another person. Again, unlike copyright, independent ‘creation’ or invention does not justify infringement of the exclusive rights of the original inventor.

While the threshold for obtaining protection is quite high and certainly much higher than for copyright, the rights obtained are also much stronger and, partly for this reason, the period of protection is restricted to twenty years²⁹ although there is provision for extending that period of protection for pharmaceuticals to twenty-five years.³⁰

The registration process is meant to produce a social contract between the patentee and society by ensuring the full disclosure of the invention³¹ in return for which the patentee receives exclusive property rights in respect of their patent for a limited period of time. Upon the expiry of the patent, the invention becomes available for all to use and exploit for free.

1.3.7 Plant breeder’s rights

Plant breeder’s rights confer exclusive rights on those who develop new plant varieties that are stable, uniform and distinct to prevent others from propagating or commercially dealing with that variety of plant.³² Some exemptions apply to farmers who may use seeds obtained from their crops for their own private purposes.³³ The rights last for twenty-five years for trees and vines and twenty years for other plants.³⁴

The purpose of the rights is to encourage constant investment in the development of new plant varieties. New varieties are required that in turn respond to problems such as the adaptation of insects and diseases to previously developed plant varieties.

1.4 Impact of new technology

Intellectual property law is inherently influenced by technological change and is intended to also drive that technological change by providing the incentive for investment in technological development. One of the great challenges for intellectual property law is and always has been to cope with and respond to

use or import it, or keep it for the purpose of doing any of those things where the invention is a product; or the use of a method or process or do any act mentioned in para (a) in respect of a product resulting from such use.

29 s 67 *Patents Act 1990* (Cth).

30 s 70 *Patents Act 1990* (Cth).

31 s 40(2)(a) *Patents Act 1990* (Cth).

32 s 43 *Plant Breeder’s Rights Act 1994* (Cth).

33 s 16 *Plant Breeder’s Rights Act 1994* (Cth).

34 s 22 *Plant Breeder’s Rights Act 1994* (Cth).

massive technological developments which fundamentally affect industries or create new industries.

For example, copyright itself only became relevant as a consequence of the invention of the printing press, because prior to that invention the time and cost involved in copying was so great that the lack of the technological capability to copy obviated the need for legal protection against copying. After the printing press, new technology eventually emerged including photography, film, sound recording, and radio and television broadcasting. Each new development presented new challenges for intellectual property law.

In more recent times, intellectual property law has had to respond to the implications of the digital information revolution. The mass adoption of digital devices such as personal computers and mobile phones together with the pervasive influence of the internet has fundamentally altered the manner in which business is done and personal relationships are conducted. In the copyright arena alone, some of the legal issues arising from this have included determining the best means of protecting computer software, the appropriate response to the creation and distribution of peer to peer software that readily facilitates illegal copying of sound recordings and films and the extent to which copyright owners can and should be permitted to circumvent copyright exceptions by combining contractual provisions with digital processes for denying access to copyright material to those who do not comply with those contractual provisions.

In the patent area, the use of computers and the increasing use of the internet for transacting business have led to attempts to patent business systems, such as the electronic systems by which transactions are both made and recorded, and the patenting of software itself has been a contentious issue.³⁵ The patent area has also been affected by the use of genetic information to create transgenic life forms. Both technical and moral issues arise concerning the patentability of these new life forms and the nature and extent of legal protection, if any, which should be accorded to genetic information.³⁶ Patenting issues have already arisen and will increasingly arise with regard to the emergence of nanotechnology, technology that deals with and can manipulate matter on an extremely small scale.

Perhaps less obviously but no less importantly are the implications for trade mark law of new global systems of marketing. One well-documented issue that has led to enormous litigation and/or arbitration proceedings is the rules relating to obtaining and maintaining registration of domain names, vital means by which businesses advertise and promote their products over the internet. Globalisation of commercial activity and the consequent rise in global marketing of mega-brands facilitated by the ease of modern communication and liberalisation

35 See the proposed EU Directive on the patenting of computer software voted for by the European Parliament in 23 September 2003 but rejected by the European Council 17 March 2004. See *Proposal for a Directive of the European Parliament on the patentability of computer-implemented inventions* (2004) *Foundation for a Free Information Infrastructure (FFII)* <<http://register.consilium.eu.int/pdf/en/04/st07/st07230.en04.pdf>> at 16 March 2006. See also *Welcome Real-Time SA v Catuity Inc* (2001) 113 FCR 110; *IBM Corporation v Commissioner of Patents* (1991) 33 FCR 218 for an analysis of Australian cases regarding business systems.

36 Australian Law Reform Commission, *Protection of Human Genetic Information* (Discussion Paper 66, 2002).

of trade has led to an increasing emphasis and push for protection of famous trade marks.

Finally, some technological changes have demonstrated the gaps in intellectual property law and they have resulted in the development of new *sui generis* legislation to address specific issues. Circuit layout legislation and European database protection laws, mentioned in 1.3.3 above, are examples of this approach of using *sui generis* legislation to address perceived gaps in protection.

1.5 Internationalisation of intellectual property

No introduction to Australian intellectual property law would be complete without some explanation of the increasingly important international and global aspects of intellectual property law. Some very important international treaties concerning intellectual property have been in place for many decades and have had the effect of producing some degree of consistency in relation to general standards of intellectual property protection. The *Berne Convention for the Protection of Literary and Artistic Works* (1886) is an important example of the influence of international treaties.

Yet despite the undoubted influence of these treaties, many nations either did not join the treaties or did not fully meet their obligations under those treaties. For example, the United States of America did not join the *Berne Convention* until 1989 and many developing nations did not regard it as in their national interest to join the *Berne Convention* either. In addition, common law nations did not strictly comply with the obligation to protect the moral rights of attribution and integrity until many years after they joined the *Berne Convention* and some common law countries are arguably still in breach of that obligation.

Differences in approach from country to country are attributable to various factors. In particular, different rationales for intellectual property protection prevailed in different countries. For example, the influence of economic perspectives of the role of copyright in common law countries in contrast to the natural rights arguments in some civil law countries may well explain the difference in approaches to the protection of moral rights. The nature and degree of protection afforded by any nation has also varied according to its perception of its national interest in doing so. Consequently, developing countries have tended not to provide high levels of protection while developed countries have provided higher protection. Some countries, such as Japan and the United States of America, have significantly increased their protection of intellectual property protection as their economies developed and it became increasingly in their economic interest to provide that greater degree of protection. Many European nations did not provide patent protection for drugs until the 1980s and many developing nations provided little or no protection until they were obliged to in order to meet their obligations under the *World Trade Organization Agreement* (1994).

These differences in approach reveal important but conflicting aspects of intellectual property law. One of these is the territorial aspect of intellectual property.

As a creature of the statutes or case law of individual nations, intellectual property is territorial in nature. On the other hand, there are also numerous and increasing pressures to harmonise intellectual property protection across international borders. There are obvious advantages to intellectual property owners that flow from consistency in rights across international borders if those rights are sufficiently powerful. As intellectual property has been seen by major economic powers as constituting a major comparative economic advantage, there has been a major push for international agreements on greater protection for intellectual property. Key institutions and aspects of the current international intellectual property environment which assist in achieving the standardisation of and increase in intellectual property protection standards are discussed below.

1.5.1 WIPO

The largest international organisation dealing with intellectual property matters is the World Intellectual Property Organization (WIPO). WIPO has been a specialised agency of the United Nations since 1974 with a mandate to administer intellectual property matters.³⁷ It administers some twenty-two intellectual property treaties and has 180 Member States. As a vehicle for the creation of international treaties, dissemination of information concerning intellectual property and a forum for discussion of intellectual property generally, it has a significant influence on the development and shape of intellectual property regimes throughout the world.

1.5.2 TRIPS (1994)

While WIPO has a significant role in shaping international norms concerning the protection of intellectual property, it has few, if any, teeth in ensuring compliance with the treaties that it administers. The only means of enforcing the WIPO treaties directly is by referring a matter to the International Court of Justice. No country has ever done so.

The teeth needed to enforce international intellectual property agreements have been supplied by the *World Trade Organization Agreement* and that part of the agreement dealing with intellectual property known as the *Agreement on Trade Related Aspects of Intellectual Property* ('TRIPS') (1994). TRIPS identifies minimum intellectual property standards that each member of the WTO must abide by and it also requires member states to take enforcement measures that give effect to those standards. More importantly, failure to create and enforce the minimum standards leaves each Member State vulnerable to the dispute resolution processes of the WTO which provide that Member States that default on their obligations under the WTO may be subjected to retaliatory trade sanctions. These

37 See the World Intellectual Property Organisation website <www.wipo.int> at 9 March 2006.

processes provide an effective means of ensuring that Member States honour their obligations under *TRIPS*.³⁸

There is also a close connection between several of the most important treaties administered by WIPO and the minimum intellectual property standards imposed by the *TRIPS Agreement*. As the WTO is a trade organisation rather than one predominantly concerned with intellectual property, it adopted most of its intellectual property standards from two WIPO administered treaties rather than attempting to 'reinvent the wheel'. Consequently, the *TRIPS Agreement* requires Member States to implement key provisions of the *Berne*, *Rome* and *Paris Conventions*, although it also adds some other requirements, notably those relating to the protection of geographical indications. In this way, *TRIPS* enforces the major provisions of the relevant WIPO treaties. In addition, by specifically referring to those treaties and their provisions, it imports into the interpretation of *TRIPS* all those matters relevant to the interpretation of those WIPO treaties such as the negotiating history of the treaties.³⁹

TRIPS also imposes two other important requirements. One derives from the pre-existing intellectual property treaties and the other is a cornerstone of the WTO agreement. The principle of national treatment derives from the major pre-existing treaties. It requires members to confer on foreign nationals the same or better protection than it provides for its own nationals. Hence, for example, Australia must confer the same or better copyright protection on a book written by a French author as it does on Australian authors. This requirement has obvious implications for consistency and transparency.

The second and related requirement of *TRIPS* is that of most favoured nation status. This requires Member States to ensure that 'any advantage, favour, privilege or immunity granted by a Member to the nationals of any other country shall be accorded immediately and unconditionally to the nationals of all other Members'.⁴⁰ This requirement ensures that any protection conferred on one nation will lead to the same protection being conferred on others.

1.5.3 Bilateral agreements

Since *TRIPS*, intellectual property standards have been ratcheted up via the use of bilateral agreements. The United States and the European Union have done this by requiring agreement to '*TRIPS*-plus' intellectual property standards in bilateral trade agreements.⁴¹ The effect of this approach is to increase intellectual property standards generally because of the national treatment and most favoured nation requirements in *TRIPS*. Hence, most changes to intellectual property as a consequence of bilateral agreements have multilateral as well as bilateral effect.

³⁸ *Canada – Patent Protection of Pharmaceutical Products*, WTO Doc WT/DS114/R (adopted 7 April 2000); *India – Patent Protection for Pharmaceutical and Agricultural Chemical Products*, WTO Doc WT/DS79/R (adopted on 24 August 1998).

³⁹ See *Canada – Patent Protection of Pharmaceutical Products*, WTO Doc WT/DS114/R (adopted 7 April 2000).

⁴⁰ *Agreement on Trade Related Aspects of Intellectual Property (TRIPS)*, opened for signature 15 December 1993, art 4 (entered into force on 1 January 1995).

⁴¹ See list of bilateral agreements in P. Drahos, *Information Feudalism*, above n 16, xi–xv.

One exception to this relates to *sui generis* legislation which is regarded as falling outside the ambit of intellectual property as it is understood for the purposes of *TRIPS*. For example, the European Union's protection for database owners is only extended to those with the necessary connection with the European Union or the citizens of other countries that have reciprocal arrangements with the European Union concerning the protection of databases. This approach is justified on the basis that the European Union's database laws constitute a *sui generis* form of protection that is not the subject of *TRIPS* and therefore not subject to its requirements of national treatment and the accordence of most favoured nation status.

Another example of bilateral agreements is the *Agreement between Australia and the European Community on Trade in Wine, and Protocol 1994*.⁴² Pursuant to this agreement, Australia implemented legislation in the *Australian Wine and Brandy Corporations Act 1980* (Cth) protecting the geographical indications of wine from the European Union and Australia. While the agreement was completed prior to the *TRIPS* agreement it goes beyond the requirements in *TRIPS* for the protection of geographical indications for wine. It does so by identifying specific geographical indications that are to receive protection even though some were probably generic in Australia at the time of the agreement and, as such, could be denied protection under the provisions of the *TRIPS Agreement*.⁴³

1.5.4 Harmonisation of intellectual property procedures

While many multilateral agreements such as *TRIPS* and bilateral agreements deal with substantive aspects of intellectual property protection, there are also a number of international agreements governing key aspects of procedural matters which are relevant to the registration of intellectual property rights, such as patents and trade marks. For example, an agreement regulates the classes of goods and services for registered trade marks. In addition, the *Madrid Protocol*, to which Australia is a party, permits the one trade mark application to be made for registration in a number of different countries.

In the patent area, there are agreements regulating the deposit of patented organisms⁴⁴ and agreements concerning the classification of patents and the process of assessing them for novelty.⁴⁵

1.6 Intellectual property in Australia

The foregoing discussion of the nature of intellectual property, the rationales for its protection and the technological and international pressures that help to shape

⁴² Opened for signature 26–31 January 1994, ATS 1994 No 6 (entered into force 1 March 1994).

⁴³ *Bollinger v Costa Brava Wine Co Ltd* [1960] Ch 262; see also *Agreement on Trade Related Aspects of Intellectual Property (TRIPS)*, opened for signature 15 December 1993, art 4 (entered into force on 1 January 1995).

⁴⁴ *Budapest Treaty on the International Recognition of the Deposit of Microorganisms for the Purposes of Patent Procedure*, opened for signature 28 April 1977 (entered into force on 19 August 1980).

⁴⁵ *Patent Co-operation Treaty (PCT)*, opened for signature 19 June 1970 (entered into force on 1 April 2002).

its domestic form need to be borne in mind when considering and explaining specific aspects of Australian intellectual property law. Apart from these general considerations, which affect the formation of the intellectual property laws of all nations, there are some specific issues directly relevant to Australia that determine our intellectual property laws. Some of these issues are discussed below.

1.6.1 History of Australian intellectual property law

As with many aspects of Australian law, the vast majority of Australian intellectual property law was originally inherited from the United Kingdom and there was little, if any, divergence from the legislative and common law leads provided from there. For example, Australia's *Copyright Act 1912* (Cth) simply adopted the *Copyright Act 1911* (UK).

Case law has also tended to follow UK case law precedent, and in one recent case relating to the standard of originality for literary works did so despite the fact that the UK had changed its legislation on the point in response to a European Union Directive requiring the change. Hence, in at least this one respect, Australian law remains tied to a bygone era of English law.⁴⁶

As UK law continues to be significantly affected by European Union Directives on all aspects of intellectual property law, which are a reflection of the European Union's desire to harmonise its laws, even more differences are emerging between UK and Australian law. For example, the United Kingdom and Australia now have different tests for what constitutes an inventive step for the purposes of patenting.

In addition, American law is having an increasing influence as Australian courts take a more eclectic view of the precedents that they will consider, the United States continues to dominate the world economy and more directly as a consequence of the *Australia–USA Free Trade Agreement*. For example, the Australian law on inventive step is now more closely aligned to American case law on the topic and the Australian government recently actively considered the introduction of the copyright defence of fair use, a defence that exists under American law.

In other respects, Australian law and regulatory regimes have gone their own way. For example, both the European Union and the United States of America have express statutory limitations on the registration of functional shapes as trade marks because of the potential anti-competitive effects of giving monopoly rights over such shapes. The Australian legislation has no such provision and the issue is dealt with very differently by the Australian courts. In addition, the policies concerning the allocation of '.au' domain names and the resolution of disputes concerning ongoing registration of those domain names are specifically adapted to some Australian requirements and in the light of international experience of

⁴⁶ *Desktop Marketing Systems Pty Ltd v Telstra Corporation Ltd* (2002) 119 FCR 491; see the proposed EU Directive on the patenting of computer software voted for by the European Parliament in 23 September 2003 but rejected by the European Council 17 March 2004. See *Proposal for a Directive of the European Parliament on the Patentability of Computer-Implemented Inventions* (2004), *Foundation for a Free Information Infrastructure (FFII)* <<http://register.consilium.eu.int/pdf/en/04/st07/st07230.en04.pdf>> at 16 March 2006.

difficulties with the Uniform Dispute Resolution Policy.⁴⁷ Consequently, those policies differ from the policies in respect of generic top level domain names.

1.6.2 Constitutional law issues

The constitutional power to legislate in relation to intellectual property matters lies with the Commonwealth government via s 51 (xviii) of the Constitution which confers exclusive power on the Commonwealth to make laws with respect to ‘copyrights, patents of inventions and designs and trade marks’. The section has only twice constituted an impediment to legislation and more recent interpretations by the High Court have adopted an expansive interpretation. In *Attorney-General (NSW) v Brewery Employees Union of NSW* (the *Union Label* case),⁴⁸ the High Court struck down legislation conferring trade mark registration on signs used by a trade union to indicate that goods marked with the sign were produced by members of a particular trade union, thus excluding the possibility that they were produced with non-union labour. The majority held that the trade union signs were not trade marks as a trade mark is ‘a visible symbol of a particular kind of incorporeal or industrial property consisting in the right of a person engaged in trade to distinguish by a special mark goods in which he deals, or with which he has dealt, from the goods of other persons’. The other case where s 51 (xviii) was held not to support aspects of the legislation in question was *Davis v Commonwealth*,⁴⁹ where the power in respect of trade marks was not considered sufficient to justify provisions of the *Australian Bicentennial Authority Act 1980* (Cth) which conferred exclusive rights on the Bicentennial Authority to the use of certain descriptive expressions such as ‘200 years’.

A restrictive interpretation of the wording of s 51 (xviii) seems to have been rejected in later cases where the High Court has adopted a more dynamic view of the particular categories of intellectual property and focused on the essential characteristics of the categories rather than the particular definitions in place at the time the Constitution came into effect. Hence, in *Nintendo Co Ltd v Centronics Systems Pty Ltd*,⁵⁰ the High Court had no difficulty in treating circuit layout rights as falling within the provision even though such rights are conferred by *sui generis* legislation. Similarly, in *Grain Pool of Western Australia v Commonwealth*,⁵¹ the High Court had no objection to the *Plant Variety Rights Act 1987* (Cth) and the *Plant Breeder’s Rights Act 1994* (Cth), on the basis that even in 1900 intellectual property regimes were in a state of flux and dynamic interpretations of the words used in the relevant section should be adopted in the context of legal regimes that are constantly changing, partly as a response to technological developments.

⁴⁷ *Uniform Dispute Resolution Policy*, opened for signature on 26 August 1999 (entered into force on 24 October 1999).

⁴⁸ (1908) 6 CLR 469.

⁴⁹ *Davis v Commonwealth* (1988) 166 CLR 79.

⁵⁰ (1994) 181 CLR 134.

⁵¹ (2000) 202 CLR 479.

Consequently, plant variety rights were accepted because they could be considered a type of invention.

The result of these decisions is that while the specific reference to categories of intellectual property is probably undesirable,⁵² and generates some uncertainty, it is unlikely that it will frequently generate an obstacle to legislation in the area. In any event, the increasing influence of multilateral and bilateral agreements concerning intellectual property means that any difficulties posed by the interpretation of s 51(xviii) can usually be overcome by reliance on other powers. In particular, additional power to legislate in respect of intellectual property flows from the external affairs power in s 51(xxix) of the Constitution and the trade and commerce power in s 51(i). Both these sources of power are particularly useful in the light of the many trade agreements such as *TRIPS* and the *Australia–USA Free Trade Agreement* that contain provisions relating to intellectual property.

Other aspects of the Constitution may have an indirect effect on intellectual property legislation. For instance, in *Australian Tape Manufacturers Association Ltd v Commonwealth of Australia*,⁵³ the High Court struck down legislation providing for the imposition of a levy on blank cassette tapes. The levy was intended to compensate copyright owners for copying of their works onto blank tapes and was described as a royalty to be paid to copyright collecting agencies which would then distribute the royalty to copyright owners. The levy was found to be unconstitutional because it was a tax rather than a royalty and, as such, did not comply with s 55 of the Constitution.

Another Constitutional issue raised from time to time in the context of intellectual property is the requirement that if the Commonwealth acquires property it must do so on just terms (s 51(xxxi)). In *Nintendo Co Ltd v Centronics Systems Pty Ltd*,⁵⁴ the High Court held that rights granted under s 51(xviii) did not constitute an acquisition of property but ‘the adjustment of the competing rights, claims or obligations of persons in a particular relationship or area of activity’ and that s 51(xviii) was not subject to s 51(xxxi), as legislation in the area would necessarily impact upon existing property rights.⁵⁵

1.7 Scheme of the book

This book is divided into chapters dedicated to the individual intellectual property regimes or a regime and its closely related regimes. For example, chapter 3 on registered trade marks also contains reference to *sui generis* legislation conferring protection on the indicia for various sporting events such as the Sydney

⁵² A more expansive version of the section was recommended by the Constitutional Commission, *Final Report*, Vol 1 (1988), [10.140]–[10.153].

⁵³ (1993) 176 CLR 480.

⁵⁴ (1994) 181 CLR 134.

⁵⁵ However see *Australian Tape Manufacturers Association Ltd v Commonwealth of Australia* [1993] 176 CLR 480 (where the court held that a levy imposed on sales of blank tapes affected property rights in the tapes).

Olympics and the Melbourne Commonwealth Games (see 3.24.1). Each chapter is intended to be self contained so that those with a particular interest in a particular regime may read it without reference to other parts of the book, except perhaps this introduction and the last chapter of the book concerning remedies and miscellaneous matters. Consequently, each individual part deals with the history of the particular regime, Australian law on the topic and, to some extent, the international aspects of the topic as they impact on Australian law and practice.

We start with passing off, a creature of common law and equity. As passing off is also the common law precursor of the registered trade mark system, two chapters then follow on the trade mark registration system. Copyright and related regimes such as circuit layouts are then dealt with followed by chapters on confidential information, patents and plant breeder's rights. The last chapter of the book deals with some general aspects of the means of enforcing legal rights and civil remedies that are particularly pertinent to intellectual property. It also deals with some miscellaneous matters such as the relationship between intellectual property and Part IV of the *Trade Practices Act 1974* (Cth).

2

Passing off

2.1 History of passing off

A typical passing off situation is one in which the defendant represents that its product originates from or is in some way associated with the plaintiff or the plaintiff's business when that is not the case. It may do this by adopting some business indicia of the plaintiff such as an identical or similar business name or sign associated with the plaintiff's product; but, as we will see, there are many different scenarios that fit that general description of passing off and the tort has also developed well beyond that basic proposition. We will also see that the understanding of the tort is complicated by its historical evolution. Its complicated history relates to the fact that the tort was recognised by both common law courts and courts of equity but they exhibited considerable differences in both their approach to the theoretical underpinnings of the tort and their approach to remedies for passing off. These historical differences continue to inform and complicate the development and application of the tort. An understanding of that history is essential to understanding the present day formulation of passing off. It is also essential to understanding the various functions of registered trade marks, a statutory system of intellectual property that evolved from the tort of passing off.

2.1.1 Common law and passing off

Common law courts perceived passing off as a form of fraud and placed greater emphasis on the 'fraud' aspect of passing off. They were therefore concerned with representations by traders that deceived consumers about the trade origin of goods. However, unlike the tort of fraud, it was not the recipient of the

fraudulent misrepresentation, the consumer, who brought the action. Instead, it was the injured trader who brought the passing off action because the trader was injured when consumers were deceived into believing that the goods being sold originated from it, when in fact they did not. This common law tort became far more powerful when the requirement of intention to deceive, a necessary element of the tort of fraud, was dropped well over a century ago and the nature of the misrepresentations recognised as founding the action expanded dramatically during the twentieth century.

2.1.2 Equity and passing off

Courts of equity were more concerned with the property aspect of passing off. Consequently, they focused on the property interest of a trader who was injured as a result of the defendant's conduct. The property interest in question is today recognised as the business reputation of the plaintiff. This emphasis of equity on the property interest of the plaintiff had considerable implications for the tort as well. First, it meant that courts of equity were not concerned about the element of intention that dominated the tort of fraud and therefore early common law approaches to passing off. Secondly, the emphasis on the property interest of the plaintiff has probably led to an inclination on the part of courts to more readily find the misrepresentation that is still a necessary part of the tort. By being easily convinced that a misrepresentation has occurred, courts then quickly move to protect the plaintiff's reputation. Indeed, some commentators have suggested that passing off has metamorphosed into a tort of unfair competition that prevents misappropriation of another's business reputation, even in the absence of a misrepresentation. Some comments by English and Australian judges have strengthened this suggestion.¹ While this is not yet the case in Australia,² the courts have certainly widened their view of what may constitute the necessary misrepresentation and appear to be quite quick to find a misrepresentation by the defendant, especially in character merchandising cases. The property-based emphasis on passing off was the precursor of the registered trade mark system in which a registered owner may acquire property rights in a trade mark. However, it needs to be remembered that in that system the property is in the trade mark itself whereas, with passing off, the relevant property is the plaintiff's business reputation, which may be indicated by a trade mark but is separate from it.

Common law and equity also took different approaches to remedies. While the common law dropped the requirement of intention for a successful passing off action, case law to this day suggests that damages for passing off will not be awarded unless intention is proved. Often that will be overcome by advising the defendant that they are engaging in passing off at which point any subsequent

¹ *Bollinger v Costa Brava Wine Co Ltd* [1960] Ch 262; *Hogan v Koala Dundee Pty Ltd (Crocodile Dundee/Koala Dundee case)* (1988) 20 FCR 314 (Pincus J); A. Kamperman Sanders, *Unfair Competition Law: the Protection of Intellectual and Industrial Creativity* (New York: Oxford University Press, 1997).

² *Moorgate Tobacco Co Ltd v Philip Morris Ltd (No 2)* [1984] 156 CLR 414.

passing off would be intentional. Equity, with its emphasis on the protection of property interests, made its remedies of injunctions and accounting for profits available regardless of proof of any intentional misconduct on the part of the defendant.

2.2 Elements of passing off

A comprehensive definition of passing off is probably impossible due to the way in which it has developed and expanded with generations of common law decisions. As Gummow J has stated ‘the law of passing off contains sufficient nooks and crannies to make it difficult to formulate any satisfactory definition in short form’.³ Nevertheless, various formulations are commonly referred to including the five-part test adopted in the *Pub Squash* decision⁴ from *Ervin Warnink BV v J Townend & Sons (Hull) Ltd*:

(1) a misrepresentation (2) made by a trader in the course of trade (3) to prospective customers of his or ultimate consumers of his goods or services supplied by him (4) which is calculated to injure the business or goodwill of another trader (in the sense that this is a reasonably foreseeable consequence) and (5) which causes actual damage to a business or goodwill of the trader by whom the action is brought or (in a quia timet action) will probably do so.⁵

These five criteria can be and often are whittled down to three basic elements of passing off:

- A business reputation or goodwill of the plaintiff
- A misrepresentation by the defendant
- Damage or the possibility of damage to the plaintiff’s reputation or goodwill as a consequence of the misrepresentation.⁶

However, it must be quickly added that while all these elements must be present for a successful passing off action, not all situations involving these elements constitute passing off. Consequently, these shorthand lists of criteria of passing off are only a guide as to whether a passing off action is available.⁷ One important aspect of the requirements is that the misrepresentation will take advantage of the plaintiff’s goodwill by, for example, inaccurately suggesting some association between the defendant and the plaintiff or between one of them and the product of the other. For example, in character merchandising cases, the alleged misrepresentation is usually that the defendant’s conduct has somehow suggested that the celebrity plaintiff has endorsed or otherwise associated him or herself with the defendant or its product. In contrast, a misleading statement

³ *ConAgra Inc v McCain* (1992) 33 FCR 302, 357.

⁴ *Cadbury Schweppes Pty Ltd v The Pub Squash Co Ltd* [1980] 2NSWLR 851.

⁵ *Ervin Warnink BV v J Townend & Sons (Hull) Ltd* (Advocaat case) [1979] AC 731, 742.

⁶ *Reckitt and Colman Products Ltd v Borden Inc* [1990] 1 All ER 873, 890; *ConAgra Inc v McCain* (1992) 33 FCR 302, 357–8 (Gummow J).

⁷ *Ervin Warnink BV v J Townend & Sons (Hull) Ltd* (Advocaat case) [1979] AC 731, 742.

by a defendant that the plaintiff's products are unreliable in some way would not constitute passing off although it may constitute some other cause of action such as injurious falsehood or contravene statutory provisions such as s 52 of the *Trade Practices Act 1974* (Cth). With those aspects of the definition of passing off in mind, we can move to a more detailed consideration of the individual elements of the tort and thereby explain in context the difficulties with the definition that are more abstractly referred to above.

2.3 The reputation of the plaintiff

As indicated above, the courts of equity, in particular, emphasised the property protection aspects of passing off. For some time, there was considerable controversy as to where the property right subsisted. It was initially thought that property resided in the actual sign or business indicium used by the plaintiff in the course of its business. Hence, it was suggested that if the plaintiff sold Spalding footballs, the property lay in the word 'Spalding'. It was not until the decision in *AG Spalding Brothers v AW Gamage Ltd*⁸ in the early twentieth century that a definitive judicial statement was made that defined the property right in question.

In that case, the House of Lords held that the relevant property right was not in the name 'Spalding' itself but in the business goodwill associated with the name that had been acquired by the use of it in a business context over many years. There are a number of implications of such an approach. One implication is that while there is usually some indicia of the plaintiff's reputation such as a trade name or trade mark, the focus of this element of the action will be upon the plaintiff proving the extent of its reputation. The indicium will simply be a sign indicating that reputation to consumers and the means by which consumers are advised that the product in question originates in some way from the plaintiff. Consequently, in order to prove its reputation, the plaintiff will have to adduce evidence of issues such as:

- The time it has been in the market;
- The nature and amount of promotion it has undertaken. For example, the nature and extent of advertising in and through various mediums such as radio, television, newspaper and trade exhibitions;
- Details of its sales network. How many outlets does it have or how many distributors does it have?
- The geographical extent of its business;
- The volume of its sales in both numbers and dollar value;
- Use of a relevant domain name for a website and details of the extent of the usage of the website by potential customers;

⁸ (1915) 32 RPC 673.

- Any other evidence of its reputation with its customers or in the wider community. This evidence may include survey evidence undertaken as part of the business or specifically for the purpose of litigation,⁹
- The above factors need to be considered in the context of the relevant reputation. For example, the reputation may be that of a celebrity and evidence of that reputation would include details of the nature and extent of the celebrity's public exposure via mass media or other means. Television ratings surveys may be of relevance in this context.¹⁰

A further implication of the emphasis on the plaintiff's reputation is that passing off can be used to protect a reputation associated with almost any indicium of a business and it therefore casts its net beyond trade names and even the now widely defined trade marks¹¹ to include such things as business' get up and market image. Hence, the design and shape of products might be protected as may the colour scheme of franchised restaurants if they are associated in the minds of consumers with one particular trader.¹² More abstract indicium of a business' reputation may also be the subject of protection. A possible advantage of this is that protection will be conferred on indicia which are not capable of registration as trade marks. For example, in the *Cadbury Schweppes* case,¹³ the plaintiff claimed its lemon-flavoured soft drink was exclusively associated through its extensive radio and television advertising with a romantic ideal of country pubs. It therefore objected to the defendant entering the lemon-flavoured soft drink market with 'Pub Squash' which was also marketed in a can with a representation of the swinging doors of some old hotels. (See further discussion in 2.3.7.)

Of course, in each case, the plaintiff will have to demonstrate that it has a business reputation associated exclusively with the indicium in question as it is that reputation which is the basis of the action. In the *Cadbury Schweppes* case, the plaintiff failed because it was unable to prove that its product had yet become exclusively associated in the minds of consumers with the general idea of country pubs and their ambience.¹⁴

These issues are discussed in more detail in the sections below dealing with different types of reputations.

9 M. Sylvester and C. Sgourakis, 'Survey Evidence: Improving probative value in IP and trade practices cases (2005) *Australian Intellectual Property Law Bulletin* 1–6. *Cadbury Schweppes Pty Ltd v Darrell Lea Chocolate Shops Pty Ltd* (No 4) [2006] FCA 446.

10 See, e.g., *Amalgamated Television Services Pty Ltd v Clissold* (2000) 52 IPR 207.

11 Refer to the definition of trade mark in the next chapter at 3.3.

12 See, e.g., *Canadian Shredded Wheat Co Ltd v Kellogg Co of Canada Ltd and Another* [1938] 1 All ER 618; *Kellogg Co v National Biscuit Co* 305 US 111 (1938) ('pillow shaped shredded wheat' case); *Jerry's Famous Deli, Inc, Plaintiff-Appellee v Constantino Papanicolaou, d/b/a Roxy's Famous Deli Restaurant* 383 F 3d 998 (9th Cir, 2004) ('restaurant colour scheme' case).

13 *Cadbury-Schweppes Pty Ltd v Pub Squash Co Pty Ltd* [1980] 2 NSWLR 851.

14 US decisions include *Coca Cola Co v Gemini Rising* 346 F Supp 1183 (ED NY, 1972); *Dallas Cowboys Cheerleaders, Inc v Pussycat Cinema, Ltd and Michael Zaffarano* 604 F2d 200 (2nd Cir, 1979); *Clairol, Inc, v Boston Discount Center of Berkeley, Inc, et al* 608 F 2d 1114 (6th Cir, 1979); *Rex Wayne Bell v Starbucks US Brands Corp and Starbucks Corp D/B/A Starbucks Coffee Company* 389 F Supp 2d 766 (SD Tex, 2005); *Motor Improvements, Inc, v AC Spark Plug Co* 80 F2d 385 (6th Cir, Mich, 1935); *K Taylor Distilling Co v Food Center of St Louis, Inc* 31 F Supp 460 (ED Mo, 1940).

2.3.1 Location of reputation

One issue that has frequently arisen is whether it is sufficient for a business to have a reputation in the jurisdiction where it claims passing off has occurred or whether it must demonstrate that it has actually traded there and consequently has goodwill there. Goodwill has various definitions but is usually referred to as the attractive force that brings in custom. Hence, the critical distinction between reputation and goodwill is that the former simply requires the trader's business to be known in the jurisdiction while the latter requires the business to be operating in the jurisdiction and presently supplying its goods or services to people in the jurisdiction. The issue is probably increasingly relevant in a globalised trading environment where global communications via the internet and other formats such as international magazines and cable television have increasingly led to the establishment of reputations without corresponding goodwill. For example, both Whirlpool and Calvin Klein have brought litigation in India against the users of their well-known trade marks. Their litigation was complicated by the fact that neither company had actually traded in India at the time of the alleged infringing action. Despite this, not surprisingly, the trade marks were well known amongst Indian consumers as a consequence of the global marketing campaigns by both plaintiffs.¹⁵ The Indian courts decided that the reputation of those multinational corporations in India was sufficient to found a successful passing off action. In contrast, a Jamaican court found in favour of a local Jamaican restaurant named 'McDonald's' which was established before the McDonald's chain of restaurants was established there but after the chain's reputation was established in Jamaica.¹⁶

Originally, English and Australian case law required the plaintiff to demonstrate that it actually traded in the relevant jurisdiction and English case law still takes that position.¹⁷ However, the distinction led to increasingly difficult decisions about what constitutes trading in the jurisdiction. For example, in the *Sheraton* case,¹⁸ the plaintiff was successful on the basis that people in England were able to book a room in an American Sheraton hotel from England and therefore trading occurred in England. More tenuously, in the *Crazy Horse Saloon* case,¹⁹ the plaintiff was successful in opposing the establishment of a London nightclub called the Crazy Horse Saloon on the basis of the reputation it had for its Paris nightclub of the same name. The justification for the decision seemed to be that Londoners were likely to actually cross the channel to visit the Parisian nightclub and therefore it had goodwill in London. The most curious of these decisions was probably the *Budweiser* case which involved a conflict between a Czechoslovakian Budweiser beer and the American Budweiser beer.²⁰

15 *Whirlpool Trade Mark* [1997] FSR 905 (India); *Calvin Klein Inc v International Apparel Syndicate* [1995] FSR 515.

16 *McDonald's Corp v McDonald's Corp Ltd* [1997] FSR 200.

17 *Jian Tools for Sales Inc v Roderick Manhattan Group Ltd* [1995] FSR 924.

18 *Sheraton Corporation of America v Sheraton Motels Ltd* [1964] RPC 202.

19 *Alain Bernadin et Cie v Pavilion Properties* [1967] RPC 581.

20 *Anheuser-Busch Inc v Budejovicky Budvar* (1984) 4 IPR 260.

The evidence demonstrated that the American beer had a reputation in England and that considerable amounts of the American beer were bought and consumed on what appeared to be English soil. However, because the sale and consumption actually occurred on American military bases, the consumer market for the beer was restricted to those who frequented those establishments and the court declined to prevent the sale of the Czech beer in England. The difficulty with these decisions was that it made little sense to protect business goodwill where trading had been minimal although the plaintiff's reputation led to consumers being misled, while refusing relief where the plaintiff had not yet begun trading but its reputation was such that consumers were still misled.

In Australia, case law equivocated on the issue for many years. An early High Court decision found in favour of General Motors when the defendant adopted that name in the full knowledge that General Motors was about to enter the Australian car market although it had not yet done so at the time of the defendant's actions. The court placed considerable emphasis on the fact that the defendant knew of General Motors' intention to enter the Australian market and had intentionally traded off that fact.²¹ The issues also arose in the context of businesses that developed a goodwill in one or more states but an enterprising defendant adopted their name or business indicia in another state where they had not yet started business. For example, in the *Budget Rent a Car* case,²² the plaintiff had a thriving business in most Australian states but the defendant commenced its Budget rental business in the Northern Territory before the plaintiff started its operations there. The plaintiff was successful on the grounds that it had commenced business activities in the Northern Territory before the defendant began to use the name Budget Rent A Car; moreover a considerable number of its prospective customers in Darwin were people who had travelled there from other parts of Australia where its business was well established. Consequently, the respondent had a reputation in the Northern Territory under the names Budget Rent A Car and Budget Rent A Car System, which it was entitled to protect.

In *Fletcher Challenge Ltd v Fletcher Challenge Pty Ltd*,²³ Powell J in the New South Wales Supreme Court on an interlocutory application adopted the view that . . . 'the relevant question is "does the plaintiff have the necessary reputation?" rather than "does the plaintiff itself carry on business here?"'.²⁴ On the other hand, the Full Federal Court in the *Taco Bell* decision²⁵ came down on the side of the need for goodwill in the jurisdiction when a local Bondi restaurant used the same name for its Mexican food restaurant as that used in the United States by a large chain of Mexican restaurants. In that case, though, there was no evidence of intention to mislead consumers. The combined effect of these cases seemed to be that intent to deceive would be sufficient in the absence of goodwill but the presence of a reputation for the plaintiff, while goodwill would

²¹ *Turner v General Motors (Australia) Pty Ltd* (1929) 42 CLR 352.

²² *B M Auto Sales Pty Ltd v Budget Rent A Car System Pty Ltd* (1976) 12 ALR 363.

²³ [1981] 1 NSWLR 196.

²⁴ *Ibid* 205.

²⁵ *Taco Co of Australia Inc v Taco Bell Pty Ltd* (1982) 42 ALR 177.

be sufficient to overcome a lack of intention to mislead. Again, the cases display the dichotomous historical roots of passing off.

Definitive authority on the point came in the Full Federal Court decision of *ConAgra Inc v McCain Foods (Australia) Pty Ltd*.²⁶ In that case, ConAgra, an American corporation that had not commenced to trade in Australia objected to the use of the term ‘Healthy Choice’ to describe frozen dinners produced by the defendant in Australia. The plaintiff’s Healthy Choice meals were well known in America. The court unanimously held that the plaintiff did not have to prove that it traded in Australia in order for it to succeed in a passing off provided its reputation in Australia was sufficient to prove that use of ‘Healthy Choice’ by the defendant would mislead consumers. As a matter of evidence, the court held that the plaintiff’s reputation in Australia was insufficient to justify a passing off action but the general point that reputation in Australia is sufficient was clearly acknowledged.

2.3.2 Ownership of reputation

Determining the actual owner of the relevant reputation may also be an issue in some situations. For example, if a famous actor plays a particular film character, who has the right to prevent passing off involving the wrongful association of that character by the defendant with its product? Is it the actor who ‘is’ that character or the producers of the film? The issue arose in *Hexagon Pty Ltd v Australian Broadcasting Commission (Alvin Purple case)*²⁷ and in *Pacific Dunlop Ltd v Hogan (Crocodile Dundee case)*.²⁸ The issue is usually resolved in advance by contractual arrangement between the parties but difficulties may arise if this is not done and the issue will come down to a question of fact as to who ‘owns’ the reputation in question.

2.3.3 Joint ownership of reputation

One of the extensions of the passing off action has been in the area of joint ownership of the necessary business reputation. Hence, a reputation may be jointly ‘owned’ by a number of traders. A clear example of this is the *Spanish Champagne* case.²⁹ As the name suggests, the case involved the objection of a champagne maker to the use of the term ‘Spanish Champagne’ for sparkling wine made in Spain. The plaintiff’s claim was that the term ‘Champagne’ could only apply to sparkling wine made in the Champagne district of France. Danckwerts J accepted this proposition and that the defendant’s use of the term ‘Spanish Champagne’ was misleading³⁰ but there was an issue as to whether the plaintiff had the necessary reputation to found the action. The complication here was that it was not the only maker of champagne. Danckwerts J held that the reputation

²⁶ (1992) 33 FCR 302.

²⁷ (1975) 7 ALR 233.

²⁸ (1989) 23 FCR 553.

²⁹ *Bollinger v Costa Brava Wine Co Ltd* [1960] Ch 262.

³⁰ See below at 2.4.2 for a discussion as to why the term ‘Spanish Champagne’ was misleading.

associated with the term ‘Champagne’ was shared by all of the champagne makers of the relevant French winemaking region.³¹ Consequently, any or all of them could bring an action against any person who used the term in a misleading manner.³²

A similar case was the *Advocaat* case which was referred to in 2.2 above in the context of the definition of passing off.³³ The difference was that the reputation in question was not based on the shared geographical origin of the product in question but in other qualities commonly associated with the product. In that case, the defendant made an alcoholic drink which it called ‘advocaat’. Its drink was made with eggs and wine whereas ‘real’ advocaat was and still is traditionally made with eggs and brandy, fortified wine which is more expensive to make due to the extra distilling process and also due to higher government taxes often imposed on strong liquor. One of the makers of traditional advocaat objected to the defendant’s use of the term ‘advocaat’. The House of Lords accepted the proposition that advocaat is made with brandy, not wine, and the defendant was precluded from calling its product advocaat. Again, the court held that the reputation was shared by all makers of advocaat and that any or all could bring an action to prevent misuse of the term.

2.3.4 Dual ownership: honest concurrent user and use of own name

A situation different from where a group of traders share the reputation associated with a particular product’s qualities and its name is where two traders have independently used the same or a very similar trade name or indicium of their respective reputations. These situations differ from the *Spanish Champagne* and *Advocaat* decisions in that the reputations are quite distinct and separate although they may have arisen from a common origin. A number of cases have endorsed the possibility of honest concurrent use, including some decisions from the nineteenth century where separate traders acquired the reputation associated with a particular trade name, often by inheritance. They then proceeded to trade under that same name and, in doing so, obviously acquired their own individual reputations associated with the name.³⁴

Later decisions have endorsed the idea that honest concurrent use may lead to the plaintiff failing to obtain a remedy and the concept is certainly relevant in the arena of registered trade marks.³⁵ The exact basis of it as a defence to

31 A similar conclusion was reached in relation to the term ‘sherry’ in *Vine Products Ltd v McKenzie & Co Ltd* [1969] RPC 1 although the plaintiff in that case was ultimately unsuccessful due to the very lengthy delay in seeking injunctive relief.

32 This issue of the use of geographical indications for wine is now dealt with in Australia under specific legislation. See the discussion of geographical indications at 1.5.3.

33 *Ervin Warnink Besloten Vennootschap v J Townend and Sons (Hull) Ltd* [1979] AC 731.

34 M. Davison, K. Johnston and P. Kennedy, *Shanahan’s Australian Law of Trade Marks and Passing Off* (3rd ed, Sydney: Law Book Company, 2003), 513; *Dent v Turpin* (1861) 2J & H 139; 70 ER 1003; *Southorn v Reynolds* (1865) 12 LT (NS) 75.

35 See, e.g., ‘GE’ *Trade Mark* [1973] RPC 297 per Lord Diplock; *Ausdoc Office Pty Ltd v Complete Office Supplies Pty Ltd* (1996) 136 ALR 659, 664. See the discussion in ch 4 on defences to trade mark infringement.

passing off is uncertain. In some cases, the issue has rested on acquiescence by the plaintiff to the defendant's conduct³⁶ while in others it has been justified on the basis that the existence of two reputations associated with similar indicia is not sufficiently misleading to justify either party being denied the exploitation of their reputation.³⁷ While that approach has been criticised,³⁸ the tort's concern with both misleading behaviour and the property of traders in their reputation may well justify the conclusion that in the case of honest concurrent user, the tort has simply not been made out and that consumers are both aware of and accept the possibility that two traders may have legitimate interests. In this regard, passing off may differ from s 52 of the *Trade Practices Act 1974* (Cth) which is clearly focused on misleading conduct and honest concurrent use is not a defence to a contravention of the standard laid down by s 52.³⁹ However, even in those cases, there is a discernible tendency for judges to find that the defendant's conduct is confusing but not misleading, or to attribute any deception of consumers to their own assumptions about entitlements to the use of the indicium in question rather than the defendant's conduct.⁴⁰

Similar cases in relation to a business name suggest that a person is entitled to carry on a business under their own name where they are doing so honestly although they are not entitled to use the name as a trade mark. For example, in *Parker-Knoll Ltd v Knoll International Ltd*,⁴¹ the House of Lords took such an approach in the face of strong dissent from Lord Denning who supported a more general defence of the use of one's own name provided it was done honestly by, for example, avoiding contractions that resulted in greater similarities with the plaintiff.

The uncertainty surrounding issues such as these is an ongoing reflection of the difficulties that the courts experience in balancing the concerns of passing off with the two principles of prevention of misleading consumers and protecting the reputations of traders. In most situations, the two principles work effectively in tandem. In these instances, there is an inevitable clash between them and the courts must balance one against the other. Not surprisingly, in the course of doing so, some confusion and differences in approach emerge from the judgments as to the basis for achieving that balance. Hence, some resolve the issue by determining that the likelihood of deception is insufficient to justify a remedy⁴² while others more openly support a clear defence for those with legitimately acquired reputations, even when deception arises.

Of course, these cases are also complicated by their individual facts and circumstances such that consideration needs to be given to issues such as whether the defendant has acted in some way that lessens its entitlement to protection

³⁶ *Dominion Rent A Car Ltd v Budget Rent a Car System (1970) Ltd and Another* [1987] 2 NZLR 395.

³⁷ *Habib Bank Ltd v Habib Bank AG Zurich* [1982] 99 RPC 1, 24.

³⁸ Davison et al., *Shanahan's Australian Law*, above n 34, 514.

³⁹ *Peter Isaacson Publications v Nationwide News Pty Ltd and Another* (1984) 6 FCR 289.

⁴⁰ *McWilliams Wines Pty Ltd v LS Booth Wine Transport* (1992) 25 NSWLR 723.

⁴¹ [1962] RPC 265.

⁴² See, e.g., *EV Hawting Ltd v John F Hawting & Co Ltd* [1960] RPC 95.

of its reputation. Examples of this may include deliberately altering its name or adopting a contraction that results in greater deception.⁴³

2.3.5 Reputation in descriptive words and insignia: secondary meanings

Many and probably the majority of the indicia used by plaintiffs to develop the reputation of their products are inherently distinctive in the sense that they do not in any way describe the products or are not related to the shape or function of those products. In those circumstances, it is relatively easy for the plaintiff to associate its products exclusively with those inherently distinctive indicia and thereby develop the necessary reputation.

On the other hand, the indicia in question may, at least at the time of its initial use, be descriptive in nature or a functional aspect of the shape of the plaintiff's goods. These indicia may develop a secondary meaning to consumers so that the indicia may either indicate the plaintiff's products or operate in their normal, descriptive sense. The context of the use will determine whether the original, primary meaning of the indicia is at work or whether it is this secondary meaning that is in operation.

The potential breadth of passing off is partly revealed by cases which demonstrate the means by which a descriptive term may come to be associated exclusively with the plaintiff, effectively preventing competitors from using the term. One of the oldest and clearest examples of this is the decision in *Reddaway v Banham*.⁴⁴ The plaintiff made and sold belting for machinery which it called 'Camel Hair Belting'. Not surprisingly, the belting was made of camel hair. For many years, it was the only supplier of such belting and the only company to use the term.

The defendant started to compete with the plaintiff and also called its belting made of camel hair, 'Camel Hair Belting'. The House of Lords held that the plaintiff had established a reputation associated with the term such that buyers of that product associated the term exclusively with the plaintiff. Consequently, use of the term by the defendant suggested that its product was associated with or originated from the plaintiff and was unlawful.

On the other hand, the plaintiff must demonstrate that its use of the descriptive term has been so extensive, pervasive and exclusive that consumers associate the term with the plaintiff and no other trader. This is no easy task and the plaintiff has failed in cases such as *McCain International Ltd v Country Fair Foods Ltd*,⁴⁵ where the plaintiff objected to the defendant's use of the term 'oven chips' which the plaintiff had originally coined and used. The extent and nature of its use had not been sufficient to associate the largely descriptive term exclusively with it. In part, this was due to the plaintiff's use of its name and trade mark, 'McCain's'

⁴³ E.g., *Parker-Knoll Ltd v Knoll International* [1962] RPC 265.

⁴⁴ [1896] AC 199.

⁴⁵ [1981] RPC 69.

in conjunction with the term, thus emphasising the descriptive nature of the expression. The defendant also differentiated its product by using its trade mark in conjunction with ‘oven chips’.

Potato chips and the description of the method of cooking them has also been the subject of litigation in two Australian decisions⁴⁶ with varying outcomes. The plaintiff in both cases had a significant reputation as a consequence of it being the first in Australia to sell kettle chips which were cooked in a particular manner that imparted a particular flavour. Competitors soon adopted the method of cooking which was clearly within their rights but the dispute arose as to the manner in which they labelled their kettle chips. In the case where the plaintiff was successful,⁴⁷ the defendant’s use of ‘Kettle Chips’ was conspicuous in part because of the extent to which its packaging minimised its own trade mark ‘Smith’s’, a well-known trade mark in respect of potato chips which was usually displayed far more prominently. The net effect was that it was found to be using ‘Kettle Chips’ as an indication of the business origin of the chips and therefore its use was deceptively suggesting that the chips originated from the plaintiff. In contrast, in the other case,⁴⁸ the defendant used its indicator of origin ‘Thins’, which was also well known, in a prominent manner so as to indicate the origin of the chips and the term ‘kettle cooked’ was only being used to indicate the method of cooking. Similarly, in *Pacific Publications Pty Ltd v IPC Media Pty Ltd*,⁴⁹ the plaintiff failed to demonstrate that its magazine was exclusively associated with the words in the title ‘Home Beautiful’ to justify preventing the defendant from using the title ‘25 Beautiful Homes’. It was able to satisfy the court that the defendant should be restrained from using that title in conjunction with instructions to newsagents to place the two magazines together and using a substantial number of the plaintiff’s photographs in its magazine.⁵⁰

2.3.6 Reputation in packaging and appearance

As already indicated, passing off has broadened to include protection of reputation associated with many different forms of indicia. The section above considered the possibility that normally descriptive words could be indicators of that reputation. In addition to or instead of words, the packaging and appearance of a product can also indicate the reputation of the supplier of the goods. A famous example of this is the uniquely shaped Coca-Cola bottle which is recognisable throughout most of the world. As with words, the more inherently distinctive the packaging or appearance is, the quicker it may become associated exclusively with the reputation of one trader. However, extensive use is still required before

⁴⁶ *Pepsico Australia Pty Ltd (t/a Frito-Lay Australia) v Kettle Chip Company Pty Ltd* (1996) 135 ALR 192; *Apand Pty Ltd v Kettle Chip Co Pty Ltd* (1994) 52 FCR 474.

⁴⁷ *Apand Pty Ltd v Kettle Chip Co Pty Ltd* (1994) 52 FCR 474.

⁴⁸ *Pepsico Australia Pty Ltd (t/a Frito-Lay Australia) v Kettle Chip Company Pty Ltd* (1996) 135 ALR 192.

⁴⁹ [2003] FCA 104.

⁵⁰ See also *European Ltd v Economist Newspaper Ltd* [1996] EMLR 394; aff’d by *European Ltd v Economist Newspaper Ltd* [1998] ETMR 307.

this will occur and it is not in itself sufficient that the shape is unique or quite unusual. This is because while the initial use of such shapes is likely to attract consumer attention it does not necessarily do so on the basis that the shape indicates the trade origin of the product but simply that the product has a shape that attracts interest.⁵¹

As seen above, descriptive words can become the relevant indicator of reputation and the position is the same with 'descriptive' or functional packaging and appearance. In *William Edge & Sons Ltd v William Niccolls & Sons Ltd*,⁵² the plaintiff successfully objected to the defendant placing its 'washing blue' at the end of a stick that was used to dunk the blue into laundry. It did so because it had been the sole supplier of washing blue in that way for a number of years and those who did the laundry at that time, often poorly paid and uneducated washerwomen, identified the plaintiff's product purely by reference to its shape and the stick used. Consequently, the defendant's use of its name on very similar packaging did not have the desired effect of differentiating its product from that of the plaintiff in the eyes of its users.

A more recent and more controversial example of this is the House of Lords decision in *Reckitt & Colman Products Ltd v Borden Inc*.⁵³ In that case, the plaintiff objected to the defendant packaging its lemon juice in a yellow, lemon-shaped container. The action was successful despite the 'descriptive' nature of such packaging because the plaintiff had been the sole retailer of yellow, lemon-shaped lemon juice containers for a number of years.⁵⁴ While the Law Lords regretted the result due to its anti-competitive implications, they considered that the facts before them left them no choice but to find for the plaintiff.

In both cases, the critical point was that consumers had come to exclusively identify the packaging in question with the plaintiff's product as a consequence of extended exclusive use. In the latter case, the exclusivity of use was achieved in part by the plaintiff routinely threatening legal action against any company adopting similar packaging and the longer the threats resulted in potential competitors avoiding such use, the firmer was the plaintiff's position until, when ultimately challenged in court, it became unassailable.

On the other hand, as seen with the *Pepsico* case concerning kettle-cooked chips discussed above, the defendant's prominent use of its own well-known indicator of reputation might negative a finding of passing off. In *Koninklijke Philips Electronics NV v Remington Products Australia*,⁵⁵ Philips objected to Remington selling electric triple-headed rotary shavers. Philips had done so exclusively for many years until Remington began to do so and Philips claimed that consumers

51 M. Davison, 'Shape Trade Marks: The role and relevance of functionality and aesthetics in determining their registrability' (2004) 15 *Australian Intellectual Property Journal* 106–11. *Wal-Mart Stores Inc v Samara Brothers Inc* 529 US 205.

52 [1911] AC 693.

53 [1990] 1 All ER 873.

54 See *Cadbury Schweppes Pty Ltd v Darrell Lea Chocolate Shops Pty Ltd (No 4)* [2006] FCA 446 (where the Federal Court found against Cadbury, which claimed that the colour purple was identified solely with its chocolate packaging. See the [Appendix](#) for more on this case and its appeal).

55 (2000) 100 FCR 90.

identified triple-headed rotary shavers exclusively with it. Philips sued for trade mark infringement and on the basis of passing off. At both first instance and on appeal, the Federal Court concluded that Remington's prominent use of its well-known trade mark rebutted any suggestion that the similar shape of its razors suggested an association with Philips. In addition, the functional nature of the shape diminished Philips' case as the shape was partly used to achieve the required function of shaving effectively and partly used to indicate the reputation of the maker. Consumer awareness of the functionality of the shape would result in them at least considering the possibility that another maker had simply entered the market for providing razors of that shape.

2.3.7 Reputation of marketing image

It is possible for a plaintiff to prove that it has a reputation associated with a particular marketing image. These cases represent some of the more difficult passing off cases as there is considerable difficulty in determining the point at which a general marketing image should be considered to be associated exclusively with the plaintiff. A famous case considering this issue is the *Cadbury Schweppes* decision.⁵⁶ The plaintiff released its Solo lemon squash onto the market with an intensive advertising campaign identifying its drink with the ambience of country hotels. Its advertisements contained statements, read out in a slow, Australian accent, such as 'Just like the lemon squash that pubs used to make'. When Pub Squash, a rival lemon squash, was released with a similar marketing theme, the plaintiff objected on the grounds that doing so deceived consumers. Ultimately, the plaintiff was unsuccessful because no individual company had an exclusive right to the use of such general images. However, such a finding must be restricted to the particular facts of the case as, presumably, the issue was one of fact, not law, as to whether Solo was associated exclusively in the eyes of the public with the particular image. Just as with descriptive terms, repeated and exclusive use of a general image may result in it acquiring a secondary meaning related to the plaintiff's products.

2.3.8 Reputation in personality

In recent times, a common use of passing off has been to prevent unpaid exploitation of an actual or fictitious public personality. Associating products with particular celebrities has become prevalent in the marketing industry and the courts have for some time recognised that such celebrities have valuable business reputations. Australian case law has protected those reputations via passing off for several decades and the character merchandising cases as they have become known are a well established part of passing off jurisprudence.

⁵⁶ *Cadbury Schweppes Pty Ltd v Pub Squash Co Pty Ltd* [1980] 2 NSWLR 851.

One of the earliest examples of character merchandising in Australia was *Radio Corporation v Henderson*⁵⁷ where a professional dancing couple objected to the use of a photograph containing their images on the cover of a record of dance music. In more recent times, Olympic athletes such as Gary Honey and Kieren Perkins and television personalities such as Sue Smith have objected to the use of their image on posters, publications and advertisements and popular music artists have objected to the sale of unauthorised T-shirts bearing their names.⁵⁸

The 'character' in character merchandising can and often does go beyond the real life person in question to include the character portrayed in films or television. Relatively recent examples of this include litigation involving Paul Hogan and his film character Crocodile Dundee from the film series of the same name. In one of those cases, the objection was to a television advertisement in which the male character was dressed like, spoke like and acted like Crocodile Dundee. However, few if any viewers believed the person in question was Paul Hogan himself and so the real objection was to the use of the Crocodile Dundee character. Of course, that in turn leads to a question of who 'owns' the character or in the context of passing off who possesses the reputation indicated by the character. For example, in earlier litigation relating to a movie and television series character 'Alvin Purple', a question arose as to whether the actor who played the part of Alvin Purple had a right to object to another person playing that part.⁵⁹ This issue is discussed in relation to ownership of reputation at 2.3.2. The character in question may also be an animated or puppet character such as the puppets from the children's program Sesame Street.⁶⁰

Protection may even extend beyond celebrities and the characters that they portray to the fictional items used by fictional characters. In *Twentieth Century Fox Film Corporation v South Australian Brewing Co Ltd*,⁶¹ the defendant was restrained from selling 'Duff' beer, the beer drunk by Homer Simpson on the Simpsons cartoon show.

2.3.9 Abandonment of reputation

Once established, it is possible for a reputation to be lost in various ways. Businesses decline or cease trading for various reasons and there is then an issue about the point at which they no longer have a reputation that founds a passing off action. The decision in *Ad Lib Club Ltd v Granville*⁶² probably represents the height of the courts' willingness to protect a dwindling reputation. In that case, the owners of the defunct Ad Lib nightclub were able to argue that its reputation remained five years after it had been closed down due to non-compliance

⁵⁷ (1960) 60 SR (NSW) 576.

⁵⁸ *Honey v Australian Airlines Ltd* (Gary Honey case) (1990) 18 IPR 185; *10th Cantanae Pty Ltd v Shoshana Pty Ltd* (Sue Smith case) (1987) 79 ALR 299; *Talmex Pty Ltd v Telstra Corp Ltd* [1997] 2 Qd R 444; *M K Hutchence et Ors, t/a INXS v South Sea Bubble Co Pty Ltd, t/a Bootleg T-Shirts* (1986) 64 ALR 330.

⁵⁹ *Hexagon Pty Ltd v Australian Broadcasting Commission* (1975) 7 ALR 233.

⁶⁰ *Children's Television Workshop Inc v Woolworths Ltd and Another* (1981) 1 NSWLR 273.

⁶¹ (1996) 66 FCR 451.

⁶² [1972] RPC 673.

with local council town planning requirements. They claimed that they had not re-opened due to a lack of suitable premises that would overcome the council's objections. While the decision may be questionable on the basis that either the former owners were not serious about obtaining new premises or such premises did not exist, the general proposition that a residual reputation will be protected has been accepted in numerous other cases.⁶³

An Australian example of the principle is found in the Full Federal Court decision in *Mark Foys Pty Ltd v TVSN (Pacific) Ltd*.⁶⁴ Mark Foys was a well-known Sydney department store which had closed down. The plaintiff acquired the rights to the business store but had not yet commenced trading under that name. It successfully objected to the registration and use of the domain name 'mark-foys.com' and the use of images of the old Mark Foy's business on the defendant's website.

2.4 The misrepresentation

With some idea of the necessary reputation to found a passing off action and the possible indicia of that reputation, we can now turn our attention to the nature and types of misrepresentation concerning that reputation that attract the attention of passing off. One of the undefined and more difficult issues is identifying the test for a misrepresentation in this context.

2.4.1 Misrepresentation, confusion and deception

The courts regularly use different terms such as misrepresentation, deception and confusion interchangeably when speaking about passing off. Unfortunately, there appears to be little consistency in the use of the different terms and so it is important to appreciate the different ways in which the terms are used. One possible meaning of 'confusion' is deception and thus the two terms are interchangeable. However, a distinction is usually drawn between 'confusion' and 'deception' on the basis that 'confusion' leads to consumers having cause to wonder whether the two products that they are considering are related in some way whereas 'deception' requires them to draw the wrongful conclusion that the two products are in fact associated in some way. When it comes to misrepresentation and deception, one commonly drawn distinction is that the former does not necessarily involve any intent on the part of the representor whereas deception may require intent to mislead. Again, the terms are often

⁶³ See, e.g., *Ramsay v Nicol* [1939] VLR; *Bayer Pharma Pty Ltd v Henry York & Co Pty Ltd* [1964] FSR 134 (SC NSW); *Ad Lib Club Ltd v Granville* [1972] RPC 673 (Ch D); *Berkeley Hotel Co Ltd v Berkeley International Mayfair Ltd* [1972] RPC 237 (Ch D); *Levey v Henderson-Kenton (Holdings) Ltd* [1974] RPC 617 (ChD); *Star Industrial Co Ltd v Yap Kwee Kor* [1976] FSR 256 at 270 (PC from Singapore); *Thermawear Ltd v Vedonis Ltd* [1982] RPC 44 (Ch D); *Heller Financial Services Ltd v Brice* (1987) 9 IPR 469 (SC Qld); *ACI Australia Ltd v Glamour Glaze Pty Ltd* (1988) 11 IPR 269 (FC); *WMC Ltd v Westgold Resources NL* (1997) 39 IPR 319.

⁶⁴ (2000) 104 FCR 61.

used interchangeably and deception does not necessarily denote an intention to mislead.

In the context of passing off, deception, in the sense that it denotes an intention to mislead, is relevant because it still seems to be the case that an intention to deceive is a prerequisite for obtaining damages for passing off. This situation is a lingering consequence of the common law emphasis on fraud referred to at the beginning of this chapter. Equity's emphasis on property interests means that the equitable remedy of both permanent and *quia timet* injunctions are obtainable in the absence of intention to mislead.

From an evidentiary perspective, intention to mislead is also highly relevant simply because if the defendant intended to mislead consumers it is but one further short step to concluding that the defendant was successful in its intention. Documentation obtained during discovery processes may constitute the 'smoking gun' that demonstrates an intention to mislead. For example, in *Twentieth Century Fox v South Australian Brewing*⁶⁵ (the *Duff beer* case), marketing documentation prepared for the defendant demonstrated its clear intention to trade off the reputation of the Simpsons and was unsurprisingly referred to by the trial judge. On the other hand, while intention to mislead is relevant it does not inevitably lead to the conclusion that misleading has in fact taken place. In *Cadbury Schweppes Pty Ltd v Pub Squash Co Pty Ltd*,⁶⁶ the court found an intention to mislead but also found that the intention had not been successfully implemented and reaffirmed the point that while it is a short step from intention to mislead to actually misleading, it is a step that must have actually been taken. It should also be borne in mind that when a competitor has captured a market share in some way, other firms will be looking to recapture part of that market and will intend to sail as close to the wind as they can legally without deceiving consumers. It then becomes a question as to whether they have achieved that objective or crossed the line.⁶⁷

The difficulty with terminology is further complicated by consideration of the processes by which consumers make their decisions. For example, deception may occur initially, especially with small, cheap items or in other circumstances such as with an internet search that reveals multiple websites in response to a particular search. This initial deception may be relatively quickly remedied before purchase is completed or an internet surfer spends any significant time at a particular website. There then becomes a question as to the degree to which courts will tolerate this initial deception. There is also an issue about the extent to which the courts will require consumers to take some steps to protect themselves from being deceived, summed up somewhat insensitively by the statement that the courts do not assist 'a moron in a hurry'. Hence, while the expression of the relevant legal tests of deception and confusion are relatively straightforward, the actual application of those tests in any given factual situation may be quite difficult. In

⁶⁵ (1996) 66 FCR 451.

⁶⁶ (1980) 2 NSWLR 851.

⁶⁷ See, e.g., 'Hill of Grace' and 'Hill of Gold' in *CA Henschke & Co v Rosemount Estates Pty Ltd* (2000) 52 IPR 42.

addition, it seems the case that policy considerations influence judges' decisions as to whether to make a finding of deception or 'mere confusion', particularly in cases where the business indicia in question has a primary descriptive meaning and the question is whether it has acquired a secondary, distinctive meaning associated exclusively with the plaintiff. The concern with preventing monopolisation of descriptive words and packaging appears to result in more decisions where the finding is one of 'mere confusion' or that consumers are responsible for their own deception by not taking sufficient care or making assumptions about the legal entitlements to use of particular terms.⁶⁸

2.4.2 The target of the representation

A critical issue in determining whether the defendant's conduct is misleading will be determining the target audience of the representation. Most representations will be to the public at large and so the test will be whether a substantial number of members of the public would be misled by the defendant's conduct.⁶⁹ This necessarily includes those with imperfect knowledge of the type of goods being sold. For example, in the *Spanish Champagne* case,⁷⁰ it was argued that consumers could not be misled by the description of the defendant's sparkling wine as 'Spanish Champagne' because, by definition, real champagne comes from the district of that name in France. Therefore, well-informed consumers of sparkling wine would not have been misled by the label.

However, many consumers with some interest in sparkling wine would have been aware that champagne was a description of a type of sparkling wine with renowned qualities but they would not necessarily have been aware that the term had a specific geographic connotation. Consequently, they would have believed that Spanish champagne was 'real' champagne.⁷¹

On the other hand, the representation may be directed at a very discrete section of the public and that section may have specific knowledge that will eliminate any possibility of deception. While most products are available to the public at large, some are bought almost exclusively on the recommendation of professionals who are far more likely to be aware of subtle differences between competing products. For example, in *Hodgkinson & Corby Limited v Wards Mobility Services Ltd*,⁷² the plaintiff objected to the fact that the defendant sold cushions with a very similar design to that of the plaintiff. Both cushions were designed for use in wheelchairs but wheelchair users made their purchasing decisions almost exclusively on the recommendation of occupational therapists who were very familiar with both products. Their advanced knowledge of the two products

68 *McWilliam's Wines Pty Ltd v McDonald's System of Australia Pty Ltd* (1980) 33 ALR 394; *Lego System Aktieselskab & Another v Lego M Lemelstricht Ltd* [1983] FSR 155.

69 *Reckitt and Colman Products Ltd v Borden Inc* [1990] 1 All ER 873, 881.

70 *Bollinger v Costa Brava Wine Co* [1960] Ch 262.

71 In some jurisdictions, the term may actually be generic. Evidence on the point will determine the issue. See, e.g., *Comite Interprofessionnel du Vin de Champagne v NL Burton* (1981) 57 FLR 435.

72 [1995] FSR 169.

precluded the possibility of deception. In addition, many similarities in design were the necessary result of the identical function performed by both cushions and the plaintiff's shape was as much an indicator of the function it performed as it was of the plaintiff's reputation.

2.4.3 Misrepresentations of the trade origin of goods

The 'standard' misrepresentation in passing off is one that adopts the plaintiff's indicia of its reputation such as a trade mark, trade name or get up. The most obvious example of this type of misrepresentation is the production of counterfeit products bearing the plaintiff's trade mark and in those cases there is really no significant issue as to whether passing off has occurred as well as infringement of the plaintiff's registered trade mark.

More difficult circumstances arise where the indicium in question is descriptive in some way and there the issue becomes whether the defendant has used it in such a way as to indicate the trade origin of its product or simply to describe its product. The decisions concerning kettle-cooked chips discussed above in 2.3.5 exemplify the potential difficulty. It is impossible to emphasise too much that the individual circumstances of both the plaintiff's and the defendant's use must be carefully considered to determine whether misleading conduct has occurred.

Alternatively, the defendant will either adopt very similar indicia or somehow associate its indicia with that of the plaintiff. An example of the latter situation is the decision in *Wingate Marketing v Levi Strauss Inc.*⁷³ In that case, the defendant suggested that its product had the same trade origin as that of the plaintiff by selling second-hand Levis jeans and pronouncing its trade mark for them, 'Revise', as 'Ree-vice', so as to rhyme with 'Levis'.

2.4.4 Different quality of goods

One variation of the 'standard' form of passing off is where the defendant correctly states that the goods in question are associated with the plaintiff but incorrectly states the nature of that association. In *Spalding v AW Gamage Ltd*,⁷⁴ the defendant represented that it was selling the top of the range Spalding soccer ball when it was in fact selling Spalding's cheaper soccer ball. Spalding successfully argued passing off because the defendant's misrepresentation deceptively traded off its goodwill in respect of its more expensive soccer balls.

2.4.5 Character merchandising

The character merchandising cases are interesting examples of the creativity of the common law in adapting and expanding the tort of passing off to accommodate and protect new marketing practices. They also involve consideration of

⁷³ (1994) 49 FCR 89.

⁷⁴ (1915) 32 RPC 273.

some of the most difficult conceptual issues, particularly in relation to whether consumers are misled by the defendant's actions.

Early English decisions were opposed to character merchandising cases on several grounds. Up to that time, passing off actions had involved direct competitors. Consequently, it was easier to identify the relevant misrepresentation, whereas with character merchandising the general complaint is that the defendant has misrepresented the plaintiff's endorsement of the defendant's product. This aspect of passing off was temporarily enshrined in an irrebuttable proposition that the plaintiff and defendant had to be in a common field of activity. In *McCulloch v Lewis A May Ltd ('Uncle Mac')*,⁷⁵ a well-known children's radio identity was unsuccessful when he objected to a breakfast cereal producer using radio advertisements with a sound-alike voiceover that suggested the plaintiff had read the advertisement.

I am satisfied that there is discoverable in all of those [cases] in which the court has intervened this factor, namely, that there was a common field of activity in which, however remotely, both the plaintiff and the defendant were engaged and that is was the presence of this factor that accounted for the jurisdiction of this court.⁷⁶

Like many judicial statements, it was elevated almost to the status of legislative edict, when the better approach would have been to simply acknowledge that the extent to which the plaintiff and defendant occupied a common field of activity is relevant to whether consumers would be deceived but is not determinative of the issue. Certainly, in today's economy, celebrities endorse all sorts of products about which they know little or nothing, yet consumers either rely on those endorsements or at least pay some attention to them. Hence, a misleading representation that a celebrity endorses a product would, in fact, deceive consumers. This reality has led to the abandonment of a strict requirement of a common field of activity although it is still relevant to asking the question whether consumers are deceived by the defendant's conduct.⁷⁷

In Australia, the first character merchandising case was *Radio Corporation v Henderson*.⁷⁸ Radio Corporation sold a record of ballroom dancing music and on the cover it placed a photograph of the Hendersons. Unknown to Radio Corporation, the Hendersons were a reasonably successful ballroom dancing team and teachers of ballroom dancing. They objected to the use of their photograph on the cover of the record without permission and were successful. Evatt CJ and Myers J explained:

[The appellant] claims that a court of equity has no power to restrain the appellant from falsely representing that the respondents can prove that their professional reputation has thereby been injured or that in some other way their capacity to earn money by the practice of their profession has thereby been impaired. We do not think this is the law.

⁷⁵ [1947] 2 All ER 845.

⁷⁶ *Ibid* 851 (per Wynn-Parry J).

⁷⁷ *Lego System Aktieselskab & Another v Lego M Lemelstricht Ltd* [1983] FSR 155.

⁷⁸ (1960) 60 SR (NSW) 576.

It is true that the coercive power of the court cannot be invoked without proof of damage, but the wrongful appropriation of another's professional or business reputation is an injury in itself, no less, in our opinion, than the appropriation of his goods or money. The professional recommendation of the respondents was and still is theirs, to withhold or bestow at will, but the appellant has wrongfully deprived them of the right to do so and of the payment of reward on which, if they had been minded to give their approval to the appellant's record, they could have insisted.

The decision was somewhat controversial for several reasons. One was that the Hendersons could only be recognised from a certain angle and their presence in the photograph was by no means highly prominent. Nevertheless, the court found that the Hendersons had been deprived of the opportunity to charge for the use of their reputation in the ballroom dancing industry.

The difficulty with the decision and some later character merchandising cases is proving that consumers would be misled into thinking that the celebrities in question would have been paid for their involvement in the promotion of the defendant's products and that they actively endorse the product. In fact, the reality is that many consumers do not turn their mind to the issue. Nor do they care whether payment has been made if the product in question bears the logo or image that they are seeking. For example, in one case the band INXS successfully objected to the sale of unauthorised INXS t-shirts which bore their name but it must be questionable whether consumers really cared whether they were authorised or not.⁷⁹

Nevertheless, the courts have demonstrated a willingness to find a misrepresentation of this sort with minimal evidence although they still hold to the requirement of some form of misrepresentation. In *Pacific Dunlop v Hogan*,⁸⁰ Hogan sued in respect of a television advertisement for Grosby shoes. The advertisement consisted of a variation of the famous knife scene from the movie *Crocodile Dundee*. A character, dressed as *Crocodile Dundee*, was accosted by a thief who demanded his wallet. When urged by his companion to look at the thief's shoes, the *Crocodile Dundee* character said 'Those aren't shoes, these are shoes' and then proceeded to kick the thief. The advertisement ended by identifying the brand of the shoes. At first instance and on appeal, three of the four Federal Court judges accepted that *Pacific Dunlop* had mislead television viewers by implying that Hogan, as the 'true' *Crocodile Dundee*, endorsed the shoes and had been paid to do so. These findings were made despite the fact that the majority of witnesses acknowledged that they did not believe that the *Crocodile Dundee* character in the advertisement looked anything like Paul Hogan and there was no clear view expressed by them that they thought Hogan had been paid for the use of the Dundee look-alike.

In the Full Court, Burchett J observed that the real deception lay not so much in any implication of Hogan's endorsement of the product but in a less direct but nevertheless effective means of associating Hogan with it.

⁷⁹ *M K Hutchence et Ors, t/a INXS v South Sea Bubble Co Pty Ltd, t/a Bootleg T-Shirts* (1986) 64 ALR 330; but see also *Arsenal Football Club plc v Matthew Reed* [2003] All ER (D) 289 (May).

⁸⁰ *Pacific Dunlop Ltd v Hogan (Crocodile Dundee case)* (1989) 23 FCR 553.

Character merchandising through television advertisements should not be seen as setting off a logical train of thought in the minds of television viewers . . . An association of some desirable character with the product proceeds more subtly to foster favourable inclination towards it, a good feeling about it, an emotional attachment to it. No logic tells the consumer that boots are better because Crocodile Dundee wears them . . . The whole importance of character merchandising is the creation of an association of the product with the character, not the making of precise representations.⁸¹

Such an approach goes close to adopting unfair competition principles that prevent the appropriation of a celebrity's reputation without payment, even in the absence of any deception in the way the celebrity's image is used. Indeed, in other litigation involving Hogan, Pincus J noted that the real problem with the defendant's action was that it involved 'wrongful appropriation of a reputation or, more widely, wrongful association of goods with an image properly belonging to the [plaintiff]'. While this emphasis on the unfair competition aspects of the case has been explicitly rejected, one is left with the reality that proving a misrepresentation is not particularly difficult due to the courts leaning towards protecting the reputation of celebrities.⁸²

Other character merchandising cases really come quite close to requiring payment for the non-misleading use of celebrity reputation. In particular, cases objecting to the sale of merchandise bearing the names or photographs of celebrities are successful on the grounds that the merchandise is not endorsed or approved by those celebrities. Yet these decisions are questionable as consumers may be interested in getting the picture or the name on a T-shirt or other merchandise without necessarily being concerned about whether it is authorised merchandise. A case from the United Kingdom primarily concerned with registered trade marks illustrates the point. In that case, the defendant sold football merchandise bearing the trade marks of the Arsenal football club. His defence to the trade mark infringement action was that the use of the name Arsenal on the merchandise did not suggest that the football club had sanctioned the application of the brand or that the merchandise was official Arsenal merchandise. Instead, consumers were simply after scarves and other merchandise bearing the name and Arsenal colours without necessarily caring if they were official. This argument was accepted by the trial judge Laddie J, although there were other issues related to the infringement of the registered trade mark that are not relevant in the context of passing off and the first instance decision was ultimately reversed.⁸³

On the other hand, the adherence to the requirement of misrepresentation is demonstrated by cases such as that involving Gary Honey⁸⁴ and Sue Smith.⁸⁵ Gary Honey was an Olympic silver medallist. Without his permission, an airline

81 *Ibid*, 583.

82 M. Davison and M. Kennedy, 'Proof of Deception and Character Merchandising Cases' (1990) 16(1) *Monash University Law Review* 111.

83 *Arsenal Football Club plc v Matthew Reed* [2003] 3 All ER 865.

84 *Honey v Australian Airlines Ltd* (Gary Honey case) (1990) 18 IPR 185.

85 *10th Cantanae Pty Ltd v Shoshana Pty Ltd* (Sue Smith case) (1987) 79 ALR 299.

company used a photograph of him in competition on posters that it distributed to travel agents and schools. The airline's name was clearly printed at the foot of each poster. In addition, a religious organisation used the photograph on the cover of one of its religious publications. Actions against both organisations were unsuccessful on the grounds that there was insufficient evidence that people would assume that Honey had approved of the use of his photo or had otherwise endorsed the products or the organisations. In light of recent decisions involving Olympic athletes,⁸⁶ Honey may consider himself unlucky as his case may have been clouded by the unusual 'amateur' status of Olympic athletes at the time which may have affected a court's preparedness to believe others would consider him to have been paid for endorsement. It is also the case that, partly as a consequence of decisions such as those in the *Hogan* cases, the practice of paying celebrities has, in fact, become commonplace in recent years, thus ensuring that the public now assume payment has been provided when a celebrity's image is used. Arguably, the law created the belief which is now the basis of the misrepresentation in such cases.

2.5 Passing off and the internet

In recent years, one of the most common forms of passing off has been via various uses of the internet. In particular, defendants have used identical or misleadingly similar domain names to direct internet traffic to their websites. An understanding of these issues first requires a brief explanation of the domain name system.

The internet is a network of computers that permit the distribution of information from any computer to any of the other computers in the network. In order to ensure that information reaches its correct destination or that a computer user can reach a particular site on the internet, each computer needs its own unique computer readable address which is initially in the form of a series of numbers. However, like many telephone numbers, these numbers can also be 'translated' into a name called a domain name or Uniform Resource Locator (url) such as 'www.nike.com'. Obviously, these names are far easier to remember than the actual underlying numerical sequences.

2.5.1 Domain names

A domain name or url is assigned by various domain name Registrars that are appointed by the Internet Corporation for Assigned Names and Numbers (ICANN). The domain names are divided into various parts or levels. The first level is the internet protocol such as www, standing for world wide web, the second level is the secondary top level domain (sTLD) which is the critical identifier of the domain name and the part which is the subject of the dispute. The third

⁸⁶ *Talmex Pty Ltd v Telstra Corporation Ltd (Kieren Perkins case)* [1997] 2 Qd R 444.

level is the generic top level domain (gTLD) such as '.com' or '.net'. There may also be an individual country code top level domain (ccTLD) such as '.au'. The general rule for allocating domain names is 'First come, first served', although some country code domain names such as the '.au' domain names impose some other prerequisites that require the applicant for registration to demonstrate its connection with both Australia and the particular generic top level domain. For example, an applicant seeking a '.com.au' has to prove it is an Australian commercial entity by producing evidence such as proof of registration of an Australian business name or an Australian company name.

The consequence of these unique internet addresses is that they work both as a means of ensuring the physical functioning of the internet and as a means of easily identifying a particular site and attracting internet users to that site. It is this latter function that attracts the attention of passing off and trade mark considerations, especially given the necessary uniqueness of every domain name and the communication power of the internet.

The use and abuse of domain name registration may take one or more of several forms. One previously common practice was to register one or more domain names consisting of well-known registered trade marks or the names of well-known celebrities. These domain names were then 'warehoused' by the registrant in the hope that the trade mark owners or celebrities would pay to acquire the domain names in question.

Passing off cases have responded to such behaviour by providing plaintiffs with the means to obtain injunctive relief very quickly. A seminal case on the point is the decision in *British Telecommunications v One-in-a-Million*.⁸⁷ The defendant in that case had registered and warehoused a number of well known domain names such as <www.marksandspencer.com>. The plaintiffs contended that the mere act of registration of the domain names by the defendant constituted passing off and sought an injunction requiring them to transfer registration of the relevant domain names to the plaintiffs. The Court of Appeal agreed with the plaintiffs for two reasons. First, the registers of domain names are publicly available. Any member of the public seeking the identity of the registrant of a domain name such as <www.marksandspencer.com> would be able to discover that it was registered in the name of the defendant. Consequently, the defendant had already engaged in deceptive conduct as the register then wrongly represented an association between the defendant and Marks and Spencer. Secondly, the act of registration was considered to constitute the 'creation of an instrument of deception' by the defendant. Consequently, the defendant was preparing to engage in fraudulent conduct. In such circumstances, equity has long recognised the right to a *quia timet* injunction, an injunction to prevent impending damage before it actually occurs. Consequently, the court was prepared to grant relief immediately to prevent such a situation arising. This aspect of the decision was based upon the 'creation of an instrument of deception' by the defendant.

In addition to warehousing, a domain name might be used to attract internet users to a website in various ways. For example, internet search engines will identify the website when internet users search for the relevant term such as 'Nike'. Many users, looking for information about Nike products, may even type 'www.nike.com' directly into the internet address box of the relevant internet browser program such as Internet Explorer. The effect will be that they will be directed towards a website that has nothing to do with Nike Inc. The passing off implications of such a situation are obvious. In addition, attempts are often made to use misleadingly similar domain names such as 'www.niki.com', again in the hope of attracting internet users who mistype an address or in the hope that similar names will be picked up by internet search engines.

One potential domain name scenario involves more innocent activity. It is entirely possible that two different legal entities would have separate but equally valid reasons for registering exactly the same domain name. In such circumstances, the first to acquire registration will be entitled to retain it, despite the objections of the second.⁸⁸ For example, in *Prince plc v Prince Sports Group plc*,⁸⁹ an American sportsgoods company with a strong reputation for its trade mark 'Prince' objected to the registration and use of 'www.prince.com' by a UK company that sold computer products. While the American company had a bigger reputation for Prince than the UK company, each was entitled to use the term in respect of their very different products and the UK company was entitled to continue to use the domain name that it had registered first.

2.5.2 Australian passing off cases and the internet

Several Australian cases have dealt with domain name disputes. In *Architects (Australia) Pty Ltd v Witty Consultants Pty Ltd*⁹⁰ Architects Australia objected to the domain name <www.architectsaustralia.com.au> which was used by the defendant to provide a web-based directory of Australian architects. The plaintiff provided an architecture service in south-east Queensland for some twenty years prior to the defendant's registration of the domain name. Chesterman J in the Queensland Supreme Court found that the term 'Architects Australia' was distinctive of the plaintiff's business, even though its goodwill and reputation were geographically restricted while the defendant's website would obviously be available on a world-wide basis. A disclaimer on the website was also considered to be ineffective. The decision is somewhat surprising as it seems to downplay the reality that more than one entity may have a legitimate interest in the one domain name and that internet users are aware of that possibility. On the other hand, the judgment did place some emphasis on the finding that Architects Australia was not purely descriptive.

⁸⁸ *Pitman Training Ltd v Nominet UK* (1997) 38 IPR 341.

⁸⁹ [1998] FSR 21.

⁹⁰ [2002] QSC 139.

A more recent case that more specifically addresses the nature of the internet is the decision in *Sydney Market Ltd v Sydney Flower Market Pty Ltd*.⁹¹ Both the plaintiff and the defendant had registered domain names containing the words Sydney flower market and both used that descriptive term in their trading. The court declined to find for either the plaintiff or the defendant in its cross-claim but was prepared to require both parties to place disclaimers on their websites and said:

Whilst disclaimers . . . are often regarded as insufficient to avoid the public being misled, the same considerations are not applicable in the case of a web site.⁹²

The decision reflects a preparedness of courts to acknowledge the nature of the internet, the potentially inherently confusing aspects of its operation and the understanding of the internet's users of those confusing aspects.

In other cases, it has been abundantly obvious that the registrant of the relevant domain name has not interest in the domain name other than the opportunity it provides to seek to extract a transfer fee from a company with a legitimate interest in the name. In those circumstances, the registration of the domain name is likely to either constitute passing off or a breach of s 52 of the *Trade Practices Act 1974* (Cth). The decision in *CSR Ltd v Resource Capital Australia Pty Ltd*⁹³ is an example where the registrant registered names such as *csrsugar.com* and *csrsugar.com.au* despite having no interest in conducting business in the sugar industry. The Federal Court ordered the relevant domain names to be transferred to CSR on the basis that the registration of the domain names by the registrant breached s 52 of the *Trade Practices Act*.⁹⁴ An even more obvious case of misleading conduct was *Australian Competition and Consumer Commission v Chen*⁹⁵ in which the defendant registered *Sydneyopera.org* and proceeded to sell tickets to events at the Sydney Opera House by representing that the website was the official website of the Sydney Opera Trust.

There has also been a recent passing off case involving use of the internet other than misleading use of domain names. In *Ward Group v Brodie and Stone*,⁹⁶ the plaintiff objected to the sale of a product called Restoria via English websites. The plaintiff had a reputation for Restoria in Australia. It was concerned that it was possible for Australian consumers to buy the English version of Restoria which was produced by an English company unrelated to the plaintiff via the website and that they might do so believing that they were acquiring it from the Australian company. While the court accepted that a 'trap order' by the plaintiff demonstrated the capacity of consumers to buy the product via the internet, it formed the conclusion that no damage would be done to the plaintiff's reputation by the defendant's activities because there was no evidence that Australian

91 (2002) ATPR (Digest) 46–216.

92 *Sydney Market Ltd v Sydney Flower Market Pty Ltd* [2002] FCA 124 at [152].

93 (2003) 128 FCR 408.

94 See also *Macquarie Bank Ltd v Seagle* [2005] FCA 1239.

95 (2003) 132 FCR 309.

96 (2005) 143 FCR 479.

consumers had or would be likely to obtain the product via the websites. The price of the product in England was considerably greater than the price charged by the plaintiff in Australia and the website offered many products for sale of which Restoria was but one.

2.5.3 Uniform dispute resolution policy

Despite the ability of passing off cases to adapt to domain name disputes, the extent to which domain names were abused led to the development of administrative procedures to deal with ‘abusive registration’. The objective of these procedures is to deal with the most obvious cases of inappropriate registration of domain names quickly and cheaply. To that end, ICANN established a Uniform Dispute Resolution Policy and an associated dispute resolution process which came into effect in 2000.

The UDRP works via a contract signed by every domain name registrant, which requires registrants to submit to the UDRP and its associated processes. The complaint is made to one of the dispute resolution service providers approved by ICANN which in turn assigns the matter to one of its many accredited panellists who have expertise in trade mark and passing off issues.⁹⁷ The dispute is resolved ‘on the papers’ via the written submissions of the parties.

A complainant under the UDRP has to satisfy a three-part test:

- The domain name in question is identical or confusingly similar to a trade mark or service mark in which the complainant has rights;
- The domain name registrant has no rights or legitimate interests in respect of the domain name; and
- The domain name has been registered and is being used in bad faith.

A very considerable jurisprudence has arisen through the written decisions of panellists and many have constituted precedents that have been relied on by other panellists despite the fact that this is obviously not a common law court system and decisions are not binding on later panellists. Nevertheless, a number of issues relating to interpretation of the UDRP seem to have been settled via this process of relying on prior decisions.

For example, the expression ‘a trade mark or service mark in which the complainant has rights’ has been interpreted to include unregistered trade marks which have acquired goodwill or a reputation through use. Consequently, a number of well-known celebrities have been able to successfully argue that they have grounds to bring a complaint. The actress Julia Roberts was one of the first celebrities to win such a case⁹⁸ in the face of some controversy about whether the UDRP should have been applied to such situations.⁹⁹ In any event, the effect of such decisions is to apply the UDRP to many passing off situations.

⁹⁷ The most popular of these dispute resolution service providers is WIPO.

⁹⁸ *Julia Fiona Roberts v Russell Boyd* D2000–0210 (WIPO 29 May 2000).

⁹⁹ See Davison et al., *Shanahan’s Australian Law*, above n 34, 645.

The second element of a complaint, namely proving that the registrant has no rights or legitimate interest in a domain name can be difficult because of the problems associated with proving a negative. The panel decisions have tended to place the onus on a registrant to demonstrate they have such a right or interest once the complainant asserts the lack of such an interest.¹⁰⁰ The UDRP provides a non-exhaustive list of particular examples of rights or legitimate interests such as the bona fide offering of goods or services or the registrant is commonly known by the domain name.¹⁰¹

The third element of the complaint, namely that the domain name has been registered and is being used in bad faith, has also generated some controversy surrounding its interpretation. The main difficulty with the wording of this requirement is that it is conjunctive and so the complainant needs to demonstrate both bad faith registration and bad faith use. The latter requirement immediately generates some potential difficulties where domain names are ‘warehoused’ but not used. One of the earliest decisions dealt with the issue by providing that the act of registration and passive holding may meet the bad faith element if other factors are present.¹⁰² For example, the complainant had a very strong reputation, the registrant had given no evidence of any good faith use or intended good faith use and had actively concealed and falsified its contact details. The total effect of these circumstances was that it was impossible to envisage any use which would be in good faith.

If a complainant is successful, a panellist may order either the de-registration of the domain name or the transfer of the domain name to the complainant. The relevant domain name Registrar is then bound by that decision. There is no appeal process within the UDRP. However, any party may bring court proceedings either during or after the process and the result of such proceedings would ‘trump’ any decision pursuant to the UDRP processes. As the UDRP is only aimed at clear cases of abusive registration, such proceedings would be necessary if, for example, the registrant was able to demonstrate some interest in the domain name but, on balance, its continued use would deceive consumers by suggesting an association with the complainant. The court decision in *Architects (Australia) Pty Ltd (t/as Architects Australia) v Witty Consultants Pty Ltd*¹⁰³ is an example of such a situation where the dispute resolution policy would probably not have resulted in a change of ownership of the domain name but the court was prepared to find for the plaintiff.

2.5.4 Australian uniform dispute resolution policy

Australia has its own dispute resolution policy (auDRP) in relation to ‘.au’ domain names administered by the .au Domain Administration Ltd (auDA).¹⁰⁴ There are

¹⁰⁰ Ibid, 648.

¹⁰¹ Ibid, 649–50.

¹⁰² *Telstra Corporation Ltd v Nuclear Marshmallows* D2000–0003 (WIPO 18 February 2000).

¹⁰³ [2002] QSC 139.

¹⁰⁴ See <www.auda.org.au> for details of the organisation.

far fewer disputes concerning '.au' domain names for several reasons. First, the demand for '.au' domain names is considerably less than it is for open domains such as '.com' domain names. Second, auDA imposes requirements on potential registrants that limit the potential for future disputes. Those seeking a '.com.au' domain name have to demonstrate that they are a commercial entity with some connection with Australia by providing proof of such connection such as the ownership of an Australian trade mark or registration of a business or company.¹⁰⁵

The auDRP is similar to the UDRP but, having been formulated after it, has avoided some of the difficulties associated with the UDRP's interpretation. For example, it does not require both bad faith registration and bad faith use of a domain name. Either will be sufficient.

2.5.5 Framing

There are other forms of passing off involving the internet, other than through the registration and use of domain names. For example, a defendant may engage in 'framing', a practice whereby the content or a large part of the content of a plaintiff's website is surrounded by a frame containing details and information supplied by the defendant. The frame may contain and supplant content such as advertising material of the defendant that may also contain links to other websites.

The visual effect on an internet user may be that he or she thinks that they are viewing information supplied by the defendant when in fact the main content of the webpage (the part that is framed) is that of the plaintiff. The URL or website address at the top of the webpage being examined will be that of the defendant. There are no decided Australian cases concerning framing but there are some decisions in the United States on the topic. One of those cases involved a dispute between the owner of the Alta Vista trade mark and internet search engine, Digital Equipment Corp, and its licensee Altavista Technology.¹⁰⁶ The plaintiff licensed Altavista Technology to use the term AltaVista in its domain name and in its corporate name but specifically contractually prohibited it from using AltaVista as the name of a product or service offering. In what the court considered to be a contravention of this arrangement, the defendant used the term 'AltaVista' on its website with without reference to the other word in its name 'Technology'. It then placed a link on its website to the plaintiff's search engine. When users clicked on that link, they were 'taken' to the plaintiff's website and from which they could use the search engine but the page was framed by the defendant. The consequence of the framing was that the frame consisted of the defendant's advertising and the web address was <www.altavista.co>. Users therefore thought that the search engine was at the defendant's website when in fact it was not. The court issued an injunction preventing the defendant

¹⁰⁵ See <www.ada.org.au> for details of the requirements for registration within the different second-level domains for.au domain names.

¹⁰⁶ *Digital Equipment Corp v Altavista Technology Inc* 960 F Supp 456 (D Mass, 1997).

from creating hyperlinks to the plaintiff's site in such a way as to suggest that the defendant's website contained the plaintiff's search engine.

As always with passing off considerations, all of the circumstances of the case need to be considered. Hence, other decisions have resulted in different outcomes.¹⁰⁷

2.5.6 Meta-tags

Meta-tags are hidden computer code placed in the computer software code of websites. The meta-tags may contain key words such as trade marks that indicate the nature of the content of the website. On occasions, these meta-tags have included trade marks that either have nothing to do with the content of the website or are the trade marks of competitors of the website owners. While internet users do not see the meta-tags, it was common practice for internet search engines to rely on the meta-tags for the purposes of identifying a website as one that met the search criteria of users. The internet search results would then include the website with the relevant meta-tags and internet users may be deceived, at least initially, by the suggestion that the website meets their search criteria.

Several American decisions relating to the use of meta-tags have had different outcomes which indicate some of the difficulties that courts have in dealing with the new commercial environment created by the internet. For example, in *Brookfield Communications Inc v West Coast Entertainment Corp*,¹⁰⁸ the plaintiff objected to the use of the meta-tag 'MovieBuff' in the defendant's website coding. The court found for the plaintiff on the grounds of 'initial interest confusion'. While consumers would not have been ultimately misled and would not have purchased the defendant's product believing that it was the plaintiff's product, they would have been initially directed to the defendant's website. Consequently, the defendant deceptively interested the consumers in their product. The decision has been criticised for failing to recognise the reality of internet searching which invariably throws up false leads and the capacity of internet users to adapt to that difficulty and quickly sift through a list of websites to determine the ones that suit their needs.¹⁰⁹

Other decisions have been less critical of the use of meta-tags and less open to the application of the 'initial interest' test.¹¹⁰ For example, in *Playboy Enterprises v Terri Welles*,¹¹¹ a former *Playboy* centrefold was permitted to use the meta-tag 'Playboy' in her website because her website quite legitimately referred to her involvement with *Playboy* magazine.

107 *Hard Rock Café International (USA) Inc v Morton* No 97 CIV, 9483 (SD NY, 9 Sep 1999); *Washington Post v Total News Inc* No 97 Civ 1190 (PKL) (SD NY) (plaintiff filed 5 June 1997) (a case that settled prior to trial).

108 174 F 3d 1036 (9th Cir, 1999).

109 Julie A. Rajzer, 'Misunderstanding the Internet: How Courts are Overprotecting Trademarks used in Meta Tags' (2001) *Michigan State University Law Review* 427; Davison et al., *Shanahan's Australian Law*, above n 34, 668.

110 *Marianne Bihari and Bihari Interiors, Inc v Craig Gross and Yolanda Truglio* 119 F Supp 2d 309 (SD NY, 2000); Davison et al., *Shanahan's Australian Law*, above n 34, 668–9.

111 279 F 3d 796 (9th Cir, 2002).

In any event, the extent of the abuse of meta-tags has been so great that internet search engine operators have changed their searching practices to place far less reliance on meta-tags in determining the identity of websites that meet a user's search request.

2.5.7 Pop-up advertisements when internet searching

Another contentious issue is the use of pop-up advertisements. This practice involves an internet search engine arranging its computer indexing so that if internet searchers type in a particular product name, which may include a particular trade mark, the search engine will then display the advertisements for related or competing products. Alternatively, the search engine may display the websites of competing products as well as or instead of the website of the trader being sought by the internet user.

To date, the particular factual situations that have been litigated in the United States have resulted in mixed findings on action for passing off or trade mark infringement. For example in *Playboy Enterprises Inc v Netscape Communications Corp*,¹¹² Playboy sued Netscape for its pop-up advertising banners for products similar to but unassociated with Playboy magazine.¹¹³ At first instance, the action was dismissed by way of summary judgment. However, the United States Court of Appeals for the 9th Circuit reversed the judgment and remanded the action for further proceedings.¹¹⁴ It held that the prospect of initial interest confusion was such that the plaintiff's action may be successful.

There have also been a number of cases involving WhenU.com with conflicting results.¹¹⁵ In *Wells Fargo & Co v WhenU.com Inc*,¹¹⁶ the plaintiff objected to the defendant's use of its computer software which analysed the nature of the url or website being visited by an internet user whose computer also had the defendant's computer software. Based on that analysis by the defendant's software, a pop-up or pop-under advertisement¹¹⁷ would appear on the user's computer screen and the advertisement would relate to goods or services similar to those offered on the webpage being viewed. The argument by the plaintiff with particular reference to the pop-up advertisements was that they appeared 'on' the plaintiff's website, thus suggesting that they were advertisements of the plaintiff's product when in fact they were not. The court rejected this and other arguments put forward by the plaintiff that the defendant 'modified' its website and found that there was no real evidence of the likelihood of confusion arising from the defendant's software and advertisements.

¹¹² 354 F 3d 1020 (9th Cir, 2004).

¹¹³ 293 F Supp 2d 734 (ED Mich, 2003). See also *U-Haul Inc v WhenU.com Inc* 279F Supp 2d 723 (D ED Va, 2003).

¹¹⁴ *Playboy Enterprises Inc v Netscape Communications Corp* 354 F 3d 1020 (9th Cir, 2004).

¹¹⁵ J. Cody, 'Just When U thought it was all Over' (2004) 7 *Pittsburgh Journal of Technology Law and Policy* 3.

¹¹⁶ 293 F Supp 2d 734 (ED Mich, 2003).

¹¹⁷ A pop-up advertisement is one that appears in a separate box on the user's computer screen at the same time as the user views another webpage. The size and position of the pop-up advertisement will vary. A pop-under advertisement only appears after the relevant webpage is closed.

By contrast, there is good reason to believe that the typical SaveNow user would not perceive a WhenU advertisement as sponsored by or affiliated with the plaintiff's websites. First, SaveNow users are accustomed to receiving offers from WhenU while surfing the Web. . . . Second, SaveNow ads are identified by WhenU, and bear a prominent notice and disclaimer stating that they come from 'WhenU' and are 'not sponsored or displayed by the website you are visiting' . . . Third, SaveNow ads appear in a distinct window, bear all of the indicia of a distinct software application, and do not relate in any way to any other window on the user's screen. . . . Internet users understand that different software applications run in different windows.¹¹⁸

Yet contrary results have also occurred in a very similar fact situation involving exactly the same defendant and the same practices by that defendant.¹¹⁹

2.6 Effect of disclaimers

As seen above in cases such as the Sydney Flower Market case¹²⁰ and *Wells Fargo v WhenU.com*,¹²¹ disclaimers may be particularly effective in the internet environment where internet users are used to the 'vagaries' of the internet. In theory, a disclaimer might dispel any misleading aspect of a defendant's conduct in almost any circumstances. In practice, the courts have tended to be cautious about accepting the efficacy of disclaimers because, as was said in the *Stone Ales* case: 'Thirsty folk want beer, not explanations'.¹²²

Some of the difficulties with disclaimers include the following:

- A potential purchaser's focus is on the product being considered for purchase rather than the disclaimer. How carefully a consumer will examine a product and take notice of disclaimers will depend on issues such as the price of the product and the likelihood that consumers will have the time or inclination to notice a disclaimer. For example, in *R and C Products Pty Ltd v Abundant Earth Pty Ltd*,¹²³ a disclaimer was ineffective primarily because the product in question, mustard, was a relatively inexpensive item and consumers would not notice it in their brief consideration before taking it from the supermarket shelf.
- A disclaimer, especially in relation to services, may not be passed on from one customer to another but the misrepresentation might be. For example, in *Bridge Stockbrokers Ltd v Bridges*,¹²⁴ a disclaimer would be ineffective

118 293 F Supp 2d 734, 750 (ED Mich, 2003).

119 *1-800 Contracts Inc v WhenU.com* 309 F Supp 2d 467 (DSD NY, 2003), where the court gave interlocutory relief against WhenU's pop up advertisements; but this decision was, in turn, reversed in *1-800 Contracts Inc v WhenU.com* 414 F 3d 400 (2nd Cir, 2005), where the district court's entry of a preliminary injunction was reversed and remanded with instructions to dismiss with prejudice the plaintiff's trade mark infringement claims and proceed with the plaintiff's remaining claims.

120 *Sydney Markets Ltd v Sydney Flower Market Pty Ltd* [2002] FCA 124.

121 *Wells Fargo v WhenU.com* (2003) 293 F Supp 2d 734 (ED Mich, 2003).

122 *Montgomery v Thompson* [1891] AC 217.

123 (1985) 7 FCR 233.

124 (1984) 4 FCR 460.

because similarly named stockbrokers would be spoken about by name by customers but they would not repeat any disclaimer.

- A disclaimer may imply that there is something wrong or unethical about the services of the other trader. Again, in *Bridge Stockbrokers*,¹²⁵ a disclaimer to the effect that a stockbroker was in no way associated with another named stockbroker may have suggested some impropriety on the part of that stockbroker rather than dispelling any deception arising from their similar names.
- Depending on the product, a disclaimer may be misinterpreted, thus failing to negate the misleading nature of the defendant's conduct and the suggestion of an association with the plaintiff. In *Twentieth Century Fox Film Corporation v South Australian Brewing Co Ltd*,¹²⁶ the defendant offered to provide a disclaimer on the cans of 'Duff' beer that it sold. Duff beer is the fictitious beer drunk by Homer Simpson on the cartoon show 'The Simpsons'. One problem with the proposed disclaimer was that those familiar with the quirky humour of the show may have thought that the disclaimer was a joke and actually affirmed the connection with the Simpsons.

Nevertheless, there are instances where a disclaimer or appropriate label has been considered sufficiently effective to rebut any alleged misrepresentation. One of the most widely cited decisions in this respect is *Parkdale Custom Built Furniture Pty Ltd v Puxu Pty Ltd*.¹²⁷ In that case, a majority of the High Court held that similarities in the shape of furniture and the potential for deception flowing from those similarities were overcome by the defendant's label which was located at the bottom of cushions in chairs and sofas. These unassuming disclaimers, which were no more than the defendant's own label with its own name, were deemed effective because the cost of the furniture in question was such that consumers could be expected to inspect the furniture carefully before making purchasing decisions. Again, policy decisions are implicit within the decision as it required a decision about the standard of care required of consumers, a decision about the point at which any deception might be dispelled and whether that point was too far into the purchasing process. It was probably influenced by a desire not to provide a monopoly right over particular shapes.

In other cases, sufficiently explicit disclaimers have been effective, such as *Sony Music Australia Ltd v Tansing (t/as Apple House Music)*¹²⁸ where unauthorised sound recordings of musical performances were made and then sold with very large, unambiguous warnings that the recordings were not authorised by the performers. At the time, Australia did not recognise performer's rights and the plaintiff's only cause of action in passing off was negated by the disclaimer.

125 Ibid.

126 (1996) 66 FCR 451.

127 (1982) 149 CLR 191.

128 (1993) 27 IPR 649.

2.7 A holistic perspective

The culmination of these points is that the existence or otherwise of passing off depends on an examination of all aspects of the plaintiff's reputation and the defendant's conduct. This confirms the point made above that what is protected is the plaintiff's reputation rather than any particular commercial indicia associated with the reputation. So the mere use of that or similar indicia by the defendant in a commercial context will not necessarily constitute passing off. The real question will be whether, in all the circumstances of the case, the defendant has made some misrepresentation that would suggest an association between itself and the plaintiff that might damage the plaintiff's interests. In the same way that the use of commercial indicia does not of itself constitute passing off, the use of a disclaimer can not of itself prevent a finding of passing off without looking at the entire situation in context. Hence, not only disclaimers are relevant but issues such as the location and extent of the plaintiff's reputation, whether the business indicia in question is descriptive in nature, the intention of the defendant and the entirety of its conduct will be examined.

2.8 Damage

The final element of passing off is the requirement of either damage or a likelihood of damage. The sufficiency of a likelihood of damage is, again, an indication of equity's influence on passing off with its willingness to issue *quia timet* injunctions where no damage has yet occurred but the defendant's actions or proposed actions suggest that it will. The reality is that once a reputation is proved and the court accepts the existence of some misrepresentation, damage or a likelihood of it is an almost inevitable consequence. Hence, a misrepresentation that goods originate from the plaintiff when they do not has the obvious implication that the plaintiff will lose the business of those who were seeking its goods.

In addition, if the quality of the defendant's products is less than that of the plaintiff's or even just different, then the plaintiff's reputation will inevitably suffer. Examples of this situation include the *Advocaat*¹²⁹ and *Spanish Champagne*¹³⁰ cases where the defendant's product was clearly different from the plaintiff's and probably inferior in quality. Similarly, in *AG Spalding Brothers v AW Gamage Ltd*,¹³¹ the misrepresentation was that the soccer balls sold by the defendant were Spalding's high-quality balls when, in fact, they were not. Again, the impact on the plaintiff's reputation is clear and obvious.

Other types of damage might flow from the diversion of custom through 'initial deception'. This type of damage often occurs in relation to domain names where customers discover reasonably quickly that they are not at the website that they

129 *Ervin Warnink BV v J Townsend & Sons (Hull) Ltd* [1979] AC 731 (House of Lords).

130 *Bollinger v Costa Brava Wine Co Ltd* [1960] Ch 262.

131 (1915) 32 RPC 273.

are seeking, but by that time their attention has been diverted to the defendant's website and its products.

In relation to character merchandising, the damage to the plaintiff is either the loss of licence fees or damage to the celebrity's reputation from association with a product that it does not wish to be associated with. For example, in the *Duff beer* case,¹³² Twentieth Century Fox's main objection to the sale of Duff beer was not any loss of potential licence fees but concern that the Simpsons would be perceived as sponsoring alcohol and that it might be encouraging young viewers to drink alcohol. This objection was based on both the commercial considerations that the Simpsons is a family show and the loss of parental support would be damaging and the deontological perspective that those associated with the show did not in fact want to be promoting such products, regardless of the potential licence fees and commercial advantages that might flow from doing so. As indicated in the discussion above concerning the nature of the relevant misrepresentation, the possibility of such damage seems to fuel the likelihood of the court finding a misrepresentation.

One recent case where the plaintiff failed because the court was not satisfied of damage or the likelihood of it was the decision in *Ward Group v Brodie and Stone*.¹³³ The facts of that case are provided above at 2.5.2. The court concluded that, as the plaintiff was the only person to have ordered the relevant product from an overseas website, it had not been damaged. Further, it found that as the product was readily available in Australia from the plaintiff and it was considerably cheaper if obtained from the plaintiff rather than the overseas website in question, the likelihood of Australian consumers buying it through the website was remote. Consequently, the likelihood of damage was so small that an injunction was not justified. This aspect of the decision may be questionable. Products sold over the internet are often more expensive than products sold in a physical store. Internet users are willing to pay the higher price in return for convenience and privacy.

2.9 Statutory causes of action

There are numerous statutory standards of conduct¹³⁴ imposed on traders that approximate the standard of conduct required by passing off. The most widely known and used of these provisions is s 52(1) of the *Trade Practices Act 1974* (Cth) which provides that 'a corporation must not, in trade or commerce, engage in conduct that is misleading or deceptive or which is likely to mislead or deceive'. While s 52 affects much conduct that is not passing off, there would be few

132 *Twentieth Century Fox Film Corporation v South Australian Brewing Co Ltd* (1996) 66 FCR 451.

133 (2005) 143 FCR 479.

134 The provisions imposing the standard of conduct and other provisions providing for liability for failing to comply with it are usually separate. For example, the enforcement provisions which are applicable to a breach of s 52 of the *Trade Practices Act 1974* (Cth) and specify the possible remedies for the breach are contained in ss 82 and 85 of that legislation.

instances of passing off that would not contravene s 52. A general analysis of the wording of the section is necessary to understand both its breadth and some of its limitation before undertaking a more detailed analysis of its application to passing off situations.

2.9.1 ‘A corporation’

Due to the limited powers of the Commonwealth under the Constitution, which include a power in relation to corporations, s 52 is restricted in its application. Primarily, it is limited to the conduct of corporations as s 52 relies heavily on the corporations power under the Constitution. However, by relying on other heads of power under the Constitution, an extended definition of a ‘corporation’ is given in s 4 of the *Trade Practices Act 1974* (Cth) so as to widen the operation of s 52 to catch conduct by individuals in certain circumstances where the Commonwealth has legislative power. For example, misleading conduct involving interstate commerce or telecommunications is caught by this extended definition. In any event, each State or Territory has now enacted legislation that largely mirrors s 52 and catches all misleading or deceptive conduct by individuals in trade or commerce.

2.9.2 ‘In trade or commerce’

While all conduct of corporations may relate to trade or commerce, not all of their conduct is ‘in trade or commerce’. The leading case on the interpretation of this phrase is *Concrete Constructions v Nelson*.¹³⁵ In that case, a foreman advised an employee that a grill separating him from a lift shaft was firmly attached. The employee leaned on it, it gave way and he fell. The High Court held that the conduct in question was not ‘in trade or commerce’ as opposed to being conduct in the course of trade or commerce and that the employee could therefore not rely on s 52 as a basis for recovering damages for his injuries. The limitation is unlikely to affect many, if any, passing off situations although there has been one passing off case involving a dispute between two churches with the same name about which was the ‘true’ church. The use of the church name may not have been regarded as being in trade or commerce.¹³⁶

2.9.3 ‘Engage in conduct’

This broad phrase catches almost all conduct by corporations, especially when read in light of other provisions of the *Trade Practices Act 1974* (Cth). It certainly does not require any express oral or written representation and the corporation’s entire conduct will be taken into account. Silence may also constitute conduct for

¹³⁵ (1990) 169 CLR 594.

¹³⁶ *Attorney-General; Ex rel Elisha v Holy Apostolic and Catholic Church of the East (Assyrian) Australian New South Wales Parish Association* (1989) 14 IPR 609.

these purposes as s 4(2)(a) expressly states that a reference to engaging in conduct shall be read as a reference to doing or refusing to do any act. Section 4(2)(b) further clarifies a reference to refusing to do an act as including a reference to refraining (otherwise than inadvertently) from doing that act.

2.9.4 ‘Misleading or deceptive’

This expression raises again some of the issues about terminology used in the passing off decisions. A few points can be made with clarity about this expression. First, the courts have made it clear that conduct which is confusing does not breach s 52. Hence, if a defendant’s conduct causes a person to wonder about the correct state of affairs rather than to be actually misled as to that state of affairs, they will not be in breach of s 52 and the courts have regularly made this point.¹³⁷ Again, as pointed out earlier in the chapter when discussing this terminology, while the distinction is relatively easy to make in theory, in practice, it is quite difficult to apply. The manner in which the distinction is applied suggests that policy considerations are either directly or indirectly taken into account, and hence a finding of ‘confusion’ rather than being misled often occurs in cases relating to descriptive terms such as ‘Office Cleaning Business’ where there is an understandable reluctance to confer exclusive rights to the use of the term. In addition, such decisions also require a policy decision about the particular point in trade at which the confusing or misleading conduct or is to be evaluated. Consequently, one is often left with the impression that a finding of ‘confusing’ conduct rather than ‘misleading or deceptive conduct’ is a justification for a policy-based outcome rather than the explanation of what actually occurred.

Second, intention is not relevant to a finding of a breach of s 52.¹³⁸ Conduct will be misleading even if it was not intended to be misleading. This leaves open the question of the distinction between ‘misleading’ and ‘deceptive’ conduct. Basic statutory interpretation principles would suggest that the two terms must have different meanings for to state otherwise would leave one of the terms otiose. No authoritative satisfactory distinction between the terms has been made apart from one suggestion put forward by French J in *Bridge Stockbrokers v Bridges*.¹³⁹ In that case, he suggested that deceptive conduct would include conduct that was deliberately confusing. In other words, if a defendant intentionally generated confusion, then its conduct would be deceptive but not misleading. Similarly, misleading conduct would involve more than confusion but need not involve any intent to mislead on the part of the defendant. The suggestion has not yet been unequivocally adopted by other judges.

The actual determination of whether conduct is misleading or deceptive is the subject of a four-step approach referred to by the Full Court in the *Taco Bell*

¹³⁷ *Parkdale Custom Built Furniture Pty Ltd v Puxu Pty Ltd* (1982) 149 CLR 191; *Campomar Sociedad Limitada v Nike International Ltd* (2000) 202 CLR 45.

¹³⁸ *Hornsby Building Information Centre Pty Ltd v Sydney Building Information Centre Ltd* (1978) 140 CLR 216.

¹³⁹ (1984) 4 FCR 460.

case.¹⁴⁰ The test is frequently quoted and it is summarised below with some added points derived from later cases.

1. Identification of the relevant section of the public (which may be the public at large) that is or was the target of the defendant's conduct.
2. The matter is considered by reference to all who come within that section of the public. Consequently, if the conduct was aimed at a particularly knowledgeable section of the public, it would be less likely to mislead. An example might be specialist medical equipment that looks similar but which is purchased only by or on the recommendation of medical professionals with a keen understanding of the differences between the products.¹⁴¹
3. Evidence that some of the people have been misled or deceived will be relevant but not determinative of the issue as the test is objective and even if people have been deceived this may be because they may be regarded as unusually gullible or because they had made certain false assumptions for which the defendant should not be held responsible.¹⁴²
4. The reason for any deception must be determined and it must be attributable to the defendant's conduct rather than some other cause such as some assumption that the plaintiff is the only person with the legal right to use certain words or indicia.¹⁴³

2.10 Comparison with passing off

The courts have constantly pointed out that s 52 is to be applied on its own terms and that its interpretation is not to be controlled by passing off principles.¹⁴⁴ Section 52 is concerned exclusively with the prevention of misleading conduct whereas passing off also has a concern with the plaintiff's reputation and, in some circumstances such as honest concurrent use, the defendant's reputation. While as a matter of law the differences between the two are clear, as a matter of practice, the overlap between s 52 and passing off is very considerable and it will be a rare case where passing off exists but no breach of s 52 or one of its State equivalents has occurred. Not surprisingly, the application of s 52 in circumstances that are similar to passing off has resulted in at least reference to if not reliance on passing off principles in many instances. Nevertheless, a number of distinctions can be quickly made between them:

- Any person may bring an action pursuant to s 52; they do not need to prove that they own any reputation or goodwill. This may be of assistance where there is any doubt as to who is the proper owner of the reputation such as where the reputation relates to a famous screen character identified with a

140 *Taco Co (Aust) Inc v Taco Bell Pty Ltd* (1982) 42 ALR 177, 202–3.

141 *Hodgkinson & Corby Limited v Wards Mobility Services Ltd* [1995] FSR 169.

142 *McWilliam's Wines Pty Ltd v McDonald's System of Australia Pty Ltd* (1980) 33 ALR 394.

143 *Ibid*; *Lego Australia Pty Ltd v Paul's (Merchants) Pty Ltd* (1982) 42 ALR 344.

144 Davison et al., *Shanahan's Australian Law*, above n 34, 611.

particular actor but the production company may also claim or be alleged to be the owner in question.

- Intention is clearly not necessary to obtain damages for a breach of s 52 pursuant to s 82. It probably is for damages for passing off.
- There are other significant differences in the remedies available for the two different actions. The potential remedies for a breach of section 52 are specified in ss 80, 82 and 85. They are quite broad in nature but do not include either an account of profit or punitive damages.
- In theory, various ‘defences’ recognised by passing off cases such as the use of one’s own name or honest concurrent use are not available under s 52 as it has a blanket prohibition against misleading and deceptive conduct. In practice, such defences may well manifest themselves less specifically in s 52 decisions that find that the defendant’s conduct is confusing rather than misleading and a similar effect may be achieved.
- There may be a breach of s 52 without necessarily a passing off action. For example, if two similar businesses adopted the same indicia recently and virtually simultaneously, neither may have the necessary reputation to sustain an action in passing off but both may be engaging in misleading conduct.¹⁴⁵
- If there are discretionary reasons for declining an application for an injunction against passing off, these are less likely to be relevant when considering an injunction to prevent further breaches of s 52. For example, a plaintiff’s delay in protecting its own interests in preventing passing off may result in an unsuccessful application. In contrast, s 52 lays down a statutory standard of conduct of corporations and there is a public interest in preventing contraventions of that standard. Consequently such breaches are more likely to be the subject of an injunction, regardless of the plaintiff’s conduct.

2.10.1 Ss 53, 55 and 55A

In addition to the general provision in s 52, other provisions of Division 2 of Part V of the *Trade Practices Act 1974* (Cth) also have an effect which is similar to the tort of passing off. The conduct proscribed by these provisions constitutes more specific examples of misleading and deceptive conduct and as such is a subset of s 52. The major difference between these provisions and s 52 is that a breach of the standard of conduct laid out in s 52 attracts only civil liability whereas a breach of the other provisions also attracts criminal liability.

In particular, ss 53(c) and (d) prevent corporations from representing that either it or its goods or services have any sponsorship, approval or affiliation which it or they do not have. Sections 53A(c) and (d) impose similar prohibitions in respect of the sale or grant of interests in land. In addition, s 55A prevents a

145 *Peter Isaacson Publications v Nationwide News Pty Ltd and Another* (1984) 6 FCR 289.

corporation from engaging in conduct that is liable to mislead the public as to the characteristics of its services.

2.10.2 State equivalents

Due to the Constitutional restrictions that affect the scope of operation of the *Trade Practices Act 1974* (Cth), the States have passed legislation that mirrors s 52 and which applies to individuals as opposed to corporations. The more specific provisions in ss 53, 53A and 55A are also mirrored in a number of the States.

2.10.3 Injurious falsehood

Finally, it is worth mentioning the little used tort of injurious falsehood or trade libel although it is very different from passing off. This tort involves deliberately false or recklessly false statements about a competitor or its product that result in damage to the competitor. Statements such as that the competitor's products are unsafe would come into this category. While intention has to be proved and the tort is therefore smaller in scope than s 52, it does permit the award of punitive damages and for that reason could be used as means of applying pressure to a defendant in the litigation process.

2.11 Comparison with Europe and USA

A key difference between many European countries and many states of the United States on the one hand and Australia on the other is that the former embrace a broader tort of unfair competition that incorporates passing off but also catches other conduct that does not necessarily involve deception. Australia has not yet embraced a general tort of unfair competition.

The exact nature of unfair competition in individual European countries is often unclear and, in any event, varies considerably from country to country.¹⁴⁶ For example, the Italian Civil Code contains three sections prohibiting unfair competition.¹⁴⁷ The first prohibits deceptive conduct which correlates to the tort of passing off, the second prohibits defamatory acts which correlates to our tort of injurious falsehood but the third contains a far more general clause 'prohibiting all business conduct likely to damage someone else's goodwill'.¹⁴⁸

French law recognises a concept of *conurrence parasitaire* which 'deals with the behaviour with which one enterprise follows in the wake of another in order to exploit the same clientele at the expense of the former'¹⁴⁹ and 'confusion on the part of the public does not necessarily form an ingredient in *conurrence*

146 See generally A. Kamperman Sanders, *Unfair Competition Law*, above n 1.

147 *Ibid* 49.

148 *Ibid*.

149 *Ibid* 25.

parasitaire, with dilution of the distinctive quality of a badge of trade as a prime example of the effects of this approach'.¹⁵⁰ For example, in *Societe Mars Alimentaire v Societe Aegean Trade CY and Istanbul Gida Dis Ticaret AS*,¹⁵¹ Mars, the producers of the well-known confectionery, had sold its bars in packs of three of 300 grams for many years. The defendant adopted a similar packaging of its bars. The court held that while there was no risk of confusion, the defendant had parasitically taken advantage of the plaintiff's successful mode of presentation and granted an injunction preventing the defendant from marketing its bars in that way.

The American position is complicated by the fact that its unfair competition laws vary from state to state and so there are effectively fifty different laws on the topic flowing from the case law and legislation of the various states. Most American states have adopted misappropriation as part of the tort of unfair competition. Such misappropriation does not require misleading or deceptive conduct on the part of the defendant.¹⁵² The common law origin of misappropriation is the US Supreme Court decision in *International News Service v Associated Press*.¹⁵³ In that case, the defendant obtained news from the plaintiff's publications on the east coast and then exploited time differences in the United States to publish that same news on the west coast before the plaintiff did so. For various reasons, no breach of copyright or obligation of confidentiality was involved but the Supreme Court still enjoined the defendant from engaging in this activity on the basis that it was 'endeavoring to reap where it has not sown'.¹⁵⁴ This cause of action was the target of considerable criticism, including a strong dissent from Brandeis J in the decision itself. By and large, it fell into disuse and was far more often distinguished or simply ignored than applied.¹⁵⁵

In more recent times, the tort has experienced a revival, particularly in the context of the misappropriation of digital information. It has also been reconfigured and limited in its application. The most definitive recent judicial restatement of the tort was provided by the Second Circuit of the US Court of Appeal in *National Basketball Association v Motorola Inc*¹⁵⁶ where it stated that misappropriation exists where the following conditions are met:

- (i) the plaintiff generates or gathers information at a cost; (ii) the information is time-sensitive; (iii) a defendant's use of the information constitutes free-riding on the plaintiff's efforts; (iv) the defendant is in direct competition with a product or service offered by the plaintiff; and (v) the ability of other parties to free-ride on the efforts of the plaintiff or others would so reduce the incentive to produce the product or service that its existence or quality would be substantially threatened.¹⁵⁷

150 *Ibid.*

151 [1993] 12 EIPR D-282-3.

152 See M. Davison, *The Legal Protection of Databases* (Cambridge, UK; New York: Cambridge University Press, 2003), 171-89.

153 (1918) 248 US 215.

154 *Ibid* 221.

155 E.g., *Synercom Technology Inc v University Computing Company and Engineering Dynamics Inc* 474 F Supp 37 (ND Tex 1979), 40; *Cheney Bros v Doris Silk Corp* 35 F 2d 279 (2nd Cir, 1929), 280.

156 105 F 3d 841 (2nd Cir, 1997).

157 *Ibid* 845.

Other State actions for unfair competition rely on either a right of privacy or a right of publicity and these have been developed at common law. A right of privacy permits a celebrity to restrict use of their image except where it is done so as part of the reporting of news and therefore part of the process of exercising the American Constitutional right to freedom of speech. A right of publicity prevents others from exploiting one's personality or image for commercial gain although as with the right of privacy, the use of another's image in the course of news reporting is permitted. The distinction between the two causes of action is not entirely clear and the nature of the property right of publicity varies from state to state. However, it is certainly clear that many states such as Tennessee and New Jersey have accepted the existence of a common law right of publicity for Elvis Presley. They have also accepted the proposition that the right survived his death and so it may be exercised by his heirs.¹⁵⁸ The nature of the right may vary from state to state as may the issue of whether the right is actually recognised.

Australian law does not possess a general tort of unfair competition that applies in the absence of some form of misrepresentation.¹⁵⁹ However, as pointed out in the *Moorgate Tobacco* case and above, an expanded approach to passing off in which misrepresentation may be found quite easily has certainly been part of Australian law for some time.

2.12 Remedies

Pretrial remedies such as *Anton Piller* orders and interlocutory injunctions are discussed in Chapter 17. Pecuniary remedies for passing off include damages or an account of profit.

As passing off is a tort, the generally applicable principle is to calculate damages by reference to the position that the plaintiff would have been in if the tort had not been committed.¹⁶⁰ In the context of passing off, the plaintiff will have suffered lost sales if it is in direct competition with the defendant. It may also suffer a loss of reputation if the defendant's products are inferior and, even if they are not inferior, some diminution of the value of its reputation will ensue.

If the plaintiff and the defendant are not in direct competition, the diminution of reputation may still apply. In addition, the plaintiff may have lost the opportunity to or been inhibited from expanding into the area of commerce in which the defendant operates. Alternatively, it may have lost the opportunity to be paid a licence fee for the use of its goodwill.¹⁶¹

158 *The State of Tennessee ex rel The Elvis Presley International Memorial Foundation v Crowley* 733 SW 2d 889 (Tenn Ct App, 1987); *Estate of Elvis Presley v Russen* 513 F Supp 1339 (DNJ, 1981).

159 *Victoria Park Racing & Recreation Grounds Co Ltd v Taylor* (1937) 58 CLR 479, 509 (Dixon J); *Moorgate Tobacco Co Ltd v Philip Morris Ltd* [No2] [1984] 156 CLR 414, 445–6 (Deane J).

160 For a detailed discussion of English cases on damages for passing off and registered trade marks, see *Kerly's Law of Trade Marks and Trade Names* (13th ed, London: Sweet and Maxwell, 2001), 18–139 – 18–158.

161 *Lego System Aktieselskab & Another v Lego M Lemelstrich Ltd* [1983] FSR 155.

In the case of character merchandising, the loss of a licence fee which would otherwise be payable will be relevant.¹⁶² Again, in these instances, there may also be a loss of reputation if the plaintiff is associated with a product that may harm its general image. For example, in the *Duff beer* case, the plaintiff creators of *The Simpsons* were keen to ensure that their cartoon show was not associated with the promotion of alcohol consumption because of a potential audience backlash.¹⁶³

The balance of authority holds that damages, or at least substantial damages, will not be paid for passing off unless the defendant's conduct was either fraudulent or, at the least, it had notice of the plaintiff's interests and persisted in its passing off after receipt of that notice. This requirement is, in part, a remnant of the common law approach to passing off that is based on fraud. In addition, it has the effect of conferring some protection on the multitude of parties that may be unwittingly guilty of passing off. In particular, in theory, every retailer of goods that are passed off as being those of the plaintiff is liable for passing off. A similar requirement of knowledge is applicable in claims for an account of the profits obtained from passing off.¹⁶⁴ On the other hand, as with most torts, exemplary damages are available where there has been a deliberate and blatant disregard for the plaintiff's rights.¹⁶⁵

The law of passing off is unaffected by registered trade marks except in one respect. Section 230(2) of the *Trade Marks Act 1995* (Cth) deals with the situation where the defendant is a party to a passing off action arising out of the use by the defendant of a registered trade mark in its capacity as owner or authorised user of that trade mark. In such circumstances damages may not be awarded against the defendant if the defendant was unaware and had no reasonable means of finding out that the trade mark of the plaintiff was in use and that when the defendant became aware of the existence and nature of the plaintiff's trade mark, he or she immediately ceased to use the trade mark in relation to the goods or services in relation to which it was used by the plaintiff.

In contrast to damages for passing off, damages for a breach of provisions such as s 52 of the *Trade Practices Act 1974* (Cth) are recoverable in the absence of fraud or notice. The standards of conduct laid down by s 52 and other provisions in Division 2 of Part V of the *Trade Practices Act 1974* (Cth) do not require any form of *mens rea* on the part of the defendant. In addition, ss 82 and 87, which state the available remedies for a breach, impose no requirement of fraud or knowledge before the remedies can be given.

The usual test for damages for a breach of s 52 is the same tortious standard that applies to passing off: namely, what position would the plaintiff have been in but for the misleading or deceptive conduct.¹⁶⁶ General damages can be given for loss of business profits without evidence of particular losses from particular

162 *Radio Corporation v Henderson* [1960] 60 SR(NSW); *Hogan v Pacific Dunlop* (1988) 83 ALR 187.

163 *Twentieth Century Fox Film Corporation v South Australian Brewing Co Ltd* (1996) 66 FCR 451.

164 *Apand Pty Ltd v Kettle Chip Co Pty Ltd* (1994) 30 IPR 337, 358.

165 *Flamingo Park Pty Ltd v Dolly Dolly Creations Pty Ltd* (1986) 6 IPR 431 at 456–7.

166 *Gates v City Life Mutual Assurance Society Ltd* (1986) 160 CLR 1; *Yorke v Ross Lucas Pty Ltd* (1982) 45 ALR 299.

transactions.¹⁶⁷ In addition, general damages can be given for loss of reputation under s 82.¹⁶⁸

However, as the relevant legislative provisions, ss 82 and 87, circumscribe the available remedies, plaintiffs must find justification in those sections for any remedy that they seek. Section 82, the primary section dealing with damages, provides for the recovery of loss or damage. As exemplary damages are punitive in nature rather than compensatory, they are not available under s 82.¹⁶⁹ Similarly, s 87 relates to orders designed to compensate for loss or damage and so exemplary damages are not available under that section either.

167 *Prince Manufacturing Inc v ABAC Corpo Australia Pty Ltd* (1984) 4 FCR 288.

168 *Flamingo Park Pty Ltd v Dolly Dolly Creation Pty Ltd* (1986) 6IPR 431; *Brabazon v Western Mail Ltd* (1985) 58 ALR 712.

169 *Musca v Astle Corp Pty Ltd* (1988) 80 ALR 251; *Mayne Nickless Ltd v Multigroup Distribution Services Pty Ltd* (2001) FCA 1620.

Registered trade marks

3.1 History of registered trade marks

The registration of trade marks was a reasonably natural development beyond the law of passing off. While passing off had and still has numerous advantages, it is inadequate in some respects as a means of facilitating the exploitation of signs used to indicate the origin of goods or services or as a means of defining and regulating property rights.

The first United Kingdom trade mark legislation was passed in 1875¹ and the Australian colonies followed the legislative lead of the United Kingdom in due course. All of the Australian colonies had their own trade mark legislation at the time of Federation and the first federal trade mark legislation was the *Trade Marks Act 1905* (Cth) which largely mirrored then United Kingdom legislation. The next Australian legislation was the *Trade Marks Act 1955* (Cth) which also largely mirrored the United Kingdom legislation of 1938 although some key differences were emerging at that time.²

Since then, Australia has passed two more trade mark acts although only one of them ever came into effect. The *Trade Marks Act 1994* (Cth) was intended to come into effect on 1 January 1996 but it contained a number of flaws and it was deemed more appropriate to simply repeal it before it came into operation. It was replaced by the present legislation, the *Trade Marks Act 1995* (Cth) which did come into effect on 1 January 1996. The new legislation and the 1994 legislation were a response to a number of issues, including some requirements under *TRIPS* that were not met by the 1955 legislation and a government report on trade mark

¹ *Trade Mark Registration Act 1875* (UK).

² M. Davison, K. Johnston and P. Kennedy, *Shanahan's Australian Law of Trade Marks and Passing Off* (3rd ed, Sydney: Law Book Company, 2003), 7–8.

law to the Minister for Science and Technology, usually referred to as the Working Party Report, which made a number of recommendations concerning Australian trade mark legislation.³ In addition, by this time, United Kingdom legislation had gone its own way in response to the requirement to comply with European Union standards and directives.

The net result is that the current legislation is significantly different from the 1955 legislation and quite different from current United Kingdom legislation. However, the new legislation has been described as an evolution rather than a revolution, at least in relation to the nature of a trade mark. The move away from reliance on the lead of the United Kingdom has meant that the current legislation and the case law interpreting it have drawn upon an eclectic group of factors. These include long held principles of trade marks established under the legislation of 1905 and 1955 which have been retained, albeit modified in some respects, developments in marketing practice that were reflected in the Working Party Report, *TRIPS*' requirements, including the requirement to provide greater protection for geographical indications and well-known trade marks, and case law from both Europe and the United States. To a limited extent, the interpretation of the legislation is also affected by the wording of its immediate predecessor, the *Trade Marks Act 1994* (Cth).⁴ The references to legislation in the remainder of this chapter will be to the 1995 Act unless otherwise stated.

3.2 Drawbacks of passing off

The registration of trade marks overcomes a number of the drawbacks of passing off actions in protecting the position of traders.

These drawbacks include:

- The plaintiff's need to prove its reputation on every occasion. The costs of doing so will be considerable as it requires proof of matters such as geographical distribution, promotion costs, time in the market, volume of sales, the degree of customer recognition of one's trade mark, the views of those in the industry and a myriad of other issues.
- Passing off does not protect investment in preparing to establish a reputation such as devising a marketing strategy and preparing advertising as opposed to the reputation which results when those strategies are actually put in place. This leaves the possibility of another person 'gazumping' a trader by actually adopting the same or a similar sign to indicate its products after a trader has invested in the preparation of advertising and other marketing strategies but before that trader has actually implemented those strategies and established a reputation associated with that sign.

³ Working Party to Review the Trade Marks Legislation, *Recommended Changes to the Australian Trade Marks Legislation* (Canberra: Department of Science and Technology, 1992).

⁴ *Koninklijke Philips Electronics NV v Remington Products Australia* (2000) 100 FCR 90.

- The plaintiff must prove a misrepresentation by the defendant. While the case law has taken an expansive view of what constitutes a misrepresentation, the issue is ultimately one for assessment by the presiding judge in the context of the impact of the totality of the defendant's conduct on consumers. The rights granted to owners of registered trade marks are less dependent on the particular circumstances in which the defendant uses its allegedly infringing sign. Consequently, proving infringement of registered trade marks is often easier than proving passing off.
- As property exists in the reputation associated with a sign rather than the sign itself, it is difficult to license others to use the sign and probably impossible to sell rights to use the sign without selling the goodwill of the business.
- There is no public register of which signs can be used by whom. This generates difficulties for parties who wish to avoid unintentionally infringing upon the rights of others.

Various features of the registered trade mark system overcome these difficulties by doing away with the requirement for an existing reputation, at least with inherently distinctive trade marks, and treating registered trade marks as property in their own right.⁵ The exclusive rights conferred on trade mark owners then enable the owners to expend time and money on preparing promotion campaigns with the intention to acquire a reputation associated with the trade marks without fear of being 'gazumped'. They also make it easy for owners to license and sell the trade marks, without the need to transfer the goodwill of their business.⁶

3.3 Functions of trade marks

There are several functions of trade marks that influence the law relating to them.⁷ The most traditional explanation of trade marks is that they act as an indicator of the origin of the goods or services in relation to which they are used. This view permeates Australian trade mark law and was expressly acknowledged in the definition of a trade mark in s 6 of the 1955 legislation which provided that a trade mark was:

A mark used or proposed to be used in relation to goods or services for the purpose of indicating . . . a connexion in the course of trade between the goods or services and a person who has the right, either as proprietor or as registered user, to use the mark . . .

⁵ See *Trade Marks Act 1995* (Cth): s 21 states that a trade mark is personal property; s 41(3) refers to a trade mark's inherent distinctiveness as a decisive factor in whether or not a trade mark is capable of distinguishing the designated goods or services from the goods or services of other persons.

⁶ *Trade Marks Act 1995* (Cth) s 106(3).

⁷ Frank I. Schechter, 'The Rational Basis of Trade Mark Protection' (1927) 40 *Harvard Law Review* 813; M. Gabay, 'The Role of Trademarks in Consumer Protection and Development in Developing Countries' [1987] *Industrial Property* 102 at 102–5; S. Carter, 'The Trouble with Trademark' (1990) 99 *Yale LJ* 759 at 759–75; W. Landes and R. Posner, 'The Economics of Trademark Law' (1988) 78 *The Trademark Reporter* 267, 267–79; T. Stevens, 'ACIP Review of Trade Mark Enforcement' (2004) 7(3) *Australian Intellectual Property Law Journal* 50.

In the current legislation, that role of trade marks is expressed slightly differently as ‘a sign used or intended to be used, to distinguish goods or services dealt with or provided in the course of trade by a person from goods or services so dealt with or provided by any other person’. Judicial comment to date suggests that the different definition in the new legislation has not made any fundamental change in the nature of a trade mark but that may be questionable. It is possible for a sign to distinguish one product from another by various means, not just by indicating that the product with the sign has a particular trade origin. For example, if a product has some new, distinctive shape which is attractive to consumers, it is arguably distinctive in that sense but consumers would not necessarily regard the new shape as indicating that the product comes from a particular trader and no other.

3.3.1 Reducing search costs

In any event, a related function of a registered trade mark is the function of indicating in shorthand form the quality of a product to consumers. In this way, they reduce what economists refer to as the search costs of consumers. This means that instead of having to consider each product anew when they are buying, they need only refer to their knowledge of the product provided through the trade mark. Hence, the trade mark Coca Cola indicates a black, cola-flavoured, caffeine-infused, sugary soft drink with a distinctive taste. Consumers searching for that taste need only search for the Coca Cola trade mark.

These functions of registered trade marks are functions that are consistent with consumer protection objectives. They aid consumers by reducing their search costs and reduce the possibility of confusion and deception by making it easier for traders to distinguish their products from the products of other traders.

3.3.2 Managing property interests

On the other hand, trade marks are a form of property in their own right⁸ and provisions such as those relating to assignment and licensing indicate the extent to which they are treated as tradable commodities. The manner in which restrictions on assignment and licensing have been loosened with each new piece of trade mark legislation confirms this treatment of trade marks as property.⁹ It is this property aspect of trade marks that has become increasingly important as trade marks like the Coca Cola trade mark and many other famous trade marks may have a life force of their own that is independent of the products with which they are associated. The image associated with such trade marks is such that they will and can sell almost any product. So the importance and value of the trade mark exceeds its capacity to distinguish one product from another and it becomes a tradable commodity in its own right. This function of trade marks is one reason for

⁸ *Trade Marks Act 1995* (Cth) s 21(1).

⁹ Davison et al., *Shanahan's Australian Law*, above n 2, ch 16, 17.

demands for extra protection for famous or well-known trade marks and s 120(3), one of the infringement provisions in the Act, accommodates these demands to some extent. Owners of well-known trade marks seek protection for their property which extends beyond protection from the use of similar or identical trade marks in circumstances where consumers are likely to be deceived or confused. They want protection that will prevent any tarnishment or blurring of their trade mark, even in the absence of any possibility of deception or confusion of consumers; such protection is provided in the United States and the European Union via the anti-dilution provisions of the *Lanham Act*¹⁰ and the *Trade Mark Directive*.¹¹ The extent to which such protection is conferred by s 120(3) of the current Australian legislation is still open to interpretation.

The end result is that the trade mark legislation is a mix of provisions relating to pro-consumer objectives and the regulation of the ownership and exploitation of property rights in trade marks. The pro-consumer objectives are designed to limit confusion or deception and to facilitate the provision of information to consumers. Examples of these objectives are the provisions requiring trade marks to be distinctive¹² and the prevention of registration of trade marks with connotations that may be likely to deceive or cause confusion.¹³ The provisions relating to the ownership and exploitation of property are often consistent with but sometimes in conflict with the pro-consumer provisions. For example, the legislation tolerates the existence of some confusion in the prior continuous user and honest concurrent user provisions.¹⁴

3.4 Overview of the registration process

In order to obtain registration, the relevant application has to be submitted to the Registrar. The trade mark is identified clearly in the application as are the goods and/or services in respect of which registration is sought. Registration is granted for specific trade marks in respect of specified goods and/or services. For the purposes of maintaining the trade mark register and facilitating the searching of the Register, goods and services are categorised within particular classes although the application itself needs to be more specific than simply identifying the class within which registration is being sought. It must identify with precision those particular goods or services which will be used in conjunction with the trade mark.

The application will also have a priority date that is relevant for the purposes of its eligibility for registration in the event of a conflict with another trade mark application. For example, if applications for similar trade marks for similar goods

¹⁰ *Lanham (Trademark) Act* 15 USC § 1125 (1946).

¹¹ *EU Trademark Directive 1988* arts 4(4)(a), 5(2).

¹² *Trade Marks Act 1995* (Cth) s 41.

¹³ *Trade Marks Act 1995* (Cth) s 43.

¹⁴ *Trade Marks Act 1995* (Cth) s 44(3)–(4).

were lodged at about the same time, the trade mark with the earlier priority date would most likely receive registration.¹⁵ As a general rule, the date of lodgment of the application will be the priority date but there are some important exceptions to that general rule. For example, if an earlier application for registration of the same trade mark has been made in any one of a large number of countries¹⁶ within six months of the Australian application, the priority date of the Australian application will be the day of the original application in that other country.¹⁷ Other circumstances that may affect the priority date of an application could be an application under the Madrid Protocol lodged in Geneva prior to a separate Australian application by another party¹⁸ and what is called a divisional application.¹⁹

The trade mark application is then examined to see if it meets the requirements for registration. This process often involves correspondence between the examiner and the applicant which will involve clarification of the application and the provision of any necessary evidence from the applicant. If accepted, the fact of acceptance is published and a period of time is then available for opposition to the registration on any or all of the grounds specified in the legislation. If there is no successful opposition to the accepted trade mark, it will be registered. Registration is initially for seven years and is renewable for further periods of 14 years upon payment of the necessary fees. Once registered, there are also various grounds upon which a trade mark may be removed from the Register or the Register may be rectified. In particular, a trade mark is liable for removal for non-use or the Register may be rectified if the trade mark should never have been registered and has not subsequently become eligible for registration.

Each of the acceptance and opposition stages is subject to appeals to the Federal Court and possibly the High Court.²⁰ Consequently, some of the important litigation in the area is between the Registrar and an applicant whose application has been denied or between an opponent and the Registrar when an opposition has been unsuccessful before the Registrar.

From a practical point of view, applicants and opponents need to be very aware of the legislative time frames for the submission of documentation such as the supply of additional information or the time for filing an opposition. In addition, trade mark owners need to maintain a watching brief on trade marks that have been accepted by the Registrar in case it is necessary to lodge an opposition to a competitor's trade mark. Obviously, it is also important to ensure that trade mark registrations are renewed when required. Hence, even after registration of a trade mark, considerable ongoing 'maintenance' needs to occur in order to ensure the trade mark retains its value to its owner.

15 *Trade Marks Act 1995* (Cth) s 44.

16 See sch 10 of the Regulations to the Act for a list of the countries.

17 *Trade Marks Act 1995* (Cth) s 72.

18 See pt 17A of the Regulations to the Act.

19 See div 3 of Pt 4 of the Act.

20 See *Woolworths Ltd v BP* [2006] FCAFC 52 for a discussion of the appeal process concerning opposition.

3.5 Definition of a trade mark

Obviously, in order for an application to be successful, it must relate to a trade mark. Section 17 defines a trade mark as ‘a sign used, or intended to be used, to distinguish goods or services dealt with or provided in the course of trade by a person from goods or services so dealt with or provided by any other person’. This definition of a trade mark is critical to an understanding of not just what may be registered as a trade mark but also other trade mark issues such as what conduct constitutes an infringement of a trade mark. Consequently, a detailed examination and dissection of the definition of a trade mark is necessary.

3.6 Definition of a sign

A sign is inclusively defined in s 6 as including ‘the following or any combination of the following, namely, any letter, word, name, signature, numeral, device, brand, heading, label, ticket, aspect of packaging, shape, colour, sound or scent’.²¹ The inclusive wording of the definition and case law on the point suggests that almost anything capable of being perceived by any one or more of a human being’s senses is a sign. Anything that could be seen, heard, smelled, felt or even tasted is a sign. For example, the feel or texture of goods may be registrable even though ‘texture’ is not specifically listed in the definition.

The terms ‘letter, word, name, signature, numeral’ are self explanatory and the term ‘device’ refers to any form of artistic representation such as logos, drawings, pictures or even diagrams. The terms ‘brand, heading, label and ticket’ are not so much references to types of signs but more the means by which a sign (such as words, numerals or devices) might be physically associated with goods. ‘Brands’ are burnt into goods such as cigar boxes, ‘headings’ are the trade marks of textiles woven into the top or bottom of the material, ‘labels’ are usually affixed to goods in such a way as to be permanently affixed whereas ‘tickets’ are loosely attached by, say, string and intended to be removed, usually after purchase.²²

3.6.1 Aspect of packaging, shape

It has always been the case that a particular aspect of packaging or even some part of the product itself may constitute a trade mark. For example, in *Re Application by Hamish Robertson & Co Ltd*,²³ a crest on a seal on the neck of a bottle of alcohol was found to be a ‘very unusual and quite distinctive’ trademark.²⁴

²¹ For further reference see P. Loughlan, ‘The Concept of “Sign” in Australian Trade Mark Law’ (2005) 16(2) *Australian Intellectual Property Law Journal* 95.

²² S. Ricketson, *Intellectual Property: Cases, Materials and Commentary* (3rd ed, 2005), 937.

²³ (1998) 13 IPR 69.

²⁴ *Ibid* 73.

The case law took a different view of the situation where the sign in question was the entirety of the packaging or the product. It required the trade mark to be ‘something capable of being described and depicted apart from the goods’ for which it was a trade mark.²⁵

While this principle is relatively easily stated, its application in some circumstances was a more complex matter. For example, in the High Court decision of *Smith Kline v Registrar of Trade Marks*,²⁶ registration was sought for the colour scheme of a pharmaceutical capsule in which half of the capsule was coloured and the other half was transparent so as to reveal the multi-coloured pellets of medicine contained inside the capsule. Kitto J refused registration on the basis that the trade mark could not be described and depicted apart from the capsule itself. When the very same facts came before the House of Lords, the House of Lords held that in the particular case, the colour scheme was separate from the goods in respect of which it was to be used.

While the application of the principle is difficult in some circumstances, both Australian and English law agreed that a consequence of this principle was that a trade mark could not have consisted of the entirety of the shape of the product in relation to which it was used. Pursuant to this principle, the shape of the well-known Lifesaver confectionery was denied registration in Australia,²⁷ and in the United Kingdom the House of Lords unequivocally refused protection for the shape of the Coca Cola bottle on the grounds that the bottle simply was not a trade mark.²⁸

Under the new legislation, a sign may include ‘shape’ and therefore may include the entire shape of either goods or the packaging in which they come. The relationship between this new addition to the definition of a sign (‘mark’ under the old legislation) and the requirement that a trade mark be something separate from the goods themselves has been the subject of comment by the Full Federal Court on two occasions. While the distinction between a trade mark and the product to which it is applied remains in theory, it seems to have been reformulated. The reformulation appears to take the view that the trade mark will be separate from the goods if the shape is not essential to and is separate from the function of the goods. If the trade mark owner can demonstrate that the shape in question is different from the product itself in the sense that the function of the product does not determine the shape, registration is available.

In a trade mark case between Remington and Philips, the Full Federal Court considered the infringement of a trade mark consisting of a two-dimensional

25 *The Coca Cola Co v All-Fect Distributors Ltd* (1999) 96 FCR 107, 116; *Smith Kline and French Laboratories (Australia) Ltd v Registrar of Trade Marks* (1967) 116 CLR 628, 640; but also see the UK decision in *Smith Kline v Registrar of Trade Marks* [1976] RPC 511 where the same facts resulted in the opposite decision. See also Mark Davison, ‘Shape Trade Marks: the Role and Relevance of Functionality and Aesthetics in Determining their Registrability’ (2004) 15(2) *Australian Intellectual Property Journal* 231; J. Baird, ‘This Mark is So Attractive: It Should be Free for All to Use: an Australian Perspective on Functional Shape Marks’ (2003) 52 *Intellectual Property Forum: Journal of the Intellectual Property Society of Australia and NZ* 26.

26 *Smith Kline and French Laboratories (Australia) Ltd v Registrar of Trade Marks* (1967) 116 CLR 628.

27 *Life Savers (A/asia) Ltd’s Application* (1952) 22 AOJP 3106.

28 *Coca-Cola Trade Marks* [1986] FSR 472.

representation of Philips three-headed rotary shaver. In doing so, it commented on the registrability of the actual shape itself although that issue was not directly before the court.²⁹ The court appeared to express the view that the shape itself would not be registrable because of its importance to the function of the shaver. Burchett J stated that:

But that is not to say that the 1995 Act has invalidated what Windeyer J said in *Smith Kline*. The special cases where a shape of the goods may be a mark are cases falling within, not without, the principle he expounded. For they are cases where the shape that is a mark is ‘extra’, added to the inherent form of the particular goods as something distinct which can denote origin. The goods can still be seen as having, in Windeyer J’s words, ‘an existence independently of the mark’ which is imposed upon them.³⁰

In the *Kenman Kandy* case the Full Court considered the registration of a lolly as a trade mark. Stone J adopted the above statement from the *Philips* decision and explained that:

The concerns expressed in both *Philips v Remington* (Aust) FC and *Philips v Remington* (Eng) about the prospect of trade marks creating monopolies related only to the registration of trade marks that would restrict access to functional features or innovations, and for this reason were well founded. It is this concern that finds expression in the requirement that a trade mark be something added to the inherent form of goods. The ‘inherent form’ of goods, in my view, can only refer to those aspects of form that have functional significance.³¹

Consequently, the entire shape of goods will be a sign and considered separate from the goods provided that the shape is not functional. Therefore, the legal reality is that the ‘sign’ in question and the shape of the goods in relation to which it is used may be one and the same. The decision in *Kenman Kandy* is itself quite specific authority for that proposition, as in that case the Full Court of the Federal Court held that the entire shape of the bug-shaped lolly was registrable as a trade mark.

In addition, a search of the trade marks register will show the registration of trade marks such as:

- the Rubiks Cube (reg no. 707482);
- the semi-spherical shape of a Kettle barbeque (reg no. 7036222);
- the shape of the pens and pencils in a pen and pencil shape (reg no. 719912);
- the shape of a bottle for perfume (reg. no. 627798); and
- the triangular box shape of Toblerone chocolate (reg no. 706797).

3.6.2 Colour

Several hundred colours or combinations of colours are presently registered such as:

²⁹ *Koninklijke Philips Electronics NV v Remington Products Australia* (2000) 100 FCR 90.

³⁰ *Ibid* 104.

³¹ *Kenman Kandy Australia Pty Ltd v The Registrar of Trade Marks* (2002) 122 FCR 494, ¶ 137.

- orange for personal communication technology (reg no. 820452);
- orange for sparkling wine (reg no. 704779); and
- sky blue for electrical tools (reg no. 585856).

Unlike the situation with shapes, the colour of the goods and the goods themselves are usually quite distinct although the peculiar facts in the *Smith Kline* decisions demonstrate that this may not always be the case.³² At the time of writing, trade mark applications by Cadbury for ‘deep purple’ for chocolate³³ and by BP for predominantly green for service stations³⁴ were at various points in the application and appeal process. (See the [Appendix](#) at the end of the book for more on these decisions.)

3.6.3 Sounds

At the time of writing, nineteen sounds have been registered although often in combination with words. Hence, McCain Foods Pty Ltd has registered the high pitched ping of a microwave when used to intersperse the words ‘Ah McCain, (‘Ping’) You’ve Done It Again’. Music which has been registered or in respect of which applications for registration have been made include:

- the sound of ‘Greensleeves’ for Mr Whippy ice cream (reg no. 876931);
- the traditional musical start to Twentieth Century Fox Movies (reg no. 891830);
- A wolf whistle followed by the sound of an exploding bottle for alcoholic beverages (reg no. 924027);
- The ‘Happy Little Vegemites’ Tune by Kraft (reg no. 941362);
- ‘Sproing’ for floor coverings (reg no. 738848); and
- The sound of a football siren for a wide range of products supplied by the Australian Football League. While that particular sound is clearly a sign, the application for registration was unsuccessful for other reasons.

3.6.4 Scents

No registration of scents has yet taken place although, again, the reasons for rejection relate to issues other than whether a scent is a sign. Some of the registrations sought but rejected or still pending are:

32 L. Eade, ‘Looking at Smells and Sounds: Graphical Representation of New Trade Marks’ (2003) 16(3) *Australian Intellectual Property Journal* 33; J. McCutcheon, ‘How Many Colours in the Rainbow? The Registration of Colour per se under Australian Trade Mark Law’ (2004) 26(1) *European Intellectual Property Review* 27; L. Eade, ‘Puce as a Trade Mark: Acquired Distinctiveness of Colour Trade Marks’ (2004) 16(8) *Australian Intellectual Property Law Bulletin* 121.

33 See *Cadbury Schweppes Pty Ltd v Darrell Lea Chocolate Shops Pty Ltd (No 4)* [2006] FCA 446 involving a passing off action relating to the colour purple. The matter was appealed and the resolution of the issue was relevant to Cadbury’s applications based on s 41(6) of the Act. See various trade mark applications by Cadbury, such as No 779336, which are presently pending.

34 *Woolworths Ltd v BP* [2006] FCAFC 52 (re the question of leave to appeal), [2006] FCAFC 132 (concerning the registration of the colour green).

- The scent of lemon for tobacco and tobacco products: pending (reg no. 936188);
- The scent of musk for perfume: rejected (reg no. 727820);
- A eucalyptus scent for laundry detergent: rejected. (reg no. 7622286); and
- The scent of coffee for sun tan lotion: rejected (reg no. 821444).

As with colours, the scent of the product and the product itself are usually clearly distinguishable although an interesting issue would arise as to whether the scent of a perfume could be a sign in relation to that perfume.

The end result of the new definition and the re-interpretation of the principle in the *Smith Kline* decision in light of the new definition of a sign is that it is very easy to demonstrate that something is a 'sign' and other aspects of the definition will be more important to determining registrability.

3.7 'Used or intended to be used'

In order to be a trade mark, the owner must use a sign or intend to use it *as a trade mark*: that is, in order to distinguish its products from other products.³⁵ There are a number of aspects of intent that need to be borne in mind.

3.7.1 Unconditional intention

The intent need not involve a plan to use the trade mark within a specific time frame provided there is an unconditional intention to use the trade mark at some point in the future.³⁶ A conditional intention to use the trade mark if favourable market conditions arise is not sufficient. For example, in the *Rawhide* case,³⁷ the applicant for registration sought to register 'Rawhide' for various goods in the hope that the American television series of that name would be shown in the United Kingdom, thus giving the trade mark some quick publicity without the need for any investment from the trade mark owner. As use of the trade mark was conditional upon the show coming to the United Kingdom, the applicant did not have the required intention.

The intention must be a bona fide intention and 'sham' use simply to acquire rights in relation to the trade mark will not constitute either use or intention to use for the purposes of the definition. Hence, when a cigarette company used the trade mark 'Nerit' for several thousand cigarettes but then discontinued their manufacture in accordance with a predetermined plan to do so, its registration of 'Nerit' was revoked for lack of the necessary intention to seriously market those cigarettes.³⁸

³⁵ For further reference see L. Bently and R. Burrell, 'The Requirement of Trade Mark Use' (2002) 13(4) *Australian Intellectual Property Journal* 181; R. Burrell 'The Requirement of Trade Mark Use: Recent Developments in Australia' (2005) 16(4) *Australian Intellectual Property Journal* 231; Trevor Stevens, 'Trade Marks Ownership and Sharp Business' (2004) *Australian Intellectual Property Law Bulletin* 4.

³⁶ *Ducker's Trade Mark* (1928) 45 RPC 397, 402.

³⁷ *Rawhide Trade Mark* [1962] RPC 133.

³⁸ *Imperial Group Ltd v Philip Morris & Co* [1982] FSR 72.

3.7.2 Objective test of intention

The intended use must be use which is objectively regarded as use as a trade mark. As we will see later, not every use of a trade mark is use as a trade mark and the issue of what constitutes such use arises again and again in trade mark law. In this context, it is not sufficient for the trade mark owner to put the trade mark on its goods. It must actually do so in a way that differentiates its products from other products. For example, in *Johnson and Johnson v Unilever Aust Ltd*,³⁹ the plaintiff used the trade mark ‘caplets’ in relation to its paracetamol medication which consisted of a tablet in the shape of a capsule. As ‘caplets’ was at least partly descriptive in nature, it was argued that the plaintiff’s use did not distinguish its goods from other goods but simply described the nature of the products being sold. The plaintiff argued that it was sufficient that it subjectively intended to use the trade mark as a trade mark even though it may not have used it in that manner. The Federal Court rejected this argument and held that the relevant ‘intent to use’ required an intention to use the trade mark in a manner that would be objectively considered to be use as a trade mark.

In reality, the requirement of intention to use is difficult to disprove in the absence of a ‘smoking gun’ confession or some other clear evidence. It is usually proved by an actual lack of use which will eventually be grounds for removal in its own right after the relevant statutory period of time.⁴⁰

3.7.3 Use by others

Section 27(1)(b)(ii) and (iii) set out some limited circumstances in which the applicant need not intend to use the trade mark themselves provided other requirements are met. It is sufficient to meet the requirement of intention if the applicant has authorised or intends to authorise another person to use the trade mark or intends to assign the trade mark to a body corporate that is about to be constituted with a view to the use by that body corporate.⁴¹ The former situation arises where an owner intends to license one or more people to produce and market the product in question and the owner only intends to exercise some form of control over the use of the trade mark applied to the product.⁴² Unlike the situation under the previous legislation, it appears that it is not necessary for the applicant to have identified the particular person who will be licensed to use the trade mark.⁴³ The latter situation permits a promoter of a company about to be formed to acquire assets such as a trade mark and then transfer it to the company after it is established.

³⁹ [1994] AIPC 91–038.

⁴⁰ For further reference see T. Stevens, ‘The Use of Multiple Trade Marks’ (2005) 18(2) *Australian Intellectual Property Law Bulletin* 22.

⁴¹ *Trade Marks Act 1995* (Cth) s 27(1).

⁴² Refer to ch 4, 4.18 for discussion on licensing.

⁴³ *Pussy Galore Trade Mark* [1967] RPC 265.

3.8 Distinguishing goods or services

The phrase ‘to distinguish goods or services dealt with or provided in the course of trade by a person from goods or services so dealt with or provided by any other person’ goes to the essence of what it means to use a sign as a trade mark and has already been addressed in the previous section in the discussion of intention. As seen above, almost anything is a sign. The key issue will be whether it is being used or is intended to be used in such a way as to distinguish the goods or services of the person using the trade mark from other goods and services. Thus the capacity of a trade mark to achieve this task of distinguishing goods or services from other goods or services is a critical requirement to its initial registration and its continued registration. As we will see later, if it loses that capacity after registration, it may be removed from the Register.

To put it in colloquial terms, the trade mark must say to a consumer, ‘When you see this trade mark, you are seeing a sign of the goods or services of a particular person. You may not know the identity of that particular person but you will know that it is a particular person who has a specific and unique relationship to those goods and services’.

Consequently, the relevant sign must be used in such a way as to indicate a trade connection between the person using the trade mark and the goods or services in relation to which it is used. In this way, trade marks retain their traditional function of indicating the origin of goods or services and a trade mark continues to be what it was originally intended to be, namely, ‘a badge of origin’. This point was made by the Full Court in *Coca-Cola Co v All-Fect Distributors Ltd (t/a Millers Distributing Co)*⁴⁴ when it stated:

Use ‘as a trade mark’ is use of the mark as a ‘badge of origin’, in the sense that it indicates a connection in the course of trade between goods and the person who applies the mark to the goods . . . That is the concept embodied in the definition of ‘trade mark’ in s 17.

As demonstrated by this statement, to date the courts’ consideration of the phrase has been restricted to interpreting it by reference to the traditional concept of a trade mark and stating that it has the same meaning and effect, at least in the context of use by the trade mark owner, as the old definition under the 1955 legislation. Consequently, the new definition of a trade mark continues to adopt the traditional view of a trade mark as a sign that indicates the trade origin of the goods or services in relation to which it is used.

3.8.1 ‘Dealt with or provided’

While this phrase has not yet been directly examined by courts, it is reasonably certain that it will be interpreted widely. If a trade mark is to distinguish goods and services by indicating a connection or association between it and its user, then

⁴⁴ (1999) 96 FCR 107.

the nature of that connection or association – the dealing with or provision in the course of trade – may be any one or more of a broad range of connections. Section 3 of the *Trade Marks Act 1905* (Cth) specified the various forms of connection between goods or services and the user of the trade mark as ‘manufacturing, selection, certification, dealing with or offering for sale’. This expression was broadened to the general concept of ‘indicating a connection’ in the 1955 Act and then that expression was replaced by the present expression of ‘dealt with or provided’. While there is a return to the term ‘dealing with’, the tenor of the legislation suggests that it is in fact as least as broad as ‘indicating a connection’ in the 1955 Act.⁴⁵

The case law under previous legislation provides a long list of ‘connections’ that are likely to be sufficient to qualify as relevant dealings for the purposes of the Act and these cases demonstrate that almost any dealing with goods or services prior to them reaching the consumer will suffice. This approach is consistent with the function of trade marks to indicate the trade origin of the product in question but recognises that the relevant trade origin may be any one of a number of different forms of connection with the end product. For example, in *Major Bros v Franklin & Son*,⁴⁶ a market salesman had a trade mark that he applied to baskets containing the fruit he sold for selected growers. The act of selecting the growers for whom he sold was a sufficient connection between him and the goods he sold to justify his ownership of the trade mark. Other dealings indicated by the trade mark may include the manufacturing of the goods, their retailing, the selection of the goods to be sold or the control over the use of the trade mark exercised by a trade mark owner who has licensed the use of the trade mark.⁴⁷

3.8.2 ‘In the course of trade’

The course of trade is a very broad expression and refers to almost any form of commercial dealing in goods or services prior to ‘consumption’.⁴⁸ Hence it will include offering or advertising for sale, leasing or offering for lease⁴⁹ and even preparing goods for export without any intention that they be displayed or made available in Australia. For example, in *James Minifie & Co v Edwin Davey & Sons*,⁵⁰ the plaintiff’s trade mark was placed on bags of flour without its permission. The bags were transported to the docks under cover for export but the High Court still found that this constituted use of the trade mark in the course of trade.

The primary activity that would not be ‘in the course of trade’ might be importation for personal use or consumption. For example in *Oakley Inc v Franchise China*

⁴⁵ Davison et al., *Shanahan’s Australian Law*, above n 237.

⁴⁶ (1908) 25 RPC.

⁴⁷ See *Estex Clothing Manufacturers Pty Ltd v Ellis and Goldstein Ltd* (1967) 116 CLR 254; see also *Settef SpA v Riv-Oland Marble Co (Vic) Pty Ltd* (1987) 10 IPR 402 (SC Vic); *Transport Tyres Sales Pty Ltd v Montana Tyres Rims & Lubes Pty Ltd* (1999) 93 FCR 421; 43 IPR 481 (Full FC); *Asia Television Ltd v Yau’s Entertainment Pty Ltd* (2000) 49 IPR 264 (overturned on appeal but not on this point); see also Davison et al, *Shanahan’s Australian Law*, above n 2, 39.

⁴⁸ *Oakley Inc v Franchise China Pty Ltd* (2003) 58 IPR 452.

⁴⁹ Davison et al., *Shanahan’s Australian Law*, above n 2, 41.

⁵⁰ (1933) 49 CLR 349.

Pty Ltd,⁵¹ the defendant imported sunglasses with the plaintiff's trade mark. It claimed that its intention was solely to give them to its employees as gifts. The Federal Court stated that if that was the case, the importation would not be use in the course of trade although it did not accept the defendant's claim that was the situation. Similarly in *WD & HO Wills (Australia) Ltd v Rothmans Ltd*,⁵² an order placed overseas for cigarettes for consumption rather than resale in Australia did not constitute dealing with them in the course of trade. However, even situations such as those would have to be examined individually to ascertain whether the vendor was actively dealing with Australian consumers.

One area of uncertainty in this regard is the situation where the defendant is, for example, selling over the internet with an intention to deal all over the world. A recent Australian decision held that in such circumstances there is no use in Australia unless and until the vendor accepts an online offer from Australia to purchase the goods in question.⁵³

3.8.3 'By a person'

It is clear that while the person who deals with the goods or provides them in the course of trade must be a particular person, consumers need not know the identity of that person.⁵⁴ In fact, more often than not, consumers will not know the name of the owner of a trade mark.

In the context of the current definition, the person using the sign as a trade mark is not necessarily the owner of the trade mark. For example, an authorised user (licensee) is also using the trade mark when they produce, distribute or otherwise deal with the trade marked goods in a manner contemplated by the licence agreement.

The person in question may even be an infringer who uses a registered trade mark on counterfeit goods. Such a person is also using the trade mark as they are using the sign or signs in question to distinguish their counterfeit goods from other goods. Of course, that particular use is an infringing use pursuant to s 120. However, the point to note here is that reference needs to be made back to the definition of a trade mark in numerous, quite different circumstances for various purposes.

3.9 Ownership

The legislation clearly contemplates that someone may own a trade mark even before an application for registration is lodged and certainly before registration

⁵¹ (2003) 58 IPR 452.

⁵² (1955) 92 CLR 131.

⁵³ *Ward Group v Brodie and Stone* (2005) 143 FCR 479.

⁵⁴ See Davison et al., *Shanahan's Australian Law*, above n 2, 50; *Poineer Electronic Corp v Registrar of Trade Marks* (1977) 137 CLR 670.

occurs. For example, s 27(1) states, in part, that ‘a person may apply for the registration of a trade mark . . . if the person claims to be the owner of the trade mark’. The obvious implication of this is that ownership of a trade mark or at least ownership of the right to seek registration of it may be acquired prior to or at the time of applying for registration. An examination of the case law confirms the point and there are several ways in which the case law has recognised ownership of a trade mark for which registration is being sought.

3.9.1 First use in Australia

In particular, it is clear that first use of the trade mark in Australia almost invariably leads to the user being the person with the right to obtain registration. Use in this context need only be minimal use as a trade mark and it is certainly not necessary that it be sufficient to create a reputation.⁵⁵ For example, in *Thunderbird* the sale of one boat with the relevant trade mark was sufficient.⁵⁶ Similarly, the distribution of advertising brochures or even the use of the trade mark on a price list will suffice,⁵⁷ as well as dispatching trade marked goods to Australia in response to an order by a potential distributor,⁵⁸ although dispatching goods to an Australian consumer for consumption has been held not to constitute such use.⁵⁹ This latter situation needs to be considered in the context of a pre-internet world where the consumer initiated the sale, the overseas manufacturer was not attempting to inject its product into the Australian market and would not have sent any of its product there but for the fact that the Australian consumer sought it out. A more recent decision concerning sales over the internet found that trade mark use occurred at the point at which the overseas website operator accepted an offer from an Australian consumer made via the relevant website.⁶⁰

While a minimal amount of actual use will suffice to substantiate ownership, use preparatory to trading in Australia will not suffice. Hence, in *Moorgate Tobacco v Philip Morris*,⁶¹ the High Court found that providing samples of cigarettes that the plaintiff proposed to sell in Australia and correspondence referring to the proposed trade mark did not constitute use in Australia.

In order for a dispute concerning ownership on the basis of first use in Australia to be an issue, the two trade marks in question must be identical or, at the very least, substantially identical. If not, the issue for registration is not one of ownership.⁶² In addition, the use of the identical or substantially identical trade marks must be in respect of the same goods or services. As noted in the overview of the registration process, registration is granted in respect of specified

⁵⁵ *Moorgate Tobacco Co Ltd v Philip Morris Ltd [No 2]* [1984] 156 CLR 414.

⁵⁶ *Thunderbird Products Corporation v Thunderbird Marine Products Pty Ltd* (1974) 131 CLR 592.

⁵⁷ *Alexander v Tait-Jamison* (1993) 28 IPR 103.

⁵⁸ *Re Yanx Registered Trade Mark; Ex parte Amalgamated Tobacco Corp Ltd* (1951) 82 CLR 199.

⁵⁹ *Rothmans Ltd v WD and HO Wills (Australia) Ltd* (1955) 92 CLR 131; *WD and HO Wills (Australia) Ltd v Rothmans Ltd* (1956) 94 CLR 182.

⁶⁰ *Ward Group v Brodie and Stone* (2005) 143 FCR 479.

⁶¹ *Moorgate Tobacco Co Ltd v Phillip Morris Ltd [No 2]* [1984] 156 CLR 414.

⁶² *Thompson v Mirage Studios* (1994) 28 IPR 517.

goods and services and there is no necessary objection to the same or a very similar trade mark being used in respect of different goods or services by different owners. While such circumstances may raise other objections to registration that are considered later, ownership is not one of them.

3.9.2 Distributorship arrangements

A common scenario is where an overseas manufacturer arranges for distribution of its trade marked goods into Australia and that, at some later stage, the distributor seeks registration of the trade mark in Australia. As a general rule, in such circumstances, the overseas manufacturer will be considered the true owner of the trade mark and it will retain the right to seek registration unless and until others can demonstrate that it has lost that right. For example, in the *Riv-Oland* case,⁶³ an Italian marble manufacturer arranged for its marble to be exported to Australia and distributed through an Australian company. The distributorship arrangement dissolved relatively quickly and no marble was imported into Australia for some years. The Australian distributor then manufactured its own Australian marble, used the Riv-Oland trade mark and subsequently sought to register that trade mark. The Italian manufacturer and exporter successfully objected to the registration on the grounds that its first use entitled it to registration. The rights flowing from that first use would only be lost if the distributor could demonstrate that they had been lost by sale, gift, abandonment or possibly as the result of estoppel if the distributor had acted to its detriment in reliance on some implied representation that it was permitted to use the trade mark. In the circumstances, the court was not satisfied that any of these grounds had been established.

There are a number of other cases in which overseas manufacturers have prevailed in a battle for ownership with Australian distributors. However, the Australian distributor will be successful if it can demonstrate that it was the real user of the trade mark in Australia and the overseas manufacturer was simply that, a manufacturer who provided the goods in question but without any intention to inject them into the Australian market. For example, in *James North Australia Pty Ltd v Blundstone Pty Ltd*,⁶⁴ the Australian applicant for registration had selected the goods (shoes) for sale in Australia and requested the application of the trade mark to the goods by the manufacturer. The Australian company was the owner of the trade mark as a consequence of its selection of the shoes for sale in Australia. Similarly, in *Challenge Engineering Ltd v Fitzroy Milk Tanks Pty Ltd*,⁶⁵ an Australian company imported some milking machinery from New Zealand and subsequently sought registration of the trade mark under which the machinery was sold. In the absence of evidence that the New Zealand manufacturer intended to export its machinery to Australia and trade in Australia, the Australian importer was successful.

⁶³ *Riv-Oland Marble Co (Vic) Pty Ltd v Settef SpA* (1988) 19 FCR 569; (1989) 63 ALJR 519.

⁶⁴ (1978) 18 IPR 596.

⁶⁵ (1997) 40 IPR 647.

3.9.3 Creation or adoption of an overseas trade mark

In the absence of prior use of the trade mark in Australia, the very act of seeking registration is itself some evidence of ownership. In these circumstances, the applicant will be the author of the trade mark. One form of authorship is to create or devise the trade mark. This may be done by inventing a new word, logo or other sign. An example is Exxon which is an invented word. Alternatively, the applicant may adopt an existing word, logo or sign from another area of social discourse. Actual use of the sign as a trade mark in Australia is not necessary before seeking registration.

Another possibility is adopting a trade mark in use overseas. Adopting trade marks from overseas may be a legitimate means of acquiring ownership of a trade mark in Australia. For example, in *Aston Harlee*,⁶⁶ the Australian applicant adopted the trade mark of soft ice cream that he had found in America. Prior to doing so, he corresponded with the American company with the intention of becoming its licensee but attempts at negotiating such a licence came to nothing. As the trade mark had not been used in Australia by the American company, he was free to use it in Australia. The reverse situation occurred in the United States when a company registered 'Ugg boots' in the United States despite the significant use of that term in Australia.⁶⁷

Australian courts have openly acknowledged the possibility of adopting overseas trade marks, even where doing so involved sharp practice. In *Moorgate Tobacco v Philip Morris Ltd [No 2]*,⁶⁸ the plaintiff and the defendant had lengthy negotiations with a view to the defendant acting as the plaintiff's distributor. When negotiations started to break down, the defendant sought registration of the trade mark that it knew the plaintiff was proposing to use. As there had been no use of the trade mark in Australia and there were no other legal grounds upon which the plaintiff could object to the defendant's actions such as breach of confidential information, fraud or breach of any fiduciary relationship, the plaintiff was unable to prevent the registration by the defendant.

3.9.4 Persons who can own a trade mark

An owner must be a person.⁶⁹ Section 6 defines a person as including a body of persons, whether incorporated or not. The Trade Marks Amendment Bill 2006 intends to clarify this issue by specifically providing that a trust may not own a trade mark.

⁶⁶ *Aston Harlee Manufacturing Co* (1960) 103 CLR 391.

⁶⁷ See S. Joseph, 'When an Ugg Boot is no longer an Ugg Boot' [2004] *Art and Law* 7; L. Eade, 'Uggle Side of Trade Marks' (2004) 17(1) *Australian Intellectual Property Law Bulletin* 12. For further reference on protection of well-known trade marks in Australia, see K. Maharaj, 'Well Known Trade Marks in Australia and Other Jurisdictions' (2005) 17(9) *Australian Intellectual Property Law Bulletin* 147; W. Burnett, 'Protecting Well Known Trade Marks in Australia and other Jurisdictions' (2005) 17(9) *Australian Intellectual Property Law Bulletin* 155.

⁶⁸ [1984] 156 CLR 414.

⁶⁹ *Trade Marks Act 1995* (Cth) s 27(1).

3.10 Certification trade marks

There are three other types of trade marks other than the standard trade mark that may be registered, namely, certification, collective and defensive trade marks. At the time of writing, there are 381 registered certification trade marks. Certification trade marks are defined in s 169 as:

A sign used, or intended to be used, to distinguish goods or services:

- (a) dealt with or provided in the course of trade: and
- (b) certified by a person [the owner], or by another person approved by that person, in relation to quality, accuracy or some other characteristic, including (in the case of goods) origin, material or mode of manufacture;

from other goods or services dealt with or provided in the course of trade but not so certified.

The objective of a certified trade mark is to certify the characteristics or standards of the products in relation to which the trade mark is used. The trade origins of the goods may be and often are quite diverse but each of the different goods will have the relevant characteristic and the trade mark will certify that to be the case. For example, the National Heart Foundation has registered a certification trade mark consisting of a white 'tick' inside a red circle and the words 'National Heart Foundation Approved'⁷⁰ for numerous different foodstuffs. The food items in question are produced and distributed by many different producers with both their standard trade marks and the National Heart Foundation's certification trade mark. The certification trade mark indicates that the food in question meets clearly defined, objective criteria such as the percentage of fat and/or sugar in the product in question. Other certification trade marks may certify the geographical origin of the goods.

Another feature of certification trade marks is that the rules for obtaining the right to use the certification trade mark must make it possible for any trader that complies with the rules to obtain the right. Consequently, any trader that sells produce that meets the National Heart Foundation's health standards may use the certification trade mark upon payment of the relevant licensing fee and compliance with the relevant rules.

These aspects of certification trade marks are confirmed by ss 171 and 172. Section 171 confers on the owner of a certification trade mark the exclusive rights to use and to allow another person to use the certification trade mark but only in accordance with the rules governing the use of the certification trade mark. Section 172 gives an approved user the right to use the certification trade mark in accordance with the rules.

3.10.1 Requirements for registration

The different nature of certification trade marks means that the requirements for their registration are different from standard trade marks. For example, the

70 For example, Registered Trade Mark 498180.

nature of the necessary distinctiveness is not that prescribed in s 41 for standard trade marks but that stated in s 177, namely that the trade mark must be capable of distinguishing goods or services certified by the applicant or an approved certifier from goods or services not so certified.⁷¹

In addition, the application must include the rules for use of the trade mark in its application⁷² and they must provide for various matters including:

- The cases in which goods or services are to be certified and the conditions under which approved users are to be allowed to use the certification trade mark; and
- Settlement of any dispute arising from a refusal to certify goods or services or to allow the use of the certification trade mark.

Once examined by the Registrar, the application and the rules for use of the certification trade mark are considered by the Australian Competition and Consumer Commission ('ACCC') to determine if the applicant or its approved certifiers are competent to certify the goods or services in question and whether the rules would not be to the detriment of the public and whether they are satisfactory having regard to the principles of Parts IV, IVA and V of the *Trade Practices Act 1974* (Cth).⁷³ These parts relate to the restrictive trade practices, unconscionable conduct and consumer protection provisions of that legislation. The ACCC will require documentation⁷⁴ that demonstrates that the proposed certification is consistent with consumer protection principles such as evidence of the form and extent of testing of the product or service and procedures for ongoing quality control. It will also require information concerning any potential anti-competitive aspects of the application. One of the concerns will be that the certification trade mark would not be used to exclude or discriminate against some potential authorised users. For example, the ACCC would not permit rules that do not guarantee that any person complying with the relevant rules would be given approved user status. This would include ensuring that effective and impartial dispute resolution procedures are in place. In addition, the ACCC would ensure that none of the rules infringed Part IV provisions by, for example, setting prices or requiring approved users to obtain their supplies from a prescribed source or sources.⁷⁵

There is limited case law relating to certification trade marks and much of it has been overtaken by the more complex and specific provisions of the new legislation, which gives the ACCC a large role in approving certification trade marks. For example, two British cases presented conflicting views as to whether the owner of a certification trade mark had to engage in ongoing supervision of approved users or whether it was sufficient for them to simply ensure at the outset of approved use that the approved users met the necessary requirements.⁷⁶ The

⁷¹ *Trade Marks Act 1995* (Cth) ss 170 and 177(1).

⁷² *Trade Marks Act 1995* (Cth) s 173.

⁷³ *Trade Marks Act 1995* (Cth) s 175 and *Trade Marks Regulations 1994* (Cth) reg 16.6.

⁷⁴ Details of the ACCC's role and requirements can be found at <www.accc.gov.au>.

⁷⁵ See Davison et al., *Shanahan's Australian Law*, above n 2, 311 (for details of other possible anti-competitive concerns).

⁷⁶ *Union Nationale Inter-Syndicate des Marques Collectives Application* (1922) 39 RPC 346 and *'Sea Island Cotton' Certification Trade Marks* [1989] RPC 87.

nature of the rules required by the express provisions of s 173 and the ACCC's requirements now make it clear that the obligation of the owner is an ongoing one to ensure that either it or its certified approvers continue to monitor the proper use of the trade mark. In addition, s 88(2)(c) provides for rectification of the Register on the grounds that 'because of circumstances applying at the time when the application for rectification is filed, the use of the trade mark is likely to deceive or cause confusion'.

3.10.2 Certification by other means

The relatively complex nature of the process for registration of certification trade marks and the extent of scrutiny undertaken by the ACCC are such that some owners may bypass the process by relying on extensive use of their certification trade mark and passing off principles. For example, the National Heart Foundation certification trade mark had a significant reputation prior to registration and therefore could have been protected by passing off. It could also have been protected by copyright on the basis that the logo was an original artistic work.

3.11 Collective trade marks

Collective trade marks were introduced into Australian trade mark law as a consequence of the World Trade Organisation *Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS)*. Collective trade marks are the trade marks used or intended to be used by members of an association to distinguish their goods or services from goods or services dealt with or provided by persons who are not members of the association.⁷⁷ Section 6 defines an association negatively as not including a body corporate, thus ruling out companies as owners. However, the Trade Marks Amendment Bill 2006 provides that incorporated associations may also own collective trade marks.

At the time of writing, only forty-six collective trade marks have been registered. They are registered by unincorporated trade associations such as an association of industry superannuation funds which has registered 'Industry Super Funds: Your Fund Your Future' (reg no. 679462) and agricultural producers such as 'Montasio' for cheese from the Montasio region in Italy (reg no. 681415).

3.12 Defensive trade marks

A trade mark which is already registered as a standard trade mark may also be registered as a defensive trade mark.⁷⁸ Defensive trade marks differ from standard trade marks in a number of respects:

⁷⁷ *Trade Marks Act 1995 (Cth)* s 162.

⁷⁸ *Trade Marks Act 1995 (Cth)* s 185(1).

- Defensive trade marks are usually registered in respect of goods or services for which the trade mark is *not* presently registered.
- There is no requirement to either use or intend to use the defensive trade mark in respect of those goods or services for which the defensive registration is applied.⁷⁹
- Registration as a defensive trade mark is not subject to removal for non-use.⁸⁰

The purpose of the defensive registration is to prevent another party from using a well known trade mark in respect of goods or services in respect of which the trade mark is not registered. For example, famous trade marks such as ‘Coke’ and ‘Levi’s’⁸¹ are registered as defensive trade marks in respect of goods for which their owners do not intend to use those goods and therefore do not wish to obtain standard trade mark registration. Failure to obtain defensive registration may not be a large problem for an owner because the use by others of those trade marks in respect of those goods or services could be prevented via passing off or the infringement provisions in s 120(3) and their registration could probably be prevented by reliance on s 60. Nevertheless, defensive registration constitutes a form of ‘forward defence’. Once the defensive registration is in place, the owner can be confident that applications for the trade mark or substantially identical or deceptively similar trade marks will be rejected by the Registrar. In addition, any actual use by a third party of such trade mark in respect of goods or services for which defensive registration has been obtained would constitute an infringement of s 120(1), a far easier form of infringement to prove than infringement under s 120(3). The owner of the defensive registration would also have the benefit of s 120(2) which is also an easier form of infringement to prove.

In order to obtain defensive registration, the applicant needs to meet the following requirements:

- The trade mark must already be registered as a standard trade mark;
- It must have been used in relation to all or any of the goods or services in respect of which it is registered as a standard trade mark; and
- The extent of its use is such that its use in relation to other goods or services would indicate a connection between those other goods or services and the registered owner.⁸²

The third of these requirements is the most difficult for an applicant to meet. It is not sufficient simply to demonstrate that it has a reputation in respect of the goods or services for which the trade mark is registered and used. The applicant needs to go further and demonstrate that the reputation has ‘spilled over’ to such an extent that if it were used on the other goods or services for which defensive registration is sought by another person, consumers would be likely

⁷⁹ *Trade Marks Act 1995* (Cth) s 186.

⁸⁰ *Trade Marks Act 1995* (Cth) ss 185(2) and 186.

⁸¹ See Davison et al., *Shanahan’s Australian Law*, above n 2, 317 for a list of defensively registered trade marks.

⁸² *Trade Marks Act 1995* (Cth) s 185(1).

to conclude that the applicant had expanded its business and use of its trade mark to those other goods or services. If the reputation of the trade mark is quite specifically associated with particular goods or services, defensive registration may be denied. For example, in *Ferodo Ltd's Appn*,⁸³ Evershed J rejected defensive registration for Ferodo in respect of pharmaceuticals and tobacco despite the fact that it had a considerable reputation in respect of brake and clutch linings.

. . . generally speaking the more special in character those goods are and the more limited their market, the less likely will be the inference required . . . to be drawn in relation to goods of a very different kind.⁸⁴

Similarly, in *Vono Ltd's Appn*,⁸⁵ the British Registry refused defensive registration for toilet preparation, cosmetic preparations and essential oils and soaps, despite its reputation in respect of items such as furniture and bedding. The application was further compromised by the opponent's registration of Vono for medicinal powders, ointments and pills which were probably more analogous to the categories of defensive registration than the applicant's registration for its standard trade mark.

Conversely, if the standard trade mark has been used both extensively and across either a wide category of goods or a category of goods with a wide impact beyond the immediate commercial field, prospects of defensive registration increase.⁸⁶ For example in *AT&T Corp's Appn*,⁸⁷ AT&T's registration and extensive use of its trade mark for telecommunications goods and services was the basis for successful defensive registration for a very wide variety of goods and services such as electronic education and entertainment services, insurance and financial services and surgical, medical, dental and veterinary instruments. Similarly, 'Viagra' has received defensive registration for an extremely large range of goods.⁸⁸

The latter two decisions are also indicative of a more liberal approach to defensive registration which flows in part from the presumption in favour of applications and a change of wording in the new legislation which only requires that the use of the trade mark by another suggest a 'likelihood of connection' rather than 'a likelihood of connection in the course of trade'.⁸⁹ The connection in question may flow from the possibility that the use is a licensed use, the owner might be sponsoring or endorsing the goods or services or might have entered into a joint venture with another company.⁹⁰

Other factors that may favour an applicant include situations where the trade mark is inherently distinctive and there is no reason why any other trader would wish to use that trade mark in relation to any goods or services. 'Viagra' is an example of such a trade mark.⁹¹

83 [1945] Ch 334.

84 *Ibid* 338.

85 (1949) 66 RPC 305 (UK Reg).

86 Davison et al., *Shanahan's Australian Law*, above n 2, 321.

87 [2001] ATMO 96 (17 October 2001).

88 *Pfizer Products Inc* [2004] 61 IPR 165.

89 Davison et al., *Shanahan's Australian Law*, above n 2, 321.

90 *AT&T Corp's Application* [2001] ATMO 96 (17 October 2001).

91 *Pfizer Products Inc* [2004] 61 IPR 165.

While defensive registration has not been common to date, the more liberal approach to it is likely to lead to an increased reliance upon it. In addition, the wording of the provisions in relation to defensive registration is similar to s 120(3), the infringement provision relating to well-known trade marks. It is likely that the interpretation of the defensive registration provisions will affect the interpretation of s 120(3) and vice versa.

3.13 Overview of requirements for registration of standard trade marks

The Registrar must accept the application unless satisfied that one or more grounds for rejection exist or the application has not been made in accordance with the legislation.⁹² While the onus is on the Registrar to be satisfied of grounds for rejection, rather than on the applicant to demonstrate grounds for acceptance, the wording of the legislation makes it clear that if the Registrar is so satisfied, the Registrar must reject the application if the ground of rejection is established. The only exception to this is s 39(2) where the Registrar has some discretion. The grounds for rejecting an application are set out in Division 2 of Part 4.

- If the trade mark contains or consists of a sign that regulations made pursuant to s 18 decree must not be used as a trade mark (s 39(1));
- The application *may* be rejected if it contains or consists of a sign prescribed for the purposes of s 39(2) or a sign so nearly resembling such a sign or a sign referred to in s 39(1) as to be likely to be taken for it (s 39(2));
- If the trade mark cannot be represented graphically (s 40);
- If the trade mark is not capable of distinguishing the applicant's goods or services from the goods or services of other persons (s 41);
- If the trade mark contains or consists of scandalous matter or its use would be contrary to law (s 42);
- If, because of some connotation that the trade mark or a sign contained in the trade mark has, the use of the trade mark would be likely to deceive or cause confusion (s 43); and
- The trade mark must not be substantially identical with or deceptively similar to an existing registered trade mark that is registered in respect of similar goods or closely related services (s 44). If the trade mark does not meet this requirement, it may still be eligible for registration under the honest concurrent user or prior user provisions in s 44(3) and (4).

3.14 National signs not to be used as trade marks

Schedule 2 of the Regulations specifies the signs that may not be registered as trade marks. It includes signs such as 'Austrade', 'Olympic Chairman' and

⁹² *Trade Marks Act 1995* (Cth) s 33.

'Returned Soldier'. The use of these signs as or in a trade mark is completely prohibited. The protection of various national icons has also been the subject of much debate and a report by the Advisory Council on Intellectual Property (ACIP). (See <www.acip.gov.au> for a copy of the report.)

3.15 Signs prescribed under s 39(2)

Regulation 4.15 prescribes the relevant signs. They include words such as 'Patent', 'Copyright', 'Plant Breeder's Rights' and representations of the coats of arms, flags or seals of Australian governments and emblems of Australian cities, towns and public authorities. As this ground for rejection is discretionary, it is conceivable that a trade mark may be accepted if one of the prescribed signs is part of the trade mark but if the trade mark consists entirely of the prescribed sign it is highly unlikely that it will be accepted.⁹³

3.16 Trade mark cannot be represented graphically (s 40)

This requirement of s 40 really relates to technical issues concerning the maintenance of the Register and facilitating the searching of the Register.⁹⁴ Searching of the Register is done by computer, so the relevant search results must obviously be in digital form. As a matter of practice, every sign can be represented graphically in some way or another. Hence, sounds are described in words via the use of onomatopoeia although recordings of the sounds can also be obtained from the Register.⁹⁵ Scents are also described in words as are colours. The effect of this requirement is essentially to ensure that the Registrar has the power to require representation of unusual signs in ways that are consistent with the Registrar's obligation to maintain an easily accessible and searchable register. The obligation to graphically represent a trade mark is one matter that is entirely within the Registrar's discretion. Unlike the other grounds for examination, it is not a ground of opposition that the trade mark can not be represented graphically.⁹⁶

⁹³ O. Morgan, *National Icons and the Trade Marks Act 1995* (2004) 15(2) *Australian Intellectual Property Journal* 94.

⁹⁴ See IP Australia, *Trade Marks* (2005) <http://www.ipaustralia.gov.au/trademarks/search_index.shtml> at 22 November 2005.

⁹⁵ Compare with the approach of the European Court of Justice which has held that a sign must be capable of graphical representation, in particular by means of figures, lines or characters that are clear, precise, self-contained, easily accessible, intelligible, durable and objective. Those requirements are not satisfied by a graphical representation of the sound sign consisting in the indication that the sign consists of the notes making up a well-known work or in a simple sequence of musical notes, without more, or again by a graphical representation that is merely an onomatopoeia. In that case the graphical representation at the least lacks precision and clarity: *Shield Mark BV v Joost Kist hodn MEMEX* (C-283/01) (ECR, 27 Nov 2003).

⁹⁶ *Trade Marks Act 1995* (Cth) s 40.

3.17 Trade mark not able to be distinguished (s 41)

This requirement of s 41 goes to the essence of a trade mark and is intimately bound up with the definition of a trade mark in s 17 in that a sign can not ‘distinguish goods or services dealt with or provided in the course of trade by a person from goods or services so dealt with or provided by any other person’ unless it is distinctive. Section 41 specifies three separate means by which the Registrar may determine that a trade mark is capable of distinguishing the applicant’s goods or services from those of other persons.

3.17.1 Inherent distinctiveness

First, the Registrar may determine that the trade mark is sufficiently inherently adapted to distinguish the goods or services to justify registration without any further inquiry or examination.⁹⁷ Justice Finn in *Austereo Pty Ltd v DMG Radion (Aust) Pty Ltd*⁹⁸ summarised principles concerning inherent adaptability to distinguish by reference to and quotes from four cases on the issue. They are set out below.

Inherent adaptability is something which depends on the nature of the trade mark itself . . . and is therefore not something that can be acquired; the inherent nature of the trade mark itself cannot be changed by use or otherwise.⁹⁹

While this focus on the trade mark itself is necessary, it also needs to be borne in mind that the distinctiveness of any particular sign will depend on the goods or services in relation to which it is to be used. For example, the crocodile symbol may be inherently distinctive for LaCoste shirts but less distinctive, if at all, for shoes and handbags made of crocodile skin.

While inherent adaptation to distinguish requires attention to be focused on the mark itself, and is intended to stand in sharp contrast to a mark’s capacity to distinguish arising from use, the notion of ‘the mark itself’ does not exclude from consideration the nature of the range of goods within the class or classes in respect of which registration is sought, or the various ways in which the mark might, within the terms of the registration, be used in relation to those goods. Indeed, those matters must be taken into account.¹⁰⁰

The test has also been cast in negative terms in cases decided under both the 1955 legislation and the current provisions.

The question is whether the mark, considered quite apart from the effects of registration, is such that by its use the applicant is likely to attain his object of thereby distinguishing his goods from the goods of others . . . [t]he question whether a trade mark is adapted to distinguish [must] be tested by reference to the likelihood that another person,

⁹⁷ *Trade Marks Act 1995* (Cth) s 41(3).

⁹⁸ (2004) 209 ALR 93.

⁹⁹ *Burger King Corporation v Registrar of Trade Marks* (1973) 128 CLR 417, 424 (Gibbs CJ).

¹⁰⁰ *Kenman Kandy (Australia) Pty Ltd v Registrar of Trade Marks* (2002) 122 FCR 494 ¶ [84] (Lindgren J).

trading in goods of the relevant kind and being actuated only by proper motives – in the exercise, that is to say, of the common right of the public to make honest use of words forming part of the common heritage, for the sake of the signification which they ordinarily possess – will think of the word and want to use it in connexion with similar goods in any manner which would infringe a registered trade mark granted in respect of it.¹⁰¹

While the above quote clearly encapsulates the relevant judicial test, the difficulty with this test is that since the applicant has already met it by applying for the trade mark while presumably actuated by proper motive, there seems no reason why another person would not want to use it either. Consequently, one could presumably assume that another trader would independently reach the same decision to use the trade mark. The test requires some ‘fleshing out’, which is provided to some extent by the comments in *Ocean Spray Cranberries v Registrar of Trade Marks* referred to by Finn J:

Trade marks that are not inherently adapted to distinguish goods or services are mostly trade marks that consist wholly of a sign that is ordinarily used to indicate:

- (a) the kind, quality, quantity, intended purpose, value, geographical origin, or some other characteristic, of goods or services.¹⁰²

This last quote from the *Ocean Spray* case gives some content to the reference to the ‘common heritage’ in the *Kenman Kandy* decision but debate still remains as to what should be regarded as part of the commons available to all to use to describe their products. In the *Kenman Kandy* decision, the members of the Full Court disagreed on whether the shape of the applicant’s ‘bug’ should be considered part of a commons available to all to use, with the majority siding with the view that the commons was not unduly degraded by permitting registration in that case.

In any event, the legislation leaves the interpretation of the concept of inherent adaptability to distinguish to the courts and so the principles cited above are critical to an understanding of it. However, the understanding of those principles is best achieved by referring to individual cases or generally accepted categories of inherently distinctive trade marks. Under the 1955 Act, inherent adaptability to distinguish was the only basis for proving the necessary distinctiveness, at least for trade marks registered under Part A of the old Register¹⁰³ and the 1955 Act provided a list of the types of signs (called ‘marks’ under that legislation)¹⁰⁴ that would be regarded as inherently distinctive. Those same signs would also be inherently distinctive under the new legislation and are therefore worthy of discussion here. They included:

101 *Ibid.*, ¶ [98]. His Honour relied upon the comments of Kitto J in *Clark Equipment Co v Registrar of Trade Marks* (1964) 111 CLR 511, 514.

102 (2000) 47 IPR 579.

103 Part A trade marks had greater protection than Part B trade marks which had a lesser degree of inherent distinctiveness. There is no equivalent of Part A and B in the present Register. It is not divided into parts although it can be searched for standard, certification, collective and defensive trade marks.

104 *Trade Marks Act 1955* (Cth) s 6(1).

- The name of a person represented in a special or particular manner and the signature of the applicant or some predecessor in business. For example, in *Standard Cameras Ltd's Appn*,¹⁰⁵ the trade mark for a camera store consisted of the name 'Robin Hood' represented so that the R consisted of an archer holding a bow in the shooting position and the D was a target with an arrow stuck in it. However, in *Fanfold Ltd's Application*,¹⁰⁶ registration of the name Fanfold 'in ordinary block type in the form of a slight arch and having a faint scroll underneath' was rejected as it was not considered to be a special or particular manner.
- Invented words. A genuinely invented word will be inherently distinctive. For example, 'Exxon' is an invented word not known to any language and is clearly inherently distinctive. However, inventiveness does not automatically flow from the fact that the word is not in the dictionary. For example, 'Rohoe' for a rotary hoe was rejected by the High Court because farmers would readily identify it as referring to the goods in question.¹⁰⁷
- Words not having direct reference to the characteristics or qualities of the goods or services in question. A word or words need not be invented to be distinctive. For example, 'Nike', the name of the Greek goddess of Victory, is inherently distinctive for sportswear, primarily because it does not describe the goods in question. Case law indicates that the words may be suggestive of the characteristics or qualities of the goods or services without being considered to be a direct reference to those characteristics or qualities. For example, the High Court accepted 'Tub Happy' for clothes capable of being washed in a washing machine. On the other hand, it rejected 'Whopper' for hamburgers¹⁰⁸ and 'Soflens' for contact lenses was not registrable under Part A.¹⁰⁹
- Words that are not, according to their ordinary meanings, geographical names or surnames. Many words may be used as names or refer to some geographical location but the issue is whether they are regarded as such according to their ordinary meaning. For example, 'Free' for cigarettes was rejected by the Registrar on the grounds that a substantial number of people had the family name 'Free'. On appeal, the Federal Court held that the word was not normally regarded as a name and registration was allowed.¹¹⁰ The court also held that the Registrar's practice of determining whether a trade mark was a name according to its ordinary meaning by counting the prevalence of the name on the electoral roll was an inappropriate means of determining the issue. Similarly, many words may be geographical terms but not according to their ordinary meaning. For example, 'Farah' for shirts was accepted because few consumers would be aware that there is a river

105 (1952) 69 RPC 125.

106 (1928) 45 RPC 325.

107 *Howard Auto-Cultivators Ltd v Webb Industries Pty Ltd* (1946) 72 CLR 175.

108 *Burger King Corporation v Register of Trade Marks* (1973) 128 CLR 417.

109 *Bausch and Lomb Inc v Registrar of Trade Marks* (1980) 42 FLR 459.

110 *Companhia Souza Cruz Industria e Comercio v Rothmans of Pall Mall (Aust) Ltd* (1998) 41 IPR 497.

of the same name in Afghanistan.¹¹¹ Even if they were aware of this fact, it is unlikely that they would have associated the geographical place with the goods or services in question. The stereotypical example of this is ‘North Pole’ for bananas but actual cases include the acceptance of ‘Bali’ for bra because the Indonesian island of Bali is not associated with bras (although the trade mark was rejected for other reasons).¹¹²

- Any other distinctive mark. With the extended definition of a sign in s 6 and the relaxation of the need for separation between a trade mark and the goods in relation to which it is used, many more signs such as shapes may now be considered to be inherently distinctive. For example, in *Kenman Kandy* the Full Court held that the shape of a lolly could be and was inherently distinctive as a trade mark for the lolly itself.¹¹³

3.17.2 Partial inherent distinctiveness: use and intended use

If the trade mark is not sufficiently inherently distinctive to justify registration on those grounds alone, the Registrar may be satisfied that a combination of some inherent adaptability to distinguish and actual or intended use by the applicant will result in the trade mark being sufficiently adapted to distinguish (s 41 (5)). The trade mark must have some inherent distinctiveness but need not have much. For example, ‘fine form’ for lingerie was accepted pursuant to s 41 (5).¹¹⁴ It should be noted that while some use will almost certainly be required for s 41 (5), the applicant may rely on evidence of its intention to use the trade mark in question. Consequently, evidence of marketing plans and advertising campaigns would assist to get an application over the line.

3.17.3 Distinctiveness through use

Finally, the Registrar may be satisfied that even though the trade mark is not inherently adapted to distinguish at all,¹¹⁵ its actual use by the applicant may have been so extensive that it does in fact distinguish the applicant’s goods or services from other goods or services. Signs such as words that may initially be purely descriptive or single colours that have no innate distinctiveness may become registered after sufficient use. For example, ‘Beautiful’ for perfume was accepted in *Re Estee Lauder Cosmetics Ltd*¹¹⁶ on the basis of its extensive use. Similarly, ‘Oregon’ for power tools has been accepted despite it obviously being

¹¹¹ *‘Farah’ Trade Mark* [1978] FSR 234.

¹¹² *Berlei Hestia Industries v The Bali Co Inc* (1973) 129 CLR 353.

¹¹³ *Kenman Kandy Australia Pty Ltd v The Registrar of Trade Marks* (2002) 122 FCR 494.

¹¹⁴ *Gazal Apparel Pty Ltd v Fine Lines Extraordinary Apparel Pty Ltd* (2000) AIPC 91–543; see also *Master Plumbers & Mechanical Services Assn (Aust) v Master Plumbers & Mechanical Contractors Assn (NSW)* (2003) 60 IPR 156; *Government of Principality of Monaco v TGSG Group Pty Ltd* 51 IPR 191; *Re Application by SPHC (IP) Pty Ltd* 49 IPR 655.

¹¹⁵ The *Trade Marks Amendment Act 2006* (Cth) clarified the point that s 41 (6) applies where the sign is ‘not to any extent inherently adapted to distinguish’ although this was probably already the case.

¹¹⁶ (2000) 50 IPR 131.

a geographical name.¹¹⁷ The colour ‘orange’ has been accepted for sparkling wines on the basis of the extensive use of a plain orange label¹¹⁸ and substantial advertising, as was the colour ‘terracotta’ for hose fittings. In this latter example, the colour was held not to be inherently adapted to distinguish under s 41(6), however Mansfield J did find on evidence that it was factually distinctive.¹¹⁹

The proof of use must be quite extensive. ‘Sakata’ for rice biscuits was initially refused on the basis that ‘Sakata’ is a city in Japan and rice biscuits are likely to be associated with a Japanese city.¹²⁰ Similarly, in *Ocean Spray Cranberries v Registrar of Trade Marks*,¹²¹ ‘classic’ when used in the context of Ocean Spray Classic Cranberry Juice was not considered to have acquired a secondary meaning.

In addition, it is not sufficient just to prove that the sign has been used extensively. It must have been used in such a way that consumers would recognise the use as indicating the origin of the goods or services in question, that is, as a trade mark. For example, a particular colour may be used extensively on packaging but the reason for that use and the perception of that use by consumers must be considered. In *Re Notetry Ltd*,¹²² the colours yellow and silver were used on vacuum cleaners but such colours are commonly used on vacuum cleaners. In addition, the manufacturer’s word trade mark ‘Dyson’ was prominently displayed on the goods and the Registrar rejected the proposition that consumers associated the colours with the applicant’s vacuum cleaners and no others. Consumers identified the applicant’s goods by reference to the name ‘Dyson’ and the colours were more decorative than indicative of the origin of the goods.

Similarly, in *Re Multix Pty Ltd*,¹²³ the colour red was rejected as a trade mark for aluminium foil because, again, the applicant’s word trade mark had been displayed prominently and it was this trade mark that consumers associated with the applicant’s aluminium foil. Such trade marks are often euphemistically referred to as ‘limping’ trade marks because they limp behind the dominant trade mark. However, the term has not been officially adopted and each case needs to be examined on its merits as there is no reason why consumers would not associate a particular product with two different signs, especially if one is a word sign and the other a colour or shape.

3.17.4 Functional shapes

One of the contentious areas of registration is the registration of the shape of products as a trade mark. It is contentious because if an applicant acquires trade mark registration for a functional shape, its competitors may well be disadvantaged by being unable to use that shape for their products. The end result may be

117 *Blount Inc v Registrar of Trade Marks* (1998) 83 FCR 50.

118 *Re Application by Veuve Clicquot Ponsardin, Maison Fondée En 1772* (1999) 45 IPR 525.

119 *Philmac Pty Ltd v Registrar of Trade Marks* (2002) 126 FCR 525.

120 *Re Sakata Rice Snacks (Australia) Pty Ltd* (1998) 43 IPR 378.

121 (2000) 47 IPR 579.

122 (1999) 45 IPR 547.

123 (1999) 47 IPR 153.

a diminution in competition as owners use their registration more for the purpose of acquiring a monopoly over functional shapes than for the intended legislative purpose of indicating the origin of their goods. The opportunity to obtain what is, in effect, perpetual protection via trade mark registration makes the registration of functional shapes as trade marks a far more attractive proposition than acquiring limited protection for ten years under designs legislation.

The legislation makes no express reference to the registration of functional shapes. In Australia, some attempt was previously made to deal with the issue. Section 39 of the 1994 Act provided a separate ground of refusal of registration of a shape ‘if the trade mark consists wholly or principally of the shape, or some other characteristic, possessed, because of their nature, by the goods, or a shape, or some other characteristic, that the goods must have if a particular technical result is to be obtained’.

No equivalent of s 39 appeared in the current legislation and so the issue is left to case law. The issue has been discussed in detail by the Full Federal Court in two decisions.¹²⁴ In both cases, the court has taken the view that the question of functionality is mediated via the issue of distinctiveness and the definition of a trade mark in s 17. For example, Burchett J in the *Philips v Remington* case considered that the deletion of s 39 from the repealed legislation of 1994 was not important because:

No change being contemplated to the nature of trade mark use, it followed that neither ‘a shape possessed because of their nature, by the goods nor a shape that the goods must have if a particular technical result is to be obtained’ (the categories of shape identified in s 39) could distinguish the goods of one trade source from the similar goods of another; and therefore such a shape could not function as a trade mark. Indeed, it is hard to imagine how such a shape of the goods themselves could be used, or be intended to be used, for the purpose set out in s 17 – its use would inevitably be nothing other than part of the use of the commodity itself. Section 39 was omitted from the *Trade Marks Act 1995* because it was unnecessary.¹²⁵

Stone J reiterated the point in *Kenman Kandy*, when stating that: ‘A shape dictated by the nature of or function of the goods would not be capable of distinguishing between one trader and another in those goods’.¹²⁶

While the simple proposition that either functional shapes are not trade marks or, at the least, they can never be distinctive seems simple enough, the actual application of that principle is more difficult. Does it mean that shapes with any degree of functionality are disqualified from registration or only those where the

124 *Koninklijke Philips Electronics NV v Remington Products Australia Pty Ltd* (2000) 100 FCR 90; *Kenman Kandy (Australia) Pty Ltd v Registrar of Trade Marks* (2002) 122 FCR 494. See also, Davison, ‘Shape Trade Marks’, above n 25, 231; J. Luck, ‘The Registrability of Shapes of Goods as Trade Marks: A Commentary on the Part of the Full Federal Court’s Judgment in *Philips v Remington*’ 12(1) (2001) *Australian Intellectual Property Journal* 12. For further reference, see M. Richardson, ‘Shape Trade Marks in Australian Courts’ 12(1) (2001) *Australian Intellectual Property Journal* 5; R. Burrell and H. Beverley Smith, ‘Shaving the Trade Marks Directive Down to Size’ (2000) 63(4) *Modern Law Review* 2000.

125 *Koninklijke Philips Electronics NV v Remington Products Australia Pty Ltd* (2000) 100 FCR 90, 103.

126 *Kenman Kandy Australia Pty Ltd v The Registrar of Trade Marks* (2002) 122 FCR 494 ¶ [43] (French J).

shape in question is the only shape capable of performing the function in question? For example, the Philips triangulated, triple-headed rotary shaver could be made so that the rotary razors are in a direct line rather than a triangle shape and such a razor could perform the same shaving function. Similarly, there are many different types of bottle shapes that may achieve the same function of holding and facilitating the pouring of liquids. Presumably, not all bottle shapes are to be excluded from registration even though every bottle is functional. The Coca Cola bottle is an obvious example of a shape that is both functional and aesthetically pleasing. In short, the issue will usually be what is the degree of functionality of a shape rather than whether it is functional at all.

A further difficulty is that it is not clear from the judgments in those two cases why distinctiveness or a trade mark 'function' of distinguishing the goods of the user from other goods can not be acquired by extensive use and therefore registration may occur via s 41(6).¹²⁷ Some passing off cases demonstrate the point that functional shapes can acquire a secondary, distinctive meaning via extensive use¹²⁸ and there is no obvious reason why this can never be done for registration purposes in the light of the extended definition of a sign, the adoption of use criteria for determining distinctiveness in s 41(6) and the absence of any express prohibition on the registration of functional shapes.

In any event, it is clear that non-functional shapes can be registered on the basis of either their inherent distinctiveness or their use. In *Kenman Kandy*, registration was sought for a bug-eyed, insect-like shape of confectionery although the shape was not that of any particular insect and had been 'invented'. The Registrar rejected the application on the grounds that it was not inherently distinctive and, as the shape had not been used, registration on other bases was impossible. In dissent, Lindgren J suggested that the shape of confectionery could not be inherently distinctive as consumers, particularly children, would not recognise the shape as indicating the origin of the goods in question but simply regard it as an interesting and possibly attractive shape that would invite their attention. In addition, he was of the view that the limited number of potential shapes available for registration meant that a shape which constituted the entirety of the goods to which it was applied could not be inherently distinctive.¹²⁹

Lindgren J also drew upon American Supreme Court authority on the point:

Although it is unnecessary to do so for the purpose of deciding the present case, I make the following further observations. In *Wal-Mart Stores Inc v Samara Bros Inc* (2000) 529 US 205, Justice Scalia, delivering the opinion of the United States Supreme Court, stated (at 213):

'In the case of product design, as in the case of color, we think consumer predisposition to equate the feature with the source does not exist. Consumers are aware of the

127 Davison, 'Shape Trade Marks', above n 25, 231; J. Baird, 'The Registrability of Functional Shape Marks' (2002) 13 *Australian Intellectual Property Journal* 218. See also, Baird 'This Mark is so Attractive', above n 25, 26; J. McCutcheon, 'Monopolised Product Shapes and Factual Distinctiveness under s 41(6) of the *Trade Marks Act 1995* (Cth)' (2004) 15(1) *Australian Intellectual Property Journal* 18.

128 *William Edge & Sons, Limited v William Niccolts & Sons, Limited* [1911] AC 693.

129 *Kenman Kandy Australia Pty Ltd v The Registrar of Trade Marks* (2002) 122 FCR 494, 51–26.

reality that, almost invariably, even the most unusual of product designs – such as a cocktail shaker shaped like a penguin – is intended not to identify the source, but to render the product itself more useful or more appealing.¹³⁰

However, the majority of the Full Court rejected this argument claiming that there was no basis in the legislation for the view that the shape of goods could not be inherently distinctive. It rejected the proposition that the number of potential shapes of an item is so limited that any trader actuated by honest motives may be inclined to adopt the shape in question. Whether the particular shape in *Kenman Kandy* was in fact inherently distinctive is a matter for debate and the first instance decision in that case held that the shape, while not that of any particular insect, was not inherently distinctive. Since it had six legs and the large, neotenous eyes that so often attract children, it may be questionable whether it really was an invented shape in the same way that ‘Rohoe’ was not an invented word.

In any event, the final legal position is that the shape of a product may be registered on the basis of inherent distinctiveness. However, if the shape is functional, it seems that it cannot be registered although the definition of ‘functional’ in this context remains to be determined. In addition, it is not clear why distinctiveness of functional shapes can not be acquired through use and s 41(6).

The Australian situation contrasts sharply with the position in the EU and the United States. Both those jurisdictions have express prohibitions on the registration of certain shape trade marks. These express prohibitions have been introduced because the difficulties with registration of functional shapes probably can not be overcome via the use of standard trade mark criteria. The problems relate to competition issues outside of the usual trade mark law paradigm and so restrictions on registration of such trade marks need to go beyond the usual criteria for registration.¹³¹

For example, the European Union art 3(1)(e) of the *European Union Directive* of 21 December 1988 to approximate the laws of the Member States relating to trade marks states:

(1) The following shall not be registered or if registered shall be liable to be declared invalid:

...

(e) signs which consist exclusively of:

the shape which results from the nature of the goods themselves, or

the shape of goods which is necessary to obtain a technical result, or

the shape which gives substantial value to the goods.

...

The United States also has specific legislation on the topic as s 2(e)(5) of the *United States Trademark Act 1946* (the *Lanham Act*) provides that a trade mark

¹³⁰ Ibid 524.

¹³¹ M. Davison, ‘Shape Trade Marks: Problems and Solutions’ (2004) 15 *Australian Intellectual Property Journal* 106.

will not be registered if ‘it consists of a mark which . . . comprises any matter that, as a whole, is functional’.

In both these pieces of legislation, the emphasis is not upon the distinctiveness of the trade marks but upon the function that the shape may play, and the intention of the prohibitions is to prevent the monopolisation of functional shapes via trade mark registration.

3.17.5 Colour trade marks

As discussed earlier, a colour or combination of colours is a sign. It will be difficult, if not impossible, to establish that a single colour is inherently distinctive and the applicant will have to rely on s 41(6) to demonstrate distinctiveness. Even then, the applicant faces considerable difficulties. It must demonstrate that ‘the use of the colour in the manner described in the application has . . . constituted use of the colour as a trade mark. The second issue is whether the trade mark applied for does in fact distinguish the applicant’s products, having regard to evidence concerning the actual use of the colour as a trade mark’.¹³²

Hence, in the *Multix* trade mark application, the Registrar declined registration on the grounds that although the colour red had been extensively used in the applicant’s packaging, it had not been used as a trade mark and there was insufficient evidence that consumers associated the colour with the applicant’s product. A factor in that decision was the applicant’s use of its various word trade marks to identify the product to consumers.

In addition, in *Woolworths Ltd v BP (No 2)*, the Full Federal Court denied registration of ‘the colour green as show in the representation on the application applied as the predominant colour to the fascias of buildings, petrol pumps, signage boards – including poster boards, pole signs and price boards – and spreaders, all used in service station complexes for sale of the goods and supply of the services covered by the registration’. In reaching its decision, the Full Court noted that while the applicant had used the colour green extensively as its predominant colour, it had done so in combination with the colour yellow. Consequently, ‘[g]reen, alone, was not used as a trade mark in the parts of the service stations referred to in the endorsements’.¹³³

On the other hand, in decisions such as *Philmac Pty Ltd v Registrar of Trade Marks* (2002) 126 FCR 525, the Federal Court was convinced that the applicants’ use of a terracotta colour for polypipe fittings justified registration pursuant to s 41(6). In addition, the Registrar has permitted registration of a single colour in a number of circumstances.¹³⁴

¹³² *Woolworths Ltd v BP (No 2)* [2006] FCAFA 132, ¶ 81, citing with approval *Philmac Pty Ltd v Registrar of Trade Marks* (2002) 126 FCR 525, 548.

¹³³ *Ibid* at ¶ 105.

¹³⁴ E.g., *Veuve Clicquot Ponsardin, Maison Fondée en 1772* [1999] ATMO 29 (when ‘orange’ was registered for sparkling wine).

3.18 Scandalous trade marks

Few trade marks are rejected on the grounds that they contain or consist of scandalous matter. Hence, trade marks that may be sexually offensive such as 'Good girls do swallow' and 'FCUK' have gained registration despite their capacity to offend.¹³⁵ Offending or shocking matter is regarded as something different from scandalous matter. The requirement is most likely to operate in the area of religious or racial matters. Hence, 'Jesus' and 'Mecca' have been rejected. Similarly, racially scandalous trade marks like 'black boy' for shoe polish are likely to be rejected. The goods or services in respect of which registration is sought may also be relevant. For example, 'Porn Star' for children's clothing would be clearly inappropriate.¹³⁶

3.19 Use contrary to law

The use of some trade marks would be contrary to law and if an opponent can prove that to be so, registration will be denied. The key word here is 'would', not 'could' or 'might'. The use of the trade mark must necessarily contravene some law in order for this provision to apply; hence it would not be sufficient to show that use of the trade mark may involve misleading or deceptive conduct as that would depend on the particular circumstances of its use.

The Registrar is not restricted to considering trade mark law in this context and must consider any laws which would be contravened by the use of the trade mark. In *Advantage-Rent-A-Car v Advantage Car Rental Pty Ltd*,¹³⁷ the plaintiff claimed that the trade mark in question contained an artistic work and that it owned the copyright in the artistic work. Consequently, use of the trade mark by the defendant would have required reproduction of the artistic work and a breach of copyright law. The Federal Court held that the Registrar was required to consider all laws, including copyright, not just trade mark laws or passing off considerations.¹³⁸

There are numerous federal and State laws that place prohibitions on the use of particular signs for various reasons and this legislation may also come into play when considering the application of s 42. Much of this legislation relates to major sporting events and the protection of indicia relating to those events. Details of these types of legislative controls on business indicia are discussed below.

135 See also *The Cosmetic, Toiletry and Fragrance Association Foundation v Fanni Barns Pty Ltd* (2003) 57 IPR 594 where 'Look Good + Feel Good = Root Good' was considered offensive but not scandalous.

136 For further reference see P. Loughlan, 'Oh Yuck! The Registration of Scandalous Trade Marks' (2005) 61 *Intellectual Property Forum: Journal of the Intellectual Property Society of Australia and New Zealand* 38; S. Givoni, 'Pushing the Boundaries: Scandalous Trade Marks' (2004) 17(2) *Australian Intellectual Property Law Bulletin* 21.

137 (2001) 52 IPR 24.

138 *Ibid* 30.

3.20 Deceptive or confusing trade marks

Section 43 states that an application may be refused 'if, because of some connotation that the trade mark or a sign contained in the trade mark has, the use of trade mark would be likely to deceive or cause confusion'. The word 'connotation' is defined in the *Shorter Oxford Dictionary* as 'something implied as a condition or accompaniment or an association or idea suggested by a word in addition to its primary meaning'. The purpose of s 43 is to permit the Registrar to reject the application if there is any aspect of it which necessarily suggests the likelihood of deception or confusion.

As a general rule, the application will, on its face, reveal the potential confusion or deception and thus bear the relevant connotation. For example, while a trade mark might be distinctive, it might also suggest that the goods in relation to which it is used have qualities that they do not in fact possess. The equivalent provision in the 1955 legislation was used to reject 'Orlwoola' for goods that were not made of wool,¹³⁹ 'Vitamin' for soap that contained no vitamins¹⁴⁰ and 'Bubble-up' for beverages that were non-aerated.¹⁴¹ One can readily imagine trade marks that would be dangerously deceptive such as 'Scrumptious' for toilet cleaner or even attractive scents that might encourage a young child to consume the product. On the other hand, the alleged connotation was not established in *Carlton United Breweries v Royal Crown Co*,¹⁴² where Carlton United Breweries unsuccessfully argued that 'draft' necessarily referred to beer on tap. The Hearing Officer did not agree and found that use of the word 'draft' for bottled soft drink did not constitute a deceptive or confusing connotation.

In addition to these situations where the trade mark suggests a quality that is in fact absent, the trade mark may also suggest other associations that it does not in fact have. Consequently, in *Clissold v Amalgamated Television Services Pty Ltd*,¹⁴³ the trade mark 'Home and Away' was rejected for soap as 'Home and Away' is a well-known television soap opera. Similarly, in *Durkan v Twentieth Century Fox Film Corporation*,¹⁴⁴ 'Braveheart' for a musical was rejected because of the connotation that it might be associated with the movie of the same name. On the other hand, in *RS Components Ltd v Holophane Corporation*,¹⁴⁵ the court did not consider that RSL for electrical components would have the connotation of an association with the Returned Services League.

The cases referred to in the previous paragraph often involve attempts to rely on the provision when there is a conflict between two trade marks. The Full Federal Court has indicated that in those circumstances the better approach is to resolve such conflicts by reference to s 44 or s 60 in opposition

139 *Re Trade Mark 'Orlwoola'* (1909) 26 RPC 850.

140 *Kitchen and Sons Pty Ltd v Inman* (1939) AOJP 1383.

141 *Seven-up Co v Bubble Up Co Inc* (1987) 9 IPR 259.

142 (2001) 53 IPR 599.

143 (2000) 52 IPR 207.

144 (2000) 47 IPR 651.

145 (1999) 46 IPR 451.

proceedings.¹⁴⁶ Nevertheless, it appears that the Registrar has continued to refer to s 43 in such circumstances in cases where the connotation arises from a particular reputation that has resulted in a term such as ‘Braveheart’ entering into the general language.¹⁴⁷ Consequently, it is likely that s 43 will continue to be referred to by both the Registrar and opponents in such circumstances.

The term ‘likely’ is used in this and other provisions such as s 60. In these contexts, it means a ‘real possibility’ as opposed to a remote possibility or the civil standard of proof of ‘more likely than not’.¹⁴⁸

3.21 Trade marks identical or similar to existing trade marks

This provision, which specifies that ‘the trade mark must not be substantially identical with or deceptively similar to an existing registered trade mark’ requires the Registrar to compare the proposed trade mark with existing registered trade marks and trade mark applications that have an earlier priority date. Each aspect of the provision, particularly the requirements of ‘substantially identical with or deceptively similar to’ on the one hand and ‘similar goods or closely related services’ on the other hand needs to be considered separately. However, a global assessment of the two aspects of the provision also needs to be undertaken as both aspects often involve questions of degree rather than ‘yes/no’ propositions.¹⁴⁹ For example, two trade marks may be a little bit deceptively similar and the goods in relation to which they are to be used may be a little bit similar. A global assessment would suggest that the applicant’s trade mark be registered in such circumstances whereas if the two trade marks were quite deceptively similar and to be used in respect of very similar or identical goods, registration would be denied.

The legal terms used in this section appear in other parts of the Act, such as s 120 which deals with infringement. Consequently, an understanding of the terms is critical both for the purposes of determining registration and for other purposes such as determining infringement. Some of the cases referred to below were decided in the context of infringement rather than registration.

146 See *Woolworths v Registrar of Trade Marks* (1998) 45 IPR 445; aff’d in *Registrar of Trade Marks v Woolworths* (1999) 45 IPR 411. See also J. Luck, ‘Distinctiveness, Deceptive and Confusing Marks under the Trade Marks Act 1955’ (1996) 7 *AIPJ* 97; *The Australian Trade Marks Manual of Practice and Procedure* (‘the Manual’) at Part 29, paras 1 and 2.

147 *Durkan v Twentieth Century Fox Film Corp (Braveheart)* (2000) 47 IPR 651.

148 See, for example, the comments of French J in *Registrar of Trade Marks v Woolworths Ltd* (1999) 45 IPR 411, 426. In considering the phrase ‘likely to deceive or cause confusion’, his Honour observed, ‘The use of the word “likely” in this context does not import a requirement that it be more probable than not that the mark has that effect. The probability of deception or confusion must be finite and non-trivial. There must be a “real tangible danger of it occurring.”’ See also *Southcorp Wines Pty Ltd v Coy* [2001] AIPC 91–715; *Leroy SA v Regal Grange Pty Ltd* (2001) 51 IPR 199; *Spiral Foods Ltd v Valio Ltd* (2000) 50 IPR 437.

149 *Woolworths v Registrar of Trade Marks* (1998) 45 IPR 445; aff’d in *Registrar of Trade Marks v Woolworths* (1999) 45 IPR 411.

3.21.1 Substantially identical with

Determining whether trade marks are substantially identical involves a side-by-side comparison of them.¹⁵⁰ This comparison therefore takes account of any visual similarities but it also takes account of other similarities, such as the way in which the two trade marks are pronounced.

In undertaking the comparison, emphasis would also be placed on the distinctive aspects of the signs in question. For example, many word trade marks may contain prefixes or suffixes that are common to the particular goods or services in question and therefore they would be largely discounted. Similarly, the emphasis in pronunciation of English words tends to be on the first syllable and so greater emphasis would be placed on identity or near identity of those syllables.

Substantial identity cannot be proven simply by demonstrating that one trade mark is contained within another trade mark. It is necessary to compare the entirety of the two trade marks. For example, in *Angoves Pty Ltd v Johnson*,¹⁵¹ ‘St Agnes Liquor Store’ was not considered substantially identical to ‘St Agnes’. Similarly, in *SAP (Australia) Pty Ltd v Sapient (Aust) Pty Ltd*,¹⁵² ‘Sapient College’ was held not to be substantially identical to ‘Sapient’.

3.21.2 Or deceptively similar to

Deceptive similarity is a broader test than that for substantial identity and there is a far higher likelihood of a finding of deceptive similarity than of substantial identity. Indeed, it is difficult to think of an example where two trade marks would be substantially identical but not deceptively similar. In contrast, there are many examples where courts have found trade marks to be deceptively similar but not substantially identical.

Section 10 provides that ‘a trade mark is taken to be “deceptively similar” to another trade mark if it so nearly resembles that other trade mark that it is likely to deceive or cause confusion’. The case law relating to the term makes it clear that the test is not a side-by-side test but one of calculating the residual impression that the trade marks would leave on consumers. One needs to consider the potential effect of the two trade marks on consumers if they saw the two trade marks at different times. *Jafferjee v Scarlett*¹⁵³ provides a good example of the point. In that case, the plaintiff had already registered a trade mark for flour consisting of an athlete breasting the finishing tape in a foot race. The defendant’s trade mark for flour consisted of a picture of an athlete throwing a javelin. A side by side comparison of the two trade marks quickly revealed their differences and negated a finding of substantial identity. However, the general impression left by the two trade marks flowing from their very similar theme would be and was found to be deceptively similar. Consumers who saw the first trade mark one week

150 *Shell Co (Aust) Ltd v Esso Standard Oil (Aust) Ltd* (1961) 109 CLR 407, 414–15.

151 (1982) 66 FLR 216, 230.

152 (1999) 48 IPR 593.

153 (1937) 57 CLR 115.

and then saw the other trade mark the next week would be caused to wonder whether the two products were the same or at least likely to come from the same source.¹⁵⁴ The meaning of ‘likely’ is ‘a real, tangible danger’ rather than a mere possibility or a requirement of ‘more likely than not’.¹⁵⁵

When considering the net impression of the two trade marks, the courts have referred to various tests although it is important to regard them as assisting in determining the issue of deceptive similarity rather than being strict legal doctrines to be applied. Hence, when speaking of the net impression of two competing trade marks, courts bear in mind the imperfect recollection of consumers and take into account not just the visual and aural similarities between the two trade marks but also the ideas evoked by the two trade marks. *Jafferjee v Scarlett*¹⁵⁶ is a classic example of the evocation of similar ideas leading to a finding of deceptive similarity.

On the other hand, some ideas are common to the goods or services in respect of which the trade marks are used or simply common to trade description in general. If the two trade marks in *Jafferjee v Scarlett*¹⁵⁷ had involved devices such as a picture or drawing of a field of wheat or sheaves of wheat, the similarities would not have led consumers to wonder whether the two products came from the same origin. The connection of wheat with flour would be obvious and consumers would regard it as entirely possible that there would be two trade marks with similar concepts.

Similarly, the use of words of a general laudatory nature in the competing trade marks is unlikely to generate difficulties. For example, in *Cooper Engineering Co Pty Ltd v Sigmund Pumps Ltd*,¹⁵⁸ the High Court permitted both Rain King and Rainmaster for water sprinklers. The use of words such as ‘King’ and ‘master’ both implied superiority but that general concept is and should be open to all trade mark owners.

When comparing the two trade marks, account needs to be taken of not only visual similarities and the effect of the ideas evoked by the two trade marks but also any aural similarities. For example, in *Wingate Marketing Pty Ltd v Levi Strauss Inc*,¹⁵⁹ the defendant’s trade mark of ‘Revise’ was considered deceptively similar to ‘Levi’s’ because it pronounced its trade mark ‘Ree-vised’ in order to rhyme with ‘Levi’s’.

Consequently, the determination of deceptive similarity depends upon an analysis of the visual and aural aspects of the two trade marks and the idea or impression given to a consumer. Either of these factors may lead to a finding of deceptive similarity or a combination of the two may lead to that conclusion.

154 *Woolworths v Registrar of Trade Marks* (1998) 45 IPR 445, aff’d in *Registrar of Trade Marks v Woolworths* (1999) 45 IPR 411.

155 *Ibid.*

156 (1937) 57 CLR 115.

157 *Ibid.*

158 (1952) 86 CLR 536.

159 (1994) 49 FCR 89.

3.21.3 The context of the comparison

Some care needs to be taken in considering the particular circumstances in which the comparison is being made. The test of deceptive similarity is a separate one from that of enquiring whether the applicant's use would constitute passing off. In a passing off context, consideration is given to the entirety of the defendant's conduct in the light of the plaintiff's actual reputation. In contrast, the test of deceptive similarity focuses on a comparison of the two trade marks and their potential use within the scope of their registration if both were registered.

This approach, in turn, eliminates from consideration a number of factors. For example, the applicant for registration can not rely on the fact that it intends to target a different market sector from that targeted by the owner of the other trade mark. In *Berlei v Bali*,¹⁶⁰ the applicant for registration of Bali-bra argued that its trade mark would not be deceptively similar to the existing trade mark of Berlei for bras because its bras were expensive and Berlei bras were much cheaper. This argument, while relevant to a passing off claim, was not relevant to deceptive similarity because registration entitled Berlei to seek out the top end of the market and Bali-bra's registration would not be limited to expensive bras. Similarly, the use of a disclaimer while relevant to passing off would be irrelevant to the question as to whether two trade marks are deceptively similar.

The existing reputation of either trade mark owner should be irrelevant to the issue. Two cases appear to contradict that proposition but they, in turn, have also been questioned by case authority. In *Woolworths v Registrar of Trade Marks*,¹⁶¹ the Full Court of the Federal Court had to consider whether the words 'Woolworths Metro' accompanied by a device of blue wavy lines was deceptively similar to an existing registration for 'Metro'. The Registrar argued that s 44 operated at the examination stage and did not involve evidence of the reputation of the trade marks. Consequently, the Registrar submitted that the reputation of Woolworths was irrelevant to the inquiry. However, the majority of the Full Court held that the considerable national notoriety of 'Woolworths' was highly relevant in comparing the two trade marks. A similar view was expressed by the Full Court in *Coca Cola v All-Fect*.¹⁶² In that case, Coca Cola sued for infringement of its trade mark of the two-dimensional representation of its well-known bottle when All-Fect sold a cola-flavoured confectionery with an arguably deceptively similar shape. In the course of identifying a number of factors relating to the issue of whether the two trade marks were deceptively similar, the Full Court added that the reputation of the Coca Cola trade mark was a factor in deciding that the two were deceptively similar.

This aspect of both these decisions is questionable. In the *Henschke* case which was decided after the *Woolworths* decision, the Full Court indicated that *Woolworths* was limited to its particular facts and that the principle espoused there

160 *Berlei Hestia Industries v The Bali Co Inc* (1973) 129 CLR 353.

161 (1998) 45 IPR 445; aff'd in *Registrar of Trade Marks v Woolworths* (1999) 45 IPR 411.

162 (1999) 96 FCR 107.

would only be operative where the reputation was of such a nature and extent that judicial notice could be taken of the reputation.¹⁶³ Even this acceptance of the relevance of the reputation of the trade mark may be going too far. Similarly, the reliance of the Full Court on the reputation of the Coca Cola trade mark is highly questionable although there were clearly other aspects of the two trade marks which justified a finding of deceptive similarity in that case.

A more valid point arising from the *Woolworths* decision is that the comparison must be between the two actual trade marks and not some abbreviation or diminutive of them. Consequently, the comparison was to be between the entire trade mark of Woolworths Metro with the device of wavy lines and Metro rather than just the words ‘Woolworths Metro’ and ‘Metro’. A similar point was made in *SAP Australia Pty Ltd v Sapient Australia Pty Ltd*.¹⁶⁴

3.21.4 Similar goods

If the two trade marks are substantially identical or deceptively similar, a further consideration is whether the goods of the two parties are similar, or if one party provides services and the other goods, the goods and services are closely related. Goods are similar if they are the same or they are of the same description as the other goods.¹⁶⁵

As a general rule, there will be no difficulty in determining whether the goods in question are the same although the courts have tended to take a relatively narrow approach to this issue. Consequently, they have not regarded rum to be the same product as a rum cocktail.¹⁶⁶

The expression ‘of the same description’ is not defined in the legislation and resort must be had to case law on the topic. The basic test is whether purchasers would regard the goods as having the same trade origin if they were sold under the same or deceptively similar trade marks. While the class in which the goods are registered is relevant, it is quite possible for goods to be of the same description but not registered in the same class and also possible that they be registered in the same class but not be goods of the same description.

The case law has identified a number of criteria to refer to in determining the issue. The three most basic and most often cited criteria are those cited by Romer J in *Jelinnek’s Application*,¹⁶⁷ namely:

- The nature of the goods;
- Their uses; and
- The trade channels through which they are bought and sold.

These criteria were adopted by the High Court in *Southern Cross Refrigerating Co v Toowoomba Foundry Pty Ltd*,¹⁶⁸ although the court also pointed out that not

163 *CA Henschke & Co v Rosemount Estates Pty Ltd* (2000) 52 IPR 42.

164 (1999) 48 IPR 593.

165 *Trade Marks Act 1995* (Cth) s 14(1).

166 *Daiquiri Rum Trade Mark* [1969] RPC 600.

167 (1946) 63 RPC 59.

168 (1954) 91 CLR 592.

all three criteria need to be present.¹⁶⁹ In that case, the High Court held that dairy farming milk refrigeration equipment and farm windmills were not goods of the same description even though they were sold through the same channels to the same customers.

In order to apply those three criteria, one can physically compare the goods and their physical characteristics. The case law suggests that the physical similarities need to be capable of being reasonably narrowly drawn. For example, just because two products are both edible is not in itself sufficient. Hence, edible oils and fats and margarine on the one hand have been held not to be of the same description as bread, yeast and bakery products.¹⁷⁰ Similarly, when considering the purpose or uses of the goods, it is not sufficient if the two goods are used in association with each other. For example, in the *Jelinnek's* case itself, shoes and shoe polish were not considered to be goods of the same description.

When considering the trade channels through which they are bought and sold, several issues may be considered including the following:

- Whether the goods are likely to be made by the same manufacturer;
- Whether they are likely to be distributed by the same wholesale houses;
- Whether they are likely to be sold in the same shops, during the same seasons and to the same customers; and
- Whether those in the trade regard the goods as being of the same description.

3.21.5 Similar services

There has been little judicial consideration of the term 'similar services'. As with goods, similar services are services which are the same or are of the same description.¹⁷¹ *MID Sydney Pty Ltd v Australian Tourism Co Ltd*¹⁷² makes it clear that the principles applied in relation to determining whether goods are of the same description should be adapted to the inquiry in relation to whether services are of the same description.

The decision adds the point that when comparing services, one should focus primarily on a comparison of the totality of the two services rather than the individual aspects of those services. In that case the relevant comparison was between the services of hotel management and management of office space. A number of aspects of the relevant services are identical. For example, both require the provision and maintenance of building infrastructure and services. On the other hand, one service focuses on the accommodation needs of short-term guests while the other focuses on the long-term needs of office tenants. Consequently, the Federal Court was of the view that the overriding differences between the two services meant that they were not of the same description. In addition, the

¹⁶⁹ Ibid 606.

¹⁷⁰ *George Weston Foods Ltd v Peerless Holding Pty Ltd* (1999) 48 IPR 145.

¹⁷¹ *Trade Marks Act 1995* (Cth) s 14(2).

¹⁷² (1998) 90 FCR 236.

court noted that the people who provided the two services were not from the same industry, thus reinforcing the court's conclusion.

Perhaps in contrast, there are decisions of the Registrar which have held that alcoholic beverage bar services and a discotheque are services of the same description¹⁷³ as are the reselling of computer hardware and computer software and systems services.¹⁷⁴ In both cases, the relevant consumers of the services would be the same and likely to seek them simultaneously. For example, a night out on the town may well involve a visit to a bar and a disco while someone in the market for a computer system would require both a supplier of hardware and a supplier of software and systems services.

3.21.6 Closely related goods and services

The concept of closely related goods and services acknowledges the relevance of the relationship between goods and services in consumers' consideration of whether particular goods and services may come from the same source. Usually, the service will involve some sort of interaction with the relevant goods such as 'the installation, operation, maintenance or repair of'¹⁷⁵ the allegedly closely related goods. Hence, coffins and funeral services are closely related as are the rental and maintenance of tractors.¹⁷⁶

3.21.7 A global assessment

The final decision will depend on a combination of the two basic issues of similarity of the two trade marks and the nature of the goods or services in respect of which they are to be used. In *Woolworths v Registrar of Trade Marks*,¹⁷⁷ the two trade marks were considered somewhat deceptively similar for reasons already explained but the extent of that deception was not considered great. In addition, while the goods of Metro were considered closely related to the retailing services of Woolworths Metro's stores, again the degree of relation was not particularly close. Consequently, the combined deceptive similarity and closeness of relationship between the relevant goods and services was considered so low as to justify registration.

French J expressed the issue this way when he said:

In the end there is one practical judgment to be made. Whether any resemblance between different trade marks for goods and services renders them deceptively similar will depend upon the nature and degree of that resemblance and the closeness of the relationship between the services and the goods in question. It will not always be

173 *Weller Hotels and Taverns Pty Ltd v TGI Friday Inc's Application* (1994) 30 IPR 631; *SPL Worldgroup (Aust) Pty Ltd v Shimmersea (Aust) Pty Ltd* (1998) 43 IPR 641.

174 *SPL Worldgroup (Aust) Pty Ltd v Shimmersea (Aust) Pty Ltd* (1998) 43 IPR 641.

175 Davison et al., *Shanahan's Australian Law*, above n 2, 227.

176 *Caterpillar Inc v Amco (Vic) Pty Ltd* (2000) 49 IPR 407.

177 (1998) 45 IPR 445, aff'd in *Registrar of Trade Marks v Woolworths* (1999) 45 IPR 411.

necessary to dissect that judgment into discrete and independent conclusions about the resemblance of marks and the relationship of goods and services.¹⁷⁸

3.22 Honest concurrent user

Even if the trade mark offends s 44(1) or (2), registration may still be permitted under either s 44(3) or s 44(4). Section 44(3) confers a discretion on the Registrar to accept the application of an honest concurrent user of a substantially identical or deceptively similar trade mark.¹⁷⁹ This provision is an example of the willingness of the registered trade mark system to tolerate actual or potential confusion or deception in order to accommodate the property interests of trade mark owners.

‘Honesty’ in this context means that the applicant is not seeking to trade off the reputation or goodwill of the existing registered person. The applicant may know of the registered trade mark and its use by the registered owner but that will not in itself dispel a finding of honesty. If it did, one letter to the applicant would deprive it of the necessary honesty.

Honesty is necessary but not sufficient to justify registration.¹⁸⁰ Once the Registrar is satisfied that there has been honest concurrent use of the two trade marks, regard will be had to a number of factors such as:

- The extent of use by both parties;
- The degree of likelihood of confusion;
- The balance of convenience; and
- Other special circumstances, including the effect of any conditions or limitations that the Registrar might impose on the applicant’s registration.

For example, in *Pirie and Sons Ltd’s Application*,¹⁸¹ the court took account of the fact that the applicant had developed its business quite substantially while the existing registrant’s business had not grown for some time. This disparity in the extent of the use by the two parties outweighed other considerations such as the degree of likelihood of confusion. Hence, the court was prepared to accept the registration of both ‘Abbermill’ and ‘Hammermill’ for stationery as the balance of convenience favoured the applicant. On the other hand, the actual use need not be great although it will be compared to the use of the first registered trade mark. In *PB Foods Pty Ltd v Malanda Dairy Foods Ltd*,¹⁸² the registrant had only used its trade mark concurrently for five weeks but the first registered trade mark had only been used for ten, thus negating the argument that the extent of the applicant’s use did not justify registration.

178 *Registrar of Trade Marks v Woolworths* (1999) 45 IPR 411.

179 If the trade marks are identical and the application is in respect of the same goods or services, the issue then becomes one of ownership and registration pursuant to s 44(3) would be impossible.

180 *PB Foods Ltd v Malanda Dairy Foods Ltd* (1999) 47 IPR 47.

181 [1933] All ER Rep 956.

182 (1999) 47 IPR 47.

In *Brook v Canon Kabushiki Kaisha*,¹⁸³ the Registrar was prepared to tolerate a quite considerable degree of likelihood of confusion when accepting ‘Canon’, despite the pre-existing registration for ‘Canon’ and rejecting the argument that potential purchasers would easily differentiate between the two because one was the name of a piece of artillery while the other was the name of a Church law.¹⁸⁴ Again, other factors weighed the balance of convenience in the applicant’s favour. In particular, while the existing ‘Canon’ was widely used in relation to cameras and other products, it had not been widely used in relation to goods of the same description as those in respect of which application was sought. Consequently, the applicant’s greater use of its trade mark in respect of those goods weighed in its favour.

On the other hand, some market circumstances might suggest that while the two trade marks may appear to be deceptively similar, the particular purchasers of the products in question may not necessarily be deceived. In *Totally and Permanently Disabled Soldiers’ Association v Australian Federation of Totally and Permanently Incapacitated Ex-Service Men & Women Ltd*,¹⁸⁵ the Registrar permitted the honest concurrent registration application by the Australian TPI Federation of a trade mark which included the words ‘TPI’ and ‘Totally and Permanently Disabled Soldier’s Association’. This was done in the face of an existing trade mark with the same letters and words that had been registered by the TPI Association because there was a long history of acrimony between the two separate associations that both represented permanently and disabled soldiers. As those likely to rely on the trade marks would be well of the two separate organisations, the likelihood of actual confusion would be relatively small and it would also be inappropriate to favour one organisation over the other given their history. In *Government of Western Australia’s Appln*,¹⁸⁶ consideration was given to the fact that registration was being sought for a Black Swan device and the Black Swan is an emblem of Western Australia.

As s 44(3) permits the Registrar to impose conditions and limitation on the honest concurrent use, this will also be relevant in determining whether to exercise the discretion to register the trade mark. For example, in *PB Foods Ltd v Malanda Dairy Foods Ltd*,¹⁸⁷ the applicant had used ‘Choc Chill’ for flavoured milk in Western Australia from April 1992 but the opponent had used ‘Chill’ for the same product in Queensland from late February 1992. The Registrar imposed a condition that the registration of ‘Choc Chill’ be restricted to Western Australia.

While the Registrar has a discretion to register pursuant to s 44(3), the discretion only gives the Registrar the capacity to override objections to registration on

183 (1994) 30 IPR 525.

184 This decision was later altered in *Canon Kabushiki Kaisha v Brook* (1994) 30 IPR 525 on the grounds that the goods in question were not goods of the same description. Hence s 44 did not apply and the initial decision to permit registration was therefore affirmed.

185 (2001) 52 IPR 626.

186 (1934) AOJP 557.

187 (1999) 47 IPR 47.

the basis of either s 44(1) or (2). There may still be objections to registration on the basis of other sections such as s 60.

3.23 Prior continuous user

Section 44(4) applies if the Registrar is satisfied that the applicant or its predecessor in title has continuously used their trade mark on similar goods or closely related services since before the priority date for the registration of the other trade mark. If the Registrar is so satisfied, the registration cannot be rejected because of the mere existence of the other trade mark although there may still be difficulties flowing from other sections such as s 60. In order to be successful, the applicant must demonstrate that its use has been continuous and that continuous use has been in relation to the goods or services for which it is seeking registration.

What constitutes continuous use will depend on the nature of the goods or services offered and standard market conditions but the user has to do more than show they have not abandoned their trade mark.¹⁸⁸ For example, in infringement proceedings in *Hy-Line Chicks Pty Ltd v Swifte*,¹⁸⁹ the defendant relied on the equivalent defence of prior continuous user because it had sold eggs and dressed poultry under its trade mark of 'Hi-Line' for several years prior to the priority date of registration of the plaintiff's 'Hy-Line'. However, its sales of live poultry only commenced after the plaintiff's priority date and so the defence was only applicable in respect of eggs and dressed poultry.

While s 44(4) does not expressly confer a discretion on the Registrar to impose conditions or limitation, case law under previous legislation suggests that the Registrar is free to exercise the general powers to do so pursuant to ss 33 or 55.¹⁹⁰ Consequently, the registration could be restricted to the particular geographical area where the prior continuous user has operated. This approach is probably justified on the basis that s 44(4) restricts the Registrar to not relying on the existence of the existing trade mark as a ground for rejecting the application of the prior continuous user. Therefore, it does not address any issues associated with the reputation of that other trade mark or issues such as the extent of its use. These issues, which are external to the operation of s 44(4), may justify the imposition of conditions or limitations.

3.24 Other legislation

There are a number of other pieces of legislation which relate to the registration and/or use of business indicia. Each piece of legislation needs to be carefully

188 *Smith Bartlett & Co v British Pure Oil Grease & Carbide Co Ltd* (1934) 51 RPC 157.

189 (1966) 115 CLR 159.

190 *Fitton's Application* (1949) 66 RPC 110; *Hy-Line Chicks Pty Ltd v Swifte* (1966) 115 CLR 159.

considered to identify the rights conferred by the legislation and the relationship of those rights to the trade marks legislation.

3.24.1 Protection of sporting events

Much of the relevant legislation is specifically enacted to provide protection for indicia associated with major sporting events. For example, specific legislation was enacted for the purposes of the Sydney Olympics and the Melbourne Commonwealth Games.¹⁹¹ The legislation identifies particular indicia associated with the particular event. It then imposes certain restrictions on the use of those indicia such as any use which would suggest that the user is sponsoring the event in question.

Similarly, the *Australian Grand Prix Act 1994* (Vic) protects Grand Prix indicia which include any of the expressions ‘Grand Prix’, ‘Formula One’, ‘What a Great Place for the Race’ and ‘What a Great Place for the Great Race’. Only the Grand Prix Corporation may supply or authorise for supply goods marked with grand prix insignia or use grand prix insignia for the purpose of promoting the supply of goods or services or assume a name or description that includes grand prix insignia. Similar legislation exists in Queensland in respect of the Indy Race which has been run on the Gold Coast for some years. That legislation even goes so far as to confer property rights to the relevant organising body over illegal merchandise by giving the body the right to sue for conversion.

3.24.2 Business names

One of the related forms of legislation that creates the greatest confusion is Business Names legislation. Each State has business name legislation¹⁹² which requires business operators to register their business name if they intend to use a business name other than their own. For example, s 4 of the New South Wales *Business Names Act 2002* reads:

1. A person must not carry on business in New South Wales under any business name unless the business name is registered in the name of that person and of each other person (if any) with whom that person is carrying on that business.
2. This section does not prevent a person from carrying on business:
 - (a) under the proper name of that person and of each other person (if any) with whom that person is carrying on that business, or

¹⁹¹ *Commonwealth Games Arrangements Act 2001* (Vic); *Sydney 2000 Games (Indicia and Images) Protection Act 1996* (Cth); and more generally *Olympic Insignia Protection Act 1987* (Cth) and amending legislation of 1994. For further reference see T. Altobelli, ‘Learning the Lessons of History: Disputes and the Olympic Games’ (1999) 22(3) *University of New South Wales Law Journal* 843; J. Sebel and D. Gyngell, ‘Protecting Olympic Gold: Ambush Marketing and Other Threats to Olympic Symbols and Indicia’ (1999) 22(3) *University of New South Wales Law Journal* 691.

¹⁹² *Business Names Act 1963* (ACT); *Business Names Act 2002* (NSW); *Business Names Act 1963* (NT); *Business Names Act 1962* (Qld); *Business Names Act 1996* (SA); *Business Names Act 1962* (Tas); *Business Names Act 1962* (Vic); *Business Names Act 1962* (WA).

- (b) under a registered business name, or under a name referred to in paragraph (a), to which are added words that indicate that the business to which the name relates is being carried on in succession to a former owner of the business, or
- (c) under a registered business name that is not yet registered in the name of that person, but only during the one-month period referred to in section 11(1), or
- (d) under an unregistered business name that contains foreign language characters, so long as the person also carries on the business under a registered business name that is an English language equivalent of the unregistered business name, or
- (e) under any unregistered business name, so long as all orders for the goods or services provided by the business are received exclusively by means of an on-line service.

The effect of registration of a business name is very limited. Its only direct effect is that it prevents the user of the business name from being prosecuted for use of the business name. It confers no positive rights to the use of the name, especially as a trade mark, and none of the State legislation on the topic confers any positive right of any kind. Letters of demand to other traders that assert any positive right flowing from registration are based on a fundamental error. Several cases have involved injunctions preventing registrants from continuing to trade under the relevant name and requiring them to relinquish their business name registration when the continued use of that business name would involve deception.¹⁹³

There are two indirect benefits from registration of a business name which may assist a registrant. One is the impact that registration has upon the right to obtain registration of a '.com.au' domain name. Under the rules relating to entitlement to such domain names, the registration of a business name is one basis upon which an applicant can claim a particular '.com.au' domain name.¹⁹⁴

The other potential benefit is that registration may be of some small, limited evidentiary value in demonstrating that a business has been operating for a particular period of time and that, in turn, may be relevant in passing off proceedings.

At the time of writing, the relationship between Business Names and registered trade marks was the subject of a report by the Advisory Council on Intellectual Property (ACIP). The report which also dealt with issues relating to domain names is available at <www.acip.gov.au>.

193 *Lone Star Steakhouse & Saloon Inc v Zurcas* (2000) 48 IPR 325; *Caterpillar Loader Hire (Holdings) Pty Ltd (t/a Willoughby's Caterpillar Loader Hire Service) v Caterpillar Tractor Co* (1983) 77 FLR 139; *Franconi Holdings Ltd v Gunning* (1982) 1SR (WA) 341; *Australian Marketing Development Pty Ltd v Australian Interstate Marketing Pty Ltd* [1972] VR 219; *JH Coles Pty Ltd v Need* (1933) 49 CLR 499.

194 See .au Domain Administration, *Domain Name Eligibility and Allocation Policy Rules for the Open 2LDs (2005-01)* (2005) <<http://www.auda.org.au/policies/auda-2005-02/>> at 13 December 2005. For further reference see Alistair Grant, 'Cybersquatting: the Case of Famous Marks' (2001) 14(8) *Australian Intellectual Property Law Bulletin* 92.

3.24.3 *Australian Wine and Brandy Corporation Amendment Act 1993*

In 1993, Australia introduced legislation relating to European Union and Australian geographical indications for wine. The legislation lists a large number of European and Australian geographical indications for wines and either prohibits their use on wine that does not originate from the relevant region or sets out a timeframe for phasing out their use. For example, geographical indications such as ‘Burgundy’ may no longer be used on Australian wines.

The rights conferred on these geographical indications for wine are over and above that conferred on all geographical indications by the *Trade Marks Act 1995* (Cth). For example, the Act preserves the position of traders who have continuously used a geographical indication since before the introduction of the Act.¹⁹⁵ No such concession is made to wine growers under the *Australian Wine and Brandy Corporation Amendment Act 1993* (Cth). In *Comite Interprofessionnel des Vins Cotes de Provence & Anor v Stuart Alexander Bryce & Anor*,¹⁹⁶ a Tasmanian wine grower was required to cease his use of the term ‘Provence’ in respect of his Tasmanian wines despite having used the term for many years.

3.24.4 Protection for particular industries

Some particular industries also have specific legislation protecting their indicia. For example, s 66 of the *Banking Act 1959* (Cth) prohibits the use of terms such as ‘bank’, ‘banker’ and ‘banking’ by anyone running a financial business unless they have the approval of the Australian Prudential Regulation Authority to do so. More recently, the Victorian government conferred exclusive rights over the word ‘casino’ when it enacted the *Victorian Gaming Machine Control (Amendment) Act 1993* (Vic). This legislation prevents the use of the word ‘casino’ by any business involved in gaming, such as the provision of poker machines, except for the Victorian Crown Casino which paid a substantial licence fee for its right to establish a casino in Victoria.

3.25 Overview of grounds of opposition

The grounds of opposition to registration are identified in Division 2 of Part 5. The rationale for some grounds being grounds of opposition but not grounds for rejection by the Registrar at the examination stage is relatively straightforward. The nature of the inquiries made by the Registrar at the time of examination is primarily restricted to matters that can be resolved by reference to the application itself, the Register and matters of general knowledge. For example, distinctiveness

¹⁹⁵ *Trade Marks Act 1995* (Cth) s 61(2)(c).

¹⁹⁶ (1996) 69 FCR 450.

can be assessed by reference to the application and supporting evidence from the applicant of use or intended use.

Opposition proceedings often involve issues such as the opponent providing evidence of the actual reputation of its trade mark which is relevant to issues such as s 60. However, opponents are also able to challenge the Registrar's view that a trade mark application should be accepted and all but one of the grounds for the Registrar rejecting an application may also be grounds for opposition.

The grounds of opposition are:

- All the grounds upon which the Registrar may reject an application, except the requirement that the trade mark be capable of being graphically represented which is exclusively within the remit of the Registrar (s 57). These grounds have been discussed above in relation to the requirements for registration;
- The applicant is not the owner of the trade mark (s 58);
- The applicant is not intending to use the trade mark (s 59). This issue was discussed in relation to the definition of a trade mark;
- The trade mark is substantially identical with or deceptively similar to another trade mark that has acquired a reputation in Australia and because of that reputation, the use of the applicant's trade mark would be likely to deceive or cause confusion (s 60);
- The trade mark contains or consists of a sign that is a geographical indication for goods and none of the exceptions in s 61 are applicable (s 61); and
- The application or supporting documentation was amended contrary to the Act and the Registrar accepted the application for registration on the basis of evidence or representations that were false in material particulars (s 62).

The *Trade Marks Amendment Act 2006* (Cth) introduced opposition proceedings against applicants seeking registration on the basis of prior continuous use under s 44(4). The same amending legislation also introduced opposition proceedings on the grounds that the applicant sought registration in bad faith.

3.26 Another trade mark's prior reputation (s 60)

Section 60, which prevents registration because 'another trade mark had before the priority date . . . acquired a reputation in Australia and . . . the use of the applicant's trade mark would be likely to deceive or cause confusion', overlaps with s 44 but it contains some key differences which can be quickly identified. These overlaps and differences mean that some applications for registration will be caught by both provisions while others may be caught by one but not by the other.

The first key difference between s 44 and s 60 is that the opponent's trade mark need not be registered in Australia or indeed anywhere in the world although it

may be registered. The only requirement is that the trade mark has a reputation in Australia. It may even be possible that the trade mark has not been used in Australia but has a 'slop over' reputation. In *Radio Corporation Pty Ltd v Disney*,¹⁹⁷ the applicant was denied registration of 'Mickey Mouse' and 'Minnie Mouse' for radio sets and kits although Walt Disney had not himself used the trade marks in Australia.

A second key point is that likelihood of deception or confusion must flow from the actual reputation of the opponent's trade mark when compared with the potential use within the scope of the registration which is being sought. This differs from s 44 which is more focused on the potential uses of the two trade marks within the scope of the registration. Section 60 is focused on what the opponent has in fact done with their trade mark to date and the reputation flowing from that use.

A related point is that the use of the opponent's trade mark and its consequent reputation need not relate to goods or services which are similar to or closely related to the goods or services for which registration is being sought by the applicant. While s 60 is therefore broader than s 44 in this respect, it still remains the case that the goods or services for which the reputation exists will be relevant to the question of whether the applicant's use of its trade mark would be likely to deceive or cause confusion. For example, the opponent's reputation may be strong and there may be wide consumer awareness of it but the reputation may be restricted to a relatively small range of goods or services. The Commodore car may be such an example. Its strong reputation in respect of cars is not sufficient to prevent the registration of the same trade mark in respect of the dissimilar goods, such as tobacco. Of course, some trade marks may be sufficiently well known, even in respect of only one product, that their reputation may lead to the conclusion that almost any use of the trade mark would be likely to deceive or cause confusion. The extensive defensive registrations conferred on 'Viagra' (see 3.12 earlier) indicate such a possibility. So too does the decision in *Twentieth Century Fox v Die Hard*¹⁹⁸ in which 'Die Hard' was rejected for optical goods, surfboards and skateboards, items well removed from the setting of the Die Hard movie.

On the other hand, if the reputation is both strong and broad in the sense that it relates to a range of goods, consumers may more quickly be caused to wonder whether there is a relationship of some kind between the users of the two trade marks in question. The *Toowoomba Foundry*¹⁹⁹ case exemplifies the point. In that case, the opponent had an established reputation for 'Southern Cross' in respect of a variety of goods such as milking machinery and well-drilling equipment. While the applicant's goods, refrigeration equipment, were not considered to be goods of the same description and therefore the statutory equivalent of s 44 under

197 (1937) 57 CLR 448.

198 (2001) 52 IPR 455.

199 *Southern Cross Refrigerating Co v Toowoomba Foundry Pty Ltd* (1954) 91 CLR 592.

previous legislation was not applicable, the opponent's reputation in respect of a wide variety of goods was sufficient to deny registration.

The decision also demonstrates that even where goods are not of the same description, there will be an issue as to the degree to which they are unrelated. In that case, while the High Court ultimately decided that the goods in question were not of the same description there was a detailed analysis of the issue, and the degree of difference between the goods, while sufficient to conclude that they were not of the same description, was not particularly great. For example, both sets of products were sold via the same trade channels to the same customers. This degree of similarity, while not sufficient to bring the previous equivalent of s 44 into play, did influence the application of the then equivalent of s 60.

The definition of 'likely' in this context means 'a real, tangible possibility'²⁰⁰ and not the civil standard of proof of 'more likely than not'. The reference to 'confusion' means that it will be sufficient if consumers, having regard to the actual reputation of the opponent and the potential use of the trade mark by the applicant, might be caused to wonder if the products of two traders are associated.²⁰¹

Finally, due to amendments introduced by the *Trade Marks Amendment Act 2006* (Cth), the two trade marks in question need not be substantially identical or deceptively similar. Obviously, the degree of similarity between the trade marks will be relevant to whether the applicant's use would be likely to deceive or cause confusion but the degree of similarity will be but one issue in determining the ultimate question. It is possible, for example, that a pre-existing well-known trade mark may have such a reputation that the use of a later trade mark that is not substantially identical or deceptively similar may still be likely to deceive or cause confusion.

3.26.1 Relationship with honest concurrent user and prior continuous user provisions

Neither s 60 nor ss 44(3) or (4) make any reference to the relationship between s 60 and the honest concurrent user and prior continuous user provisions. While the issue was never fully resolved under the previous legislation,²⁰² the balance of authority²⁰³ and the common law history of the defence of honest concurrent use suggested that the provision under the previous legislation was subject to the honest concurrent use provisions. The position under the Act appears to be different. Kenny J in *McCormick & Co Inc v McCormick*,²⁰⁴ held that the provisions

200 *Registrar of Trade Marks v Woolworths Ltd* (1999) 45 IPR 411, 426 (French J).

201 *Southern Cross Refrigerating Co v Toowoomba Foundry Pty Ltd* (1953) 91 CLR 592, 608.

202 D. R. Shanahan, *Australian Law of Trade Marks and Passing Off* (2nd ed, Sydney: Law Book Company 1990), 201–2.

203 See *McCormick & Co Inc v McCormick* (1998) 42 IPR 515 for a discussion of previous case law on the point.

204 (2001) 51 IPR 102.

in s 44 could not be used to overcome an opposition to registration based on s 60. In particular, Kenny J noted that the two provisions are in quite different parts of the Act. Section 44 relates primarily to the examination stage and the similarity between two trade marks to be used in respect of similar goods, while s 60 relates to the opposition stage and a comparison of the opponent's reputation with the applicant's trade mark application.

The Trade Marks Legislation Review has recommended an amendment to s 60 to allow honest concurrent and/or prior use as a basis for permitting registration in the face of s 60.²⁰⁵ If that recommendation is not adopted, the decision of Kenny J will be binding unless there is appellate authority to the contrary. It may be possible to construct an argument on the basis of s 55 of the Act which provides that in opposition proceedings, the Registrar must decide:

- (a) to refuse to register the trade mark; or
- (b) to register the trade mark (with or without conditions or limitations) in respect of the goods and/or services then specified in the application; having regard to the *extent (if any)* [emphasis added] to which any ground on which the application was opposed has been established.

An individual honest concurrent user or prior continuous user may be able to argue that their use has been such that the degree of likely confusion or deception is acceptably low and therefore that the ground of opposition under s 60 has not been made out to such an extent as to justify refusal of registration. Such an argument may be accompanied and strengthened by an agreement to accept conditions or limitations upon the registration.

3.27 Geographical indications (s 61)

This provision was introduced as a requirement of *TRIPS* to provide specific protection for geographical indications. In addition, there is other legislation relating to the protection of geographical indications for Australian and European geographical indications for wine.²⁰⁶

3.27.1 Definition of a geographical indication

Section 6 defines a geographical indication 'in relation to goods originating in a particular country or in a region or locality of that country' as meaning:

²⁰⁵ IP Australia, *Trade Marks Legislation Review* (Paper 3, IP Australia, 2004), 12.

²⁰⁶ *Australian Wine and Brandy Corporation Amendment Act 1993* (Cth). For further reference, see S. Stern, 'The Conflict between Geographical Indications and Trade Marks of Australia Once Again Heads Down the Garden Path' (2005) 61 *Intellectual Property Forum: Journal of the Intellectual Property Society of Australia and New Zealand* 28; C. Cheung, "'Peta' Cheese: Geographical Indication or Generic Term' (2004) 16(9) *Australian Intellectual Property Law Bulletin* 133; M. Handler, 'The EU's Geographical Indications Agenda and its Potential Impact on Australia' (2004) 15(3) *Australian Intellectual Property Journal* 173; S. Stern, 'The Overlap between Geographical Indications and Trade Marks in Australia' (2001) 2(1) *Melbourne Journal of International Law* 224.

a sign recognised in that country as a sign indicating that the goods:

- (a) originated in that country, region or locality; and
- (b) have a quality, reputation or other characteristic attributable to their geographical origin.

A few points can be made about the definition. First, the definition refers to 'signs' not just words. Consequently, while most geographical indications are words, any sign could act as a geographical indication. Second, the definition relates only to goods, not services. Third, the geographical indication need only be recognised in the country from which the goods in relation to which it is used originate. It need not be recognised in Australia as a geographical indication here. So the possibility arises that a trade mark may be opposed on the basis that it contains or consists of a geographical indication from overseas even if it is not known at all in Australia.

Finally, there are some difficult aspects of the definition of geographical indication that need to be kept in mind. It is necessary, but not sufficient, that the sign indicate the geographical origin of the goods. It must also indicate that the goods have some 'quality, reputation or other characteristic attributable to their geographical origin'. The goods must be known for that quality, reputation or characteristic and the sign in question must indicate it. For example, 'Burgundy' indicates a wine from the Burgundy region of France and 'Edam' may indicate a type of cheese from Edam in the Netherlands but 'French' for wine and 'Dutch' for cheese are not likely to be geographical indications because there is no specific quality, reputation or other characteristic attributable to their geographical origin. The point is further exemplified by the decision in *Esteban Zone Industrielle v Digital Crown Holdings*,²⁰⁷ in which the Registrar rejected the argument that Paris was a geographical indication for perfume. It therefore becomes critical to the existence and recognition of the geographical indication that the users of it be able to provide evidence of the specific characteristics of their product attributable to the relevant geographical area. For this reason, the vast majority of geographical indications relate to food or wine where the argument can be and is made that the food or wine has unique characteristics because of the climate, soil or combination of both in the relevant geographical area.

On the other hand, the reference to 'reputation' in the definition means that human factors can be the necessary characteristic if the reputation in question is one based on human activity in such a way that the reputation is associated with a particular region. Examples might be 'Swiss' for watches or 'Sheffield' for cutlery.

3.27.2 Interpretation of s 61

In addition to the difficulties with the definition of a geographical indication, there are potential problems with the wording of s 61. Section 61 (1) provides that opposition may be based on the ground that the trade mark contains or consists

of a sign that is a geographical indication for goods originating in an area other than the area from which the trade mark applicant's goods originate. Two main points need to be made. First, s 61(1) only refers to a trade mark that contains or consists of a sign that is a geographical indication, not to a sign that may also be substantially identical with or deceptively similar to that geographical indication. So presumably Eddam for cheese could not be opposed because of Edam cheese under this section. Second, if the goods of the trade mark applicant do actually originate from the same geographical area as the goods associated with the geographical indication, the wording of s 61(1) suggests that it would not be grounds for opposing registration. Hence, Edam for cheese which is actually from Edam could not be successfully opposed on the basis of s 61. This suggestion is confirmed by s 61(2) which provides that the opposition fails if the application establishes that the relevant goods originated in the place identified by the geographical indication. Of course, other provisions, particularly s 41 and its requirement for distinctiveness, may still operate to prevent the registration of the trade mark.

A strict reading of the original s 61(1) would have meant that an opposition could have been maintained even if the trade mark was being sought for goods other than those for which the geographical indication is known. The *Trade Marks Amendment Act 2006* (Cth) changed that situation such that the opposition could only be successful if the geographical indication in question is used for goods that are similar to the goods in respect of which registration is sought. In addition, this new legislation amended the meaning of 'originate' in the context of wine or spirits to bring the definition into line with the definition in the *Australian Wine and Brandy Corporation Amendment Act 1993* (Cth).

3.27.3 Exceptions to s 61(1)

There are a number of exceptions to s 61(1) contained in sub-ss (2) and (3). Section 61(2)(b) and (c) provide that the opposition will fail if the sign has ceased to be used as a geographical indication in the country from where goods indicated by the geographical indication originated. Section 61(2)(c) constitutes a 'grandfathering' provision that preserves the rights of users of the sign in good faith prior to 1 January 1996 (the date of implementation of *TRIPS* requirements in Australia) or prior to the day the sign was recognised as a geographical indication in its country of origin, whichever is the later.

Some of the points made above can be demonstrated by reference to the facts in a decision under the previous legislation. In *Cantarella Bros Pty Ltd v Kona Coffee Roastery & Equipment Supplied Pty Ltd*,²⁰⁸ an existing registrant for Vittoria for coffee objected to the use of Kona Coffee Vittoria Blend for coffee. An infringement action was brought under the previous legislation, which contained no reference to geographical indications. The defendant, perhaps curiously, conceded that it was using Vittoria as a trade mark but claimed that it had a defence on the

grounds that it was using the term to describe the character or quality of its goods. In particular, it argued that as its coffee came from the Brazilian region near the port of Vitoria, the word was descriptive of the character of its coffee. Einfeld J rejected the argument because Vitoria had no descriptive significance in Australia as few, if any, Australians were familiar with the term as describing a type of Brazilian coffee.

Under the Act, the arguments may have been different. Vitoria would be arguably a geographical indication for coffee in Brazil. Consequently, its lack of recognition in Australia would be irrelevant to its capacity to prevent registration of Vittoria for coffee in respect of coffee not from that region. On the other hand, a literal reading of s 61 would lead to the conclusion that it could not prevent the registration of Vittoria for coffee because the two words are not the same although they are substantially identical. In addition, the prior use of Vittoria would save its registration under the grandfathering provisions of s 61.

3.28 Opposition grounds introduced under the *Trade Marks Amendment Act 2006 (Cth)*

As already indicated, the amending legislation would make it possible to oppose the registration of a trade mark on the basis of prior continuous use under s 44(4) of the Act.²⁰⁹ Prior to the amendment, there was no provision for a trade mark owner or prior applicant to oppose another's registration when that registration was based on prior continuous use. This meant there was no real opportunity to contest the claim that prior continuous use had occurred. The most obvious basis of such opposition is that the original applicant itself first used its trade mark prior to the person seeking registration on the basis of prior continuous use. In those circumstances, the latter applicant would now have to rely on honest concurrent use under s 43(3).

In addition, the amending legislation would make it possible to oppose an application made in bad faith.²¹⁰ Examples of bad faith applications are where the applicant identifies an overseas trade mark, registers it and then immediately seeks to sell it to the overseas owner. Alternatively, they monitor new business activities and register trade marks identical with or similar to the names used for those activities with the intention of threatening the business operation with trade mark infringement.²¹¹

3.29 Overview of rectification of the Register

Once registered, a trade mark entry on the Register may be amended or cancelled in circumstances prescribed in Part 8. Some of the circumstances are such that

209 Now s 58A of the Act.

210 Now s 62A of the Act.

211 Explanatory Memorandum to the Trade Marks Amendment Bill 2006 at 4.12.

the Registrar may make the relevant decision to amend or cancel whereas other circumstances are exclusively within the consideration of the courts.

3.30 Amendment or cancellation by Registrar

Division 1 of Part 8 permits the Registrar to make the following amendments or cancellations:

- The Registrar may correct any errors or omissions made in entering any particular in the Register (s 81);
- The Registrar may amend the Register as required as a consequence of any change in the classification of goods or services for the purposes of the Act (s 82);
- The Registrar may agree to amend the representation of the trade mark if it does not substantially affect the identity of the originally registered trade mark (s 83(1)(a));
- At the written request of a registered owner, the Registrar may agree to various types of small amendments to particulars concerning any goods or services in respect of which the trade mark is registered (s 83(1)(b)) and other particulars relating to the trade mark (s 83(1)(c)) provided they do not have the effect of extending the rights of the registered owner apart from those amendments;
- The Registrar must cancel the registration of a trade mark if the registered owner requests it (s 84); and
- As a consequence of the *Intellectual Property Laws Amendment Act 2006* (Cth), the Registrar has a broad power to cancel any registration within twelve months of that registration (s 84A).

The circumstances in which the Registrar alters the Register are relatively rare.²¹² Most of the case law surrounding decisions by the Registrar relate to applications for amendment of the representation of the trade mark. As a general rule, these applications under the present and previous legislation have been declined as the Registrar takes a strict approach to whether alterations to the representation affect the identity of the originally registered trade mark. The concern here is that any change may lead to conflict with other trade marks. In addition, the alteration may inappropriately bypass the examination process and indirectly confer an extended priority date. In *Lawson's application*,²¹³ a request to alter the propeller device within a trade mark was rejected because the new representation would not be easily recognised as a propeller device, 'but something that eludes a precise description . . . It follows, of course, that the altered mark could be in conflict with other marks on the Register or those

²¹² Davison et al., *Shanahan's Australian Law*, above n 2, 326–7.

²¹³ *Re Lawson* [2001] AIPC 91–693.

awaiting registration'.²¹⁴ Decisions under previous legislation took a similar approach.²¹⁵

Amendments of particulars relating to any goods or services are usually undertaken when the owner wishes to limit its existing registration. For example, a registration for desks, tables and chairs might be restricted to business desks and business chairs but could not be extended to 'furniture'.

As the trade mark is the exclusive property of the owner, the owner is entitled to abandon that property by requiring the Registrar to remove the trade mark from the Register. An owner may wish to deregister a trade mark as part of a settlement of actual or pending litigation such as an application for removal for non-use or rectification. Alternatively, it may simply wish to stop using the trade mark.

As a consequence of the Intellectual Property Laws Amendment Bill of 2006, the Registrar now has the power to reverse a decision to register a trade mark at any time within twelve months after registration. A new s 84A has been added to the Act under which the Registrar could revoke the registration if the Registrar is satisfied that the trade mark should not have been registered and it is reasonable to do so. The circumstances to be taken into account in determining this are set out in s 84A of the Bill and include errors or omissions that led directly or indirectly to the registration and any relevant obligations of Australia under an international agreement. One circumstance in which the power may be exercised is where a trade mark is registered but a *Madrid Protocol* application is then received which has an earlier priority date. In addition, s 84B which was introduced in the new legislation requires revocation of the trade mark in certain circumstances where the Registrar failed to take account of a notice of opposition.

3.31 Overview of rectification by the court

While the Registrar may amend the Register in the limited circumstances described above and the exercise of that power is subject to appeal to the Federal Court,²¹⁶ there are some instances in which only the Federal Court may order the amendment or rectification of the Register. These circumstances are described in Division 2 of Part 8. The applicant in each case must be 'an aggrieved person':

- An applicant may apply for the entry of particulars that are wrongly omitted or correcting any error in an entry in the Register (s 85);
- Cancellation or removal of amendment of any entry may be made on the ground that a condition or limitation entered in the Register has been contravened (s 86);

214 Ibid 39,361.

215 See Davison et al., *Shanahan's Australian Law*, above n 2, 328–30; *British Hoist & Crane Co Ltd's Trade Mark* (1955) 72 RPC 66; *Otrivin Trade Mark* [1967] RPC 613; *Re Sony Kabushiki Kaisha's Application* (1987) 9 IPR 315.

216 *Trade Marks Act 1995* (Cth) s 83(2).

- An entry may be amended or cancelled as a consequence of a trade mark becoming 'generic'. Sections 24 and 25 provide details of the circumstances in which a registered owner may lose their exclusive rights as a consequence of the 'genericisation' of his or her trade mark (s 87);²¹⁷ and
- An application for cancellation, removal or amendment of an entry wrongly made or remaining or the entering of any condition or limitation can be made on the various grounds set out in s 88(2).²¹⁸

3.31.1 Aggrieved person

In a number of instances, the applicant has no standing unless it is an aggrieved person. There is no simple definition of 'an aggrieved person'.²¹⁹ In essence, an aggrieved person must demonstrate that the ongoing registration of the trade mark will impact on his or her business activities. It may wish to use the trade mark itself or, if not, its activities would be hampered by its registration.²²⁰ Decisions under older legislation held that a person would be prima facie considered to be aggrieved if he or she was in the same trade as the owner with the onus then passing to the owner to displace the presumption the applicant was aggrieved. Yet even before the current legislation, some decisions clearly demonstrated that being in the same trade was not a prerequisite to being aggrieved. For example, in *Campomar Sociedad Limitada v Nike International Ltd*,²²¹ the owner of the well-known Nike trade mark for sporting shoes and goods objected to a long-standing registration of Nike for deodorant. It was held to be an aggrieved person because of the potential impact on its broad reputation in spite of the fact that the applicant did not sell or wish to sell Nike deodorant. The extension of infringement under s 120(2) and (3), the more liberal view of defensive registration and the relaxation of licensing arrangements mean that it is even more likely that situations such as those in the *Nike* case will lead to traders being aggrieved or more easily demonstrating that they are aggrieved.

With these general principles in mind, some examples of 'being aggrieved' then include the following:

- A desire to use the trade mark itself or a substantially identical or deceptively similar one in relation to similar goods or services. For this reason, a person may be aggrieved only in relation to particular goods or services rather than all goods or services for which registration exists,²²²
- Actual use of the trade mark itself or a substantially identical or deceptively similar one in relation to dissimilar goods or services where the applicant

217 For further reference, see J. Nurton, 'How to Avoid Genericization' (2002) 123 *Managing Intellectual Property* 14.

218 For further reference, see J. McCutcheon, 'Rectification of the Trade Marks Register on Grounds Existing at the Time of Application to Rectify: An Analysis of Sections 88(2)(a) and (c) and 89 of the *Trade Marks Act 1995* (Cth)' (2002) 13(4) *Australian Intellectual Property Journal* 199.

219 *Trade Marks Act 1995* (Cth) ss 85, 86, 87, 88. Section 181 is the equivalent of s 88 in relation to certification trade marks. The requirement of being aggrieved also applies in non-use proceedings: ss 92, 81.

220 *Powell's Trade Mark* (1893) 10 RPC 195.

221 (2000) 202 CLR 45.

222 *Ritz Hotel Ltd v Charles of the Ritz Ltd* (1988) 15 NSWLR 158.

has established a broad reputation for its trade mark even though it may not wish to trade in the goods or services in respect of which rectification is sought; and

- The aggrieved person has been the subject of threats of proceedings for trade mark infringement, passing off or a breach of s 52 of the *Trade Practices Act 1974* (Cth).²²³

3.32 Errors and omissions (s 85)

While this ground for amendment relates primarily to relatively minor amendments, there is case authority to suggest that it can extend to substituting the true owner of the trade mark for that of a wrongfully registered claimant.²²⁴ An example of such circumstances may be where the wrong company in a corporate group has been named as the applicant and the applicant is, in effect, the trustee of the real owner. An assignment of the trade mark may generate complications such as capital gains tax implications. Such problems may be overcome prior to registration by assignment of the application.²²⁵

3.33 Contravention of conditions or limits (s 86)

This ground is self-explanatory. Examples of such conditions or limitations may include geographical limitations imposed at the time of registration on the basis of honest concurrent use. As with all grounds, there is a general discretion not to remove the trade mark from the Register, and if the relevant breach is cured this would be relevant to the exercise of the discretion.

3.34 Effect of ss 24 and 25 on s 87

The effect of s 87 can only be appreciated by acquiring an understanding of the operation of ss 24 and 25. Those two provisions describe particular circumstances in which a registered owner may lose their exclusive rights in respect of their registered trade mark as a consequence of their trade mark effectively becoming generic. Close attention is needed to the wording of the provisions as they do not actually use the term 'generic'. In particular, the relevant test is not so much whether consumers regard the trade mark as generic but whether 'the trade mark consists of, or contains, a sign that, after the date of registration of the trade mark,

223 *NSW Dairy Corporation v Murray-Goulburn Co-operative Co Ltd (No 2)* (1989) 14 IPR 75.

224 Davison et al., *Shanahan's Australian Law*, above n 2, 337; see also *Figgins Holdings Pty Ltd v Registrar of Trade Marks* (1995) 59 FCR 147; *Aquaculture Corp v New Zealand Green Mussel Co Ltd (No 2)* (1986) 10 IPR 319, 344 (HC NZ); *Lincoln Industries Ltd v Wham-O Manufacturing Co* (1984) 3 IPR 115, 155–6 (CA NZ); where substitution was refused as the Registrar was not before the court.

225 *Trade Marks Act 1995* (Cth) s 106(1).

becomes generally accepted within the relevant trade as the sign that describes or is the name of an article, substance or service'.²²⁶

The emphasis is on the use within the relevant trade rather than the use by consumers. So evidence of how retailers, wholesalers, manufacturers and advertisers use the sign will be the key issue. Of course, the use by consumers will still be relevant as their use will influence and be the precursor of a change in the use of the sign in the relevant trade. Partly for this reason, trade mark owners often vociferously object to dictionary entries in new editions that refer to registered trade marks as the general word for an article. For example, the word 'esky' is clearly identified in dictionaries such as the *Macquarie* and *Shorter Oxford* as a trade mark although the latter describes it as 'proprietary in Australia' implying that it may be generic elsewhere. The common references to an 'esky' rather than an esky cooler certainly suggest that the term is considered by many consumers as the word for the article in question rather than a word for a particular brand of that article. In contrast, according to the *Shorter Oxford* 'ugg boots' is a generic term in Australia although it is the subject of trade mark registration in the United States.

In order for s 24(1) to be operative, the sign in question must describe or be the name of the relevant article, substance or service. Case law under the previous legislation held that an equivalent provision was not applicable if the word in question was only part of the description in question. For example, in *FHFaulding & Co Ltd v Imperial Chemical Industries (Aust & NZ)*,²²⁷ the trade mark 'Barrier' for skin protective creams did not fall foul of s 56 of the 1955 Act because the relevant term used in the industry was 'Barrier Cream'. The dissenting judge in that case considered that the use of the word 'Barrier' as an adjective was enough to invoke the section.

The wording of s 24(1) is slightly different. It refers to the sign describing the article, not to the sign being 'the description'. As adjectives describe but are not necessarily themselves 'the description' of an article, the minority view in the *Faulding* case may well be applicable under the new provision.

In any event, one clear difference between s 24(1) and the previous provision is that s 24(1) refers to a 'sign' not just a word. So it is quite possible for any sort of sign, such as a device, to be generic.

Sub-sections 24(2) and (3) set out the consequences if a sign does meet the test laid down in s 24(1). If the trade mark consists of the sign, the registered owner does not have any exclusive rights to use the trade mark.²²⁸ If the trade mark contains the sign, the owner has no exclusive rights to use that sign. The court may determine the day on which the sign meets the test in s 24(1) and the trade mark owner therefore loses exclusive rights in relation to it from that day.²²⁹

226 *Trade Marks Act 1995* (Cth) s 24(1).

227 [1964] 112 CLR 537.

228 *Trade Marks Act 1995* (Cth) s 24(2).

229 *Trade Marks Act 1995* (Cth) s 24(4).

Section 25 deals with a specific type of genericism. It deals with the situation where a trade mark consists of or contains a sign that describes or is the name of an article or substance that was formerly exploited under a patent or a service formerly provided as a patented process. If the sign is the only commonly known way to describe or identify the article, substance or service two years or more after the patent has expired, then the trade mark owner loses its exclusive rights to use the sign. This provision exists because during the term of a patent, the patent owner is unlikely to be subject to s 24. The nature of the patent monopoly is such that by definition no other person can make or sell the patented product and so the patent owner's trade mark will almost necessarily be distinctive and not generic during the patent period. Once the patent expires, other traders become free to make and sell the product but not to use the patent owner's trade mark which may have become the name of the product as well. The provision encourages patent owners to develop a trade mark that is separate from the name of their product during both the patent period and after it because failure to do so may lead to the application of s 25. Hence, a hypothetical patent owner that develops a new 'widget' would acquire a separate trade mark such as 'Whizzbang' so that the new product would be called a widget in the trade and by consumers but the patent holder's widget would be the Whizzbang widget in order to prevent genericism. To date, there are no reported decisions concerning this provision or its predecessors.

In addition to the loss of exclusive rights to use the sign pursuant to ss 24 or 25, s 87 provides the court with a power to amend or cancel the registration of the trade mark if either s 24 or 25 applies. If the trade mark contains or consists of the relevant generic sign, s 87(1) empowers the court to cancel the registration or remove or amend any entry relating to the trade mark. If the trade mark does not consist of the sign but only contains it, the court may allow the trade mark to remain on the Register subject to any condition or limitation that the court may impose. This ground for rectification, which is in itself discretionary,²³⁰ is also subject to the fault provision in s 89 discussed below.²³¹

3.35 Cancellation, removal or amendment (s 88(2))

There is some overlap in the wording of this provision as the cancellation of a trade mark also involves the removal of an entry. Of course, an 'entry' may entail other matters such as assignments or claims to interests in and rights in trade marks.

The reference to entries wrongly made obviously refers to the initial addition of the entry to the Register and therefore relates to objections to the initial entry. For example, if one of the grounds of opposition could have been made out at the time

230 See the discussion on the general discretion not to rectify, 3.37.

231 See J. Nurton, 'How to Avoid Genericization', above n 217, 14.

of registration but the relevant process was not undertaken, the registration of the trade mark was wrongly made. The reference to entries wrongly remaining on the Register relates to events since the entry was made. For example, it is possible that the use of a trade mark may become likely to deceive or cause confusion because of events since registration.

3.36 Transitional provisions and presumptive validity

Under the previous legislation, trade marks registered in Part A of the old register received presumptive validity once they had been registered for seven years or more.²³² This meant that the original registration could not be challenged unless one of three specific grounds was first made out. The current legislation provides that this protection from an attack on the original registration remains for those trade marks registered in Part A of the old register pursuant to the previous legislation.²³³ As many trade marks fall into this category, it was considered necessary to 'grandfather' this protection in the current legislation.

Consequently, s 234(2) provides that the original registration of such trade marks can not be challenged after seven years unless it is shown that:

- The original registration was obtained by fraud; or
- The registration of the trade mark would be contrary to s 28 of the repealed Act; or
- The trade mark did not, at the commencement of the proceedings, distinguish the goods or services of the registered owner in relation to which the trade mark is used from the goods or services of other persons.

It is important to note that while the applicant for rectification must prove that one or more of these three requirements is met, the meeting of that requirement is not in itself sufficient to justify rectification. The applicant must first meet one of the three requirements to overcome presumptive validity and then meet one of the grounds for rectification.

3.36.1 Fraud

Fraud involves some form of active deception of either the Registrar or a third party such as a person who would have opposed the registration but for the fraud. For example, the owner may have fraudulently informed another person that they were not going to proceed with an application for registration.

232 *Trade Marks Act 1955* (Cth) s 61(1).

233 *Trade Marks Act 1995* (Cth) s 234.

3.36.2 Contrary to s 28 of the repealed legislation

Section 28 of the previous legislation was the subject of many tortured attempts at interpretation because of its ambiguous wording.²³⁴ The most important paragraph of s 28 was s 28(a) which provided that registration should be denied ‘if the use of the trade mark would be likely to deceive or cause confusion’. There were two controversial aspects of the paragraph. One was whether the provision had both immediate and prospective effect such that the test could be applied both at the time of application for registration and after registration for rectification purposes. For example, a trade mark may not be likely to deceive or cause confusion at the time of registration but post-registration circumstances may lead to such a situation. The other issue was whether, if paragraph (a) had prospective effect for rectification purposes, paragraph (a) was qualified by some requirement of blameworthy conduct on the part of the registered owner that was responsible for the trade mark becoming likely to deceive or cause confusion. This second issue is addressed in s 89 of the current legislation.

The first issue concerning s 28(a), whether it had prospective effect, was not finally resolved until after it was repealed in the High Court decision of *Campomar Sociedad Limitada v Nike International Ltd*.²³⁵ In that case, the High Court held that s 28(a) only applied to the initial registration of a trade mark and had no prospective operation. For the purposes of s 234 of the current legislation, this means that in order to overcome presumptive validity, an applicant for rectification must demonstrate that, at the time of the application for registration, the trade mark was likely to deceive or cause confusion.²³⁶ This test is largely a conflation of the existing tests in ss 43 and 60.²³⁷

3.36.3 Not distinctive when proceedings commence

The third ground upon which presumptive validity may be overcome is that at the time of the application for rectification, the trade mark does not actually distinguish the goods or services of the owner. Trade marks registered under Part A of the old Register needed to be inherently distinctive and thus, if the current legislation had applied to their original registration, they would have been registered pursuant to s 41(3). In order for this ground for overcoming presumptive validity to apply, the trade mark either must have never been inherently distinctive and has not since gained distinctiveness through use or has lost its inherent distinctiveness. The latter would be difficult to establish. It is also worth noting that while presumptive validity may be overcome on this ground, loss of distinctiveness is not itself a ground for rectification and the applicant will also

234 *Campomar Sociedad Limitada v Nike International Ltd* (2000) 202 CLR 45; *NSW Dairy Corporation v Murray-Goulburn Co-operative Co Ltd* (1990) 171 CLR 363.

235 (2000) 202 CLR 45.

236 *Toddler Kindy Gymparoo Pty Ltd v Gymporee Pty Ltd* (2000) 100 FCR 166, 192.

237 The ground may have been even wider. See ch 11 of Davison et al., *Shanahan's Australian Law*, above n 2.

need to demonstrate that some particular ground in s 88(2) has been made out. There may be some overlaps between the grounds in s 88(2) and the grounds for overcoming presumptive validity, but not necessarily.

3.37 General discretion not to rectify

In any event, whether the trade mark has the protection of presumptive validity or not, the wording of the relevant rectification sections appears to confer a discretion on the court not to order rectification even if the relevant ground is found to be established. This was certainly the case under the previous legislation,²³⁸ although Branson J in *Eos (Aust) Pty Ltd v Expo Tomei Pty Ltd*²³⁹ stated that once the grounds for rectification were established, the court's only discretion arose via s 89 and it does not hold a general discretion. Such an approach is questionable given that s 89 was quite specifically introduced to address a controversial issue arising from decisions under the old legislation which expressed conflicting views on the relevance of the owner's blameworthy conduct to rectification issues.²⁴⁰ In addition, it would be strange that the court would be required to order rectification in circumstances where the problem with the original registration has been fixed, such as if a non-distinctive sign was registered but it has now acquired distinctiveness through use since registration. Alternatively, the use since registration may be relevant to other considerations, such as an application for honest concurrent use and rectification would be quickly followed by a successful application for 're-registration'.

3.38 Grounds for opposition

If any presumptive validity can be overcome or the trade mark in question does not qualify for presumptive validity, s 88(2)(a) permits rectification on any of the grounds on which the registration of the trade mark could have been opposed under Division 2 of Part 5. Consequently, a trade mark is, in a sense, liable to de facto opposition proceedings at any time after its registration. Issues such as ownership can be revisited at any time as can conflicts with other trade marks pursuant to ss 44 and 60. For example, in *Toddler Kindy Gymparoo Pty Ltd v Gympboree Pty Ltd*,²⁴¹ rectification was ordered because at the time of the application for registration, use of the trade mark would have been likely to deceive or cause confusion because of the reputation of a prior trade mark and registration should have been denied due to s 60.

²³⁸ *NSW Dairy Corporation v Murray-Goulburn Co-operative Co Ltd* (1990) 171 CLR 363.

²³⁹ (1998) 42 IPR 277. But see the discussion in Davison et al., *Shanahan's Australian Law*, above n 2, 354.

²⁴⁰ *NSW Dairy Corporation v Murray-Goulburn Co-op Co Ltd* (1990) 171 CLR 363.

²⁴¹ (2000) 100 FCR 166.

3.39 Fraud, false suggestion or misrepresentation

Sub-sections 88(2)(c) and (e) provide for rectification where an amendment to an application for registration was obtained or an entry in the Register was made as a result of fraud, false suggestion or misrepresentation. Previous legislation referred only to 'fraud', not false suggestion or misrepresentation. However, the expression has been used in patent legislation and it obviously goes beyond deliberate deceit as is the case with fraud.²⁴² In relation to the use of the term in patent legislation, Lockhart J stated:

The words 'false suggestion or representation' are of wide import. The statutory ground . . . is based on equitable notions of good faith, fairness, conscionable conduct and honesty.²⁴³

The only case where the expression has been considered in relation to the current legislation is the *Montana* case,²⁴⁴ which is discussed below in some detail in relation to parallel importing. (See chapter 4, 4.7.) That case was one involving an application for rectification on the basis that an assignee had obtained registration via an assignment without revealing to the Registrar a collateral agreement between the assignee and the assignor. Under the collateral agreement, the assignor of the trade mark retained very considerable control over the trade mark pursuant to which the assignor could demand the re-assignment of the trade mark. At first instance, Wilcox J held that if the Registrar had been aware of the control retained by the assignor, the assignment would probably not have registered the assignment. Consequently, withholding the details of the agreement, while submitting a standard assignment, constituted the necessary false suggestion or misrepresentation. On appeal, this decision was reversed because the agreement related to control over, not title to, the trade mark and the Registrar would have registered the assignment even if made aware of the collateral arrangement. Nevertheless, the general principles espoused at first instance concerning the nature of false suggestion and misrepresentation are useful to the interpretation of these provisions.

3.40 Use likely to deceive or cause confusion

Section 88(2)(c) permits rectification where, due to circumstances arising since the registration of the trade mark, the use of the trade mark is likely to deceive or cause confusion. This ground is or at least was intended²⁴⁵ to be the equivalent of the prospective operation claimed for s 28(a) of the previous legislation

242 *Prestige Group (Aust) Pty Ltd v Dart Industries Inc* (1990) 26 FCR 197.

243 *Prestige Group (Aust) Pty Ltd v Dart Industries Inc* (1990) 26 FCR 197, 198.

244 *Montana Tyres Rims & Tubes Pty Ltd v Transport Tyre Sales Pty Ltd* (1999) 93 FCR 421.

245 Working Party to Review the Trade Mark Legislation, *Recommended Changes*, above n 3, 94–5.

even though s 28(a) itself was ultimately held not to have such prospective operation.²⁴⁶

The circumstances in which s 88(2)(c) may arise is where the use of the trade mark or a substantially identical or deceptively similar one by another or other traders has led to a situation where the use of the registered trade mark is now likely to deceive or cause confusion. Obviously, the conduct by those other traders that has resulted in that situation arising was infringing conduct. The question then is whether the registered owner should lose its registration as a result of the infringing conduct of another person. This issue is addressed in s 89, discussed below.

3.41 Rectification not granted if registered owner not at fault

Section 89 confers a specific discretion on the court not to order rectification pursuant to ss 87, 88(2)(a) and 88(2)(c) 'if the registered owner satisfies the court that the ground relied on by the applicant has not arisen through any act or fault of the registered owner'. The provision is designed to protect an owner from rectification proceedings where the grounds for rectification have arisen through the unlawful conduct of infringers of the trade mark.²⁴⁷

The case law dealing with the previous legislation imported into its interpretation a concept of blameworthy conduct in the context of rectification. The judicial consideration of the concept has a lengthy and complex history. Regrettably, a detailed analysis of that history often leads to greater confusion than clarification of the issue. The pinnacle of that confusion was scaled in a High Court decision where multiple and conflicting opinions were expressed about the nature of blameworthy conduct in the context of s 28(a) of the previous legislation.²⁴⁸

Section 89 was a response to this confusion but in reality it is more a codification of that confusion than anything else. The main difficulty with the section is that it provides no definition of 'act or fault' of the registered owner. In addition, the wording of the phrase itself introduces difficulties. 'Act' suggests positive action rather than failure to act. In turn, this suggests that 'fault' involves omission but there are other possible interpretations. The word 'fault' may stand in contradistinction to 'act', thus suggesting that the act need not involve any fault, despite the heading to the section. The section also refers to 'act or fault' of the registered owner, rather than any 'act or fault' of a predecessor, so there is an issue as to whether the conduct of a predecessor in title is relevant.

Eventually, regard will have to be had to the various judicial references to 'blameworthy conduct' in cases dealing with s 28 of the previous legislation

246 *Campomar Sociedad Limitada v Nike International Ltd* (2000) 202 CLR 45.

247 For further reference, see J. McCutcheon, 'Rectification of the Trade Marks Register on Grounds Existing at the Time of Application to Rectify: An Analysis of Sections 88(2)(a) and (c) and 89 of the *Trade Marks Act 1995* (Cth)' (2002) 13(4) *Australian Intellectual Property Journal* 199.

248 *New South Wales Dairy Corp v Murray Goulburn Co-op Co Ltd* (1990) 171 CLR 363.

even though that term is not adopted in the Act. Here again, there is confusion. The main Australian decision relating to the issue is *NSW Dairy Corp v Murray Goulburn Co-operative Co Ltd*.²⁴⁹ The case involved a dispute concerning the word trade marks 'Moo' and 'Moove' for flavoured milk. Moo was registered in 1966 and assigned to Murray Goulburn Co-operative in 1987 which then started to use Moo for the first time in relation to flavoured milk. Moove was registered well after Moo but use of it for flavoured milk commenced in 1979. Moove should probably never have been registered because of the existence of Moo on the Register. However, because it was registered and used, the New South Wales Dairy Corporation sought to have Moo removed from the Register on the basis that its continued use would be likely to deceive or cause confusion, that is, that the situation had changed since registration as a consequence of the use of Moove.

Two different concepts of 'blameworthy conduct' emerged from the High Court decision. Mason CJ and Brennan J adopted a general view of blameworthy conduct as any conduct:

(whether by act or omission) on the part of a registered proprietor or his predecessor in title which he knew or ought to have known would result in the likelihood that the use of the mark would deceive or cause confusion and which has in fact caused or contributed to that result.²⁵⁰

For those two judges, blameworthy conduct was constituted by:

- Extensive use of Moo after extensive use of Moove;
- Failure to object to the use of Moove; and
- The lengthy period of non-use.

Justices Dawson and Toohey took a different view of blameworthy conduct. They believed that the legislative basis for the requirement flowed from s 28(d) of the previous legislation which read that 'A mark which would otherwise be not entitled to protection in a court of justice shall not be registered as a trade mark'. Both judges read s 28(a) and (d) conjunctively and interpreted s 28(d) as referring to general equitable principles. Consequently, for them the test of blameworthy conduct was whether the owner's conduct was such that a court of equity would deny injunctive relief against infringement of the trade mark. Such a test is not easily met and not surprisingly they did not consider that the owner of Moo had engaged in blameworthy conduct. In particular, they emphasised the fact that the owners of Moo did not believe that there was any problem with the use of both Moo and Moove which raises an issue as to whether 'fault' in s 89 involves an objective or subjective test of fault. They also considered that as non-use was addressed comprehensively in other provisions of the legislation, it was not relevant in the context of s 28. A similar argument could apply in relation to the present s 89.

249 Ibid.

250 Ibid 391 (Brennan J).

The wording of the present s 89 would seem to adopt the approach of Mason CJ and Brennan J, at least in relation to the issue of the impact of equitable principles, as none of the wording of s 28(d) has been adopted. On the other hand, several ambiguities remain including:

- Whether and to what extent the conduct of a predecessor in title is relevant. It may be that the question is to what extent an assignee is expected to inquire into the past conduct of the assignor. Omission to make inquiries about use or steps to stamp out infringing conduct by the predecessor in title may be relevant to the issue of ‘fault’ on the part of the registered owner;
- The extent to which non-use might be relevant given what appears to be a code in relation to non-use; and
- The meaning of ‘act’, in contradistinction to ‘fault’.

It should also be noted that unlike s 28 of the previous legislation, s 89 applies to rectification pursuant to genericism and all of the grounds for rectification that are set out in s 88. This complicates the issue even more. For example, the genericisation process necessarily involves infringement of the trade mark and a failure by the registered owner to prevent infringement is a primary reason for the trade mark becoming generic. The difficulty a court then faces is that the very basis for rectification of the Register necessarily involves a failure on the part of the registered owner to take sufficient action against infringement, yet the court has still to consider the discretion under s 89 if it is to have any meaning with respect to all of the grounds for rectification set out in s 88.

In any event, s 89(2) goes on to provide that in making a decision under sub-s (1), the court must also take into account any matter that is prescribed and any other matter that the court considers relevant. The prescribed matters are set out in reg 8.2 as

- The extent to which the public interest will be affected if registration is not cancelled;
- Whether any circumstances that gave rise to the application have ceased to exist;
- The extent to which the trade mark distinguished the relevant goods and/or services before the circumstances giving rise to the application arose; and
- Whether there is any order or other remedy, other than an order for rectification, that would be adequate in the circumstances.²⁵¹

3.42 Removal for non-use

A basic proposition of trade mark law is that if you don’t use it, you lose it.²⁵² Part 9 of the Act provides that a registered trade mark will be liable for removal if it is not

²⁵¹ *Trade Marks Regulations 1994* (Cth) reg 8.2.

²⁵² For further reference, see Bently and Burrell, ‘The Requirement of Trade Mark Use’, above n 35, 181; Burrell, ‘Recent Developments in Australia’, above n 35, 231.

used for the relevant periods prescribed in the legislation. An applicant has five years from the date of registration to use the trade mark in Australia, and after that initial five-year period has expired any three-year period of non-use in Australia renders the trade mark liable for removal. Non-use of the trade mark includes not using it in good faith in Australia.²⁵³ Consequently, sham use intended to merely forestall an application for removal for non-use will be ineffective.²⁵⁴

The relevant three-year period of non-use is for a three-year period ending one month prior to the filing of the application for non-removal. This delay is intended to provide an opportunity for an applicant to demand that the registered owner agree either to the removal of its trade mark from the Register or to the assignment of the trade mark. If neither occurs, the application can still be made within one month and use after the receipt of the demand will not assist the owner.

Applications for removal may be made by a person who is aggrieved. See the discussion of an aggrieved person at 3.31.

Once the application is made, the matter is dealt with by the Registrar although the Registrar has the power to refer the matter to a prescribed court.²⁵⁵ If the application is unopposed, the Registrar must remove the trade mark from the Register.²⁵⁶

As proving a negative, namely non-use, is difficult, if not impossible, the onus lies on the opponent to prove use of the trade mark. The relevant use must have been in relation to the goods or services in respect of which the trade mark is registered. Consequently, the trade mark may be removed in respect of some goods or services but not others.

Sub-sections 100(2) and (3) identify some circumstances in which the allegation of non-use is rebutted. For example, it is sufficient if the opponent uses the trade mark or the trade mark with additions or alterations that do not substantially affect its identity.

Alternatively, if the trade mark has been assigned during the relevant period but the assignment has not been recorded on the Register, the Registrar or the court may form the view that use by the assignee should be treated as use by the trade mark owner. Case law on the point identifies several principles to be considered by courts in determining whether it would be reasonable to regard the assignee's use as that of the registered owner. The first of these principles is the public interest in preventing deception of the public but this public interest may itself be counterbalanced by the public interest in the preservation of an established mark.²⁵⁷ In addition, the assignee's title to the trade mark and its use in good faith may well overcome the importance of enforcing technical defects in that title, particularly if the only consequence would be that the assignee would simply restart the registration process with a very strong prospect of obtaining registration.²⁵⁸

253 *Trade Marks Act 1995* (Cth) s 92(4)(a).

254 *Imperial Group Ltd v Philip Morris & Co* [1982] FSR 72.

255 *Trade Marks Act 1995* (Cth) s 94.

256 *Trade Marks Act 1995* (Cth) s 97.

257 *Paragon Shoes Pty Ltd v Paragini Distributors (NSW) Pty Ltd* (1988) 13 IPR 323, 346.

258 *Ibid.*

Subsection 100(3)(c) also provides a specific exemption from removal for non-use if the owner establishes that it did not use the trade mark during the period because of ‘circumstances (whether affecting traders generally or only the registered owner of the trade mark) that were an obstacle to the use of the trade mark during that period’. Under the previous legislation, the relevant circumstances had to affect all traders in the particular trade, not just an individual trader. Examples of such circumstances included delays in obtaining health department approval for products²⁵⁹ and post-war restrictions on imports.²⁶⁰

The Act has a more lenient approach with its reference to circumstances that may affect only the registered owner. However, the circumstances must be circumstances of a trading nature and they must arise externally to the registered owner. For example, it appears that the trader could not rely on financial difficulties or illness.²⁶¹

3.42.1 General discretion

In addition to the specific circumstances set out in s 100, a general discretion resides with the Registrar and the court under s 101 not to remove the trade mark from the Register even if the relevant period of non-use is made out. An example under the Act of the exercise of that discretion is the decision in *CA Henschke & Co v Rosemount Estates Pty Ltd*.²⁶² The relevant trade mark for wine had been used by a partnership of which the registered owner was a member. After the death of the registered owner, the partnership continued to use the trade mark but the trade mark was not transferred to the beneficiaries of the estate for a number of years. Consequently, the trade mark was not used by the registered owner who was deceased or his executors but by the remaining members of the partnership.

At first instance and on appeal, the Federal Court found that the relevant use had been authorised by the executors and therefore constituted use for the purposes of the Act.²⁶³ However, as this finding was contentious, both the first instance judge and the Full Court went on to find that even if the use had not been authorised, the general discretion not to remove the trade mark for non-use would be exercised. The decision to that effect was based on several principles that were similar to, if not the same as, those referred to above in relation to the use by an unregistered assignee. In particular, no significant deception had occurred as a consequence of the partners, rather than the executors, using the trade mark and little would have been achieved by removal of the trade mark as the executors could simply have re-applied for registration and they had an unimpeachable title to it.

259 *Pierre Fabre SA v Marion Laboratories Inc* (1986) 7 IPR 387 (Reg).

260 *Aktiebolaget Manus v RJ Fullwood & Bland Ltd* (1949) 66 RPC 71 (CA).

261 *Woolly Bull Enterprises Pty Ltd v Reynolds* (2001) 107 FCR 166, 180.

262 (2000) 52 IPR 42.

263 *Ibid.*

3.42.2 Recent changes to non-use under the *Trade Marks Amendment Act 2006 (Cth)*

The *Trade Marks Amendment Act 2006 (Cth)* altered the pre-existing provisions in some respects. First, it clarified the pre-existing provisions by providing that if use has occurred in only a restricted area (and therefore not occurred outside that area), future use may be restricted to that area. Trade marks for restaurants are an example of such a situation. The new legislation also clarified the fact that use of the trade mark on goods of the same description or closely related services would be relevant to the exercise of the Registrar's discretion whether to remove the trade mark from the Register.

Exploitation of registered trade marks

4.1 Overview of infringement of trade marks

The rights of an owner of a registered trade mark are stated in s 20(1) to be the right to use the trade mark and to authorise other persons to use the trade mark in relation to goods and/or services in respect of which the trade mark is registered. Section 20(2) also provides that the registered owner has the right to obtain relief under this Act if the trade mark has been infringed.

Section 120(1)–(3) provides three different circumstances in which a registered owner may sue for infringement. However, before turning to the individual aspects of each sub-section, a number of general features of the three different forms of infringement can be identified and examined.

4.1.1 Use as a trade mark

Each of the forms of infringement requires that the defendant uses, as a trade mark, a sign that is substantially identical with or deceptively similar to the plaintiff's registered trade mark. As with so many aspects of the legislation, use as a trade mark is a critical issue and it needs to be considered here in the context of infringement.

The 1955 Act did not expressly require the defendant to use the trade mark as a trade mark in order to constitute infringement but the case law on the topic made it abundantly clear that such a requirement was implied in the legislation. The leading High Court decision on the point was *Shell Co of Australia Ltd v Esso Standard Oil (Aust) Ltd*.¹ In that case, Esso objected to a television advertisement

¹ (1963) 109 CLR 409.

of Shell. Esso had registered as a trade mark a device being a cartoon like person in the shape of an oil drop. Facial features such as eyes had been placed in the top part of the oil drop to give it the appearance of an oil man. Shell's advertisement consisted of an oil drop that constantly changed shape throughout the advertisement while a voice over promoted various aspects of Shell. For very brief periods during the advertisement, the oil drop assumed a shape that was very similar to Esso's oil drop man.

The High Court held that despite the similarity between the two oil drops, Shell's brief portrayal of its oil drop man was not use as a trade mark. In other words, when seeing that oil drop man for the very brief period during the television advertisement, consumers would not perceive that Shell was using it to indicate a connection between it and the petrol being advertised. Instead, the oil drop man was being used only to tell the story of Shell's petrol, rather than as a sign which, when seen, indicated Shell's petrol and nobody else's.

The issue may be contrasted with the European Union law in relation to trade mark infringement as demonstrated in the English decision of *Arsenal Football Club v Matthew Reed*.² In that case, Reed was sued for infringement of the Arsenal Football Club's trade marks when he sold unauthorised items such as Arsenal shirts and scarves. He argued that his use of 'Arsenal' was not one which indicated the trade origin of the products in question and as such he was not using the trade mark as a trade mark. While the court agreed with his contention, it held that the English law on the topic, as amended pursuant to the relevant EU directive, no longer required use of the trade mark as a trade mark. In the circumstances of that particular case, it was sufficient that he was using the Arsenal trade mark in the course of trade and that his actions would affect the role of the trade mark as operating as a guarantee of origin.³

4.1.2 Use as descriptive term rather than trade mark

Another example under the 1955 legislation is the decision in *Johnson & Johnson v Sterling Pharmaceuticals*.⁴ In that case, the court found that 'Caplets' for paracetamol had been used by the defendant to simply describe the shape of its product (a tablet in the shape of a capsule) rather than to indicate its connection with the product. Consequently, the use was not use as a trade mark. Curiously, this finding was made at the same time as a finding that the defendant had not established the defence in s 64 of the 1955 legislation which permitted the 'use in good faith by a person of a description of the character or quality of his goods or services'. The defence failed because the defendant was not using

² [2003] RPC 9.

³ *Arsenal Football Club plc v Matthew Reed* [2003] Ch 454. Article 5(1) of the EC Directive to approximate the laws of the Member States relating to trademarks (Council Directive 89/104/EEC) provides that the trademark owner has the right to: 'prevent all third parties not having his consent from using in the course of trade; any sign which is identical with the trade mark in relation to goods or services which are identical with those for which the trade mark is registered'.

⁴ (1991) 30 FCR 326.

'caplets' in good faith which seems to be inconsistent with a finding that it was not using the term as a trade mark. The decision seems explicable only on the basis that there was an intention to trade off the plaintiff's reputation, thus negating good faith, but the defendant had not in fact actually achieved its intention because its use was not actually as a trade mark.

Perhaps even more curiously, the plaintiff avoided an action for removal for non-use on the basis that its use of 'Caplets' was use as a trade mark because it had placed the symbol ® next to the word, thus demonstrating to consumers that the word indicated a connection between the plaintiff and the goods in question.

The need to demonstrate that the use in question is use as a trade mark becomes even more relevant in the context of the expansion of the categories of signs accepted for registration and the expansion of the test of distinctiveness to include distinctiveness acquired through use. For example, where the alleged infringement involves the use of the shape of a product, the defendant may well argue that it is using the shape in a functional manner rather than as a trade mark.

The decision in *Philips v Remington*⁵ is an example of this situation. In that case, Philips alleged that Remington's sale of triple-headed rotary shavers infringed its two-dimensional device trade mark which depicted a triple-headed rotary shaver. Remington successfully argued at first instance and on appeal that its use of the shape in question was not use as a trade mark.

The registration of descriptive words on the basis of their acquisition of secondary meaning also 'invites' defendants to argue that they are using such trade marks with their descriptive meaning rather than their secondary, acquired meaning. Two cases involving the Kettle Chip Company Pty Ltd demonstrate the issue.⁶ Kettle owned the trade mark 'Kettle' for its chips which were hand-cooked chips cooked slowly in large kettles. Two of its competitors adopted the same manner of cooking but they also adopted the word 'Kettle' in their packaging. For example, Apand Pty Ltd described its chips as Smith's Country Kettle chips although it is important to note that the previously prominent trade mark 'Smith's' was represented in smaller type than usual and smaller than the words 'Country Kettle'. Kettle successfully brought an action for passing off and a breach of s 52 of the *Trade Practices Act* on the basis that the arguably descriptive word 'Kettle' had acquired a secondary meaning. The action was successful as the Full Court was satisfied that the defendant had deceptively represented to consumers an association between its chips and the plaintiff by its use of the word 'Kettle'.

In contrast, when the plaintiff later brought trade mark infringement proceedings against Pepsico Australia Pty Ltd for its description of its chips as 'Thins Double Crunch Kettle Cooked Chips', the action was unsuccessful. The trade mark 'Thins' had been used by the defendant for some time and the Full Court accepted

⁵ (2000) 100 FCR 90.

⁶ *Apand Pty Ltd v Kettle Chip Co Pty Ltd* (1994) 52 FCR 474; *Pepsico Australia Pty Ltd (t/a Frito-Lay Australia) v Kettle Chip Company Pty Ltd* (1996) 135 ALR 192. The first of these decisions was based on passing off and breach of s 52 of the *Trade Practices Act 1974* (Cth) but the result would have been similar if the action had been based on trade mark infringement.

that its use of Kettle was a descriptive use of the manner of cooking the chips, not as a sign distinguishing the defendant's chips from any other chips.

4.1.3 Sign used to distinguish goods and services from others

The requirement of use of a trade mark as a trade mark also means that the relevant question is whether the defendant has used the substantially identical or deceptively similar sign to distinguish its goods from other goods. The question is not whether it has used the sign to distinguish the goods by suggesting they are the goods of the trade mark owner. The point is illustrated by the decision of the Full Court in *Coca Cola Co v All-Fect Distributors Ltd*.⁷ In that case, the defendant produced and distributed a cola-flavoured lolly. When unwrapped and rolled out, the lolly allegedly looked like the shape of the well-known Coca Cola bottle. Coca Cola sued for infringement of the two-dimensional shape of its bottle. At first instance, Merkel J held that the defendant had not used the lolly shape as a trade mark. The basis of that argument was that consumers would not look at the shape in question and then think that it indicated the product of Coca Cola, the owner of the registered owner.

On appeal, the Full Court rejected that reasoning and said that the real issue in determining 'use as a trade mark' was whether the sign in question indicated a connection between the defendant and the goods in relation to which the sign was used.

The question at this stage is not whether the respondent has used a sign so as to indicate a connection between it and the appellant. It is whether the use indicates a connection between the confectionery and the respondent. So it does not assist the respondent to demonstrate by reference to the packaging that the suggested connection is with Efruti rather than Coca-Cola.⁸

The point made by the Full Court is in keeping with the definition of a trade mark which refers to 'a person' using a sign to distinguish their goods from other goods. The person⁹ in question may be the infringer and it is not necessary for consumers to believe that it is the actual owner or someone with a right to use the trade mark, such as a licensee who is using the trade mark to distinguish the goods or services from other goods or services. This situation is also justified by the fact that infringement of a registered trade mark is possible even before it is used or acquires any reputation. If the approach adopted in the first instance decision in the Coca Cola case was adhered to, the registered owner would rarely be in any better position than if it relied on passing off.

⁷ *The Coca-Cola Co v All-Fect Distributors Ltd* (1999) 96 FCR 107.

⁸ *Ibid*, 119.

⁹ 'Person' includes a body of persons, whether incorporated or not: *Trade Marks Act 1995* (Cth) s 6.

4.1.4 Substantially identical with or deceptively similar to

A further requirement common to the three forms of infringement is that the sign used as a trade mark by the defendant must be substantially identical with or deceptively similar to the plaintiff's trade mark.

The definitions and applications of these terms have already been addressed in some detail in *Woolworths v Register of Trade Marks*,¹⁰ *Coca Cola Co v All-Fect Distributors Ltd*¹¹ and *Berlei Hestia Industries v the Bali Co, Inc*¹² in the context of registrability. The same principles apply in the context of infringement.¹³

In relation to 'substantially identical' and 'deceptively similar', the Full Court in the *Coca-Cola* case¹⁴ stated:

In order to determine whether marks are substantially identical they should be compared side by side, their similarities and differences noted and the importance of these similarities and differences assessed having regard to the essential features of the registered mark and the total impression of resemblance or dissimilarity that emerges from the comparison. . . .¹⁵

Whether one device mark 'resembles' another involves an assessment of the visual impression made by the two marks when compared. In contrast, the likelihood of deception or confusion involves an assessment of what would be the probable visual impression on customers or potential customers which would be produced as a result of the 'notional normal and fair use' of the marks.¹⁶

After deciding that the two signs were not substantially identical because 'a total impression of similarity does not emerge from a comparison of the two marks, and accordingly the shape of the confectionery is not substantially identical with the contour bottle mark',¹⁷ the Full Court then went on to assess the issue of deceptive similarity in the context of the particular circumstances:

Whether a mark is deceptively similar to another depends on a combination of visual impression and judicial estimation of the effect likely to be produced in the course of the ordinary conduct of affairs. . . . Taking into account the 'imperfect recollection' that customers may have of the contour bottle mark, and the fact that the 'idea' suggested by the mark is more likely to be recalled than its precise details, the factors that have led us to conclude that the features of the confectionery are likely to cause confusion in consumers, that is to say, cause them to wonder whether it might be the case that the confectionery comes from the same source as Coca-Cola are these:

- The contour bottle is extremely well known [see the comments below in 4.1.6 concerning this aspect of the judgment];
- There are similarities between the features of the confectionery and the contour bottle mark . . . [the Court then described those similarities in detail];
- To a greater or lesser degree depending on the feature, the respondent has taken all significant features of the contour bottle mark;

¹⁰ (1998) 45 IPR 445.

¹¹ (1999) 96 FCR 107.

¹² (1973) 129 CLR 353.

¹³ *Coca-Cola Co v All-Fect Distributors Ltd* (1999) 96 FCR 107.

¹⁴ *Ibid.*

¹⁵ *Ibid* 121.

¹⁶ *Ibid* 122.

¹⁷ *Ibid* 121.

- The word COLA on the confectionery, though not itself a mark, reinforces the link between the confectionery and Coca-Cola that is conveyed by the shape of the confectionery; [and]
- When fresh, the lower half of the confectionery is the same colour as Coca-Cola, again reinforcing the link referred to.¹⁸

4.1.5 Relevance of the defendant's conduct

Some aspects of the context in which the defendant uses its sign will be relevant to the question of infringement and those aspects may increase or decrease the prospects of a finding of infringement. On the other hand, as the relevant inquiry is not the same as passing off, there are various aspects of the defendant's conduct which will not be relevant. For example, in *Wingate Marketing Pty Limited v Levi Strauss Inc*,¹⁹ the defendant used the sign 'Revise' to indicate its connection with second-hand Levi jeans. On its face, Revise was very different from Levi's. The situation changed when the defendant started to pronounce Revise as 'Ree-vise' so as to rhyme with 'Levi's'. Hence, its sign was transformed by the defendant's own conduct into a deceptively similar trade mark.

On the other hand, the presence of other signs or the actual manner in which the defendant uses its sign may determine whether the use is use as a trade mark. For example, in the *Philips* case, Remington's prominent use of its own, well-known trade mark 'Remington' was relevant to determining the question whether its triple-headed rotary shaver was being used as a trade mark. In contrast, in *FH Faulding & Co Ltd v Imperial Chemical Industries (Aust and NZ)*,²⁰ the defendant's use of the word 'barrier' to describe its own cream infringed 'Barrier Cream' because its packaging emphasised the word in larger print than surrounding words, thus leading to a finding of use as a trade mark as the emphasis on 'barrier' was designed to ensure that it was the sign by reference to which consumers distinguished the defendant's goods from other goods.

The defendant's conduct described above focuses on the particular use by the defendant of the relevant sign in question. Other extrinsic issues relating to the context of the use by the defendant are far less likely to impact on the question of infringement even though they would be relevant in a passing off context. For example, if the defendant's advertising is aimed at a different market demographic or at developing a different image, these factors would not affect the question of infringement, at least in the context of s 120(1).

4.1.6 Relevance of the plaintiff's trade mark's reputation

Given the nature of the infringement provisions and the scheme of the legislation, it would seem that the reputation or lack of reputation of the plaintiff's trade mark would be irrelevant to the question of substantial identity or deceptive

¹⁸ Ibid 123.

¹⁹ (1994) 49 FCR 89.

²⁰ (1964) 112 CLR 537.

similarity. The legislation confers property rights upon a registered owner and does not require use before registration. Infringement is not dependent upon the reputation of the registered trade mark (at least in relation to s 120(1)),²¹ as the issue is one of comparison of the two trade marks in an objective sense or a likelihood of deception or confusion, given the similarities of the two trade marks.

However, several recent decisions of the Full Court have indicated that the reputation of the plaintiff's trade mark will be relevant to a finding of deceptive similarity, both in the context of infringement proceedings and pursuant to s 44(1) and (2) for registration purposes. The relevance of the reputation of the trade mark for s 44 purposes has already been discussed above, particularly in the discussion of *Registrar of Trade Marks v Woolworths*.²² In relation to infringement, in the *Coca Cola* case the Full Court listed a number of factors that led to its finding of deceptive similarity. All but one of these factors related to the physical similarities between the trade mark and the defendant's sign.²³ Yet the first factor named by the court was that Coca Cola's bottle shape is extremely well known. This suggests that the possibility of deceptive similarity is increased if the plaintiff's trade mark is well known.

The Full Court appears to have retreated to some extent from the position seemingly adopted in the *Coca Cola* case in *CA Henschke & Co v Rosemount Estates Pty Ltd*,²⁴ but the fame of the trade mark may still be relevant if it can be proven to be very famous as opposed to just famous. The *Henschke* case involved an infringement action involving the plaintiff's trade mark 'Hill of Grace' for wine and the defendant's trade mark for its wine 'Hill of Gold'. The first instance judge refused to take into account any evidence of the quite considerable reputation of 'Hill of Grace' amongst keen wine drinkers. On appeal, the Full Court stated:

[W]e do not think that their Honours, by that brief reference [the reference in the *Coca Cola* case to the reputation of Coca Cola's well-known trade mark] are to be taken to have decided that reputation evidence, of the kind which is undoubtedly relevant in a passing off action, is generally relevant to a question of deceptive similarity.²⁵

...

[I]n assessing the nature of a consumer's imperfect recollection of a mark, the fact that the mark, or perhaps an important element of it, is notoriously so ubiquitous and of such long standing that consumers generally must be taken to be familiar with it and with its use in relation to particular goods or services is a relevant consideration. It is unnecessary to consider whether the cases are authority for precisely that proposition. All that is necessary for present purposes is to hold, as we would, that they are authority for no wider proposition in relation to the relevance, on a question of deceptive similarity in proceedings where it is alleged under s 120(1) that a registered mark has been

²¹ The reputation of the plaintiff's trade mark would obviously be relevant to *Trade Marks Act 1995* (Cth): s 120(3). See *Lone Star Steakhouse v & Saloon Inc v Zurcas* 48 IPR 325; *The Coca Cola Co v All-Fect Distributors Ltd* (1999) 96 FCR 107.

²² (1999) 45 IPR 411.

²³ *The Coca Cola Co v All-Fect Distributors Ltd* (1999) 96 FCR 107.

²⁴ (2000) 52 IPR 42.

²⁵ *Ibid* 63.

infringed, of evidence as to the reputation attaching to the mark. A wider proposition would not, in our view, be consistent with the earlier, and binding authority to which we have referred.²⁶

Presumably, the judicial position is now that evidence of the trade mark's reputation, at most, will be relevant only if the evidence demonstrates that the trade mark is notoriously ubiquitous and the Full Court found that 'Hill of Grace' was not so notorious or ubiquitous. The legislative basis for such a proposition is unclear. It is also surprising that in the *Woolworths* case, the ubiquity of the trade mark was a factor in finding a lack of deceptive similarity²⁷ but, in the *Coca Cola* case, it added to a finding of deceptive similarity. Given the seeming complexities of the issue, it is not outside the realm of possibility that a later court may resile completely from the view expressed in the *Coca Cola* case.

4.2 S 120(1)

Section 120(1) applies when the defendant uses as a trade mark a sign that is substantially identical with or deceptively similar to the plaintiff's trade mark in relation to goods or services for which the plaintiff's trade mark is registered. The concepts of 'use as a trade mark' and 'substantially identical and deceptively similar' have already been discussed. There may be an issue of fact as to whether the defendant's goods or services are the same as those in respect of which the plaintiff has registered its trade mark. The courts have tended to take a narrow approach to this issue in the past and are unlikely to change that approach, given the new, expanded forms of infringement in s 120(2) and (3).

4.2.1 The goods or services for which the trade mark is registered

For example in the *Daiquiri Rum Trade Mark*,²⁸ the House of Lords decided that a registration for rum did not include rum cocktails; and the British Registrar decided that wire-reinforced plastic tubing were not the same goods as flexible tubing made wholly or principally of metal.²⁹ On the other hand, stationery has been held to include metal staples.³⁰ If the goods or services are found not to be the same as for which registration has occurred, there is a strong likelihood that s 120(2) would apply.

²⁶ Ibid 64.

²⁷ *Woolworths v Registrar of Trade Marks* (1998) 45 IPR 445; aff'd in *Registrar of Trade Marks v Woolworths* (1999) 45 IPR 411. The dissenting judge in that case considered that, if relevant at all, the reputation of Woolworths increased the prospect of a finding of deceptive similarity between Woolworths Metro and Metro.

²⁸ [1969] RPC 600.

²⁹ *Vac-U-Flex Trade Mark* [1965] FSR 176.

³⁰ *Ofrex Ltd v Rapesco Ltd* [1963] RPC 169.

4.3 S 120(2)

Section 120(2) applies when the infringing conduct relates to use of a substantially identical or deceptively similar sign in relation to goods of the same description or closely related services. Alternatively, the defendant might use its infringing sign in relation to services of the same description or closely related goods, depending on whether the plaintiff's trade mark is registered for goods or services.

Unlike s 120(1), s 120(2) provides that a person is not taken to have infringed the trade mark if 'the person establishes that using the sign as the person did is not likely to deceive or cause confusion'. At first sight, this provision suggests that s 120(2) is little more than a codification of a particular form of passing off or a specific type of contravention of s 52 of the *Trade Practices Act 1974* (Cth). This impression is incorrect and there are several important differences between this form of infringement and passing off. First, the onus of proof is on the defendant as it is the defendant who must establish the lack of a likelihood of deception or confusion. Second, a likelihood of confusion must be negated. While the passing off case law is itself confusing about the relevant standard (confusion or deception), the higher standard required of defendants is clearly contemplated here. Similarly, the provision differs from s 52 of the *Trade Practices Act 1974* (Cth) by its express reference to confusion whereas s 52 requires deception or misleading to occur and numerous cases have stated that confusion is insufficient.

Finally, and probably most importantly, the particular examination is an examination of the defendant's conduct in the light of the potential as well as the actual use by the plaintiff of its trade mark. In a passing off situation, it is only the plaintiff's actual reputation at the time of the alleged passing off that is relevant to determining whether deception has occurred. The provision focuses on the future as well as the past by expressly referring to whether the use *is* likely to deceive or cause confusion. Hence, while the defendant is free to refer to any aspect of the circumstances surrounding its use of the sign, it can not rely on the particular use by the trade mark owner to date. For example, the trade mark owner may not have used the trade mark at all at the time of the alleged infringement or it may have an established reputation for selling its goods at bargain prices. In such circumstances, the defendant can not rely on factors such as the plaintiff's lack of reputation or an argument that, unlike the plaintiff, its products are targeted at the expensive end of the market. Instead, it has to demonstrate that its actual conduct would not be likely to confuse or deceive in the future, even in the context of the full scope of the potential use by the plaintiff of its trade mark.

4.4 S 120(3)

Section 120(3) provides additional protection for well-known trade marks over and above that given in s 120(1) and (2) for all trade marks. Its precise meaning is

unclear. One view is that it is little more than a particular form of passing off or a breach of s 52 of the *Trade Practices Act 1974* (Cth). Another view is that it is a form of anti-dilution provision designed to provide protection to well-known trade marks as property in their own right and regardless of any possibility of confusion or deception of consumers. The sub-section itself is based on the wording of art 16(2) and (2) of the *TRIPS Agreement* (1994) and broadly reflects the wording of that article although that provides little assistance in its interpretation either. Below is a brief description of anti-dilution in other jurisdictions. Thereafter appears an analysis of the sub-paragraphs and key terms in s 120(3) together with a discussion of the different possible interpretations of it.

4.4.1 Anti-dilution

The United States and the European Union have specific legislative provisions known as anti-dilution provisions. The basic premise of anti-dilution provisions is that infringement of a well-known trade mark may occur in the absence of any deception or confusion of consumers. For example, Article 5(2) of the European Union Directive on the protection of trade marks prevents a person from using any sign 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. In addition, the amendments to the *Lanham (Trademark) Act* 15 USC via the *US Federal Trade Mark Dilution Act of 1995* and subsequent amendments in 2006 protect famous trade marks by prohibiting ‘the lessening of the capacity of a famous mark to identify and distinguish goods or services’. The rationale for anti-dilution provisions is firmly grounded in a property-based approach to trade marks, which perceives well-known trade marks as valuable commodities in their own right which have a very considerable ‘pulling power’ regardless of the goods or services with which they are associated.³¹ It is this capacity to attract attention, rather than the capacity of the trade mark to indicate origin, characteristics or quality of a product that is being protected by anti-dilution laws.

The actual interpretation and application of anti-dilution provisions has been the cause of considerable confusion with it often being regarded as ‘merely a different and more subtle kind of likelihood of confusion’³² and many cases from the United States are not clear as to the nature of anti-dilution. Part of the difficulty flows from the fact that the one act by the defendant may simultaneously constitute dilution of the property right of the trade mark and traditional infringement by constituting conduct that may deceive or confuse consumers. Separating the dilution from the ‘standard’ infringement may be difficult. Further difficulty in interpreting the American decisions flows from the fact that the

³¹ F. Schechter, ‘The Rational basis of Trademark Protection’ (1927) *Harvard Law Review* 813.

³² J. McCarthy, ‘The American Experience with Trademark Anti-dilution Law’ (2004) 15 *Australian Intellectual Property Journal* 70, 73. For Australian and New Zealand perspectives, see T. Stevens, ‘Dilution in Australia: Waiting in the Wings’ (2004) 16(8) *Australian Intellectual Property Law Bulletin* 129; A. Sims, ‘Dilution in New Zealand: the Effects of the Tarnishment Limb of Dilution on Free Speech’ (2001) 32(1) *Victoria University of Wellington Law Review* 103.

test for infringement under American trade mark law is based on a finding of confusion or deception that is akin to passing off.

There are two commonly acknowledged forms of dilution – blurring and tarnishment. Blurring occurs where consumers identify the famous trade mark and the defendant's sign with two different sources or origins of two different goods. As they are aware that the origins are different origins, there is no confusion involved but a dilution of the value of the famous trade mark as an exclusive identifier of its goods.

The thesis is that if . . . those who are aware of the accused use identify the mark with products sold both under the famous mark and by the accused user – then that indicates a duality of sources identified by the famous mark – evidence of blurring.³³

An example of such blurring might be branding springwater as Champagne spring water or candy as Rolex candies. In both cases, there may also be traditional infringement in that there is the likelihood of deception or confusion due to the use of deceptively similar trade marks but even in the absence of that there is dilution of the distinctive characteristics of the trade mark.

Tarnishment is where a defendant tarnishes the positive associations with a famous trade mark. For example, the domain name site *adultsrus.com* which sold adult sexual products was held to tarnish the famous trade mark *Toys 'R Us*.³⁴ As with blurring, consumers would not consider the *adultsrus* products to come from or be associated with *Toys 'R Us*. Nevertheless, the use of *adultsrus* would have a negative impact on the famous trade mark.

It has been suggested that s 120(3) may be interpreted as an anti-dilution provision and the High Court has indicated that some aspects of the previous legislation were intended to confer some anti-dilution protection on trade marks, although such comments were not made in the context of infringement proceedings but rectification proceedings pursuant to s 28 of the 1955 legislation.³⁵ On the other hand, there are good reasons to believe the provision is not an anti-dilution provision; these are discussed below.

4.4.2 Well known

The plaintiff's first requirement under s 120(3) is to prove that its trade mark is well known in Australia. A well-known trade mark is not defined in the legislation although some minimal assistance is provided by s 120(4), which prescribes that one 'must take account of the extent to which the trade mark is known within the relevant sector of the public, whether as a result of the promotion of the trade mark or for any other reason'. Consequently, a trade mark may be well known even if it is only known within 'the relevant sector'. WIPO has developed some criteria for determining the 'relevant sector' including:

33 McCarthy, 'The American Experience', above n 32, 79–80.

34 *Toys 'R Us Inc v Akkaoui* 40 USPQ 2d 1836 (ND Cal, 1996).

35 *Campomar Sociedad Limitada v Nike International Ltd* (2000) 202 CLR 45.

- Actual or potential consumers of the type of goods or services in relation to which the trade mark is used;
- Persons involved in channels of distribution of the type of goods or services; and
- Business circles dealing with the type of goods and/or services.³⁶

WIPO has also stated that the trade mark need not be well known by the public at large in order to be a well-known trade mark.³⁷ However, it should be noted that being well known is but one element of s 120(3) and a trade mark that is well known only in the relevant sector will have far greater difficulty satisfying the other requirements of s 120(3) than one that is generally well known by the public at large.

WIPO has also developed other relevant criteria for identifying well-known trade marks. In addition to the criterion already stated in s 120(4), they are:

- The duration, extent and geographical area of any use of the mark;
- The duration, extent and geographical area of any promotion of the mark, including advertising or publicity and the presentation, at fairs or exhibitions, of the goods and/or services to which the mark applies;
- The duration and geographical area of any registrations, and/or any applications for registration, of the mark, to the extent that they reflect use or recognition of the mark;
- The record of successful enforcement of rights in the mark, in particular, the extent to which the mark was recognised as well known by competent authorities; and
- The value associated with the mark.³⁸

Other factors may include attempts to register the trade mark as a domain name by other than the registered owner of the trade mark.

Cases concerning s 120(3) have identified a number of well-known trade marks, including:

- The famous Coca-Cola bottle shape;³⁹
- 'Nintendo', the trade mark for computer games;⁴⁰
- 'Virgin';⁴¹
- 'San Remo'.⁴²

36 art 2(2) of the *Joint Recommendation Concerning Provisions on the Protection of Well-known Marks* adopted by the Assembly of the Paris Union for the Protection of Industrial Property and the General Assembly of WIPO at the Thirty-Fourth Series of Meetings of the Assemblies of the Member States of WIPO, 20–29 September 1999. Available at World Intellectual Property Organisation, *Joint Recommendation Concerning Provisions on the Protection of Well-known Marks* (1999) <http://www.wipo.int/about-ip/en/development_iplaw/pdf/pub833.pdf> at 5 December 2005.

37 *Ibid* art 2(3).

38 *Ibid* art 2(1)(b).

39 *Coca-Cola Co v All-Fect Distributors Ltd (t/a Millers Distributing Co)* (1998) 43 IPR 47; *Coca-Cola Co v All-Fect Distributors Ltd* (1999) 96 FCR 107.

40 *Nintendo Co Ltd v CARE* (2000) 52 IPR 34.

41 *Virgin Enterprises Ltd v Klapsas* (2002) AIPC 91–670.

42 *San Remo Macaroni Co Pty Ltd v San Remo Gourmet Coffee Pty Ltd* (2000) 50 IPR 321.

Some guidance may also be gained from the treatment of applications for registration of defensive trade marks as it is highly unlikely that a trade mark could gain defensive registration unless it is well known. However, the reverse may not be the case as just because it is well known does not mean that it will gain defensive registration.⁴³

4.4.3 Used in relation to unrelated goods or services

If the trade mark is found to be well known, the next requirement is that the defendant must use a sign that is substantially identical with or deceptively similar to the plaintiff's trade mark as a trade mark in relation to unrelated goods or services. Unrelated goods and services are ones that are not of the same description or closely related to the goods or services for which the well-known trade mark is registered. In other words, neither s 120(1) nor s 120(2) applies to the situation in question.

However, as with concepts such as 'goods of the same description' or 'closely related services', the concept of 'unrelated goods or services' is one of degree.⁴⁴ In other words, goods may be totally unrelated, largely unrelated or insufficiently related to be considered goods of the same description. Arguably, while the goods or services in question must be unrelated for s 120(3) to apply, the less 'unrelated' they are, the more likely it is that other elements of s 120(3) will be satisfied.

4.4.4 Indicating a connection with the owner

The third requirement is that 'because the trade mark is well known, the sign would be likely to be taken as indicating a connection between the unrelated goods or services and the registered owner of the trade mark'. This requirement is different from and additional to the requirement that the defendant use the trade mark as a trade mark. In *Coca-Cola v All Fect* the Full Court found that using the trade mark as a trade mark involves the defendant using the trade mark to indicate that it has a connection with the goods or services in question. It also stated that this is a separate proposition from using the trade mark to indicate a connection between the plaintiff and the goods or services in question. Consequently, in that case, decided pursuant to s 120(2), the plaintiff did not have to demonstrate that the defendant's use of its sign indicated a connection between the goods and Coca-Cola. If the matter had been determined under s 120(3), the plaintiff would have had to demonstrate that was the case.

The interpretation of these words in s 120(3) will turn very much on the meaning of the word 'connection'. There are at least two possible meanings. One is consistent with and tied into an interpretation of s 120(3) which identifies the

⁴³ See *Trade Marks Act 1995* (Cth) ss 33 and 185 regarding defensive trade marks, and the comments in *Pfizer Products Inc* [2004] 61 IPR 165.

⁴⁴ *Registrar of Trade Marks v Woolworths* (1999) 45 IPR 411.

sub-section as the equivalent of passing off. The other is consistent with s 120(3) being an anti-dilution provision.

The interpretation consistent with a passing off type of provision is as follows. The question is whether consumers would look at the sign in question and think ‘that sign indicates to me that these goods (or services) are connected with whoever owns that well-known mark with which I am so familiar’. In addition, the sign would also indicate that the sign is distinguishing the goods of whoever is using the goods (the defendant) from other goods and is therefore being used as a trade mark. This situation will be most likely to arise in circumstances where the sign being used is identical or nearly identical to the owner’s trade mark. By using a very similar sign, consumers would be likely to make the necessary connection between the sign, the goods for which it is used and the owner. Consumers who are aware of the well-known trade mark would then assume some connection between the owner and the goods in question such as one of the following:

- The owner has itself expanded its branding to new products;
- The owner has entered into an authorised use arrangement;
- The owner has entered into a strategic alliance with another company, body or entity in order to produce the goods in question.⁴⁵

The application of this particular interpretation can be considered in the context of the facts of the *Coca-Cola* case. If the goods in question in the *Coca-Cola* case had been unrelated to aerated beverages, s 120(3) infringement would arguably *not* have occurred. The primary reason for such an outcome would have been that the defendant’s sign, while being deceptively similar to the shape trade mark of the Coca-Cola bottle design, was not identical or even substantially identical.⁴⁶ The differences between the two were so great that consumers would probably not have believed that Coca-Cola had entered the confectionery market, either by itself or via some arrangement with another company. At most, consumers would think that the user of the sign was trying to trade off the well-known trade mark by attracting people’s attention.

On the other hand, if the sign used by the defendant had been the same or very similar to the Coca-Cola trade mark, consumers would have easily drawn the necessary conclusions for s 120(3) to apply. The first would be the one in fact drawn by the Full Court, namely, that whoever had used the sign was saying to consumers: ‘When you see this sign, you are seeing my goods and not the goods of anyone else’. This would constitute the use of the sign as a trade mark sufficient for the purposes of s 120(1) or (2). In addition, the use of the sign would send another message to consumers: ‘These goods are provided, endorsed, licensed by or have some other connection with the company that owns the well-known trade mark of the shape of a Coca-Cola bottle’.

⁴⁵ These forms of connection are also relevant to applications for defensive registration. See *AT&T Corp’s Application* [2001] ATMO 96.

⁴⁶ *Coca-Cola Co v All-Fect Distributors Ltd (t/a Millers Distributing Co)* (1998) 43 IPR 47, 57; *Coca-Cola Co v All-Fect Distributors Ltd* (1999) 96 FCR 107, 122.

A second interpretation of s 120(3) based on an anti-dilution approach would suggest that the necessary connection is simply that the sign used by the defendant brings the plaintiff's well-known trade mark to mind and therefore reminds the consumer of the plaintiff's trade mark. Consequently, there is a connection between the unrelated goods or services and the registered owner even though no consumer would think that the defendant's goods are endorsed, supplied or associated in a business sense with the defendant's product. Again this interpretation could be applied to the facts of the *Coca-Cola* case. Upon seeing the defendant's sign, a hypothetical consumer would be reminded of Coca-Cola. The consumer may not think that the sign indicates that the goods are those of Coca-Cola and, indeed, may be quite sure that they are not because of the dissimilarities; but the similarities are sufficient for the creation of a sufficient connection to bring the owner of the Coca-Cola trade mark to mind. This hypothetical consumer then believes that two similar signs are used in two different products, thus blurring or diluting the value of the registered trade mark as envisaged in anti-dilution situations.

Whichever interpretation of connection is taken, some assistance in determining the necessary connection for these purposes may also come from the provisions dealing with defensive registration. Section 185(1) requires an applicant for defensive registration to demonstrate that the use of the applicant's trade mark would be likely to be taken to indicate that there is a connection between those goods or services for which defensive registration is sought and the applicant. Consequently, it is a reasonable assumption that the 'connection' required for the purposes of s 185 is the same 'connection' required for s 120(3). The close relationship between the defensive registration provisions and s 120(3) was argued strongly by the applicant before the Registrar in *Pfizer Products Inc*,⁴⁷ and while not yet accepted by any court, the argument has considerable merit.⁴⁸

In addition, regardless of whichever interpretation is adopted of 'connection', while this element of s 120(3) requires that the sign would be likely to be taken as indicating a connection between the goods and the owner 'because the trade mark is well known', other factors would almost certainly be taken into account. In particular, as already explained, the likelihood of the necessary connection being made increases as the similarity between the defendant's sign and the owner's trade mark increases. So too does that likelihood increase if the goods and services in question are not too 'unrelated'.

4.4.5 Owner's interests adversely affected

Finally, the registered owner must demonstrate that because the sign would be likely to be taken as indicating a connection between the unrelated goods or

⁴⁷ [2004] 61 IPR 165.

⁴⁸ Some assistance may also be gleaned from Part 34, paras 6.2.1–6.2.6 of the *Trade Mark Office Draft Manual of Practice and Procedure*, although it should be remembered that the *Manual* does not constitute legally binding or authoritative statements.

services and the registered owner, the interests of the registered owner are likely to be adversely affected.

If, in fact, all the previous elements of s 120(3) are proven, it is hard to imagine circumstances in which the interests of the registered owner would not be likely to be adversely affected in some way. This again suggests that the meaning of 'adversely affected' depends on whether the provision is an equivalent of passing off or an anti-dilution provision.

If the provision is a passing off provision, the affected interests may include one or more of the following:

- Loss of the opportunity to penetrate or greater difficulty in penetrating the market for the goods or services being supplied by the defendant;
- Loss of licensing fees which could have been demanded from the defendant in return for use of the deceptively similar sign; and
- Loss of custom generally if the defendant's product is perceived as being of inferior quality and customers then have less regard for goods or services bearing the plaintiff's trade mark.

It is important to note that it is sufficient for the owner to demonstrate a likelihood that its interests would be adversely affected. As the defendant will have an incentive to make a short-term gain by cutting corners on costs and quality and trading off the wrongful connection with the trade mark owner, the likelihood of an adverse effect on the owner will almost always be significant.

If the provision is an anti-dilution provision, an adverse effect is inevitable. In addition, to the adverse effects mentioned in the previous paragraph, there is the general dilution of the value of the plaintiff's trade mark. The constant use of a similar trade mark by others, even if done in a non-confusing or non-deceptive way, dilutes the image conveyed or hoped to be conveyed by the trade mark owner.

4.4.6 Anti-dilution or passing off?

While the actual purpose of s 120(3) is not clear, on balance it is probably not an anti-dilution provision. First, the requirement of a connection between the defendant's goods or services and the owner suggests the need for some actual deceit or confusion of consumers although a wide reading of the term may include some form of non-deceptive but powerful psychological association between the goods and the well-known trade mark.⁴⁹

Second, while the *Coca-Cola* decision was based on s 120(2) not s 120(3), an important comment from the Full Court on the relationship between the two sub-sections clearly indicates that s 120(3) is not an anti-dilution provision. The Full Court noted that

sub-sections (2) and (3) are mutually exclusive – the former dealing with 'goods of the same description . . .' and the latter with 'goods . . . that are not of the same description . . .'

⁴⁹ B. Fitzgerald and E. Sheehan, 'Trademark Dilution and the Commodification of Information: Understanding the Cultural Command' (1999) 3 *Macquarie Law Review* 61.

Sub-section (2) is clearly not an anti-dilution provision. This fact is demonstrated by the defence contained in it that the defendant will not have infringed 'if the person establishes that using the sign as the person did is not likely to deceive or cause confusion'. It is highly unlikely that parliament intended to confer anti-dilution protection when the defendant uses its deceptively similar or substantially identical sign on unrelated goods but declined to confer such protection when the defendant used its sign in relation to goods of the same description. There would be no good reason for such an approach.

Third, an anti-dilution provision could have been achieved more easily by simply omitting the requirement of 'a connection' and adopting wording similar to either the American or European Union provisions. The lack of a clear indication from the legislature suggests that it would be inappropriate for a court to take such a broad approach to the rights of trade mark owners, which goes beyond anything previously considered at common law. The clear rejection of a tort of unfair competition in Australian case law suggests that a legislative decision to overturn that view would have been signalled far more clearly.

4.4.7 Comparison with passing off

If s 120(3) is not an anti-dilution provision, it is not easy to identify any circumstances in which infringement based on s 120(3) would not also constitute passing off or a breach of s 52 of the *Trade Practices Act 1974* (Cth). Both require an actual reputation in Australia and an unauthorised association or connection with the plaintiff.

4.5 Oral use of a trade mark

With the above principles in mind, we can turn to consideration of some specific examples of trade mark use that may constitute trade mark infringement and which raise their own specific legal issues. Under the 1955 Act, infringing use of a trade mark had to be in some tangible form and hence oral infringement was not possible. Section 7(2) overcomes this by providing that 'if a trade mark consists of the following, or any combination of the following, namely, any letter, word, name or numeral, any aural representation of the trade mark is, for the purposes of this Act, a use of the trade mark'. Hence, radio advertisements, spruiking on the footpath and wrongful use of the trade mark when taking orders over the telephone may constitute infringement.

4.6 Two-dimensional device infringed by three-dimensional shape

As two-dimensional device signs are obviously registrable, one issue that may arise is whether a three-dimensional reproduction of that two-dimensional device

may constitute an infringing sign. A similar issue may arise in copyright in determining whether a three-dimensional item infringes the copyright in a two-dimensional artistic work. The decision in *Philips v Remington*⁵⁰ clearly demonstrates that infringement may occur in such circumstances. At first instance and on appeal, the Federal Court accepted that Philip's two-dimensional representation of its triple-headed rotary razor may have been infringed by Remington's actual, three-dimensional triple-headed rotary razor although the actual use by Remington of its razor was not considered to be use 'as a trade mark' and therefore not an infringing use.

4.7 Parallel importing

Parallel importation involves several steps. First, goods are produced overseas and a trade mark is applied to them there with the consent of the owner of that trade mark which is registered in the relevant overseas country. Second, the goods are then put on the market by the trade mark owner or with the consent of the trade mark owner. Third, the goods are bought by an Australian importer who then imports the goods into Australia for resale without the consent of the owner of the Australian trade mark. These imported goods then compete with the goods placed on the market in Australia by the owner of the Australian trade mark.

The widely accepted view is that parallel importation of trade marked goods does not constitute infringement of the trade mark. All but two cases decided under the 1955 Act took this approach and the Working Party Report clearly envisaged that the new legislation would permit parallel importing. The rationale of most of the cases decided under the 1955 Act was that parallel importing did not involve use of the trade mark as a trade mark.

This finding was, in turn, influenced by an underlying theory that trade mark rights are exhausted once trade marked products are initially sold on the open market. The opposing theory is that of territoriality which treats the rights of trade mark owners as being restricted to the particular territory or jurisdiction for which they have acquired registration. While these theories are relevant to the policy debate about the appropriateness or otherwise of parallel importing, the legality or otherwise of the practice must be determined by reference to the current legislative provisions.

One case under the previous legislation that went against that view was the decision in *Fender Australia Pty Ltd v Bev*.⁵¹ In that case, the plaintiff, Fender Australia Pty Ltd, was the registered owner of 'Fender' for guitars. It imported the guitars in question from the American manufacturer, Fender Inc, which originally registered the trade mark in Australia and subsequently assigned it to the plaintiff. Despite the similarity in names, the relationship between the two companies was

⁵⁰ (2000) 100 FCR 90.

⁵¹ (1989) 25 FCR 161.

purely contractual. One of the contractual terms was that in the event of the plaintiff ceasing to be Fender Inc's Australian distributor, it would immediately re-assign the Fender trade mark to Fender Inc. Burchett J formed the view that the plaintiff had, via its Australian activities such as the development of its own marketing network, acquired an Australian reputation for Fender guitars which was signified by the Fender trade mark. Consequently, in his view, the parallel importation of Fender guitars constituted a use of the trade mark as a trade mark by the defendant. The decision has been questioned because of its emphasis on the Australian reputation associated with the trade mark, an approach which may be more suited to passing off considerations.⁵²

The only parallel importing case decided under the current legislation is *Transport Tyre Sales Pty Ltd v Montana Tyres Rims & Tubes Pty Ltd*.⁵³ In that case, the plaintiff (Montana Tyres) objected to the parallel importation of car tyres which were branded with the trade mark Ohtsu and other trade marks. Ohtsu tyres were made in Japan by the company of the same name and Montana had an exclusive Australian distributorship arrangement with Ohtsu. At the time that Transport Tyres commenced to parallel import Ohtsu tyres which it obtained in Singapore, Ohtsu was the registered owner in Australia of the trade mark 'Ohtsu'. Soon after Transport Tyres commenced importing Ohtsu tyres, Ohtsu assigned the trade mark to Montana. Montana then instituted proceedings against Transport alleging that the importation and sale of Ohtsu tyres by Transport both prior to and after the assignment of the trade mark to Montana constituted infringement.

At first instance, Wilcox J held that the assignment to Montana was invalid on the grounds that the Registrar accepted the assignment on the basis of fraud or misrepresentation (s 88(e)). His Honour considered the assignment was a sham because the assignment of the trade mark was subject to contractual conditions that were not revealed to the Registrar and the failure to reveal the collateral arrangement concerning the assignment constituted the relevant misrepresentation. The main contractual condition was that Montana was required to re-assign the trade mark to Ohtsu as soon as the distributorship arrangement between it and Ohtsu came to an end. As a consequence of that aspect of the decision, the question of infringement of Montana's now non-existent rights became irrelevant.⁵⁴

On appeal, the Full Court reversed the first instance finding in relation to the validity of the assignment and addressed the infringement issues. It decided that the importation prior to the assignment did not constitute infringement because of the effect of s 123(1) which provides that:

A person . . . does not infringe the trade mark if the trade mark has been applied to, or in relation to, the goods by, or with the consent of, the registered owner of the trade mark.⁵⁵

52 M. J. Davison, 'Parallel Importing: Unlawful Use of Trade Marks' (1991) 19 *Federal Law Review* 420. (1999) 93 FCR 421.

54 *Montana Tyres Rims and Tubes Pty Ltd v Transport Tyre Sales Pty Ltd* (1998) 41 IPR 301.

55 *Transport Tyre Sales Pty Ltd v Montana Tyres Rims & Tubes Pty Ltd* (1999) 93 FCR 421, 433.

As Ohtsu had applied the trade mark to those tyres and it was the trade mark owner in Australia at that time, s 123(1) applied to prevent a finding of infringement. The Full Court rejected an argument by Montana that while the sign applied to all the tyres in Japan was identical, it should regard the same sign as constituting a different trade mark, depending on the intended destination of any particular tyre. Montana claimed that if a tyre marked Ohtsu was intended for the Singapore market, then that Ohtsu sign was the Singaporean trade mark Ohtsu, not the Australian trade mark Ohtsu.⁵⁶ Consequently, the trade mark owner had not applied 'the' trade mark to the tyres imported by Transport Tyres as 'the' trade mark was the Australian trade mark, not the Singaporean trade mark. This argument was supported by the reference to the application of 'the trade mark' rather than the sign or signs constituting the trade mark. This suggests that the provision may be referring to something with a legal rather than a physical identity.

Nevertheless, the Full Court rejected the argument and pointed out that a trade mark is also a physical manifestation:

A physical manifestation, or sign, may be registered. When the Act speaks of a 'trade mark' it is concerned only with something which is capable of being a sign, albeit a sign which is used or intended to be used to distinguish goods or services from other goods or services in the course of trade.⁵⁷

Consequently, the importation of tyres prior to the assignment to Transport Tyres was lawful.

The importation of tyres after the assignment was never considered by the Full Court because Montana provided Transport Tyres with an undertaking to cease further exports and so the matter was resolved out of court. Two questions would have arisen.

First, whether the importation would have constituted use of the trade mark as a trade mark. The case law relating to the 1955 legislation suggests that the importation is not an infringing use of the trade mark in any event although that may be theoretically questionable⁵⁸ and the Full Court in *Montana* did not address the issue directly, preferring to rely on s 123.

If the parallel importation is a use of the trade mark as a trade mark, the second question is whether Montana could have argued that the trade mark had been applied to the tyres with Transport Tyres' consent. Such consent could either be express or implied and, as a general rule, there will be no express consent, especially in circumstances such as the *Montana* and *Fender* cases where the intention of a conditional assignment is to actually prevent parallel importing.

So the consent needs to be inferred from the conduct of the owner of the Australian trade mark. A critical point here is that the relevant consent would be to the application in Japan by Ohtsu of the Ohtsu trade mark, not whether Transport

⁵⁶ A similar argument was successful in the United Kingdom in *Colgate Palmolive v Markwell Finance Ltd* [1989] RPC 497.

⁵⁷ *Transport Tyres Sales Pty Ltd v Montana Tyres Rims & Tubes Pty Ltd* (1999) 93 FCR 421, 436.

⁵⁸ Davison, 'Parallel Importing', above n 52, 420.

Tyres consented to the use of its trade mark by importation into Australia or any other dealing with the tyres once branded. However, previous English case law may be relevant on this latter issue: that is, whether the trade mark owner has consented to the use of the trade mark.

One of those cases is the decision in *Revlon Inc v Cripps & Lee*.⁵⁹ In that case, Revlon shampoo was made in and exported from the United States into the United Kingdom without the consent of the owner of the United Kingdom trade mark. The owner in the United Kingdom was part of the worldwide Revlon group of companies and, under the then United Kingdom legislation, the issue was whether it had consented to the use of the trade mark.⁶⁰ For different reasons, all three members of the English Court of Appeal held that such consent could be implied. Buckley and Bridge LJ placed great reliance on the fact that all the Revlon group of companies jointly promoted the Revlon trade mark as a house mark of global significance. For example, packaging carried the wording 'REVLON, New York, Paris, London'. Consequently, all members of the corporate groups could be taken to consent to the use of the trade mark by the others. Templeman LJ argued that the corporate relationship between the Revlon companies was in itself sufficient to demonstrate consent to the use of the trade mark without relying on evidence concerning the manner in which the members of the corporate group actually marketed the products. For him it was sufficient that the plaintiffs were wholly owned subsidiaries of the very same American company, Revlon Inc, which made the shampoo in the United States and applied the Revlon trade mark to it.

In the context of the *Montana* decision, where only consent to the application of the trade mark was required, the implication of such consent could have flowed from various factors.⁶¹

- Transport Tyres was relying on the global reputation of Ohtsu to sell the tyres;
- The continued sale of the Ohtsu tyres throughout the world by Ohtsu was therefore to Transport Tyres' advantage, thus leading to an implication that it was consenting to that continuing;
- The assignment agreement required Transport Tyres to do nothing which might damage the international reputation of Ohtsu tyres and provided for termination of the distributorship agreement if that condition was breached;
- Transport Tyres effectively remained under the control of the Japanese company via the assignment agreement although its relationship was contractual rather than corporate. It is inconceivable that it would have or could have directed Ohtsu to stop applying the Ohtsu trade marks to tyres. If it had, the distributorship arrangement would have been terminated and the trade mark re-assigned to Ohtsu.

⁵⁹ [1980] FSR 85.

⁶⁰ *Trade Marks Act 1938* (UK) s 4(3)(a).

⁶¹ M. J. Davison, 'Parallel Importing of Trade Marked Goods – An Answer to the Unasked Question' (1999) *Australian Intellectual Property Journal* 146.

In any event, it seems that the intent of parliament was to permit parallel importing and it would be curious if that intent could be circumvented by an artificial re-arrangement of ownership provisions. Given this situation and the weight of the case law both before and after the passing of the current legislation, it seems unlikely that parallel importing would be illegal.⁶² One circumstance where this might be the case would be where there is no relationship between the overseas trade mark owner and the Australian trade mark owner; for example, if the Australian trade mark owner adopted the trade mark from overseas, in circumstances such as those in *Aston v Harlee Manufacturing Co*⁶³ (see 3.9 in chapter 3, on Ownership). Alternatively, the Australian registered owner may argue that an overseas licensee had produced more items than that permitted under its licence. Consequently, the owner did not consent to the application of the trade mark to those items produced over and above the number in the licence agreement.

4.7.1 Parallel importing and licensees

It seems to make no difference to the legality of parallel importing that the Australian distributor is an exclusive licensee of the trade mark owner. However, in such circumstances, if the trade mark owner sold its goods with the knowledge that they would be imported into Australia, the licensee could sue the owner for breach of contract. It could also sue the purchaser for inducing breach of contract if the purchaser knew of the licensing arrangement.⁶⁴

4.7.2 Parallel importing and passing off

While parallel importing will therefore rarely, if ever, infringe a registered trade mark, it may still constitute passing off or a breach of s 52 of the *Trade Practices Act 1974* (Cth) if there is a material difference between the characteristics or qualities of the two trade marked products. For example, in *Colgate Palmolive v Markwell Finance Ltd*,⁶⁵ objections to parallel importing were founded on the fact that Colgate toothpaste from Brazil was made with chalk as an abrasive whereas the English Colgate toothpaste contained a more expensive and superior abrasive. Consumers, accustomed to the English Colgate, may have been deceived into believing that the two products were of equal quality. Similarly in *Star Micronics Pty Ltd and another v Five Star Computers Pty Ltd (Trading As Computerfair) and others*,⁶⁶ the importation of computer printers was prevented on the grounds that the imported printers operated on different electrical voltages and were therefore of little use in Australia.

⁶² At the time of writing, IP Australia had proposed that s 123 be amended to provide that conduct such as that in the *Montana* case be considered to constitute consent to the application of the trade mark by the registered Australian owner.

⁶³ (1960) 103 CLR 391.

⁶⁴ *Delphic Wholesalers v Elco Food Co* (1987) 8 IPR 545.

⁶⁵ [1989] RPC 497.

⁶⁶ (1991) 22 IPR 473.

4.7.3 Parallel importing and other forms of intellectual property

The treatment of parallel importing varies across and even within the different intellectual property regimes. However, s 198A of the *Copyright Act 1968* (Cth) prevents the use of copyright to effectively prevent the parallel importation of trade marked products. For example, a trade mark owner can no longer claim that as its trade mark contains an artistic work in which copyright subsists therefore the lawful parallel importation of products with its trade mark involves the unlawful parallel importation of its copyright.⁶⁷

4.8 Second-hand goods

As a general rule, once trade marked goods have been sold to a consumer, the trade mark on them is no longer being used as a trade mark. In addition, s 123 provides that no infringement occurs 'if the trade mark has been applied to, or in relation to the goods by, or with the consent of, the registered owner of the trade mark'.

In very rare circumstances, this situation may change if the goods are re-sold as second-hand goods with the trade mark still in place. In those circumstances, it is possible, but unlikely, that the very nature of the goods may have been altered to such an extent that they can no longer be regarded as originating from the trade mark owner. In that event, the retention of the trade mark on the goods while displaying them for sale would result in the seller of the second-hand goods using the trade mark to distinguish its goods from other goods. Such a use would be an infringing use. To take an extreme hypothetical example, if a defendant took pairs of Levi jeans which were washed, torn, embroidered, altered and then sewn together in order to make curtains and the Levi badge was retained on those curtains, it would be arguable that what is being sold is the defendant's curtains and that the retention of the Levi badges may constitute an infringing use of the Levi trade mark under s 120(3).

Section 134(2) of the 1994 Act provided that the sale of second-hand goods would not constitute infringement of a registered trade mark originally applied to them if:

- (a) the person clearly indicates that the goods are second-hand; or
- (b) the changes, alterations or repairs . . . are not so extensive or fundamental that the goods can no longer reasonably be regarded as possessing the main characteristics, qualities, or attributes inherent to the goods when they were new.

No equivalent of s 134(2) of the 1994 Act appears in the current legislation although s 134(2) was probably an attempt to codify the first instance decision

67 *RA & A Bailey & Co Ltd v Boccaccio Pty Ltd and others* [1986] 4 NSWLR 701.

in *Wingate Marketing Pty Ltd v Levi Strauss Inc.*⁶⁸ In that case, the defendant sold second-hand Levi jeans that had been stone washed, torn, embroidered and in some cases cut off to make shorts. One of several claims by Levi was that the sale of the second-hand goods constituted an infringement of the Levi trade mark. At first instance, it was held that jeans that had been worn or damaged or worn or damaged and repaired were not fundamentally changed and, therefore, no infringement had taken place. On the other hand, stonewashed, patched, cut-off, dyed and painted jeans had been fundamentally changed so as to be a different product and therefore the retention of the Levi trade mark constituted an infringing use when reselling those jeans. The position would be somewhat akin to creating a new product and then placing the Levi trade mark on it.

On appeal, the Full Court held that the sale of the second-hand jeans did not constitute use of the trade mark as a trade mark. The Levi trade mark indicated the trade origin of the jeans. The fact that they had been substantially altered did not alter the reality of that origin and hence the trade mark was not being used, by the defendant, as a trade mark. The judges did acknowledge the possibility that, depending on the circumstances of sale, consumers may have been misled and that Levi Strauss may have an action for passing off or a breach of s 52 of the *Trade Practices Act 1974* (Cth). The omission of s 134 of the 1994 Act from the current legislation therefore suggests that the view of the Full Court that the sale of second-hand goods does not constitute infringement of a trade mark is probably the relevant law in Australia today. Yet the matter is further complicated by an obscure reference to second-hand goods in s 7(4) which states that ‘use of a trade mark in relation to goods means use of the trade mark upon, or in physical or other relation to, the goods (including second-hand goods)’. The provision provides no further elucidation and it does not state that this use is use ‘as a trade mark’ as opposed to merely use of a trade mark. Consequently, its effect on the legality of selling second-hand goods is not clear.

In any event, the combined effect of the case law and s 123 is that the sale of second-hand goods will very rarely, if ever, constitute infringement. Perhaps the only circumstances where infringement will occur is where the goods have been so dramatically altered that they are in a sense ‘new’ goods and the plaintiff’s trade mark has been left on the new goods.

4.9 Trade mark infringement and the internet

The passing off implications of various uses of the internet were considered in some detail in the [previous chapter](#). In the context of infringement of registered trade marks, the primary issue to address would be whether the particular internet use of the plaintiff’s trade mark is use ‘as a trade mark’. For example, does

68 (1994) 49 FCR 89.

the registration of a well-known trade mark as a domain name constitute use of that trade mark as a trade mark?

The need to demonstrate for the purposes of infringement that the trade mark has been used for goods and services so as to distinguish those goods and services from other goods and services suggests that mere registration of a domain name, by itself, would not constitute use of a trade mark as a trade mark. The domain name would have to be used on a website that deals with or provides goods or services in the course of trade before a conclusion could be reached that the domain name is being used as a trade mark.⁶⁹ Even then, there would need to be evidence associating the domain name to the goods or services sold or advertised via the website.

Similarly, the use of trade marks as meta-tags is unlikely to constitute use as a trade mark because the meta-tag would not, by itself, be use of the trade mark to distinguish the goods or services advertised or sold at that website from other goods or services.

One important issue that can arise as a consequence of advertising and sale via the internet is whether a foreign website is using a trade mark in Australia, which is a necessary condition for any infringement action. For example, an Australian company may have legitimately adopted a foreign trade mark for its product and then both it and the overseas owner of the trade mark establish websites that advertise the same product with the same trade mark or even facilitate sale of it via the website. Some case law suggests that overseas sales to Australian consumers with no intention that they be resold in Australia does not constitute use in Australia but the situation may be different where an overseas seller is actively seeking out Australian consumers. It is possible that trade mark owners may need to restrict the sales of their products to jurisdictions in which they have registration of the trade mark.⁷⁰

The only Australian case to date relating to the issue is the decision in *Ward Group v Brodie and Stone*,⁷¹ although the particular facts of the case affect its precedential value to some extent. The Ward Group owned the trade mark 'Restoria' for a hair restoration product in Australia. Brodie and Stone owned the same trade mark for the same product in the United Kingdom. Some of Brodie and Stone's customers in the United Kingdom sold Restoria via their websites. The relevant action for trade mark infringement was brought against Brodie and Stone but in order to have any prospect of success, the Ward Group needed to prove that the website operators were using the trade mark in Australia.

Merkel J held that the website operators were using the trade mark in Australia at the point at which they accepted orders from Australian consumers but not prior to that point in time. The operators offered a number of goods through their websites and the websites clearly envisaged sales to Australians as payment

69 See the comments in *CSR Ltd v Resource Capital Australia Pty Ltd* (2003) 128 FCR 408.

70 M. Davison, K. Johnston and P. Kennedy, *Shanahan's Australian Law of Trade Marks and Passing Off* (3rd ed, Sydney: Law Book Company, 2003), ch 24.

71 (2005) 143 FCR 479.

methods included paying in Australian dollars. Merkel J's view was that as they offered numerous products via their websites, they were not specifically offering Restoria to Australians unless and until an order for it was made and they accepted the order. He then concluded that as the relevant orders which constituted the alleged infringement had been initiated by the Australian trade mark owner, the use in question was permitted as a consequence of s 123 of the Act. (See the discussion of s 123 in 4.13 below.)

The case therefore stands for the proposition that offering a trade marked product via an overseas website may not of itself constitute use of that trade mark in Australia, especially if the product is but one of several products on offer. However, use of the trade mark in Australia will occur at the point at which the website operator accepts an order from an Australian consumer.

In contrast, a New Zealand decision of *DB Breweries v Domain Name Co Ltd*⁷² suggests that merely holding a domain name for the purpose of resale may constitute grounds for a mandatory injunction requiring the registrant of the domain name to transfer it to the trade mark owner, at least on an interlocutory basis. In that case, the defendant registered db.nz.com while the plaintiff was the owner of the trade mark 'db', a well-known New Zealand beer. The court ordered the transfer of the domain name to the plaintiff on the basis that attempts to sell the domain name may have been the precursor to it being used to trade goods or services on the relevant website. The interlocutory nature of the decision may suggest that it would have limited application in Australia.

4.10 S 121: breach of certain restrictions

Section 121 permits a registered owner to place restrictions on altering, removing or obliterating its trade mark or applying another trade mark in certain prescribed situations. In order to take advantage of this power, the registered owner or an authorised user must display on the goods or on their packaging a notice prohibiting the relevant act. For example, the notice may prohibit a person from altering, or partially removing or obliterating, any representation of the trade mark applied to the goods or used in physical relation to them.⁷³

However, the scope of s 121 is quite limited. The relevant notice only affects a person if they own the goods in question, undertake the prohibited act in the course of trade and they actually knew of the notice before they acquired the goods.⁷⁴ In addition, if the owner became the owner of the goods through a person who acquired them without being aware of the notice, the notice is not binding on them even if they knew of the notice at the time of acquiring the goods.⁷⁵

⁷² (2001) 52 IPR 280.

⁷³ *Trade Marks Act 1995* (Cth) s 121(2).

⁷⁴ *Trade Marks Act 1995* (Cth) s 121(3) and (4).

⁷⁵ *Trade Marks Act 1995* (Cth) s 121(4)(b).

As it is difficult to prove that the owner of the goods had actual knowledge of the notice and the notice will take up valuable advertising and ‘get up’ space, it is not surprising that very few such notices are placed on goods.⁷⁶

4.11 Groundless threats of legal proceedings

Section 129 confers a right of action on a person who is accused of infringing a registered trade mark. In those circumstances, the plaintiff (the threatened person) may obtain a declaration that the defendant has no grounds for the threat, an injunction restraining the person from continuing to make the threat and they may also recover damages as a consequence of the threat. For example, the threatened person may desist from making and distributing its goods in response to the threat or its distributors may have declined to continue distributing the goods as a consequence of the threat. In those circumstances, the potential damage to the threatened person is significant.

The courts have been quick to find a threat to bring an infringement action. For example, in *Prince plc v Prince Sports Group plc*,⁷⁷ an English court found an American company had made groundless threats of trade mark infringement. The US company wrote to an English company complaining about its use of the domain name ‘www.Prince.com’. The American company had an established reputation in both the United States and the United Kingdom for its sporting goods. However, the English company had a registration for Prince for computer products. The letters were perceived as constituting a groundless threat to bring infringement proceedings in the United Kingdom even though the American company claimed that its letters related to use of the domain name in the United States.

Similar provisions relating to groundless threats appear in almost all Australian intellectual property legislation⁷⁸ and so the case law relating to those provisions may also be drawn upon. For example, in *U & I Global Trading (Australia) Pty Ltd v Tasman-Warajay Pty Ltd*, a case involving groundless threats of patent infringement proceedings, Cooper J laid down the general test of a threat as:

... whether the language would convey to any reasonable person that the author of the letter in the present case intended to bring proceedings for infringement against the person said to be threatened. It is not necessary that there be direct words that action would be taken.⁷⁹

In that case, the defendant’s statement that ‘upon the registration of the patent, we reserve our right to sue for any past infringements of the patent’ was held to

⁷⁶ See *County Laboratories Ltd v Mindel Ltd* [1957] 1 Ch D 295.

⁷⁷ [1998] FSR 21.

⁷⁸ For example, *Copyright Act 1968* (Cth) s 202; *Circuit Layouts Act 1989* (Cth) s 46; and *Patents Act 1990* (Cth) ss 128–132.

⁷⁹ (1995) 60 FCR 26, 31.

be an unjustified threat even though it may have obtained the right to sue at some future time.

However, there are some important differences between the groundless threat provisions relating to trade marks and other groundless threat provisions.⁸⁰ In particular, s 129(5) provides that:

An action may not be brought, or (if brought) may not proceed, under this section if the registered owner of the trade mark, or an authorised user of the trade mark having power to bring an action for infringement of the trade mark, with due diligence, brings and pursues an action against the threatened person for infringement of the trade mark.

The institution of proceedings by the trade mark owner may therefore avoid some consequences of an action brought pursuant to s 129(1). The critical issue is whether the trade mark infringement action is brought with due diligence. There is no clearly identifiable point in time at which the owner will be held to have failed to have acted with due diligence. In *Transport Tyres Pty Ltd v Montana Tyres, Rims & Tubes Pty Ltd*,⁸¹ the Full Court held that it was sufficient for the owner to seek to file its claim within two months of the first directions hearing in relation to the alleged infringer's claim under s 129. In that case, the threatened party started proceedings two days after receiving the threat and the owner decided that it did not need to take its own action until after the first return date of the s 129 proceedings. The Full Court agreed and decided that for the purposes of that case, the time for determining 'due diligence' ran from the first return date of the s 129 action, although previous authority suggests that time runs from the making of the threat.⁸²

The effect of s 129 is therefore twofold. Trade mark owners need to be very careful about sending letters of demand that allege infringement and should not do so unless they are willing and able to institute proceedings immediately. If an action for groundless threats is brought, they need to be able to respond by bringing their own proceedings relatively quickly. In order to prevent an order for damages pursuant to s 129, it may even be necessary to institute proceedings.

4.12 Acts not constituting infringement

Section 122 lists a number of types of conduct that are deemed not to constitute infringement. Interestingly, these provisions are not described as defences to infringement. The reason for this is that the conduct in question probably would not constitute use of a trade mark as a trade mark and therefore would not be infringing conduct, even in the absence of these provisions. Consequently, many, if not all, of these provisions should be regarded as simply clarifying the types of conduct that are not infringing conduct.

⁸⁰ N. Weston and M. Davison, 'Groundless Threats of Trade Mark Infringement: How to Avoid Getting Court' (2000) *AIPJ* 151–61

⁸¹ (1999) 93 FCR 421.

⁸² *Challender v Royle* (1887) 36 Ch D 425.

4.12.1 In good faith

A number of the provisions refer to the use of a name, place of business or sign in good faith. 'In good faith' in this context is similar to the meaning of 'honest' in the honest concurrent user provisions in s 44(3). Consequently, use may still be in good faith if the defendant knows about the plaintiff's trade mark provided that the defendant is not attempting to trade off the reputation associated with the plaintiff's trade mark. In *Baume & Co Ltd v AH Moore Ltd*, the Court of Appeal described the concept of good faith ('bona fide' being the actual term in question) in relation to the use by a trader of their own name as follows:

The mere fact in itself that a trader is using his own name which too closely resembles a registered trade name of which he is aware does not prevent the user from being 'bona fide', provided that the trader honestly thought that no confusion would arise and if he had no intention of wrongfully diverting business to himself by using the name. The truth is that a man is either honest or dishonest in his motives, there is no such thing, so far as we are aware, as constructive dishonesty.⁸³

Consequently, simply informing the defendant of the owner's registration will not necessarily deprive the defendant's actions of their 'good faith' character.⁸⁴

4.12.2 Good faith use of a name (s 122(1)(a))

The provisions of s 122(1)(a) or their predecessors have been interpreted reasonably generously from a defendant's perspective. For example in *Hy-Line Chicks Pty Ltd v Swifte*,⁸⁵ the defendant was entitled to call its premises the 'Hi-Line Poultry Farm and Hatchery' in the face of the plaintiff's registration of Hy-Line. In addition, the name of the business may include the geographical location of the business. Consequently, in *Angoves Pty Ltd v Johnson*,⁸⁶ the defendant was permitted to call its store the St Agnes Liquor Store because it was located in the St Agnes shopping centre in the suburb of St Agnes. The provision is also one of the few which actually constitutes a genuine defence as, without the defence, the defendant's actions would almost certainly constitute infringement.

4.12.3 Good faith use of a sign (s 122(1)(b))

The circumstances in which this provision would be applicable are quite limited. It imposes a good faith requirement, whereas the same conduct contemplated by the provision, in the absence of good faith, would not constitute use 'as a trade mark'. For example, in *Johnson & Johnson (Aust) Pty Ltd v Sterling Pharmaceuticals Pty Ltd*,⁸⁷ the defendant used the plaintiff's trade mark 'Caplets' and successfully

⁸³ [1958] Ch D 907, 921.

⁸⁴ *Parker-Knoll Ltd v Knoll International Ltd* [1961] RPC 346, 363.

⁸⁵ (1966) 115 CLR 159.

⁸⁶ (1982) 66 FLR 216.

⁸⁷ (1991) 30 FCR 326.

defended infringement proceedings on the basis that its use of the word was descriptive of its product, capsule-shaped tablets, and therefore not use as a trade mark. This decision was in spite of the finding that the defendant had actually intended to trade off the plaintiff's reputation and that the equivalent of this provision under the 1955 legislation was consequently not applicable due to a lack of good faith.

In addition, 'good faith' in this context does not mean that it is sufficient for the defendant to show that it believed it was entitled to use the words in question. As with use of a name, there must be an intention not to confuse or to trade off the reputation of the plaintiff. An intention to do this coupled with a belief that it has been done without infringing the trade mark is not 'good faith'.⁸⁸

The new approach to distinctiveness in ss 41(5) and 41(6), which allow registration of descriptive signs that acquire a secondary significance, means that this provision may well be used successfully more often than it was under previous legislation. A defendant will presumably argue that they used a descriptive term in its primary descriptive sense rather than in its secondary trade mark sense. Of course, that argument will be tied closely to the more general argument that no use as a trade mark has occurred at all.

4.12.4 Good faith used to indicate purpose (s 122(1)(c))

This provision would apply in circumstances where a trader is attempting to indicate that its product can be used in conjunction with another trader's trade marked goods. For example, it is acceptable to describe one's product as 'compatible with' a particular trade marked product as was the case in *Gillette Co v Pharma-Goods Australia Pty Ltd*.⁸⁹ Again, one needs to consider the actual use in question, so an undue emphasis on the word 'Gillette' by bigger or bolder print and more subdued printing of 'compatible with' may have led to a contrary result. Use in such a way would both negative a finding of 'good faith' and negative an argument that the defendant was not using the trade mark as a trade mark.

4.12.5 Use of trade mark for comparative advertising (s 122(1)(d))

Comparative advertising is a clear example of a situation that does not constitute use of a trade mark as a trade mark under the Australian legislation. Perhaps for this reason, there is no requirement that the defendant demonstrate good faith. It involves advertising in which a trader compares its products with that of another trader and emphasises the advantages of its product over that of another trader's product. For example, if Pepsi advertises that it is cheaper than Coca Cola, it is not using Coca Cola to distinguish its goods from any other goods. It is simply referring

⁸⁸ *Kettle Chip Co Pty Ltd v Pepsico Australia Pty Ltd* (1995) 32 IPR 302.

⁸⁹ (1997) 38 IPR 509.

to the price of Coca Cola and using Pepsi as its trade mark. Under previous United Kingdom legislation, comparative advertising did constitute infringement of a trade mark,⁹⁰ although no such finding was ever made under any Australian legislation and this provision emphasises that comparative advertising is not an infringement of a registered trade mark. Of course, if done deceptively by making a false or misleading comparison, comparative advertising may contravene s 52 of the *Trade Practices Act 1974* (Cth).⁹¹

4.12.6 Exercising right to use trade mark (s 122(1)(e))

Once registered, a person has the rights of a registered owner which include the right to use the trade mark for the goods or services for which it is registered.⁹² The legislation obviously contemplates the registration of trade marks that may be substantially identical with or deceptively similar to other trade marks in some circumstances. The honest concurrent user and prior continuous user provisions are examples but it is also possible that a deceptively similar trade mark may be registered by error. In those circumstances, the plaintiff would have to first undertake rectification proceedings and then institute infringement proceedings for any use by the defendant after the defendant's trade mark has been taken off the Register.

4.12.7 Defendant may obtain registration of similar trade mark (s 122(1)(f))

This provision permits a court to decline a finding of infringement in circumstances such as those where the defendant may have grounds for rectification of the Register and obtaining registration of the trade mark in its own right. For example, if the defendant is the true owner of the trade mark and the plaintiff has wrongly obtained registration, this provision could be applied.⁹³ It also applies where the trade mark used by the defendant is sufficiently different from the trade mark that the defendant's trade mark may also be registered, but that is unlikely to be necessary as in such circumstances the defendant will not have used a substantially identical or deceptively similar trade mark.⁹⁴

Section 122(1)(f) may have originally been intended to also apply in circumstances where the defendant was using a substantially identical or deceptively similar trade mark and its use constituted honest concurrent use that would entitle it to registration on that basis under s 44(3). However, the actual wording of the provision refers to 'the trade mark', namely the trade mark registered in the name of the plaintiff. Comments were made by Moore J in *Unilever Australia*

⁹⁰ *Trade Marks Act 1938* (UK) s 4(1)(b); see *Bismag v Amblins* [1940] Ch 667; *Montana v Villa Maria* [1985] FSR 400.

⁹¹ *Gillette Australia Pty Ltd v Energizer Australia Pty Ltd* (2002) 193 ALR 629; (2002) 56 IPR 1.

⁹² *Trade Marks Act 1995* (Cth) s 20.

⁹³ *Trade Marks Act 1995* (Cth) s 122(1)(f).

⁹⁴ *Aldi Stores Ltd Partnership v Frito-Lay Trading Co GmbH* (2001) 54 IPR 344.

*Ltd v PB Foods Ltd*⁹⁵ to the effect that s 122(1)(f) may not cover situations such as honest concurrent use. In response, s 122(1)(fa) was introduced which now refers to the situation where the court is of the opinion that the defendant would obtain registration of its substantially identical or deceptively similar trade mark.

Since the defendant must convince the court that it would obtain registration, it would need to demonstrate that all the requirements for registration would be met. Hence, in *Aldi Stores Ltd Partnership v Frito-Lay Trading Co GmbH*,⁹⁶ the defendant could not rely on this defence to justify its use of 'Cheezy Twists' because that trade mark was purely descriptive and there had been insufficient use to justify registration on the basis of s 41(6).⁹⁷

4.12.8 Non-infringement due to condition or limitation (s 122(1)(g))

As the plaintiff's original registration may be restricted by the imposition of some condition or limitation, the plaintiff's exclusive rights of use are similarly restricted and it would need to demonstrate that that it is those rights that have been infringed by the defendant. For example, if registration were limited to Western Australia, the plaintiff would have to demonstrate that the alleged infringement occurred there as the exclusive right of use granted by registration would be limited to that region.

4.12.9 Disclaimers (s 122(1)(h))

Section 122(2) provides that:

If a disclaimer has been registered in respect of a part of a registered trade mark, a person does not infringe the trade mark by using that part of the trade mark.

Disclaimers are voluntary but, if actually made, the owner has no exclusive rights in relation to the part disclaimed.

4.13 Trade mark applied by or with consent of registered owner

The operation of s 123 may have an impact on both parallel importing and the sale of second-hand goods. These issues have been discussed above. As s 123 only applies when the trade mark is applied to similar goods and services, it does not apply if the trade mark owner applies its trade mark to goods or services

⁹⁵ (1999) 47 IPR 358.

⁹⁶ (2001) 54 IPR 344.

⁹⁷ A similar problem arose for the defendant in *Electrolux Ltd v Electrix Ltd* (1954) 71 RPC 23. On appeal in *Frito-Lay Trading Co GmbH v Aldi Stores Ltd Partnership* (2001) 52 IPR 410, the defendant succeeded on the basis that the two trade marks were not deceptively similar.

that are dissimilar to those for which it has registration. However, even in those circumstances, it will still be difficult for the trade mark owner to demonstrate that the defendant has used the trade mark as its trade mark if the goods or services did in fact originate with the owner via application of the trade mark or consent to the application of the trade mark. As already pointed out in the section on parallel importing, ‘the trade mark’ in the context of s 123 is the physical sign rather than the legal entity manifested by the sign.⁹⁸

Section 123 is different from an issue of consent to use of the trade mark as it is obviously possible to consent to the original application of the trade mark but to refuse consent to the later use of the trade mark. However, in *Ward Group v Brodie and Stone*,⁹⁹ Merkel J seemed to suggest that the section also encompasses consent to the use of the trade mark. The facts of the case are discussed above (in 4.9) in relation to infringement over the internet but, briefly, the only sales into Australia via overseas websites were trap orders made by the plaintiff. Merkel J noted:

[A] quite different situation would arise when goods bearing the mark are being offered for sale by an overseas vendor to the world at large and a trap purchase is made by a purchaser in Australia, who not only procures the sale and delivery of the goods in Australia but also procures the sole use of the infringing mark by the overseas vendor in Australia. In that situation, but for the trap purchase, no use of the mark in Australia would have occurred. In those circumstances it would be difficult for the trap purchaser, whose conduct was the sole cause of the use of the infringing mark in Australia, to contend that it has not consented to that use.

. . . It follows that I am satisfied . . . that, as that conduct has been consented by the Ward Group, that use was not an infringing use under s 120(1) by reasons of s 123(1) of the TMA.¹⁰⁰

4.14 Prior continuous use defence (s 124)

Under s 44(4), an applicant may acquire registration on the basis that they are a prior continuous user of a substantially identical or deceptively similar trade mark. This section provides a defence to an unregistered prior continuous user on similar grounds to those on which registration may be granted.

4.15 No damages for infringement during non-use period (s 127)

If the defendant has applied for the removal of the plaintiff’s trade mark for non-use, no damages for infringement will be granted for any infringement occurring

⁹⁸ *Montana Tyres Rims & Tubes Pty Ltd v Transport Tyre Sales Pty Ltd* (1999) 93 FCR 421.

⁹⁹ *Ward Group v Brodie & Stone* (2005) 143 FCR 479.

¹⁰⁰ *Ibid*, 492–3.

during the critical period: that is, the period of non-use upon which the removal application is based.

4.16 Remedies

Chapter 17 discusses various remedies such as injunctions and account of profits. The plaintiff has the option of seeking damages or an account of profits for infringement.¹⁰¹ One exception to this proposition is that if the defendant has sought the trade mark's removal for non-use, the court may not award damages or an account of profit for infringement during the period of non-use by the plaintiff. The principles for awarding damages for infringement of a registered trade mark are similar to those that apply in respect of passing off,¹⁰² except that a defendant should be aware of the existence of a registered trade mark. Consequently, a defendant would be unable to argue lack of knowledge of the plaintiff's rights. In any event, the case law indicates that damages may be awarded even for what is claimed to be innocent infringement.¹⁰³

The basic proposition is that damages for infringement are designed to put the plaintiff in the position they would have been in if the infringement had not occurred. The main principle is therefore what damage has been done to the value of the defendant's trade mark, but a starting point will be the licence fee that the owner would have required from a defendant.¹⁰⁴ But other factors may well be taken into account. For example, the sale of inferior goods by the defendant will damage the plaintiff's goodwill¹⁰⁵ and the plaintiff may be forced to 'incur expenditure on advertising to counteract the effect of the defendant's conduct' or 'putting on notice foreign manufacturers of infringing materials'.¹⁰⁶

4.17 Assignment of trade marks

Common law or unregistered trade marks can not be assigned unless the goodwill associated with the business giving rise to their reputation is also transferred at the same time. This position is a logical consequence of the fact that, at common law, a trader has property in the goodwill associated with a trade mark but no property in the trade mark itself.

101 *Trade Marks Act 1995* (Cth) s 126.

102 See *Kerly's Law of Trade Marks and Trade Names* (13th ed, London: Sweet and Maxwell, 2001) 18–139 – 18–158 for a detailed discussion of case law concerning such damages.

103 *Colbeam Palmer Ltd v Stock Affiliates Pty Ltd* (1968) 122 CLR 25, 35–6.

104 J. Phillips, *Trade Mark Law: A Practical Anatomy* (Oxford University Press, 2003), 14.84, citing *Reed Executive plc and Reed Solutions plc v Reed Business Information Ltd, Reed Elsevier (UK) Ltd* [2003] Info TLR 660 (unreported) (HC). See also *Stoke on Trent City Council v W&J Wass* [1988] 1 WLR 1406; *Meters v Metropolitan Gas Meters* (1911) 29 RPC 157.

105 *Alexander v Henry* (1895) 12 RPC.

106 *Kerly's Law of Trade Marks and Trade Names*, above n 102, 18–148. See also *AG Spalding Brothers v AW Gamage Ltd* (1915) 32 RPC 273; *Dormeuil v Feraglow* [1990] RPC 449.

This approach to the assignment of trade marks was followed in the early trade mark legislation but successive trade mark legislation has progressively reduced the restrictions on the assignment of trade marks.¹⁰⁷ Prior to the 1955 Act, assignments were only valid if assigned together with the goodwill of the business with which the trade mark was associated.

Under s 82(1) of the 1955 Act, assignment without goodwill was made possible for the first time. Section 82(2) of that legislation placed some limitations on such assignments, in particular if the assignor continued to use a substantially identical or deceptively similar trade mark on goods or services of the same description or 'of such a description that the public is likely to be deceived by the use of the trade mark by the assignor and assignee upon their respective goods or services'.

Section 106(3) of the current legislation permits the assignment of trade marks without the associated goodwill and there are no provisions such as s 82(2) of the 1955 legislation. In addition, assignments may be partial in that they may apply to only some of the goods and/or services for which the trade mark is registered.¹⁰⁸ However, if the assignor continues to use identical or similar trade marks in respect of similar or closely related goods or services, it and its assignee run the risk that their trade marks will be subject to rectification proceedings pursuant to s 82(2)(b), which permits rectification of the Register if 'because of circumstances applying at the time an application for rectification is filed, use of the relevant trade mark is likely to deceive or cause confusion'.

4.17.1 Process of assignment

Section 106(1) permits the assignment or transmission of a registered trade mark or 'a trade mark whose registration is being sought'. Assignments will often be made pursuant to a contract but need not be for consideration.¹⁰⁹ In order to be registered they need to be in the prescribed form and supported by documents evidencing the assignment such as a deed of assignment. It is unlikely that an oral assignment will be effective in either law or equity because property legislation in all states provides that even the disposition of equitable interests must be in writing and signed by the assignor.¹¹⁰ The transmission of trade marks may occur via the legal effect of wills, mergers of business or the sale of assets in the administration of bankruptcy.

The reference to an assignment of a 'trade mark whose registration is being sought' probably means that once an application has been made, the right to pursue that application can be assigned. Otherwise, the section would mean that assignment without goodwill of an unregistered trade mark would be permitted and that is unlikely.¹¹¹

107 Davison et al., *Shanahan's Australian Law*, above n 70, ch 16.

108 *Trade Marks Act 1995* (Cth) s 106(2).

109 Davison et al., *Shanahan's Australian Law*, above n 70, 396.

110 But see *Acorn Computer Ltd v MCS Microcomputer Systems Pty Ltd* (1984) 6 FCR 277, where an oral agreement for consideration for the assignment of copyright was considered effective to confer an equitable interest on the payee.

111 Davison et al., *Shanahan's Australian Law*, above n 70, 393.

Section 107 of the Act requires the assignor or the assignee to register an assignment although the consequences of failing to do so are not spelled out and no time limit is imposed for doing so. Failure to register the assignment may have serious consequences because presumably the still-registered owner would not be using the trade mark any longer and the trade mark would eventually be liable for removal for non-use. Difficulties may also arise as a consequence of the assignor giving a new assignment or there being an appearance of transmission of the still-registered trade mark from the registered owner to any other entity.¹¹²

Once an assignment is submitted for registration, the Registrar must notify any person who has claimed an interest in or right in respect of the trade mark pursuant to Part 11 of the Act. Unless those people consent to the assignment or a court orders otherwise, the assignment will not be registered for two months.¹¹³ Such people may include licensees or those who have taken some form of security over the trade mark. While the registration of the assignment can be delayed for two months, it is unlikely that licensees could prevent the assignment, even if their claim to an interest has been recorded pursuant to part 11, unless they are in a direct contractual relationship with the assignee.¹¹⁴

4.17.2 Assignment of certification trade marks

Certification trade marks can only be assigned with the permission of the ACCC.¹¹⁵ In such circumstances, the ACCC will have to be satisfied of the same matters relating to the assignee as it was in relation to the assignor's original registration.¹¹⁶

4.17.3 Assignment of collective trade marks

Collective trade marks may not be assigned or transmitted¹¹⁷ because, by definition, they are unique to and solely identifiable with the particular unincorporated organisation that sought and obtained their original registration.

4.17.4 Assignment of defensive trade marks

Defensive trade marks may be assigned but only with the standard trade mark in question, as the Registrar may cancel the defensive registration if the trade mark is not otherwise registered in the name of the registered owner of the defensive trade mark.¹¹⁸

112 Ibid 394–5. See *Theoharris Tashounidis* (1995) 35 IPR 305. The effect of that decision has probably been altered as a consequence of the amendment to s 22 of the Act pursuant to the *Trade Marks Amendment Act 2006* (Cth), which now provides that the registered owner may deal with the trade mark subject only to any rights appearing in the Register to be vested in another person.

113 *Trade Marks Regulations 1994* (Cth) reg 10.4.

114 Davison et al., *Shanahan's Australian Law*, above n 70, 402–3.

115 *Trade Marks Act 1995* (Cth) s 180. Section 180A deals with the assignment of an unregistered certification trade mark.

116 *Trade Marks Act 1995* (Cth) s 180(3).

117 *Trade Marks Act 1995* (Cth) s 166.

118 *Trade Marks Act 1995* (Cth) s 189.

4.18 Licensing of trade marks

The common law had an antagonistic view towards the licensing of trade marks and the view was held that any licensing arrangements would invalidate a trade mark as the licensing would result in deception or confusion of the public.¹¹⁹ However, the complex nature of modern commerce has led to a greater acceptance of licensing arrangements¹²⁰ and it is now appreciated and understood that more than one person may have a connection with a trade mark.¹²¹ The 1955 legislation introduced registered user provisions that permitted registration of licensees provided the Registrar was satisfied that the use by the proposed user would not be contrary to the public interest.¹²² In effect, this meant that the Registrar had to be convinced of the ongoing connection of the owner with the trade mark and the licence agreement had to be lodged with the Registrar.¹²³ This statutory acceptance of licensing in certain situations was taken further by case law. A number of cases held that the registration of licensing arrangements was not compulsory.¹²⁴ These cases held that the critical issue was not whether the licenced use was registered or not via the registered user provisions, but whether the registered owner ensured that the licensee's use did not deceive the public.

The current legislative provisions concerning the licensing of registered trade marks and the associated case law are very accommodating to licensing arrangements although some conditions still do apply to it. As a consequence of the case law recognising even unregistered licences, the registered user provisions of the previous legislation have been abolished and the recording of licensing arrangements is now purely voluntary. The critical consideration in determining the effect of licensing arrangements on the validity of a trade mark is whether the registered owner has exercised control over the licensee. Such licensees are referred to as authorised users.

Section 8(1) provides that:

A person is an authorized user of a trade mark if the person uses the trade mark in relation to goods or services under the control of the owner of the trade mark.

The purpose of the control requirement was explained by Graham J in the *General Electric* case:

119 Davison et al., *Shanahan's Australian Law*, above n 70, 405. *Bowden Wire Ltd v Bowden Brake Co Ltd* (1914) 31 RPC 385.

120 For further reference see M. Yastreboff, 'Managing the Transfer of "House" Brands: Licensing and Trade Mark Splitting' (2002) 13(2) *Australian Intellectual Property Journal* 87. The author argues that a combination of licensing and assignment provides a more effective outcome for corporate entities which own well-known house brands and are looking to restructure, sell or relocate assets within the group. See also T. Gyopar, 'Trade Mark Licence or Franchise Agreement: How Much Control is too Much Control?' (2004) 17(6) *Australian Intellectual Property Law Bulletin* 98.

121 *Pioneer Electronic Corp v Registrar of Trade Marks* (1977) 137 CLR 670.

122 *Trade Marks Act 1955* (Cth) s 74(3).

123 *Trade Marks Act 1955* (Cth) s 74(2).

124 For example, *Pioneer Electronic Corp v Registrar of Trade Marks* (1977) 137 CLR 67 in Australia and *Bostitch Trade Mark* [1963] RPC 183 in England.

The really important point is that the public should recognize that the symbol or word in question is being used as a trade mark by someone who is responsible for the product being what it is and having the quality which it in fact has . . . This is why it is important that proprietors of trade marks should retain adequate control over the quality of their product and should by careful advertising and use of their marks ensure that the public do not attribute to marks meanings which may lead to confusion.¹²⁵

4.18.1 Quality control

The critical issue then becomes what are the forms of control that will avoid the confusion that Graham J spoke of. Sections 8(3)–(5) provide non-exhaustive definitions of ‘control’: Section 8(3) provides that:

If the owner of a trade mark exercises quality control over goods or services:

Dealt with or provided in the course of trade by another person; and

In relation to which the trade mark is used.

The other person is taken . . . to use the trade mark . . . under the control of the owner.

The quality control in question may involve issues such as auditing the licensee’s production processes. Alternatively, the registered owner may produce the products itself and license the distribution process, as was the case in *Pioneer Electronic Corp v Registrar of Trade Marks*.¹²⁶ Obviously, the licensing agreement should state and reflect the respective roles of the licensor and licensee and provide the licensor with the necessary power to exercise control by, for example, granting access to the licensee’s premises and inspection of the goods that it is selling. It is also necessary that the licensor actually exercise the power of control as it is the actual act of control, rather than the contractual power to exercise it, which is necessary.

4.18.2 Financial control

Section 8(4) provides that financial control over a licensee will constitute the necessary control. Often this involves the use of the trade mark by one member of a corporate group of companies. Some authority suggests that in such circumstances the registered owner need be either the company through which the group of companies is managed and controlled or the company that actually uses the trade mark.¹²⁷ However, other authority suggests that it is sufficient if there are close links between the companies in question and the trade mark is being used as a ‘house mark’ on behalf of the whole group.¹²⁸ For example in *Polo Textile Industries v Domestic Textile Corp Pty Ltd*,¹²⁹ Polo Textile Industries

125 [1969] RPC 418, 448 (Ch D).

126 (1977) 137 CLR 670.

127 *Ritz Hotel Ltd v Charles of the Ritz Ltd* (1988) 15 NSWLR 158, 199–201.

128 *Reylon Inc v Cripps & Lee Ltd* [1980] FSR 85; *Polo Textile Industries v Domestic Textile Corp Pty Ltd* (1993) 42 FCR 227.

129 (1993) 42 FCR 227.

was the registered owner of the trade mark. The shares in it were acquired by Gamble Holdings Pty Ltd but the trade mark was actually used under an informal, implied licensing arrangement by Keith Gamble Pty Ltd, a company owned by Gamble Holdings. Burchett J found that the close relationship between the three companies was such that the use of the trade mark by Keith Gamble Pty Ltd did not result in any deception.¹³⁰

4.18.3 Other forms of control

The somewhat liberal view of ‘control’ in that decision, which was based on the 1955 legislation, is also reflected to some extent in s 8(5) which further opens up the concept of control by stating that sub-ss (3) and (4) do not limit the concept of control. An example of such other forms of control comes from the decision in *CA Henschke & Co v Rosemount Estates Pty Ltd*.¹³¹ The case involved an unusual set of circumstances. Cyril Henschke was the registered owner of the relevant trade mark for wine. Prior to his death, he and his partners used the trade mark but his surviving partners continued to use the trade mark after his death even though ownership of the trade mark was not transferred to the executors for over ten years. The Full Court was sceptical of the proposition that the executors were actually exercising quality control over the use of the trade mark. Yet, the Full Court was prepared to accept that in the peculiar business and personal circumstances of the family-run business that they were exercising sufficient control to meet the requirements of the legislation although the exact nature of that control was not spelled out by either the executors or the court itself.

Consequently, the main forms of control are quality control over the goods and services dealt with by the licensee and financial control over the licensee itself but other forms of control may be acceptable as the real issue is whether the use of the trade mark by the licensee deceives consumers. Such use will be deceptive if the registered owner fails to maintain its connection with the trade mark but it seems that connection need only be slight in order to meet the control requirement and avoid invalidation of the trade mark.¹³² Nevertheless, a prudent registered owner would be in a position to clearly demonstrate the nature of its control over a licensee and that should probably be made clear by appropriate labelling of any goods.¹³³

4.18.4 Franchising

In addition, to the Act’s provisions concerning licensing, there are now provisions of the *Trade Practices Act 1974* (Cth) that regulate franchising, a form of business

130 Ibid 239 See also *TGI Friday’s (Minnesota) Inc v TGI Friday’s (Aust) Pty Ltd* (1999) 48 IPR 65.

131 (2000) 52 IPR 42.

132 *CA Henschke & Co v Rosemount Estates Pty Ltd* (2000) 52 IPR 42, 72–3.

133 Davison et al., *Shanahan’s Australian Law*, above n 70, 416.

activity that almost invariably includes the licensing of one or more trade marks. See Part IVB of the *Trade Practices Act 1974* (Cth).

4.18.5 Assignment of licences

Difficulties may arise where either the licensor or the licensee wish to assign their licence interest. A recent Full Federal Court decision determined that it is possible for a trade mark licence to be assigned by either the licensor or the licensee but there are potential difficulties with doing so that need to be considered.¹³⁴ In particular, while assignment is possible in theory, the trade mark licence in question and the relationship between the parties may be such that the assignment is invalid.

In *Pacific Brands Sport & Leisure Pty Ltd v Underworks Pty Ltd*,¹³⁵ Underworks objected to a purported termination of a trade mark licence by Pacific Brands Sport. The original licence agreement had been between Underworks, as licensee, and Sara Lee Apparel Pty Ltd (Sara Lee) but Sara Lee had assigned the licence to Pacific.

The majority held that the licence agreement did not explicitly authorise assignment of the licence interest. In addition, some of the provisions of the licence¹³⁶ and the context in which it was executed led to the conclusion that the licensor/licensee relationship was of such a personal nature that it could not be assigned. In particular, the new licensor, Pacific, was a competitor of Underworks which necessarily generated tension in relation to a range of contractual matters such as agreeing on new products and the provision of sensitive business information.¹³⁷

The key lesson to be learned from the decision is the importance of dealing with the issue at the time of preparing and executing the relevant licence. An explicit understanding about the basis upon which assignment can take place may be critical to the validity of any assignment.

4.19 Voluntary recording of interests and claims

Part 11 permits parties that claim that they have an interest in or right in respect of a trade mark to record the particulars of that claim in the Register. This step can only be taken with the consent of the registered owner as s 113(1) requires the application for the recording of the particulars to be made by the person and the registered owner together.

Two particular rights or interests that are likely to be recorded are those of licensees and those who have taken some form of security over the trade mark in

134 *Pacific Brands Sport & Leisure Pty Ltd v Underworks Pty Ltd* [2006] FCAFC 40.

135 *Ibid.*

136 See para 65 of the judgment, in particular.

137 See para 58 of the judgment.

question.¹³⁸ The actual effect of recording interests or rights is not entirely clear. Section 116 provides that the fact that a record has been made is ‘not proof or evidence that the person has that right or interest’ so, unlike the Torrens system of land title, the fact of registration does not itself prove or constitute ownership of the right or interest. However, the presence of the entry would constitute notice to third parties of the interest or right being claimed and this may be relevant in circumstances where, for example, there are competing claims to the trade mark such as competing securities over the trade mark. The precise relevance of the notice would depend on issues such as the legal status of the right or interest being claimed. If the right is merely a contractual right but not a legal or equitable proprietary right, the provision of the notice may be of little effect.¹³⁹

The other effect of the recording is that the Registrar is required to notify the person in question of various dealings with the trade mark.¹⁴⁰ In particular, they must be notified of any assignment of the trade mark and, unless the person with the claimed interest consents, the assignment can not be registered for two months.¹⁴¹ The two month period would provide an opportunity to bring court proceedings in respect of any dispute between the assignee and anyone with the claimed interest or right.

Recent changes to s 22 of the Act in the Trade Marks Amendment Bill 2006 have significantly increased the importance of and need for recording an interest on the Register. Section 22 previously provided that a registered owner of a trade mark ‘may, subject only to any rights vested in another person, deal with the trade mark as its absolute owner and give in good faith discharges for any consideration for that dealing’. The amendments now provide that the registered trade mark owner is able to deal with the trade mark subject only to any rights ‘appearing in the Register to be’ vested in another person. Consequently, failure to be noted on the Register may result in the registered owner dealing with bona fide third parties to the detriment of any person who has not noted their interests on the Register.

4.20 International treaty obligations

There are a number of international treaties that have an impact on Australian trade mark law. Some affect the substantive law while others deal with procedural and administrative matters relating to the registration process and the maintenance of the Register.

138 See Davison et al., *Shanahan's Australian Law*, above n 70, 403 for a discussion of security over trade marks; and J. Lipton, *Security over Intangible Property* (Sydney: Law Book Company, 2000), 104–25. For further reference, see John V. Swinson, ‘Security Interests in Intellectual Property in Australia’ (2002) 14(1) *Bond Law Review* 86. James Cherry and Lance Scott, ‘Trade Marks as Security in Debt Transactions’ (2000) 11(3) *Journal of Banking and Finance Law and Practice* 209; Jacqueline D. Lipton, ‘Security Interests in Trade Marks and Associated Business Goodwill’ (1999) 10(3) *Australian Intellectual Property Journal* 157.

139 Davison et al., *Shanahan's Australian Law*, above n 70, 428–9.

140 *Trade Marks Act 1995* (Cth) s 111.

141 *Trade Marks Regulations 1994* (Cth) reg 10.4.

The main treaty affecting substantive matters is the *TRIPS Agreement* (1994) which requires the implementation of various provisions of the *Paris Convention for the Protection of Industrial Property 1883*. *TRIPS* also imposes some additional requirements. For example, the protection provided for well-known trade marks in s 120(3) goes beyond the provisions of the *Paris Convention* and the provisions in *TRIPS* concerning geographical indications do not appear in the *Paris Convention*.

Other agreements affecting substantive trade mark issues include the bilateral agreement with the European Union in relation to geographical indications for wine. This agreement, which has been implemented via the *Australian Wine and Brandy Corporation Amendment Act 1993* (Cth), provides specific protection for European and Australian geographical indications for wine over and above that required by *TRIPS*.

There are three main international agreements which affect procedural matters. The *Nice Agreement Concerning the International Classification of Goods and Services for the Purposes of Registration of Marks* (1957) is, as its lengthy title suggests, an agreement designed to standardise the classification of goods and services for the purposes of organising registers in different countries so that the relevant classes in the different countries will be the same. The *Trademark Law Treaty* of 1994 also relates to some procedural issues concerning registration of trade marks. Finally, the *Madrid Protocol Relating to the International Registration of Trade Marks* of 27 June 1989 allows applicants to lodge the one application for registration of a trade mark in a multitude of jurisdictions. The application is lodged with WIPO in Geneva and then forwarded to individual national offices for examination. The application is then assessed by each individual national office in accordance with its own laws but, once accepted, various matters such as changes in the owner's details can be addressed in all jurisdictions via the one document.

5

Copyright: Introduction

5.1 Introduction

Copyright law regulates the creation, dissemination and use of a range of different types of ‘works’¹ from books, plays, musical works, computer programs and films, through to sound recordings and television broadcasts. In developing the legal framework to regulate copyright, the law has attempted to balance the interests and concerns of copyright owners with those of authors, users and the public more generally. For example, in setting the duration of copyright protection, the law has balanced the interests of copyright owners, who have always argued for longer protection, with those of the public more generally, who have an interest in the duration of protection being more limited.

Unlike the case with other intellectual property rights such as patents, trade marks and designs, copyright protection arises automatically on the creation of the copyright work. In order to qualify for protection, a work needs to fall within one of the categories of subject matter that are recognised under the *Copyright Act 1968* (Cth). One of the features of Australian copyright law is that a general distinction is drawn between Part III authorial works (literary, dramatic, artistic and musical works) and Part IV entrepreneurial works or as the *Copyright Act* prefers ‘subject matter other than works’ (films, sound recordings, television and sound broadcasts, and published editions). This distinction is important because it influences the criteria that need to be satisfied for a creation to qualify for

¹ Work is the term that is used to describe subject matter protected under pt III of the *Copyright Act 1968* (Cth) namely, literary, dramatic, artistic and musical works.

protection, the nature and duration of the rights that are granted, as well as the defences that are available.

In order to be protected by copyright, a work must be original, recorded in material form and connected to Australia. Copyright initially vests in the author of the work ('author' is the term used to refer to the creator, whether of books, computer programs, or paintings). There are certain situations, however, where copyright will vest in someone other than the creator, such as an employer or a person who commissions the creation of a work. Copyright gives the author (or owner) the right to exploit their works in a range of different circumstances. These include the ability to copy (or reproduce) the work, to publish the work, to perform the work in public, to communicate the work to the public, to make an adaptation of the work, or to authorise someone else to carry out any of these activities. Copyright provides the owner with the right to prevent copying of their works. In essence if there is no copying, there is no infringement. In this sense, copyright is different to the rights granted under patent, trade mark and design law, which give the holder of the intellectual property right the ability to sue for infringement even if the infringing creation was independently developed without reference to the protected invention, mark or design.

A key concept in copyright law, which relates to the nature and scope of the copyright work, is the so-called 'idea-expression' dichotomy. In effect, this provides that copyright protection does not apply to the underlying idea or information but only to the expression of the idea. The rationale usually given for the idea-expression dichotomy is that if a person was given protection over ideas or information, it would mean that it would stifle subsequent creations. As in many cases with copyright, the key question here turns on where and how the line between expression and idea is to be drawn.

It is important to note that the copyright in a work is distinct from the physical object in which the work exists. For example, copyright in an artistic image, such as a painting, is separate from the physical painting. This means that if you buy a painting you can choose where you hang it. As you own the painting as an object, you can also sell the painting if you no longer like looking at it. You do not, however, own the image represented in the painting. This remains with the artist (unless the copyright has been transferred to a third party).² The owner of the copyright in the image, in this case the artist, can prevent you from copying the image. If the artist decides to reproduce that image on tea towels, coffee cups or T-shirts, there is nothing you can do to prevent this. The separate existence of the intangible property from the physical object is a fundamental principle of copyright and of intellectual property more generally.³

2 On assignment see Chapter 8. The artist, however, would have moral rights in the work. See Chapter 9 on moral rights.

3 See, for example, the distinction drawn by Dixon J in *Victoria Park Racing and Recreation Grounds Co Ltd v Taylor* (1937) 58 CLR 479, 498, 509 where he pointed out that the law does not necessarily protect any form of effort, enterprise, organisation or labour which may result in something of value for which others are prepared to pay.

5.2 History

With one or two notable exceptions, the history of copyright law in Australia is a subject that is yet to be written.⁴ To date, most accounts have focused on the impact of British law and international treaties on the development of Australian copyright law. While these are important issues, there are many other areas that could be addressed including the role that Australian law played in influencing other copyright regimes (particularly British and Imperial copyright), and the history of the interrelationship between copyright protection and Indigenous art and culture. While Australian copyright law is a rich and complex subject, this chapter will be limited to a chronology that highlights key moments in the development of the law.

Like many areas of Australian law, copyright law in Australia owes much of its legacy to British copyright law, which was first received into Australia by virtue of the *Australian Courts Act 1828* (UK).⁵ British copyright law is typically traced back to events in the late seventeenth century when the Stationer's Company (which was the London-based Guild of printers, binders and booksellers) lost the statutory monopoly that it had previously exercised over the printing of books in England. To overcome this loss, the Stationer's Company successfully lobbied the British parliament for the introduction of the first copyright statute, the 1709 *Statute of Anne*.⁶ This provided fourteen or, in some cases, twenty-eight years protection to authors of literary works. Importantly, authors were able to assign (or transfer) their rights to third parties. Allowing publishers to justify copyright, or as it was called literary property, on the basis that it protected the specific interests of authors, while at the same time reaping the financial benefits of the copyright that authors had transferred to them, established a pattern that continues today.

While the publishers achieved a victory of sorts with the introduction of a property right in literary works, the fact that protection was limited to fourteen or twenty-eight years meant that by the 1730s copyright over valuable books had begun to lapse. As the rights that the publishers had obtained (via authors) under the *Statute of Anne* began to come to an end, the Stationers adopted a number of other techniques to continue to exercise the control that they had previously exercised over the book trade. One strategy was to argue that in addition to the limited protection available under the *Statute of Anne* authors also had a perpetual common law copyright. In 1774 the British House of Lords dismissed the Stationer's claim when they held that copyright was limited to the provisions

⁴ Some of the exceptions include B. Atkinson, 'Copyright Law in Australia 1905–1968: Narrative, Counter-Narrative and the Challenge of the Historical Record' (Unpublished LLM Thesis, University of Sydney, 2002); L. Bently, 'Copyright and the Victorian Internet: Telegraphic Property Laws in Colonial Australia' (2004) 38 *Loy LA L Rev* 71; R. Burrell, 'Copyright Reform in the early Twentieth Century: A View from Australia' (Dec 2006) 27(3) *Journal of Legal History* 239; S. Ricketson, *The Law of Intellectual Property* (Sydney: Law Book Company, 1984).

⁵ 9 Geo IV c 83 (UK).

⁶ 8 Anne c 19.

recognised by the *Statute of Anne*.⁷ In so doing, the Lords reinforced the statutory nature of copyright law: an issue that has had important ramifications in Australia for Aboriginal and Torres Strait Island creators.

One of the notable characteristics of copyright law in the later part of the eighteenth century through to the nineteenth century was that the *Statute of Anne* acted as legislative blueprint for the extension of copyright to new types of subject matter. When copyright law was introduced into Australia in 1828, British law had been extended beyond literary property to include engravings and sculptures. This was extended over the course of the nineteenth century to other forms of subject matter including paintings, drawings and photographs.⁸

Prior to Australia's Federation in 1900, a number of Australian Colonies (later States) had enacted copyright laws.⁹ In part these were prompted by the inadequacy of the protection afforded to Australian authors by the British legislation at the time. These State laws remained in place after the federal Commonwealth was established in 1900. The local State laws operated concurrently with the British copyright law that had been received into the colony. When the Constitution was being drafted, it was decided that copyright legislation (and intellectual property more generally) should be a matter for Commonwealth rather than State governments. To this end, s 51 (xviii) of the Commonwealth Constitution provides that 'the Parliament shall, subject to this Constitution, have power to make laws for the peace, order, and good government of the Commonwealth with respect to, inter alia, copyrights, patents of inventions and designs, and trade marks'.¹⁰ One of the immediate consequences of this was that copyright law making shifted from Colonial, now State, legislature to the federal parliament.

In 1905, the Commonwealth passed the *Copyright Act 1905* (Cth).¹¹ As well as marking Australia's first national copyright statute, the 1905 *Copyright Act* was 'a succinct and elegant codification of copyright law that was markedly superior to the inconsistent and complex body of copyright acts then in force in the UK'.¹² While the 1905 Act overrode the State Copyright Acts, existing rights under State Acts were preserved. The 1905 Act stipulated that before a plaintiff could bring an infringement action they had to register their copyright and/or performing rights at the Commonwealth Copyright Office. After this relatively brief attempt to develop an Australian copyright law, the Commonwealth reverted to the nineteenth-century sycophantic practice of mimicking the law of Britain when in 1912 it replaced the 1905 Act with the British *Copyright Act 1911*. This occurred with the passage of the *Copyright Act 1912* (Cth), which

7 *Donaldson v Beckett* (1774) 2 Brown's Parl Cases 129, 1 ER 837; 4 Burr 2408, 98 ER 257.

8 *Fine Art Copyright Act 1862* (25 & 26 Vict c 68).

9 Victoria in 1869, South Australia in 1878, New South Wales in 1879 and Western Australia in 1895. The *Colonial Laws Validity Act 1865* (28 & 29 Vict c 63).

10 The Commonwealth of Australia, *Constitution Act 1900* s 51 (xviii).

11 This Act came into operation on 1 January 1907, and provided the first uniform copyright law for Australia. The Act was based on the nineteenth-century British legislation.

12 S. Ricketson, *Intellectual Property Administration & Policy in Australia – An Examination of the Australian Situation, Past and Present, and Recommendations for Future Change* (Paper presented at the National Innovation Summit, Melbourne, 9–11 February 2000).

declared the British *Copyright Act 1911* was in force in Australia from 1 July 1912. This was subject to any modifications that Australia made to the Australian Act itself.¹³

While the adoption of British Imperial copyright law in Australia may have delayed the development of local laws, the British *Copyright Act 1911* marked an important development in copyright law and practice. In particular, it marked a shift from the previous situation where ‘copyright’ consisted of a series of piecemeal and subject-specific laws to a more general and forward-looking codified law. By abolishing the common law right in unpublished works, the 1911 Act also completed the process that had begun with the 1774 House of Lords decision of *Donaldson v Beckett*¹⁴ of ensuring that copyright is a primarily a creature of statute.¹⁵

The *Copyright Act 1912* (Cth) laid the foundation for Australian copyright law for the first half of the twentieth century. During this time, the subject matter that was protected was expanded to include a number of works (whether published or not) that had not been included before such as architecture, sound recordings and films. The 1912 Act remained in force until it was repealed and replaced by the Australian *Copyright Act 1968* (which came into operation on 1 May 1969). In part, the 1968 Act, which remains in force today, was passed in response to the recommendations of the Spicer Committee, which had been appointed by the Australian Attorney-General in 1958 to review the *Copyright Act 1912* (Cth) to see what changes were necessary for Australia to ratify the *Brussels Act* of the *Berne Convention*.¹⁶ It was also prompted by the collapse of the imperial system that occurred with the passage of a new British *Copyright Act* in 1956.

The 1968 Act has been modified on a number of occasions. The first major review of the 1968 Act occurred in 1974 when the Whitlam government appointed the Copyright Law Committee, which was chaired by Justice Franki, to examine the impact of reprographic reproduction on copyright law in Australia.¹⁷ More specifically, the Copyright Law Committee was asked to examine the impact of photocopying of works and ‘to recommend any alterations to the Australian copyright law to effect a proper balance of interest between owners of copyright

13 Pursuant to s 8 of the *Copyright Act 1912* (Cth). The limited differences between Australian and UK law arose as a consequence of Australia’s obligations under the *Berne Convention* (1886).

14 (1774) 1 ER 837.

15 This has raised difficulties in recognising legal concepts drawn from indigenous customs, such as communal ownership, that are not recognised by statute. See *Bulun Bulun and Milpurruru v R & T Textiles Pty Ltd* (1998) 41 IPR 513, 525.

16 *Report of the Committee Appointed by the Attorney-General of the Commonwealth to Consider what Alternatives are Desirable in the Copyright Law of the Commonwealth* (The Spicer Committee Report) (Canberra: AGPS, 1965). The Spicer Committee was also concerned with the accession by Australia to the *Brussels Act* of the *Berne Convention* and also to the *Universal Copyright Convention*.

17 Copyright Law Committee, *Report on Reprographic Reproduction* (The Franki Committee Report), (Canberra: AGPS, 1976). The Franki Committee had the benefit of studying a number of earlier reports on copyright. These included: *The Report of the Copyright Committee, 1951, of the United Kingdom* (CMD 8662) (‘the Gregory Committee’) which recommended most of the provisions now contained in the *Copyright Act 1956*, of the United Kingdom; *The Report on Copyright of the Canadian Royal Commission on Patents, Copyright, Trade Marks and Industrial Designs* dated 1 Aug 1957; *The Report of the Copyright Committee, 1959, of New Zealand*; *The Report of the Australian Copyright Law Review Committee, 1959*; and *The Report on Intellectual and Industrial Property of the Economic Council of Canada*, Jan 1971.

and the users of copyright material in respect of reprographic reproduction'.¹⁸ In commencing the review, the Franki Committee reminded itself of what it saw as the primary purpose of copyright law, namely, 'to give to the author of a creative work his just reward for the benefit he has bestowed on the community and also to encourage the making of further creative works. On the other hand, as copyright is in the nature of a monopoly, the law should ensure, as far as possible, that the rights conferred are not abused and that study, research and education are not unduly hampered.'¹⁹ In its deliberations, the Franki Committee observed that Australia should be careful that it did not adopt too radical a solution given that it was a net importer of copyright material.²⁰ Ultimately, the Franki Committee recommended, inter alia, the adoption of a statutory licensing scheme.²¹

This was followed in the 1980s and 1990s by a range of inquiries into many aspects of copyright law. One of the key drivers of these reviews was the establishment in 1983 of the Copyright Law Review Committee ('CLRC') as an advisory body concerned with copyright reform. The CLRC was disbanded in 2005 by the federal government. In this period, the CLRC produced a number of reports on a range of issues including: *The Meaning of Publication in the Copyright Act* (1984); *Use of Copyright Materials by Churches* (1985); *Performers' Protection* (1987); *Moral Rights* (1988); *Importation Provisions* (1988); *Conversion Damages* (1990); *Report of Journalists' Copyright* (1994); *Computer Software Protection* (1994); *Simplification of the Copyright Act: Part 1* (1998); *Simplification of the Copyright Act: Part 2* (1999); *Jurisdiction and Procedures of the Copyright Tribunal* (2002); *Copyright and Contract* (2002); and *Crown Copyright* (2005).

In addition to the various reports of the CLRC, there were a number of additional reports that reviewed specific areas of copyright. These include: *Highways to Change: Copyright in the New Communications Environment: Report by the Copyright Convergence Group on technological advancement and the ability of legislation to cope with change* (1994) (CCG Report); *Stopping the Rip-Offs: Intellectual Property Protection for Aboriginal & Torres Strait Islander Peoples* (1994); *Review of Australian Copyright Collecting Societies* (1995) (the Simpson Report); *Performers' Rights: Options for Reform* (1995) (the Bently & Sherman Report); *Our Culture, Our Future* (1999) (the Janke Report); and the *Report on Intellectual Property legislation under the Competition Principles Agreement* (the Ergas Report) 2000.

18 Paras 1.09–1.11, 10 of the *Franki Committee Report*. The main issue before the Franki Committee was whether reprographic reproduction of a copyright work should be excluded from the rights that a copyright owner enjoys in respect of the reproduction of his work in a material form only where greater public interest clearly requires such an exclusion or whether the proper balance of interest between owners of copyright and users of copyright material in respect of reprographic reproduction should be achieved on a broader basis.

19 *Ibid.*, para 1.05, 9. 'Stress has been laid by a number of witnesses before the Committee on the importance of the free flow of information for education and for scientific, technical and social development in Australia': para 1.40, 16.

20 *Ibid.*, paras 1.35–1.56, 15.

21 *Ibid.*, para 6.39, 49. No recommendation of the Franki Committee was the subject of more discussion and counter-proposal than the recommendation to provide a statutory licence scheme to operate in non-profit educational institutions. See L. Farrell, 'Copyright Amendment Act 1980, Photocopying in educational institutions' (1980) *Australian Current Law Digest*, 53, 54. The recommendation that 'provision be made for multiple copying when carried out in non-profit educational establishments' was described as 'possibly the most significant advanced by the [Franki] Committee': Hon I. Viner, Second Reading Speech, House of Representatives, *Weekly Hansard*, No 14, 1980 (9–11 September 1980), 1012.

The proliferation of reports produced over the last twenty or so years was accompanied by a number of legislative reforms. These included the introduction of moral rights, changes to the rules in relation to parallel importation and the introduction of new rights for performers. While all of these reforms are important, and will be looked at in more detail throughout the text, one issue that will be examined here, which has dominated copyright reform over the last twenty years, are the so-called Digital Agenda reforms. While copyright law in Australia has been dealing with computer technologies since the 1960s, the question of the scope of digital copyright began in earnest in the mid 1990s, when the Commonwealth Government's Digital Agenda reforms to the 1968 Australian *Copyright Act* got under way. This set in place several years of heated and often vitriolic debate about the shape that copyright law should take in the digital environment, which reached a conclusion, of sorts, when the *Copyright Amendment (Digital Agenda) Act 2000* (Cth) came into operation in March 2001.

The *Digital Agenda Act* introduced a number of important changes which will be dealt with throughout the text. The most important include the introduction of the new right to communicate works to the public, which is a technology-neutral right which applies to all subject matter, except for copyright in published editions. The new right was given to copyright owners so that they could control the use that was made of their works online; for example, the digitising and uploading of material onto an internet server. To balance this new right the *Digital Agenda Act* also introduced a number of new exceptions. In addition, the Act also introduced a statutory licence scheme for the payment of equitable remuneration for works contained in retransmitted, free-to-air broadcasts; new remedies for the circumvention of technical-protection measures, including the removal or alteration of rights-management information; and provisions dealing with the liability of internet providers.

While many of the recent changes that have been made to Australian copyright law have been prompted by a combination of international treaties and domestic concerns, the reform process took a different turn when Australia entered into a bilateral trade agreement with the United States in 2004 (the *Australia–United States Free Trade Agreement 2004*). This Agreement, which was implemented in Australia by the *US Free Trade Agreement Implementation Act 2004* and came into effect on 1 January 2005, included a number of specific provisions in relation to copyright.²² In particular, the Free Trade Agreement required that a number of key changes be made to Australian copyright law, notably in relation to duration of protection, the definition of 'reproduction in material form' and 'copy', the law in relation to electronic rights-management and broadcast-decoding devices, as well as the liability of Internet Service Providers. A number of changes were also made in relation to performers. As well as ensuring that Australian law complied with some of the requirements of the *Australia–US Free Trade Agreement*, the

²² See generally C. Arup, 'The United States–Australia Free Trade Agreement: the Intellectual Property Chapter' (2004) 15 *Australian Intellectual Property Journal* 204.

2004 Act also made changes to ensure that the law complies with the *WIPO Performances and Phonogram Treaty* (1996). The key changes were:

- longer term of protection for most copyright subject matters;
- term of protection for photographs changed, so that it is now the same as for other artistic works, namely, the life of the author plus 70 years;
- changes to the definition of ‘reproduction in material form’ and ‘copy’ to ensure that storage of a work or other subject matter will infringe even if the stored material is unable to be reproduced;
- performers given copyright in sound recordings, jointly with the owner of the material in which the performance was recorded, as well as moral rights;²³
- a number of changes made in the scope of protection for performer’s rights;
- changes to the existing law in relation to electronic rights-management and broadcast-decoding devices; and
- the introduction of a safe harbour scheme for online and internet service providers, which provides immunity from financial remedies for infringement if providers comply with certain conditions.

The next change to Australian copyright law took place when the *Copyright Amendment (Film Directors’ Rights) Act* was assented to on 8 November 2005. The Act, which came into force on 8 May 2006, amended the *Copyright Act 1968* (Cth) to provide film directors with copyright in the films that they create. Importantly, these rights are limited to a right to share as copyright owners in the remuneration for the retransmission of films included in free-to-air broadcasts.

While the *US Free Trade Agreement Implementation Act 2004* (Cth) ensured that Australia complied with many of its copyright-related obligations under the *Free Trade Agreement*, a number of areas still required reform.²⁴ In light of this, the federal government released an exposure draft of the *Copyright Amendment (Technological Protection Measures) Bill 2006* in September 2006. As part of the reform process, the Government established the House of Representatives Legal and Constitutional Affairs Committee Inquiry into Technological Protection Measures to enquire into what additional possible exceptions should be introduced into Australian copyright law.²⁵ After a very quick review, the government broadened the scope of the reforms. To this end, the *Copyright Amendment (Technological Protection Measures) Bill 2006* was amended and incorporated in the *Copyright Amendment Bill 2006*. As well as implementing some of the recommendations of the Reviews that had been conducted by the federal government into aspects of copyright law, the Bill also aimed to give effect to Australia’s remaining copyright obligations under the *Australia–United States Free Trade Agreement*

23 *US Free Trade Implementation Act 2004* (Cth), items 16–58. These new rights will come into force when the *WIPO Performances and Phonogram Treaty* comes into force.

24 Under the *Free Trade Agreement* the federal government was obliged to implement a new liability regime for circumventing technological protection measures by 1 January 2007.

25 This served as an administrative review for the purpose of this last category of allowable exceptions under *AUSFTA*. For further information see ch 7, 7.4.

2004. In particular, it proposed to introduce a liability scheme for the circumvention of technological protection measures.²⁶ On 19 October 2006, the Senate referred the provisions of the Copyright Amendment Bill 2006 to the Standing Committee on Legal and Constitutional Affairs.²⁷ After a number of submissions were received from numerous stakeholders, a series of amendments were made to the Copyright Amendment Bill 2006.²⁸ After a relatively brief debate,²⁹ the Copyright Amendment Bill received royal assent on 11 December 2006.³⁰

The *Copyright Amendment Act 2006* (Cth) made a number of important changes to Australian copyright law which will be discussed in the following chapters. The main changes were the introduction of new defences for fair dealing for the purpose of parody and satire, as well as new defences for time-shifting and format-shifting. The Act also introduced a new defence that allows libraries, archives, educational institutions and people with a disability to use copyright material in 'special cases'. As well as altering the criminal penalties, the 2006 Act also made changes in relation to technological protection measures, the Copyright Tribunal, and in respect of the unauthorised reception of encoded broadcasts.

5.3 Justifications

One of the greatest successes that copyright owners achieved in the literary property debates of the eighteenth century, when British publishers unsuccessfully argued that copyright protection was perpetual, was the widespread acceptance of the idea that copyright was a public good that was a necessary part of cultural policy making.³¹ While there have been occasional exceptions, for the most part it has been generally assumed that copyright protection is a good thing that should be supported. The history of copyright in Australia has followed a similar pattern.³²

Over time a number of different arguments have been given to justify the existence of copyright. These arguments are typically raised in situations where pressure groups are lobbying for changes to the law (often for the law to accommodate new types of subject matter or new ways of creating or consuming artistic

26 As explained by the Explanatory Memorandum to the Copyright Amendment Bill 2006.

27 The Senate Standing Committee on Legal and Constitutional Affairs, *Report on the Copyright Amendment Bill 2006* (Nov 2006).

28 See Amendments to the Copyright Amendment Bill 2006 (29 Nov) Supplementary Explanatory Memorandum, Copyright Amendment Bill 2006 (Amendments to be moved on behalf of the Government) 11. See the discussion in Senate, Copyright Amendment Bill 2006 (Nov 2006), *Hansard*, 3133–84.

29 Hon Phillip Ruddock MP, Attorney-General, Second Reading Speech, House of Representatives (19 Oct 2006), *Hansard*, 2.

30 Not all of the provisions came into force on that day. The following provisions came into force immediately on 11 December 2006: sch 6 to 8 (Private copying; new 'special case' exception; and other exceptions for libraries and educational institutions; parody and satire); sch 10 and 11 Copyright Tribunal. A number of provisions came into force at later dates including sch 1 to 5 (new criminal provisions and enforcement measures) and sch 12 (technological protection measures) on 1 January 2007; and sch 9 (encoded broadcasts) on 8 January 2007.

31 B. Sherman and L. Bently, *The Making of Modern Intellectual Property Law* (Cambridge: Cambridge University Press, 1999), 40–2.

32 See P. Drahos, *A Philosophy of Intellectual Property* (Aldershot: Dartmouth, 1996), ch 9.

and cultural creations). While discussions of copyright usually focus on whether or not copyright should be recognised at all, in practice most policy discussions tend to focus on specific issues, typically in response to the advent of a new technology or to changes in the way that cultural objects are created and consumed.

While the arguments used to justify and support copyright protection have taken many different forms, they can be broken down into two general types of arguments. The first, which is by the far the most commonly used in Australia, falls under the general label of utilitarian-based arguments, which focus on ways of encouraging or promoting the creation and dissemination of new cultural and artistic objects. The second set of arguments, which are often lumped together as natural rights arguments, are less concerned with regulatory techniques to promote social, cultural and economic goals than with a belief that copyright ought to exist because it is proper and correct to do so. The differences between these two approaches were summed up in the comment that

the Australian tradition in intellectual property law is more explicitly utilitarian: in the sense of seeking to maximise social welfare, rather than focusing on [intellectual property] as having intrinsic value and hence merit. In this context, maximising social welfare involves maximising the difference between the social value of [intellectual property] created and used, and the social cost of its creation, including the cost of administering the system of intellectual property rights itself.³³

5.3.1 Utilitarian-based arguments

The first general set of arguments that are used to justify the existence of copyright can be conveniently labelled as utilitarian in nature, meaning that they focus on the broader policy implications of copyright law. One of the most common utilitarian justifications given for the existence of copyright is usually referred to as the incentive theory. Under this approach, when combined with the capacity for the copyright initially vested in an author to be assigned to a third party, copyright is said to provide an incentive for third parties to invest in the creation, production, and dissemination of copyright works that benefit society.

Underlying the incentive-based argument is the fact that copyright works, such as books, software, CDs or films, are often very costly to produce. In order for a party to invest in the creation of new cultural and artistic objects, they usually have to be guaranteed some way of obtaining a return on their initial investment. One way of attempting to recoup the initial investment is to charge very high prices for the initial sale of a limited number of copies of a particular work. While this approach may be used in a number of limited circumstances, such as the sale of limited edition print runs of artistic works, for the most part a different business model has been used. This is based on the idea of widespread distribution of the work, with a percentage of the sale price being returned to the owner. The problem with this model is that once objects such as books, CDs and

33 Intellectual Property and Competition Review Committee, *Review of Intellectual Property Legislation under the Competition Principles Agreement (Ergas Committee Report)* (Sept 2000, Final Report to Senator the Hon Nicholas Minchin, Minister for Industry, Science and Resources and the Hon Daryl Williams), 32.

films are placed on the market, they can easily be copied. If these works were not protected by copyright, competitors and consumers could simply wait until the product was placed on the market where they would reproduce the work without having to pay the costs of production.

According to the incentive argument, if cultural and artistic objects were not given legal protection, people would not invest in their creation, production and dissemination. While some cultural and artistic objects would continue to be created, overall there would be a decline in the quality and quantity of works that were produced and consumed. Insofar as copyright protects against the unauthorised copying of protected works, it ensures that the mass-production business model is able to function. From this perspective copyright provides a 'legal means by which those who invest time and labour in producing cultural and informational goods can be confident that they will not only be able to recoup that investment, but also to reap a profit proportional to the popularity of their work'.³⁴ The legal protection given by copyright rectifies the 'market failure' and as a result provides an incentive for parties to invest in the production and dissemination of works.³⁵

5.3.2 Natural rights

According to natural rights arguments, copyright protection is not granted for the greater public good, but because it is right and proper to do so. More specifically, it is right to recognise a property right in intellectual productions, *because* such productions emanate from the mind of an individual author. The natural rights theory is often described by reference to the landmark decision of *Millar v Taylor*, where it was said that 'it is not agreeable to the natural justice that a stranger should reap the pecuniary produce of another's work'.³⁶ Natural rights arguments require that the resulting creation is recognised as the exclusive property of its creator. The corollary of this is that the copying of another person's work is a usurpation of their property, which is equivalent to theft. It is also an imposition on their personality. Copyright is the positive law's realisation of this self-evident, ethical precept.³⁷ It has been suggested that the natural law approach:

sees the foundation of the rights of an author in the very nature of things. Laws have no other purpose but to recognise the existence of the author's rights, and to give them a more precise formulation. These rights are not created by the laws because they have

³⁴ L. Bently and B. Sherman, *Intellectual Property Law* (2nd ed, Oxford: Oxford University Press, 2004), 35; *Millar v Taylor* (1769) 4 Burr 2303; 98 ER 201. See also *Walter v Lane* [1900] AC 539 (per Lord Halsbury C); *Hogg v Scott* (1874) LR 18 Exchequer EQ 444, 458; *Macmillan & Co Ltd v Cooper* (1924) 93 LJPC 113, 119; *International News Services v Associated Press* (1918) 248 US 215, 239–41.

³⁵ C. Arup, 'Innovation, Policy Strategies and Law' (1990) 12 *Law and Policy*, 247, 248–9. See also C. Arup, *Innovation, Policy and Law* (New York: Cambridge University Press, 1993).

³⁶ *Wiles J in Millar v Taylor* (1769) 98 ER 201. It could be argued that the natural rights theory is embodied at an international level by art 27 (2) of the *Universal Declaration of Human Rights*, which states 'Everyone has the right to protection of the moral and material interests resulting from scientific, literary or artistic production of which [she or] he is the author'.

³⁷ Bently and Sherman, *Intellectual Property Law*, above n 34, 33.

always existed in legal conscience of man. Copyright is thus a natural right growing out of natural law. The rights of an author in his intellectual product are equated with the property incorporeal things.³⁸

At its most extreme, a natural rights conception of copyright leads to longer and stronger protection for authors (and copyright owners) than an incentive-based conception. This is because a natural rights argument for copyright is assumed to result in a form of property that is perpetual and unqualified.³⁹

For the most part, natural law notions, which are generally seen as a foreign civil law concept, have had little place in the self-styled hard-nosed commercial world of Australian copyright law. As Machlup and Penrose said 'Natural rights theories . . . have never been particularly fashionable in common law jurisdictions' where copyright is usually 'viewed in a more instrumentalist terms, as an institution given the sanction of positive rule for a social purpose'.⁴⁰ Having said that, natural law ideals do underpin some of the arguments about copyright law in Australia. One area where this can be seen is in relation to the so-called reward arguments, which holds that copyright protection is granted because it is fair to reward an author for the effort they have expended in creating a work and giving it to the public. Under this approach copyright is seen as the 'legal expression of gratitude to an author for doing more than society expects or feels that they are obliged to do. In a sense, the grant of copyright is similar to the repayment of a debt'.⁴¹ Another area in which the natural law theories can be seen to operate is in relation to the idea that it is unfair (and therefore wrong) for a defendant to 'reap where they haven't sown'. This metaphor, which is often used by courts in copyright infringement actions, is used to argue that where a plaintiff has gone to the effort of creating a new cultural or artistic object, it is unfair for a defendant to copy that work.⁴²

5.4 International influences

Australia is a party to a number of international treaties and agreements that impact on and shape domestic copyright law. These treaties and agreements set out the minimum standards of protection required by Member States.⁴³

38 F. Kase, *Copyright Thought in Continental Europe: Its Development, Legal Theories and Philosophy* (South Hackensack: F B Rothman & Co, 1971), 8; H. Spector, 'An outline of a theory justifying intellectual property and intellectual property rights' (1989) 8 *EIPR* 270. See also J. Hughes, 'The Philosophy of Intellectual Property' (1988) 77 *Georgetown Law Journal* 287, which draws upon the philosophical approaches of Locke and Hegel to justify intellectual property rights.

39 See *Millar v Taylor* (1769) 4 Burr 2303, 98 ER 201, 218–22 (Aston J), 252 (Mansfield CJ).

40 F. Machlup and E. Penrose, 'The patent controversy in the nineteenth century' (1950) 10 *Journal of Economic History* 11.

41 'An exclusive privilege is of all rewards the best proportioned, the most natural, and the least bothersome': J. Bentham, 'Manual of Political Economy' in J. Bowring (ed) *The Works of Jeremy Bentham*, iii (1843), 31, 71.

42 Bently and Sherman, *Intellectual Property Law*, above n 34, 33.

43 For example, the *Universal Copyright Convention* in 1969, the *Geneva Convention for the Protection of Producers of Phonograms against Unauthorised Duplication for their Phonograms* in 1974, the *Brussels Convention Relating to Distribution of Programme-Carrying Signals Transmitted by Satellite*

5.4.1 The *Berne Convention* (1886)

One of the concerns of legislators in the nineteenth century was how copyright was to be protected in foreign countries. While bilateral treaties provided some assistance, they became increasingly complicated. In part this prompted the establishment in 1886 of a specific multilateral treaty dealing with copyright known as the *Berne Convention for the Protection of Literary and Artistic Works*. The *Berne Convention* lays down minimum standards of protection for literary and artistic works and films. It also introduced the important concept of national treatment or reciprocity, which provides that a copyright owner in one Member country ought to be entitled to equal treatment in other Member States. When combined with Article 5(2), which provides that copyright protection arises automatically without formalities, this ensures that once a work is created it is immediately protected in all Member States.

The *Berne Convention* has been modified on a number of occasions, the most recent substantive revision occurring with the Paris Revision in 1971. It should be noted that the *Berne Convention* was supplemented by the 1996 WIPO *Copyright Treaties* which are discussed below. The *Berne Convention*, which is administered by the World Intellectual Property Organisation (WIPO), a specialised agency of the United Nations, currently has a membership of 162 countries. The UK became a member of the *Berne Convention* in 1887 and Australia, as a dependant territory of the UK, thus also became a member of the *Berne Convention* at the same time. Australia, however, became a party to *Berne* and its revisions in its own right in 1928.⁴⁴

5.4.2 The *Universal Copyright Convention* (UCC) (1952)

The *Universal Copyright Convention* was concluded in 1952 with membership comprising many *Berne Convention* Member States and also the US, which was not then a member of *Berne*. Australia ratified the UCC in 1969.⁴⁵ The UCC applied to the same range of works as were protected by *Berne*, but the standards of protection were lower and more general. Since the US joined the *Berne Convention* in 1989, the international importance of the UCC has diminished.

5.4.3 The *Rome Convention* (1961)

The *Rome Convention* sets out protection for sound recordings, broadcasts and performances. The *Rome Convention* is administered by WIPO. Until the *TRIPS Agreement* in 1994, it remained the only international instrument protecting

in 1990 and the *TRIPS Agreement* in 1995. There are also the two WIPO treaties, *WIPO Copyright Treaty* and the *WIPO PPT Treaty* (WPPT), which need to be ratified by Australia as part of the *US–Australia Free Trade Agreement 2004*.

⁴⁴ See S. Ricketson, *The Berne Convention for the Protection of Literary and Artistic Works* (London: Kluwer & QMW, 1987).

⁴⁵ The Paris Text was ratified in 1978.

performers' and broadcasters' rights. Australia became a signatory to the *Rome Convention* in 1992.

5.4.4 GATT (1947) and TRIPS (1994)

The preamble to the *TRIPS Agreement (Agreement on Trade Related Aspects of Intellectual Property Rights, Including Trade in Counterfeit Goods)* commences with a statement of the desires of the Members:

To reduce distortions and impediments to international trade, and taking into account the need to promote effective and adequate protection of intellectual property rights, and to ensure that measures and procedures to enforce intellectual property rights do not themselves become barriers to legitimate trade.

TRIPS requires Member States to implement the protection prescribed by the *Berne Convention*, except for the moral rights provisions. *TRIPS* represents a change in the intellectual property specific conventions insofar as it contains extensive provisions for the enforcement of intellectual property rights. Australia became a party to *TRIPS* on 1 January 1995 when it first came into force.⁴⁶

5.4.5 The WIPO internet treaties (1996)

In recognition of the fact that the latest substantial revision of the *Berne Convention* was in 1971, WIPO convened a committee of experts in 1991 to consider the possible development of a protocol to the *Berne Convention*. A second committee of experts was formed, in effect, to update the *Rome Convention*. These eventually led to the establishment of two new treaties, which were passed at the WIPO Diplomatic Conference held in Geneva in December 1996. These are often referred to as the 'internet treaties'. The first *WIPO Copyright Treaty 1996 (WCT)* is a protocol between members of the *Berne Convention*, but uses the *TRIPS* device so that non-*Berne* members can join the *Copyright Treaty* provided that they implement all the obligations of *Berne*. The second treaty, the *WIPO Performances and Phonograms Treaty (WPPT)* (1996), deals with intellectual property rights of performers and producers of phonograms.

The main obligations for these treaties were implemented in Australian law via the *Copyright Amendment (Digital Agenda) Act 2000*, which included measures providing for a new online right of communication to the public for right holders, and sanctions for the circumvention of technological protection of copyright materials. Accession to the *WCT* and the *WPPT* is part of Australia's copyright obligations under the *Australia–United States Free Trade Agreement 2004* (see below).⁴⁷

⁴⁶ C. Arup, 'TRIPS: Across the Global Field of Intellectual Property' (2004) 26(1) *EIPR* 7; P. Mavroidis, *The General Agreement on Tariffs and Trade: A Commentary* (Oxford: Oxford University Press, 2005).

⁴⁷ A third WIPO treaty concerning protection for non-original databases was also proposed at the WIPO Diplomatic Conference. The introduction of this treaty has, however, been deferred for the present. For a useful commentary on database protection, see M. Davison, *The Legal Protection of Databases* (Cambridge: Cambridge University Press, 2003).

5.4.6 Australia–USA Free Trade Agreement 2004

In addition to these various multilateral treaties that Australia is a party to, Australia has also entered into a number of bilateral trade agreements that impact upon copyright law in Australia. One of the most important is the *Australia–USA Free Trade Agreement* which was concluded in May 2004.⁴⁸ This agreement was implemented by the *US Free Trade Agreement Implementation Act 2004* (Cth) which came into effect on 1 January 2005.⁴⁹ The key changes to Australian copyright law brought about by the Free Trade Agreement were in relation to duration of protection, the definition of ‘reproduction in material form’ and ‘copy’, the law in relation to electronic rights-management and broadcast-decoding devices, as well as the liability of internet service providers. A number of changes were also made in relation to performers. These will be discussed where relevant in the following chapters.

5.5 Future reforms

There are a number of reforms to Australian copyright law that have been proposed.⁵⁰ One issue that has arisen in recent years has been whether Australia should introduce an artists’ resale royalty right (or ‘*droit de suite*’). A resale royalty right entitles the artist to a percentage payment when a work of art that they have created is resold (typically in a commercial gallery).⁵¹ While a member of the Opposition introduced the Artist’s Resale Rights Bill 2006 as a Private Member’s Bill into federal parliament, the government signalled its intention not to support the introduction of the resale royalty right on 9 May 2006 on the basis that it would ‘not provide a meaningful source of income for the majority of Australian artists’.⁵² Another proposed area of reform is the possible introduction of Indigenous communal moral rights. These rights would recognise communal moral rights based on an agreement between the artist and their community. It is, however, unlikely that communal moral rights will be introduced in the near future.⁵³

48 Chapter 17 of the *Australia–United States Free Trade Agreement 2004* specifically deals with intellectual property rights.

49 See generally C. Arup, ‘The United States–Australia Free Trade Agreement’, above n 22, 204.

50 On 6 December 2006, the *Final report of the Gowers Review of Intellectual Property* was released in the UK. The key recommendations include: recommendations relating to enforcement (including stronger penalties for online infringement); introduction of private copying exception to enable consumers to format-shift in certain circumstances; amendments to the exceptions for education establishments and libraries so that they apply in the digital environment; and that the term of protection for sound recordings not be extended. Many of these recommendations mirror the approach taken by the Australian Government in the 2006 *Copyright Act* reforms.

51 In August 2004, a Discussion Paper was released which was designed to stimulate debate about whether it would be desirable to introduce a resale royalty arrangement in Australia: Australian Government, Department of Communications, Information Technology and the Arts, *Report of the Contemporary Visual Arts and Craft Enquiry (Myer Report)*, 2003, Recommendation 4, 13.

52 See Attorney-General and Minister for Arts and Sports, *New Support for Australia’s Visual Artists*, (Press Release, 9 May 2006).

53 For further discussion of Indigenous communal moral rights see ch 9, 9.2.7.

The reform process is also underway at the international level. In particular WIPO is currently involved in reform in two areas. The first is in relation to the intellectual property aspects of access and traditional knowledge. The Inter-Governmental Committee (IGC) on Intellectual Property, Genetic Resources, Traditional Knowledge and Folklore was formed by WIPO to consider and advise on appropriate actions concerning the economic and cultural significance of traditional-based creations, and the issues of conservation, management, sustainable use, and sharing of benefits from the use of genetic resources and traditional knowledge, as well as the enforcement of rights to traditional knowledge and folklore.⁵⁴ The second area of reform that WIPO is involved with is in relation to broadcast copyright, where it is attempting to formulate a new treaty to deal with the reported increase in piracy suffered by broadcasters, cablecasters and webcasters.⁵⁵ In an attempt to prevent such piracy, the proposed treaty, *Draft Basic Proposal for the WIPO Treaty on the Protection of Broadcasting Organizations*,⁵⁶ aims to provide new rights to broadcasters, cablecasters and webcasters. It would also extend the scope and duration of the rights presently given to broadcasting organisations under the *Rome Convention on the Protection on the Protection of Performers, Producers of Phonograms and Broadcasting Organisations* (1961), the *WIPO Performance and Phonograms Treaty* (1996), the *WIPO Copyright Treaty 1996* and the *TRIPS Agreement* (1994).

54 The WIPO Inter-Governmental Committee (IGC) on Intellectual Property, Genetic resources, Traditional Knowledge and Folklore was established in the 26th Session (12th Extraordinary session) of the WIPO General Assembly, held in Geneva, 25 September to 3 October 2000.

55 The proposed WIPO *Broadcasters, Cablecasters and Webcasters Treaty*.

56 Revised Draft Basic Proposal for the WIPO *Treaty on the Protection of Broadcasting Organizations*, last revised in September 2006.

Subsistence of copyright

6.1 Introduction

There are a number of different criteria that a creation must meet in order for it to be protected by copyright law. These are the requirements of (i) subject matter (ii) material form (iii) connection to Australia and (iv) originality. While copyright arises automatically on creation, a work will only be protected if it satisfies these different criteria (or at least those criteria that apply). The first threshold that must be met is that the creation must fall within one of the categories of subject matter recognised under the *Copyright Act 1968* (Cth). Copyright law divides subject matter into two general categories; ‘works’ – literary, dramatic, musical and artistic works – and ‘subject matter other than works’ – sound recordings, cinematograph films, sound and television broadcasts, and published editions of works. Once it has been established that a creation falls within one of the categories of subject matter, it is then necessary to show that it meets the requisite criteria for protection. The particular criteria that need to be met differ depending on the type of subject matter in question.¹ The first of these is that for a work to qualify for protection, it must be recorded in material form. This requirement only applies to literary, dramatic, musical and artistic works. The next requirement that must be satisfied, which applies to all categories of subject matter, is that the creation must be sufficiently connected to Australia to qualify for protection under Australian law. The final requirement, and the requirement that often requires closest examination, is that the work must be original.²

¹ In the case of works and subject matter other than works it is also necessary to distinguish between those which are ‘published’ and those which are ‘unpublished’. This is largely because the place of first publication becomes significant in determining subsistence of copyright: ss 32, 22(1) and (2) *Copyright Act 1968* (Cth).

² s 32(1) *Copyright Act 1968* (Cth).

This requirement only applies to literary, dramatic, musical and artistic works. Part IV works (that is, subject matter other than works) only need to satisfy the lower threshold that the subject matter has not been copied. Each of these criteria will be examined in turn.

6.2 Subject matter

One of the very first questions to be decided when determining whether a creation is protected by copyright law is whether it falls within one of the categories of subject matter recognised under the *Copyright Act 1968* (Cth). As was discussed in chapter 5, books, pamphlets and other literary works were the first type of subject matter protected by copyright. Over time the categories of subject matter have expanded to include a range of new types of creative and artistic output, the latest instance being computer programs in the 1980s. While patent law subject matter is based on a relatively open-ended definition of invention, copyright law provides an exhaustive list of the types of subject matter that are protected. If a creation does not fall within the scope of one of these categories, it will not be protected by copyright.

It is important to note that the *Copyright Act 1968* (Cth) distinguishes between two categories of subject matter.³ The first, which are found in Part III of the *Copyright Act*, covers literary, dramatic, musical and artistic works. These forms of subject matter, which are united by the fact that they usually have an identifiable author, are commonly referred to as ‘works’. The second category of subject matter, which is found in Part IV of the *Copyright Act*, covers sound recordings, cinematograph films, sound and television broadcasts, and published editions of works. These are usually called ‘subject matter other than works’, entrepreneurial rights or neighbouring rights. The categorisation of subject matter is important because the criteria for protection, as well as the length and scope of protection, differ depending on the type of subject matter in question.⁴

6.2.1 Works

There are four different types of works recognised in Part III of the *Copyright Act*. These are literary works, dramatic works, musical and artistic works.

6.2.1.1 Literary works

Literary works, which were first protected under the 1709 *Statute of Anne*, are the oldest form of subject matter recognised by copyright law. Literary works

³ Part XIA of the *Copyright Act 1968* (Cth) provides separately for rights against specified unauthorised uses of performances. These rights are more commonly referred to as performers’ rights. Performers will have moral rights in their performances when Australia accedes to the *WIPO Phonograms and Performances Treaty (WPPT)* by virtue of the *Australia–USA Free Trade Agreement 2004*, entered into on 1 January 2005. Moral rights of creators are contained in Part IX and are discussed in more detail along with performers’ rights in ch 9.

⁴ A further distinction is made between published and unpublished creations, whether they are works or subject matter other than works.

have been defined as creations which are ‘intended to afford either information or instruction, or pleasure, in the form of literary enjoyment’.⁵ It has also been said that a literary work supplies information capable of conveying an intelligible meaning.⁶ There is no requirement that a literary work must have literary merit or that it is of a particular quality.⁷ As such, it covers a wide range of creations ranging from novels, articles, poems, short stories and song lyrics through to instructions, catalogues and databases as well as more mundane creations such as railway timetables and university exam papers. Literary work is defined in s 10(1) of the *Copyright Act 1968* (Cth) to include tables or compilations expressed in words, figures or symbols. As a result of changes introduced in 1984, it also expressly covers computer programs and compilations of computer programs.⁸ Most literary works (with the obvious exception of computer programs) are recorded in writing.⁹

The question of whether something qualifies as a literary work is, for the most part, relatively straightforward. There are, however, a number of areas that warrant separate attention. These are: names, titles and trade marks; tables and compilations; and computer programs.

6.2.1.1.1 Names, titles and trade marks

Single words, names and titles are generally not protected by copyright.¹⁰ There are many examples of titles and single words that have been held to fall outside the scope of copyright protection including ‘The Man Who Broke the Bank at Monte Carlo’,¹¹ ‘Opera in the Outback’¹² and ‘Exxon’.¹³ In some situations, however, copyright may subsist in a title; it is a question of fact in each case depending upon the originality and nature of the title.¹⁴ One explanation as to why name and titles do not qualify for protection (which overlaps with the originality requirement) is because they are not substantial enough to attract copyright protection. It has also been suggested that there is no need for copyright protection to be given to single words as they are adequately protected by trade mark law, passing off and artistic copyright.¹⁵

5 *Hollinrake v Truswell* [1894] 3 Ch 420, 428 approved in *Exxon Corp v Exxon Insurance Consultants International Ltd* [1982] RPC 69.

6 See, e.g., *Apple Computer Inc v Computer Edge Pty Ltd* (1986) 161 CLR 171. But cf *Data Access Corp v Powerflex Pty Ltd* (1999) 166 ALR 228; *Cortis Exhaust Systems Pty Ltd v Kitten Software Pty Ltd* [2001] FCA 1189, paras 31–3.

7 *University of London Press v University Tutorial Press Limited* [1916] 2 Ch 601, 608–10.

8 By the *Copyright Amendment Act 1984* (Cth).

9 ‘Writing’ is defined in s 10 of the *Copyright Act 1968* (Cth) to mean a mode of representing or reproducing words, figures or symbols in a visible form, and ‘written’ has a corresponding meaning.

10 See *Francis Day & Hunter Ltd v Twentieth Century Fox Corp Ltd* [1940] AC 112, 123 (Lord Wright); cf *Lamb v Evans* [1893] 1 Ch 218; *Exxon Corp v Exxon Insurance Consultants International Ltd* [1982] RPC 69; see also *John Brodel v Telstra Corp* [2004] FCA 505.

11 *Francis Day & Hunter Ltd v Twentieth Century Fox Corp Ltd* [1940] AC 112, 123 (Lord Wright).

12 See *Lott v JBW & Friends Pty Ltd & Endeavour Corp Design No. SCGRG-99-679* [2000] SASC 3 (title of the brochure ‘Opera in the Outback’ was not a literary work).

13 *Exxon Corp v Exxon Insurance Consultants International Ltd* [1982] RPC 69.

14 *Lamb v Evans* [1893] 1 Ch 218, 227; *Ladbroke (Football) Ltd v William Hill (Football) Ltd* [1964] 1 WLR 273, 286.

15 J. Lahore, *Copyright and Designs*, Butterworths looseleaf (Sydney: LexisNexis Butterworths, para [6020]). See also L. Bently and B. Sherman, *Intellectual Property Law* (2nd ed, Oxford: Oxford University Press, 2004), 62.

6.2.1.1.2 Tables and compilations

It is clear from s 10 of the *Copyright Act 1968* (Cth) that tables and compilations expressed in words, figures or symbols as well as compilations of computer programs are literary works. There are many examples of compilations that have been protected by copyright. For example, in *Kalamazoo (Aust) Pty Ltd v Compact Business Systems*¹⁶ a system of blank accounting forms for use in a mechanical device known as a peg board was held to be a compilation that fell within the definition of literary works. Other examples include telephone directories,¹⁷ race programs,¹⁸ a list of numbers for a 'Bingo' game,¹⁹ betting information for football match figures,²⁰ columns of birth and death announcements in a newspaper,²¹ a list of the different prizes to be used in video gaming machines,²² and a list of radiator caps and fuel tank caps.²³ Given that tables and compilations usually consist of the collection and arrangement of pre-existing materials, protection usually turns on whether the work is original (which is discussed below), rather than on whether it is a literary work.

6.2.1.1.3 Computer programs

In the 1970s and 1980s, there was widespread debate in many countries around the world as to whether computer programs should be protected by copyright, patents or by *sui generis* legislation. In Australia, as elsewhere, there was confusion and uncertainty about whether computers could and should be protected by copyright law. These problems were highlighted in the 1983 decision of *Apple Computer Inc v Computer Edge Pty Ltd*,²⁴ the first Australian case to consider whether computer programs could be protected by copyright law. While the threshold to convey 'intelligible meaning' is fairly low, nonetheless Beaumont J held that a computer program in object code was not a literary work. This was because the object code was not intelligible to humans, largely because the series of electrical impulses was not visible.²⁵ On appeal to the Full Federal Court it was held that there was copyright in the computer program as it was held that the source code was a literary work and the object code was an adaptation of the literary work (on the basis of it being a translation).²⁶

16 (1985) 5 IPR 213.

17 *Desktop Marketing Systems Pty Ltd v Telstra Corp Ltd* [2002] FCA 112. See also *Harpur v Lambourne* [1999] 45 IPR 213 (Supreme Court of NSW) (where a directory of businesses in the boating industry that was arranged in a manner similar to a yellow-pages telephone listing was held to be an original literary work).

18 *Mander v O'Brien* [1934] SASR 87.

19 *Mirror Newspapers Ltd v Queensland Newspapers Pty Ltd* (1982) 59 FLR 71.

20 *Football League Ltd v Littlewoods Pools Ltd* [1959] Ch 637.

21 *John Fairfax & Sons Pty Ltd v Australian Consolidated Press Ltd* [1960] SR (NSW) 413.

22 In *Milwell v Olympic Amusements* (1999) 43 IPR 32 the Full Federal Court held that prize scales developed for draw poker video gaming machines were protected by copyright as a table or compilation as they were plainly intended to convey information and instructions regarding the prizes available.

23 *Autocaps Pty Ltd v Pro-Kit Pty Ltd* [1999] FCA 1315.

24 (1983) 50 ALR 581. It is important to note that the decision is based on the law prior to when the 1984 *Copyright Amendment Act* took effect on 15 June 1984.

25 See, e.g., *Apple Computer Inc v Computer Edge Pty Ltd* (1986) 161 CLR 171 (noting that a literary work may be a mere collection of letters, numerals or symbols that are in themselves meaningless, but made up in merely mechanical ways, such as codes, ciphers, mathematical tables, and systems of shorthand).

26 The court drew a distinction between the functioning of the machine (due to the electrical impulses) and the computer program itself (which could be understood by suitably trained people) which contained the

This decision was reaffirmed on appeal when the High Court held that while the computer program in source code was a literary work, the object code did *not* constitute a literary work.²⁷ This was largely because although the object code was 'original', it was not 'visible or otherwise perceptible and thus was not intended to be capable by themselves of conveying a meaning which could be understood by human beings'.²⁸

Despite (or more probably because) of this decision, Australia followed the lead of many other countries and decided to protect computer programs as literary works (although patent protection is increasingly being used to protect computer programs). To this end, the *Copyright Act 1968* (Cth) was amended in 1984 to include computer programs in the definition of literary works.²⁹ This definition, which came into effect in 1984, was replaced by the *Copyright Amendment (Digital Agenda) Act 2000*.³⁰ Under current law, a computer program is defined as a 'a set of statements or instructions to be used directly or indirectly in a computer to bring about a certain result'.³¹ As a result, it is now clear that computer programs are protected as literary works, whether expressed in source or object code, and whether they are stored electronically or not.³²

One of the things that the 1984 and 2000 definitions have in common is that a computer program is defined as a set of statements or instructions. One question that has arisen in this context, which relates to the scope of the work, is whether there is some minimum criteria that must be met before something is able to qualify as a computer program in copyright law. This issue was considered in the 1999 decision of *Data Access Corp v Powerflex Pty Ltd*,³³ where the the High Court was asked whether an individual word in computer language (Huffman compression table), although representing a computer program, was a literary

instructions for the storage and reproduction of the information. *Apple Computer Inc v Computer Edge* (1984) 53 ALR 225.

27 (1986) 161 CLR 171. Gibbs CJ, Mason, Wilson and Brennan JJ held that the Apple source codes were literary works. Mason and Wilson JJ (*Computer Edge v Apple Computer Inc*) (1986) 161 CLR 171, 194) held that a computer program in object code was a literary work and Gibbs CJ and Brennan J held a computer program in object code could not be a literary work ((1986) 161 CLR 171, 184). See also *Autodesk Inc v Dyason* (No 1) (1992) 173 CLR 330.

28 Note ss 47AB–AH of *Copyright Act 1968* (Cth) which allows decompilation of computer programs for interoperability introduced as a result of the *Digital Agenda* amendments.

29 By virtue of the *Copyright Amendment Act 1984*, which came about after industry concerns about the lack of protection for computer programs were expressed in a National Symposium on Legal Protection of Computer Software in March 1984. The 1984 provision, which has now been replaced, defined computer program as 'an expression, in any language, code or notation, of a set of instructions (whether with or without related information) intended, either directly or after after either or both of the following: (a) conversion to another language, code, or notation; (b) reproduction in different material form; to cause a device having digital information facilities to perform a particular function'.

30 In 1988, the Copyright Law Review Committee (CLRC) was given the task of examining the adequacy of copyright protection for computer programs and their report was released in 1995. While the key CLRC recommendations were enacted in the *Copyright Amendment (Computer Programs) Act 1999*, the changes to the definition of computer program were not adopted until 2000.

31 A computer program was defined (prior to the *Copyright Amendment (Digital Agenda) Act 2000* (Cth)) in s 10 as: '... an expression, in any language code or notation, of a set of instructions (whether with or without related information) intended, either directly or after either or both of the following; (a) conversion to another language, code or notation; (b) reproduction in a different material form; to cause a device having digital information processing capabilities to perform a particular function': s 10 *Copyright Act 1968* (Cth).

32 *Data Access Corporation v Powerflex Services Pty Ltd* (1999) 166 ALR 228.

33 *Ibid.*

work.³⁴ The High Court defined a computer program in a negative way by saying that:

Something is not a 'computer program' within the meaning of the definition in s 10(1) unless it is intended to express, either directly or indirectly, an algorithmic or logical relationship between the function desired to be performed and the physical capabilities of the 'device' having digital processing capabilities. Thus, in the sense employed by the definition, a program in object code causes a device to perform a particular function 'directly' when executed. A program in source code does so 'after . . . conversion to another language, code or notation'.³⁵

On the basis that the reserved words (in the Huffman compression table) expressed neither an algorithmic or logical relationship intended to cause a computer to function, the High Court concluded that the compression table was not a computer program and thus not a literary work for purposes of the *Copyright Act 1968* (Cth).³⁶ While the High Court's decision is based on the 1984 definition of computer program, nonetheless the comments on the way that the 'set of instructions' is to be construed are still relevant today.

When thinking about copyright protection for computer programs, it is important to note that computer programs consist (at least potentially) of both functional and non-functional components. That is, a computer program may consist of instructions (code) that serve a specific purpose (such as word processing), as well as non-functional material (for example, the data).³⁷ The copyright protection of a computer program is not intended to extend to the content of the computer programs (for example, the audio visual and caption content of DVD disks are not program instructions and thus not part of a computer program).³⁸ However, in *Kabushiki Kaisha Sony Computer Entertainment v Stevens*,³⁹ a computer game was held to be both a literary work as well as a cinematograph film.⁴⁰

6.2.1.2 Dramatic works

The second category of works which are recognised under the *Copyright Act 1968* (Cth) is dramatic works. The *Copyright Act* defines a dramatic work to include a choreographic show or other dumb show (pantomime).⁴¹ Plays, screenplays,

34 At first instance, Jenkinson J held that each of the reserved words was a computer program within the 1984 definition as it was a translation of the set of instructions in source code and object code which were intended to cause the computer to function. *Data Access Corporation v Powerflex Services Pty Ltd* (1996) 33 IPR 194, 197–8. This decision was overturned on appeal to the Full Federal Court, when the Court held that the words were mere 'triggers' that activated the underlying set of instructions and not themselves an expression of the set of instructions by which the computer was caused to function. See *Powerflex Services Pty Ltd v Data Access Corporation* (1997) 37 IPR 436, 451.

35 (1999) 166 ALR 228, 248.

36 *Ibid* 251.

37 The data is not incidental, as 'in many cases it will be necessary for instructions to be accompanied by related information if those devices are to perform quite ordinary computer functions': Gaudron J in *Autodesk Inc v Dyason (No 2)* (1993) 176 CLR 300, 329.

38 *Australian Video Retailers Association Ltd v Warner Home Video Pty Ltd* (2001) 53 IPR 242, 258.

39 [2003] FCAFC 157, para [62].

40 Following *Galaxy Electronics Pty Ltd v Sega Enterprises Ltd* (1997) 37 IPR 462.

41 s 10(1) *Copyright Act 1968* (Cth).

scripts and possibly also firework displays⁴² fall within the category of dramatic works. While a script for a film is included in the definition of a dramatic work, the film itself is not a dramatic work. Instead, the film is a separate type of subject matter that is recognised in Part IV of the *Copyright Act*.⁴³

A dramatic work must be 'capable of being performed'.⁴⁴ It has been held that a videogame is not a dramatic work on the basis that there was no apparent plot, choreography, script, characterisation or interaction between characters and there was a strong element of unpredictability and randomness.⁴⁵ While there is no copyright protection of the plots or themes of dramatic works, it is still possible to infringe copyright in a dramatic work if the plot or theme is reproduced and it constitutes a substantial part of the original dramatic work.⁴⁶ Interestingly, in the UK decision of *Norowzian v Arks Ltd*,⁴⁷ the court gave a generous interpretation of what could be protected as a dramatic work. In this case copyright protection was given for a particular form of film editing (jump-cutting) used in the film 'Joy' and copied in the Guinness stout commercial on which the advertisement was based. While the copied dance could not be performed, as the film was a result of the editing process, it was held that as the film could be played, the film itself was 'capable of being performed'. There has been some doubt cast on the *Norowzian* decision in Australia in *Telstra Corporation Limited v Royal & Sun Alliance Insurance Australia Limited*.⁴⁸ In this case, Telstra claimed infringement of their 'Goggomobil' advertisement by the defendant insurance company. Telstra claimed that their advertisement was a dramatic work (a series of dramatic events making up a short story) despite the fact that there was no written script of the work hence no reduction into material form. Telstra failed in its claim for copyright infringement as even though the defendant's ad campaign had featured similar concepts (i.e. memorable character and unusual car), there was only the taking of the idea rather than the expression of the idea.⁴⁹

The requirement that a dramatic work must be capable of being performed has had important ramifications for the protection given to game shows and franchised television programs such as 'Big Brother', 'The Block', 'Survivor' and 'The

42 In *Nine Network Australia Pty Ltd v Australian Broadcasting Corp* [2000] IPR 333 Federal Court, Channel 9 applied for an injunction to restrain the ABC from broadcasting the 2000 Millennium Fireworks spectacular at the Sydney Harbour Bridge. In exchange for a financial contribution to the staging of the event the Sydney City Council granted Channel 9 the status of official broadcaster and the exclusive right to record and televise the 'fireworks spectacular and associated events'. It was not clear whether the grant of the exclusive rights had a firm legal basis by which others could be excluded from broadcasting the same event; one of the issues was whether an outdoor fireworks spectacular was able to be protected by copyright.

43 See the discussion of films as subject matter at 6.2.2. On the question of the relationship between dramatic work and film see *Norowzian v Arks (No 2)* [2000] EMLR 67.

44 *Green v Broadcasting Corporation of New Zealand* [1989] RPC 469.

45 *Aristocrat Leisure Industries v Pacific Gaming* [2000] FCA 1273 (8 September 2000). See also *Nine Network Australia v Australian Broadcasting Corporation* [2000] IPR 333 (FC) (doubting whether a fireworks display was a dramatic work).

46 See J. Lahore, *Copyright and Designs*, above n 15, paras [34,300]–[34,320].

47 (2000) FSR 363.

48 (2003) 57 IPR 453.

49 Telstra was, however, successful in a claim for passing off under ss 52 and 53(d) of the *Trade Practices Act 1974* (Cth). Even though the ideas had been expressed differently (hence avoiding copyright infringement), the court found that as the defendant had used similar concepts in their advertising campaign, that the defendant had falsely represented an affiliation with Telstra.

Biggest Loser'. While aspects of these programs (such as the theme tune and the logo) may be protected by copyright and trade marks, a problem facing the creators of these programs is that the courts have, with one or two exceptions, refused to accept that the formats of television programs are a form of dramatic work able to be protected by copyright. For example, in *Green v Broadcasting Corporation of New Zealand*⁵⁰ the owner of the popular British game show 'Opportunity Knocks' brought an infringement action against a rival program screened in New Zealand which adopted many of the features of the British program. As part of the action, the Privy Council was called upon to decide whether 'Opportunity Knocks' was protected as a dramatic work. The Privy Council held that although the program followed a specific format, used particular catchphrases, and adopted a special technical device called a 'clapometer' to measure audience response, nonetheless when looked at as a whole it was not protected by copyright.⁵¹ This was because the program lacked the specificity or detail that enabled it to be performed that was required for it to qualify as a dramatic work. The Privy Council held that the rival program had only copied the idea or concept, which was not able to be protected under copyright law.⁵² This decision, which has been followed in a number of cases, led some academics to lobby for legislative change to provide specific protection for television format rights.⁵³ To date, the legislators have resisted the temptation to extend the reach of copyright protection to format rights.

6.2.1.3 Musical works

The next category of work recognised in the *Copyright Act 1968* (Cth) is that of 'musical works'. While there is no definition of musical work in the *Copyright Act*, it is taken to refer to the non-literary aspects of a song,⁵⁴ that is, to the sound, melody, harmony and rhythm. A CD may consist of a number of different types of copyright including copyright in the lyrics (as a literary work), in the musical score (as a musical work) and in the recording of the song (as a sound recording). There may also be copyright in the artwork on the cover.⁵⁵ There is no need for a musical work to possess any creative or artistic merit for it to attract copyright protection. An interesting example of the types of musical creations

50 RPC 469 (PC, on appeal from CA, NZ).

51 *Ibid* 1058 (Lord Bridge of Harwich).

52 *Ibid*.

53 Initially in the UK, see Anon, 'Programme Formats: a Further Consultative Document' (1996) *Ent L R* 216; R. McD. Bridge and S. Lane, 'Programme Formats: The Write-in Vote' (1996) *Ent L R* 212; followed in Australia, see J. Malbon, 'All the eggs in one basket: The new TV formats global business strategy' in M. Keane, A. Moran and M. Ryan (eds), *Audio visual works, TV formats and multiple markets*, Australian UNESCO Orbicom Working Papers in Communications No 1 (Griffith University, 2003); A. Moran with J. Malbon, *Understanding the Global TV Format* (Bristol, UK: Intellect Books, 2006). See also *Nine Films & Television Pty Ltd v Ninex Television Limited* [2005] FCA 1404.

54 In the UK, a musical work is defined in s 3(1) of the *Copyright Designs and Patents Act 1988* (UK) to mean 'a work consisting of music exclusive of any words or action intended to be sung, spoken or performed with the music'.

55 A strange example of an avant-garde musical work was given in a copyright dispute in the UK in 2002. John Cages' song, which was called '4 minutes 33 seconds' (which consisted of four minutes thirty-three seconds of silence) was allegedly copied by the Planets when they reproduced sixty seconds of silence on their recording – the case was settled with Cage being paid a relatively large five-figure sum. See Bently and Sherman, above n 15, 68, referring to a report in *The Independent*, 22 June 2002.

that constitute a copyright work was given by the 2005 British Court of Appeal decision of *Hyperion Records Limited v Sawkins*.⁵⁶ In this decision, musicologist Lionel Sawkins claimed that he owned copyright in the performing edition of French Baroque composer Michel-Richard de Lalande's (out-of-copyright) music. This was on the basis that the intense research involved in creating the edition entitled him to the same rights as the author of a work. In response, in refusing to pay royalties for use of the performing edition, Hyperion Records argued that an edition of an existing musical work that was a faithful reproduction of Lalande's music could not itself be an original music work. The Court of Appeal held that while the work of Sawkins did not involve a re-composition of Lalande's music, nonetheless the production of the performing editions required sufficient effort, skill and time on the part of Sawkins for the work to attract copyright protection under the *Copyright Designs and Patents Act 1988* (UK).

6.2.1.4 Artistic works

The fourth and final category of works listed in the *Copyright Act 1968* (Cth) is 'artistic works'. Artistic work is exhaustively defined in s 10(1) of the *Copyright Act* to mean paintings, sculptures, drawings, engravings, photographs, buildings or models of buildings, and works of artistic craftsmanship.⁵⁷ Following the approach that is adopted with other copyright works, there is no requirement that paintings, sculptures, drawings, engravings, photographs, buildings or models of buildings have artistic merit or quality. The one exception to this general rule is in relation to works of artistic craftsmanship which needs to exhibit some artistic quality in order for them to qualify for protection.

6.2.1.4.1 Paintings

Generally there is little trouble in determining whether something is a painting. Thus it will include framed objects hung in art galleries or on lounge room walls. Occasionally, however, questions arise as to where the limits of the category lie. In *Merchandising Corp of America v Harpbond*,⁵⁸ the 1970s pop star Adam Ant found that his image had been reproduced without permission on a series of posters. In the absence of a right of personality or some equivalent means of protection, it was argued that Adam Ant's distinctive make-up (which consisted of two horizontal stripes across his cheeks) was a painting which was protected by copyright as an artistic work. The Court of Appeal rejected this argument on the basis that it was ridiculous to suggest that the make-up on a person's face could be a painting. More specifically the court held that a painting required a surface and that Adam Ant's face was not a surface: '[a] painting is not an idea: it is an object; and paint without a surface is not a painting'.⁵⁹

⁵⁶ [2005] EWCA Civ 565.

⁵⁷ It expressly excludes circuit layouts within the meaning of the *Circuit Layouts Act 1989* (Cth).

⁵⁸ [1983] FSR 32.

⁵⁹ [1983] FSR 32, 46.

6.2.1.4.2 Sculptures

The next type of artistic work recognised under the *Copyright Act 1968* (Cth) is sculptures. As well as those objects commonly recognised as sculptures, such as Henry Moore's works, 'sculpture' is also defined to include a cast or model made for purposes of sculpture.⁶⁰ In a decision that highlights some of the problems with an overly literal interpretation of statutory language, in *Wham-O Manufacturing v Lincoln Industries*⁶¹ the New Zealand Court of Appeal held that the wooden model used as a mould to make frisbees was a sculpture. Somewhat bizarrely, the court held that the frisbee itself was not a sculpture since it was created by injecting plastic into a mould and was thus not the expression of a sculptor's ideas.⁶² In a more preferable approach, British courts have construed sculpture in a less legalistic manner to suggest that a sculpture is a three-dimensional work made by an artist's hand.⁶³ While this issue has not been addressed in Australia, it seems that the current approach is more in tune with that of the UK than in New Zealand.

6.2.1.4.3 Drawings

A 'drawing' includes a diagram, map,⁶⁴ chart or plan.⁶⁵ While 'drawing' conjures up thoughts of sketches of landscapes or people, it also includes more functional items such as architects' plans, the sketch of a hand holding a pencil,⁶⁶ designs for exhaust pipes⁶⁷ and dresses.⁶⁸ Protection for the two-dimensional drawings of an object also provides protection for the three-dimensional product and thus prevents the reproduction of the drawing into the three-dimensional form.⁶⁹

6.2.1.4.4 Engravings

An 'engraving' includes an etching, lithograph, product of photogravure, woodcut, print or similar work, but not a photograph. The term 'engraving' refers to the process of cutting, marking, or otherwise working the surface of an object, as well as the product resulting from the process. In *Wham-O Manufacturing v Lincoln Industries*⁷⁰ it was held that both the mould from which a frisbee was pressed and the frisbee itself were protected as engravings. Following the approach that has been adopted in the UK in relation to sculptures (which rejected the *Wham-O* decision), this legalistic approach was rejected in Australia in *Greenfield Products*

60 s 10 *Copyright Act 1968* (Cth).

61 (1984) 3 IPR 115.

62 (1984) 3 IPR 115, 131.

63 *Metix v Maughan* [1997] FSR 718, 722 (holding that functional cartridges in a double-barrel shape were not sculptures).

64 *Sands & McDougall Pty Ltd v Robinson* (1917) 23 CLR 49.

65 *Edwards Hot Water Systems v SW Hart Pty Ltd* (1985) 5 IPR 1.

66 *Kenrick & Co v Lawrence & Co* (1890) 25 QBD 99, holding that the sketch of a hand holding a pencil in the act of completing a cross with a square (a how to vote card that helped illiterate voters) was merely representation of an idea, not the expression. A square can only be drawn as a square and a cross can only be drawn as a cross. There were very few ways to draw the hand or the pencil that is held in the hand (see also *FAI Insurance v Advance Bank of Australia* (1986) 7 IPR 217: no copyright in a how to vote and proxy form mean an overlap of idea and expression).

67 *British Leyland v Armstrong* [1986] RPC 279.

68 *Bernstein v Murray* [1981] RPC 303.

69 s 21(3) *Copyright Act 1968* (Cth).

70 (1984) 3 IPR 115, 128.

v Rover-Scott Bonnar where it was held that the drive mechanism of a lawnmower was not an engraving.⁷¹

6.2.1.4.5 Photographs

A 'photograph' means a product of photography, xerography or a process similar to photography. The definition excludes cinematograph films, but is broad enough to include digital photographs where there is no film.

6.2.1.4.6 Buildings or model of a building

A 'building' includes a structure of any kind. A half court tennis court (made of concrete with steel posts) has been held to be a building,⁷² as has a plug and mould used for manufacturing pre-cast fibreglass swimming pools.⁷³ Copyright will also subsist in plans for buildings.⁷⁴

6.2.1.4.7 Artistic craftsmanship

Works of artistic craftsmanship are the final category of artistic work recognised under the *Copyright Act 1968* (Cth). Creations such as quality furniture, jewellery, crafts, pots, quilts, and glassware would be classified as works of artistic craftsmanship.⁷⁵ As a result of changes made in 2003, sculptures and other artistic works qualify both as artistic works as well as works of artistic craftsmanship.⁷⁶ Sections 52 and 53 of the *Trade Practices Act 1974* (Cth) also provide some protection from misleading and deceptive conduct in relation to the appearance of articles.⁷⁷

Works of artistic craftsmanship differ from the other categories of works recognised under the Act in that for them to qualify for protection they must exhibit some degree of artist quality. For many years the leading authority on the scope of artistic craftsmanship in Australian law was the House of Lords decision of *George Hensher v Restawhile Upholstery*.⁷⁸ In this case the House of Lords held that a 'cheap' and 'flashy' lounge suite fell outside the realm of artistic craftsmanship. While the mass-produced chair was held to be distinctive, it was not 'artistic'. Lord Reid said that objects could be said to be artistic if a person gets 'pleasure of

71 (1990) 17 IPR 417; *Talk of the Town Pty Ltd v Hagstrom* (1990) 19 IPR 649.

72 *Half Court Tennis* (1980) FLR 240.

73 *Darwin Fibreglass Pty Ltd v Kruhse Enterprises Pty Ltd* (1988) 41 IPR 649. For the purposes of the copyright/design overlap provisions, in particular s 77 *Copyright Act 1968* (Cth), a building or model of a building does not include a portable building such as a shed, a pre-constructed swimming pool, a demountable building or similar portable building.

74 See *Lend Lease Homes Pty Ltd v Warrigal Homes Pty Ltd* [1970] 3 NSWLR 265; *Ancher, Mortlock, Murray & Woolley Pty Ltd v Hooker Homes Pty Ltd* [1971] 2 NSWLR 278.

75 In *Cuisenaire v Reed* [1963] VR 719, wooden coloured rods used to teach children addition and subtraction were not works of artistic craftsmanship.

76 This is as a result to a change to the definition of artistic work in s 10 that took place as a result of the *Designs (Consequential Amendment) Act 2003* sch 1, item 1. The Full Federal Court in *Burge v Swarbrick* [2005] FCAFC 257 (8 December 2005) clarified that something (in this case plug for a yacht) could be a work of artistic craftsmanship for the purpose of s 77(1)(a) of the *Copyright Act* even if it could also qualify as a sculpture. Between the hearing of 1st instance and the appeal, the definition of artistic work was amended to make this clear (see s 10 *Designs (Consequential Amendment) Act 2003* sch 1, item 1).

77 See *Parkdale Custom Built Furniture Pty Ltd v Puxu Pty Ltd* (1982) 149 CLR 191.

78 [1976] AC 64.

satisfaction . . . from contemplating it'.⁷⁹ As many commentators have noted, the House of Lords decision, which is wide ranging and often contradictory, provides little real assistance in determining the meaning of artistic craftsmanship.

Many of the uncertainties as to the meaning of artistic craftsmanship under Australian law have now been clarified as a result of the High Court decision of *Burge v Swarbrick*.⁸⁰ In the case, the High Court was called upon to decide whether a mould for the hull and deck fittings of a 30-foot yacht (which was known as the 'Plug') was a work of artistic craftsmanship. In holding that the yacht was not a work of artistic craftsmanship, the High Court provided some useful guidance as to the meaning of 'artistic craftsmanship'.

The High Court began by noting that the answer to the question of whether something was a 'work of artistic craftsmanship' was not to be decided by the intentions of the creator of the work. Instead, the question, 'like many other issues calling for care and discrimination, is one for objective determination by the court, assisted by admissible evidence and not unduly weighed down by the supposed terrors for judicial assessment of matters involving aesthetics'.⁸¹

The High Court also noted that the question of whether something was a work of artistic craftsmanship was particularly difficult in relation to functional works – that is, where the shape of an object was dictated, or partially dictated, by the task that it had to perform. In deciding how a functional object was to be dealt with, the High Court said that 'determining whether a work is "a work of artistic craftsmanship" does not turn on assessing the beauty or aesthetic appeal of a work or on assessing any harmony between its visual appeal and its utility. The determination turns on assessing the extent to which the particular work's artistic expression, in its form, is unconstrained by functional considerations'.⁸² In essence, the High Court said that the key consideration in deciding whether a functional object was a work of artistic craftsmanship was whether the person who created the work was able to shape or mould the resulting object. As the court said, with 'wallpaper, a tapestry, stained glass window, piece of jewellery or Tiffany artefact, there is considerable freedom of design choice relatively unconstrained by the function or utility of the article so produced'.⁸³ In these cases, the High Court said that there was little doubt that these objects were works of artistic craftsmanship. At the other extreme, following Lord Simon in *Hensher*, the High Court also said that objects such as the works of a cobbler or dental mechanic, and a wheelwright, where there was little design choice, were not works of artistic craftsmanship. Applying this logic to the facts of the case, the High Court said that as the design brief for the new yacht focused on 'utilitarian considerations' there was little scope for that encouragement of real or substantial artistic effort.

⁷⁹ *Ibid* 78.

⁸⁰ [2007] HCA 17 (26 April 2007).

⁸¹ *Ibid*, para 63. Cf Lord Kilbrandon in *George Hensher v Restawhile Upholstery* who said that the artistic quality question was to be determined by whether the author had the 'desire to produce a thing of beauty which would have an artistic justification for its own existence' [1976] AC 64, 98. Lord Simon disagreed and suggested that it was the intention of the creator and their result that was the crucial question, 92.

⁸² [2007] HCA 17, para 83.

⁸³ *Ibid*, para 73.

On this basis, the court said that the mould for the yacht hull and deck fittings were not works of artistic craftsmanship.

As well as helping to clarify the status of functional objects as works of artistic craftsmanship, the High Court also clarified that, contrary to the view that craftsmanship requires that the work be ‘hand made’, it is possible for a mass produced item to be a work of artistic craftsmanship. In this sense they reiterated the finding in *Coogi Australia Pty Ltd v Hysport International*⁸⁴ where it was held that the uniquely coloured and knitted fabrics that were made into jumpers were works of artistic craftsmanship. This was despite the fact the fabric was made using a computer-controlled knitting machine.⁸⁵

6.2.2 Subject matter other than works (Part IV)

In this section, the second category of subject matter recognised in the *Copyright Act 1968* (Cth), which are commonly referred to, rather unhelpfully, as ‘subject matter other than works’ will be examined. Four different types of subject matter are recognised in Part IV of the *Copyright Act*: sound recordings, cinematograph films, sound and television broadcasts, and published editions of works.

6.2.2.1 Films

A ‘cinematograph film’ is defined as the aggregate of the visual images embodied in an article or thing and capable of being shown as a moving picture.⁸⁶ The definition of cinematograph film is a broad one as was illustrated by the decision of *Sega Enterprises Ltd v Galaxy Electronics Pty Ltd*⁸⁷ where it was held that a computer game represented a ‘cinematograph film’. Films attract separate copyright protection from copyright in the underlying dramatic work. The underlying scenario or script for a film is a dramatic work.⁸⁸ The sound track of a film is considered to be part of the film (not part of a sound recording).⁸⁹ ‘Sound track’ is also defined to include a record (disk, tape, paper or other device) made available by the film maker for use in conjunction with the film.⁹⁰

6.2.2.2 Sound recordings

The next type of subject matter recognised in Part IV is that of sound recordings.⁹¹ Section 10 defines ‘sound recording’ to mean the aggregate of the sounds

⁸⁴ (1998) 41 IPR 593.

⁸⁵ A similar approach was taken by the Full Federal Court (at least on this issue) in *Burge v Swarbrick*, who noted that ‘craftsmanship should not be limited to handicraft: the word “artistic” is not incompatible with machine production’ [2005] FCAFC 257 (8 December 2005), para 55. See also *Sheldon and Hammond Pty Ltd v Metrokane Inc* (2004) 61 IPR 1.

⁸⁶ ss 19(1), 24 *Copyright Act 1968* (Cth). On the scope of the provision see *TCN Channel Nine Pty Ltd v Network Ten Pty Ltd* (2002) 55 IPR 112, 125–6.

⁸⁷ (1996) 35 IPR 161.

⁸⁸ For the relationship between copyrights in Part III works incorporated into films and copyright in the films themselves, see 6.2.1.2.

⁸⁹ s 23 *Copyright Act 1968* (Cth).

⁹⁰ s 10 *Copyright Act 1968* (Cth).

⁹¹ See *CBS Records Australia v Telmak Teleproducts (Aust) Pty Ltd* (1987) 9 IPR 440; *Australian Tape Manufacturers Association Ltd v The Commonwealth of Australia* [1993] 176 CLR 480.

embodied in a record. The word 'record' is used in a special sense to mean a disk, tape, paper or other device in which sounds are embodied. Sounds are considered to have been embodied in a record if the sounds are capable of being reproduced from it.⁹² As such it would cover MP3s, CDs, records, tapes and so on. The protection of copyright in a sound recording is recognition of the skill needed to capture musical works (or sounds) in a more permanent format.

6.2.2.3 Broadcasts

A 'broadcast' is defined as a communication to the public⁹³ delivered by a broadcasting service within the meaning of the *Broadcasting Services Act 1992* (Cth).⁹⁴ A broadcast includes either a television or radio broadcast. Unlike all other subject matter in copyright, there is no requirement that a broadcast be in a material form for it to qualify for protection. As with the other types of subject matter recognised in Part IV, broadcast copyright is recognition of the (often) considerable investment needed to make television and radio broadcasts. Here the focus of the law is less on the creation of the copyright material and more on the development of ways encouraging its dissemination.

The meaning and scope of a broadcast was examined in detail in *TCN Channel Nine v Network Ten* (the *Panel* decisions).⁹⁵ The facts of this case were as follows: Channel Nine alleged that Channel Ten had infringed its copyright in a television broadcast by replaying extracts (ranging from eight to forty-two seconds) from a number of Channel Nine programs on the Channel Ten show, 'The Panel'. The Panel show involved a number of personalities discussing and critiquing current events including clips from other television programs. At trial, a single judge of the Federal Court, Conti J, found in favour of Channel Ten.⁹⁶ The Full Federal Court upheld the appeal by Channel Nine and found, interestingly, that copyright would be infringed whenever any single image contained within a television broadcast was reproduced, regardless of whether that image was a substantial part of the broadcast.⁹⁷ This decision was in contrast to the level of protection that is given to all other types of subject matter, which is that for an infringement to take place, the whole or a substantial part of a work needs to be taken. On appeal, the High Court rejected the Full Federal Court's approach, holding that separate copyright did not subsist in each of the visual signals transmitted by a

92 s 24 *Copyright Act 1968* (Cth). A compact disk is a 'record' for the purposes of the Act, and the original multi-track or 'grand master' recording is a 'record' in which sounds are embodied whether digitally recorded or not: *Polygram Records Inc v Raben Footwear Pty Ltd* (1996) 35 IPR 426.

93 The general public or part of the public: s 10(1) *Copyright Act 1968* (Cth).

94 s 10(1) *Copyright Act 1968* (Cth). A broadcasting service does not include a service, for example, a teletext service, that provides only data or only text, with or without associated images, or a service that makes programs available on demand on a point-to-point basis; for example, transmissions intended for a particular recipient.

95 *Network Ten Ltd v TCN Channel Nine Pty Ltd* [2004] ALR 585 (HC) (overturning Full Federal Court decision (*TCN Channel Nine Pty Ltd v Network Ten Ltd* [2002] FCA 146) (that had held that copyright in a television broadcast relates to each and every single visual image as a discrete subject matter).

96 *TCN Channel Nine Pty Ltd v Network Ten Pty Ltd* [2001] FCA 108; 50 IPR 335 (20 February 2001); [2001] FCA 841 (4 July 2001) (Conti J), which deals with the issue of infringement of individual images comprising the excerpts from the various Channel Nine broadcasts: s 87(a) *Copyright Act 1968* (Cth).

97 *TCN Channel Nine Pty Ltd v Network Ten Pty Ltd* [2002] FCA 146.

television broadcast.⁹⁸ The Full Courts' approach would have given broadcasters a 'privileged position' compared to other copyright owners.⁹⁹ The High Court held that while 'there can be no absolute precision as to what if any of an infinite possibility of circumstances will constitute a television broadcast' the Court held that that televisions programs (such as the "Today Show" and "Nightline") would attract separate broadcast copyright. This was because they were put out to the public and were discrete periods of broadcasting. The court also noted that while a prime time news television broadcast may consist of a number of stories, items or segments, this does not necessarily mean that each of these constitutes a television broadcast.¹⁰⁰ As Channel Ten raised a defence of fair dealing in relation to use of the extracted program, the *Panel* decision also provided a useful examination of the defence of fair dealing (discussed later in chapter 8).¹⁰¹

6.2.2.4 Published editions

The final category of subject matter recognised in Part IV is 'published editions'.¹⁰² A published edition of a literary, dramatic, musical or artistic work refers to the typographical arrangement; that is, the layout and formatting, of the printed pages as published. Published edition copyright recognises the labour, skill and effort that is invested in the layout of published works.¹⁰³ Published edition copyright is distinct from copyright in the material that is being typeset. This means, for example, that a newspaper article may consist of both copyright in the literary work and also published edition copyright in the way that the article is set out and organised.

6.3 Recorded in material form

The next requirement that must be satisfied for a work to qualify for copyright protection is that the work must be recorded in material form. It is important to note that this requirement only applies to literary, dramatic, musical and artistic works. For copyright to subsist in literary, dramatic, musical and artistic works there must be some physical embodiment of the creation. As the *Copyright Act 1968* (Cth) provides, a 'work' must exist in a material form before copyright can subsist in it.¹⁰⁴ Section 22(1) provides that a literary, dramatic, musical or artistic

98 *Network Ten Pty Ltd v TCN Channel Nine Pty Ltd* (2004) 218 CLR 273.

99 *Ibid* 278.

100 *Network Ten Pty Ltd v TCN Channel Nine Pty Ltd* (2004) 218 CLR 273.

101 M. Handler and D. Rolph, "A Real Pea-Souper": The Panel Case and the Development of the Fair Dealing Defences to Copyright Infringement in Australia' (2003) 27 *Melbourne University Law Review* 381, 395.

102 J. Bannister, 'Published Edition Copyright: a "Rather Curious Copyright" in an Age of Electronic Publishing' (1997) 15(1) *Copyright Reporter* 22.

103 Accounting software that was not produced by a 'photographic process' was held not to be a published edition: *Cortis Exhaust Systems Pty Ltd v Kitten Software Pty Ltd* [2001] FCA 1189. On the scope of published edition copyright, see *National News Pty Ltd v Copyright Agency Limited* (1996) 34 IPR 53.

104 ss 32, 35 *Copyright Act 1968* (Cth).

work is made when it is first reduced ‘to writing or some other material form’.¹⁰⁵ In this context, writing means ‘mode of reproducing or representing words, figures symbols in visible form’.¹⁰⁶ In turn, ‘material form’ is defined in s 10 to mean ‘in relation to a work or an adaptation of a work, includes any form (whether visible or not) of storage of the work or adaptation, or a substantial part of the work or adaptation (whether or not the work or adaptation, or a substantial part of the work or adaptation, can be reproduced).’¹⁰⁷ The requirement that literary, dramatic, musical and artistic works need to be reduced to material form often poses particular problems for Aboriginal and Torres Strait Island cultures to the extent that creations such as stories and songs remain in an oral form. Hence no copyright protection is afforded unless the knowledge is recorded into some material form.

6.4 Connected to Australia

In order for copyright protection to subsist in a work or in subject matter other than work, the work must be sufficiently connected to Australia. This requirement, which is often known as the requirement of qualification, applies to all types of subject matter recognised under the *Copyright Act 1968* (Cth). It is important to note that the principle of reciprocity, which was discussed earlier, means that Australian copyright law treats foreign works as it does Australian works.¹⁰⁸ In these cases, the fact that a work is protected in a foreign *Berne Convention* (1886) country means that it will qualify for protection in Australia. The upshot of this is that the requirement of connection to Australia only applies to works that are first protected in Australia which will then, via the principle of reciprocity be automatically protected in other *Berne Convention* countries.

In practice, there are a number of different ways in which a work and subject matter other than works can qualify for protection in Australia. These change depending on the type of subject matter in question. They also differ depending on whether the work is published or unpublished.

The criteria that need to be satisfied for *literary, dramatic, musical and artistic* works differ depending on whether they have been published. In this context, a work is published if ‘reproduction of the work or edition has been supplied or otherwise to the public’.¹⁰⁹ Publications that are ‘not intended to satisfy the reasonable requirements of the public’ are not considered to be publications.¹¹⁰ Copyright will subsist in an unpublished literary, dramatic, musical, and artistic work if the author of the work (a) was a qualified person at the time when the

105 ‘Writing’ is defined to mean ‘a mode of representing or reproducing words, figures or symbols in visible form’: s 10 *Copyright Act 1968* (Cth).

106 s 10(1) *Copyright Act 1968* (Cth).

107 The definition was amended as a result of the *US Free Trade Agreement Implementation Act 2004* (Cth).

108 Otherwise known as the Principle of National Treatment.

109 s 29(1)(a) *Copyright Act 1968* (Cth). This is the case with sound recordings as well: s 29(1)(c) *Copyright Act 1968* (Cth). For what constitutes publication of films, see s 29(1)(b) *Copyright Act 1968* (Cth).

110 s 29(4) *Copyright Act 1968* (Cth).

work was made or, (b) where the making of the work extended over a period of time, was a qualified person for a substantial part of that period.¹¹¹ In order for copyright to subsist in a literary, dramatic, musical and artistic work that has been published¹¹² (publication is given the same meaning as above), it is necessary to be able to show that (a) first publication of the work took place in Australia, (b) the author of the work was a qualified person at the time when the work was first published, or (c) the author died before that time, but was a qualified person immediately before his death.¹¹³ In the case of a work of joint authorship, it is enough if one or more of the authors of the work was a qualified person at the relevant time.¹¹⁴ A ‘qualified person’ is defined as an Australian citizen, an Australian protected person or a person resident in Australia.¹¹⁵

Copyright is available in a *sound recording* if (a) the maker was a qualified person when the recording was made, (b) the recording was made in Australia or (c) first publication of the recording took place in Australia.¹¹⁶ A ‘qualified person’ for the purpose of determining subsistence of copyright in sound recordings is the maker who is an Australian citizen, an Australian protected person, a person resident in Australia other than a body corporate or a body corporate incorporated under the law of the Commonwealth or of a State.¹¹⁷

Copyright is available in a *cinematograph film* if (a) the maker of the film was a qualified person for at least a substantial part of the period during which the film was made or (b) the film was made in Australia or (c) first publication of the film took place in Australia.¹¹⁸ ‘Qualified person’ is the same as for sound recordings.

Copyright is available in a *television and sound broadcast* made from a place in Australia if it is made by the ABC or SBS, or by the holder of a licence for a television or a radio station under the *Broadcasting Services Act 1992* (Cth).¹¹⁹

Copyright is available in a *published edition* of a literary, dramatic, musical or artistic work or works if (a) first publication of the edition took place in Australia or (b) the publisher of the edition was a qualified person at the date of the first publication of the edition.¹²⁰ In this context, a ‘qualified person’ is the publisher of a published edition who is (1) an Australian citizen, (2) an Australian protected person, (3) a person resident in Australia other than a body corporate or (4) a body corporate incorporated under the law of the Commonwealth or of a State.¹²¹

111 s 32(1) *Copyright Act 1968* (Cth).

112 Copyright is available in a building as an artistic work if it is situated in Australia or in a country to which the Act applies: s 32(3)(a) *Copyright Act 1968* (Cth).

113 s 32(2) *Copyright Act 1968* (Cth).

114 s 79 *Copyright Act 1968* (Cth).

115 ss 32(4), 10. *Copyright Act 1968* (Cth)

116 s 89(1)–(3). *Copyright Act 1968* (Cth)

117 s 84 *Copyright Act 1968* (Cth). There is no copyright in television or radio broadcasts or in published editions made before the commencement of the 1968 Act.

118 s 90(1), (3) *Copyright Act 1968* (Cth).

119 s 91(a)–(b) *Copyright Act 1968* (Cth).

120 s 92(1) *Copyright Act 1968* (Cth).

121 s 84 *Copyright Act 1968* (Cth).

6.5 ‘Originality’

The final requirement that a work must satisfy in order to qualify for copyright protection is that it must be ‘original’. It is important to note that the originality requirement only applies to literary, dramatic, musical and artistic works.¹²² A lower standard, namely that the work has not been copied, is applied to subject matter other than works (that is, to sound recordings, cinematograph films, sound and television broadcasts, and published editions of works). Each of these requirements will be examined separately.

6.5.1 Original literary, dramatic, musical and artistic works

The requirement that literary, dramatic, musical and artistic works need to be ‘original’ has attracted a lot of attention in recent years. In part, this has been promoted by developments in the United States, which had important ramifications for businesses that specialise in information storage and retrieval, where a white pages telephone directory was denied copyright protection because it was not original.¹²³ While this decision was not followed in Australia, it still promoted a debate about the scope and limits of the originality requirement.

When thinking about the originality requirement, it is important to note that copyright is concerned with the originality of expression, rather than the originality of ideas.¹²⁴ This is a version of the so-called idea-expression dichotomy which provides that mere ideas are not protected by copyright.¹²⁵ It is also important to note that the threshold for originality in Australia is set at a very low level. As is explained below, so long as an author has exercised skill, labour and effort in the creation of a work – whether it is a new work, a derivative work or a compilation of existing materials and the work has not been copied – the work will most likely be original.

The normal starting point for thinking about originality in Australia is the judgment of Peterson J in *University of London Press Limited v University Tutorial Press Limited*,¹²⁶ where the court held that mathematic examination papers were original even though they were made up of information that was ‘stock of knowledge’ common to people in the field. As Peterson J said, copyright law ‘does not require that the expression must be in a creative or novel form, but that the work must not be copied from another work – that it should originate from the author’.¹²⁷ The upshot of this is that if it can be shown that a work originates

¹²² s 32 *Copyright Act 1968* (Cth).

¹²³ *Feist Publications v Rural Telephone Service Co* 499 US 340 (1991).

¹²⁴ Originality can also arise prior to expression (particularly in compilations of information). See Bently and Sherman, *Intellectual Property Law*, above n 15, 90.

¹²⁵ *Green v Broadcasting Corporation of New Zealand* (1989) RPC 469 (PC, on appeal from CA, NZ) 478, 480 and 493. Hughie Green was a long-standing host of the British talent quest TV show ‘Opportunity Knocks’. The salient features were the use of a ‘clapometer’ to capture audience claps and catch phrases to address the audience and competitors. The show was replicated in New Zealand with a different host. Green claimed copyright in the title of the show and format and the catch phrases. The court held that the phrases were hackneyed expressions and that the ideas of the program were not protected by copyright.

¹²⁶ [1916] 2 Ch 601, 608–10.

¹²⁷ *Ibid.*

from an author in the sense that it is the result of his or her skill and labour and is not copied from another, then the resulting work will be original for purposes of copyright law.¹²⁸ The application of this general idea can be seen in *Sands and McDougall v Robinson*¹²⁹ where the plaintiffs alleged infringement of copyright in a map of Europe they had produced. The High Court held that there was nothing novel about the drawing of a map of Europe: the outline sizes were part of the common stock of information in Australia. Nevertheless the High Court said that plaintiffs had applied sufficient skill, labour and judgement to produce a map that presented as a whole and in specific parts distinct differences from other existing maps. As such it was an 'original work' within the meaning of the *Copyright Act 1968* (Cth).¹³⁰

There is no guidance as to exactly how much skill, labour or effort is required for a creation to be considered an original work.¹³¹ However, it appears that there must be some contribution by way of skill, labour and effort from the author that is sufficient to warrant copyright protection.¹³² One example of a situation where minimal skill and labour gave rise to copyright protection was the decision of *Express Newspapers Pty Ltd v Liverpool Daily Post & Echo Pty Ltd*.¹³³ In this case, a rival newspaper published the plaintiff newspapers' list of winning letters (in a scratch-it game) and it was claimed that the rival's list infringed the plaintiff's copyright. It was held that there was copyright in the list of letters (as the sequence offered some information and instruction to the readers) which had been infringed by the unauthorised reproduction by the rival newspaper.¹³⁴

For the most part, there are few problems in applying the originality requirement. The low threshold applied in Australia means that most new works will be original.¹³⁵ Where some skill is exercised in the reduction of the work into writing, or in the creation of the dramatic, musical or artistic work, it is likely the resulting work will attract copyright protection.¹³⁶ One area where special problems have arisen is in relation to tables and compilations.¹³⁷ Section 10 of the

128 See *Sands & McDougall Pty Ltd v Robinson* (1917) 23 CLR 49; cf *Cortis Exhaust Systems Pty Ltd v Kitten Software Pty Ltd* [2001] FCA 1189, paras 31–3 (holding that a simple logo, SIM, 'written in a digital style', was trivial and non-original and therefore did not attract copyright).

129 (1917) 23 CLR 49.

130 In *Walter v Lane* [1900] AC 539, the House of Lords held journalists who took down speeches in short hand and then transcribed them were not mere scribes, but had exercised enough effort to qualify as the authors of the copyright works.

131 In *Olympic Amusements Pty Ltd v Milwell Pty Ltd* (1998) 40 IPR 180, 181, 'the boundar[ies] of copyright protection were examined. At what level of meagreness does it become impossible to describe an original composition as a "literary work" within the meaning of the *Copyright Act 1968*'.

132 '... it is necessary that labour, skill and capital should be expended sufficiently to impart to the product some quality or character which the raw material did not possess, and which differentiates the product from the raw materials': Lord Atkinson in *MacMillan & Co Ltd v Cooper* (1923) 40 TLR 186, 188, 190.

133 [1985] 3 All ER 680.

134 *Ibid* 685 (Whitford J).

135 Exceptions include a pocket diary, where the selection and arrangement was held to be commonplace and obvious and the degree of skill and judgement involved in the selection of was negligible, thus not worthy of copyright protection: *GA Cramp & Sons Ltd v Frank Smythson Ltd* [1944] AC 239.

136 *Cummins v Bond* [1927] 1 Ch 167 (where the court held that the plaintiff was the author of the chronicle as she was more than a conduit and she had exercised skill in reproducing the communications).

137 *Kalamazoo (Aust) Pty Ltd v Compact Business Systems Pty Ltd* (1985) 5 IPR 213.

Copyright Act 1968 (Cth) makes it clear that tables and compilations expressed in words, figures, or symbols as well as compilations of computer programs are literary works. Here the main question is whether the skill, labour and effort involved in the creation of a table or compilation is sufficient to give rise to an *original* literary work. It is important to note that the requisite skill, labour and effort potentially arises in both the way that the material is collected as well as the way the resulting information is organised. In contrast to the position in some other countries (notably in the United States where the Supreme Court denied copyright protection to a white pages telephone book on the basis that it was not original), Australian courts have also been willing to accept that the skill, labour and effort that is exercised in the making of tables and compilations is sufficient to give rise to an original work. This was highlighted in the 2002 decision of *Desktop Marketing Systems v Telstra*,¹³⁸ where the High Court held that Telstra's telephone directories, both the white and yellow pages, were original works protected by copyright.¹³⁹

6.5.2 Subject matter other than works

As was explained above, it is not necessary to show that Part IV subject matter is original. Instead, all that needs to be established is that the film,¹⁴⁰ sound recording,¹⁴¹ broadcast¹⁴² or published edition¹⁴³ is not copied from another film, sound recording, broadcast or published edition. In part the lower threshold can be explained by the fact that the scope of protection for Part IV subject matter is much more restricted in nature than the protection available to literary, dramatic, artistic and musical works.

138 [2002] FCA 112.

139 This was in direct contrast to the US Supreme Court decision that held there was insufficient originality in telephone directories: *Feist Publications v Rural Telephone Service Co* 499 US 340 (1991).

140 s 90 *Copyright Act 1968* (Cth). The making of a cinematograph film means the doing of the things necessary for the production of the *first* copy of the 'film'.

141 s 89 provides that copyright subsists in a sound recording of which the maker was a qualified person at the time when the recording was made or if the sound recording was made in Australia. A sound recording, for example, is deemed to be made at the time when the *first* record embodying the recording is produced: s 22(3)(a) *Copyright Act 1968* (Cth).

142 s 91. If a television or radio broadcast is recorded and a further broadcast is made from that recording, no additional copyright protection is conferred on the broadcaster. Copyright will subsist in a completely new broadcast whether or not the material broadcast is the same as that contained in the previous broadcast: s 95(2).

143 Copyright only subsists in a published edition of a work if the edition does not reproduce a previous edition of that work: s 92 *Copyright Act 1968* (Cth).

Authorship and first ownership, nature of the rights and duration

7.1 Introduction

This chapter looks at one of the key notions within copyright law, namely the idea of the ‘author’. As we will see, while authorship carries with it certain consequences, including the right to first ownership of copyright, there are a number of exceptions to this general rule. This chapter will also look at the nature and duration of the rights that are given to the copyright owner.

7.2 ‘Authorship’ and first ownership

One of the notable differences between common law copyright systems, such as those in Australia, New Zealand, the UK and Canada, and the *droit d’auteur* systems of many European countries concerns the prominence given to the ‘author’ as creator of copyright works. Despite this, the author has long played a pivotal role in common law copyright systems. It has also been suggested that the modern idea of the author was effectively invented by British publishing houses in the eighteenth century in their attempt to have the courts recognise perpetual copyright protection.¹ The key role given to the author in Australian copyright law is reflected in the fact that copyright law uses the author as the focus or fulcrum point for many rules. For example, the period of protection given to a copyright work is based on the life of the author.² In turn, the fact that an author is connected to Australia helps determine whether the copyright work qualifies

¹ M. Rose, *Authors and Owners: The Invention of Copyright* (Cambridge: Harvard University Press, 1993).

² s 33(2) *Copyright Act 1968* (Cth).

for protection,³ and the moral rights associated with a copyright work attach to the author.⁴ Perhaps most importantly, the author is treated as the first owner of copyright in a work.⁵

While the author plays a central role in relation to literary, dramatic, musical and artistic works, this is not the case with films, sound recordings, broadcasts and published editions (Part IV subject matter), where the law is more concerned with ensuring that a work is distributed to the public, rather than with the creation of the work in the first place. In the case of Part IV works, the law is more concerned with the person who made the creation of the work possible in the first place (often through some financial arrangement) rather than the person who actually created the work. This is reflected in the fact that with films, sound recordings and broadcasts initial ownership of the copyright is given to the *maker* rather than the creator of the relevant Part IV work. It is also reflected in the fact that with published editions the initial owner of any copyright is the *publisher* of the edition. The copyright in Part IV works is separate from, and additional to, any copyright subsisting in the underlying Part III copyright works that is recorded, filmed, or broadcast, or published in the form of an edition.⁶

7.2.1 Who is the author?

7.2.1.1 Literary, dramatic, musical and artistic works

Despite the central role that authorship plays in copyright law, the *Copyright Act 1968* (Cth) does not define who is an author.⁷ In most cases, it is relatively easy to determine who is the author of a literary, dramatic, musical or artistic work. It has been suggested that an author is the person who originates the particular form of literary, dramatic, musical or artistic expression.⁸ Usually the authors will have to show that they expended skill, labour and effort in creating the work in its material form.⁹ A mere scribe, amanuensis, copier or transcriber of a work will not be treated as an author.¹⁰ This is because there is insufficient skill, labour or effort that has resulted in the change in the original work.¹¹ Merely contributing

³ s 32(4) *Copyright Act 1968* (Cth).

⁴ Part IX *Copyright Act 1968* (Cth) (ss 189–195AZG).

⁵ s 35(2) *Copyright Act 1968* (Cth).

⁶ See s 98 *Copyright Act 1968* (Cth) in relation to the first owner of a film, s 97 *Copyright Act 1968* (Cth) in relation to sounds recordings, s 99 *Copyright Act 1968* (Cth) in relation to broadcasts. The publisher is the first owner of a published edition: s 100 *Copyright Act 1968* (Cth).

⁷ With the exception of photographs, where the author is defined as the person who took the photograph: s 10 *Copyright Act 1968* (Cth).

⁸ Isaac J in *Sands & McDougall Pty Ltd v Robinson* (1917) 23 CLR 49, 55, stated: ‘in copyright law the two expressions “author” and “original work” have always been correlative; the one connotes the other, and there is no indication in the Act that the Legislature intended to depart from the accepted signification of the words as applied to the subject matter’.

⁹ *Ladbroke (Football) Ltd v William Hill (Football) Ltd* [1964] 1 WLR 273, 277–8 (Lord Reid).

¹⁰ See *W van Caenegem, Intellectual Property* (Sydney: LexisNexis Butterworths, 2006), 45. Cf *Walter v Lane* [1900] AC 539.

¹¹ This can be contrasted with the decision of *Cummins v Bond* [1927] 1 Ch 167, where the spiritualist and medium that reduced spirits and communications in an unknown tongue into archaic English language was held to be an author as she was more than a mere conduit and because she had exercised some skill in reproducing the communications.

ideas in the process of creating a work will not entitle a person to be treated as an author.¹²

7.2.1.2 Cinematograph films

The ‘maker’ of a film is the person (including a corporation) who undertakes the arrangements for the production of the film.¹³ The maker is usually the investor who makes the creation of the film, broadcast or published edition possible; that is, the producer and not the director will be initial owner of copyright in the film.¹⁴ The directors, actors and others involved in the making of the film have no copyright interests in the film unless they are a ‘maker’ of the film.

7.2.1.3 Sound recordings

The initial owner of any copyright in a sound recording (other than a sound recording of a live performance) is the maker of the sound recording.¹⁵ The maker of a sound recording (other than a sound recording of a live performance) is the person who owned the first record of the sound recording.¹⁶ A ‘record’ is defined as the disk, tape, paper or other device in which the sounds are embodied, and the ‘sound recording’ is defined as the aggregate of the sounds embodied in a ‘record’.¹⁷ The maker and therefore the initial owner is the person who owns the master tape at the time the recording is made. The maker of sound recordings of a live performance is the person who owns the record on which the first recording was made and the performer(s) who performed the performance unless that is also the person who owns the first recording.¹⁸

7.2.1.4 Broadcasts

The initial owner of any copyright in a radio or television broadcast¹⁹ is the maker of the broadcast, namely the Australian Broadcasting Corporation, the Special Broadcasting Service or a person who has a television or radio licence or a radio-communications licence.²⁰ The maker of a broadcast is the person who provided the broadcasting service.²¹

7.2.1.5 Published editions

The initial owner of any copyright in an edition of a work is the publisher of the edition.²²

12 *Donoghue v Allied Newspapers Ltd* [1938] Ch 106.

13 s 98(1), (2) *Copyright Act 1968* (Cth) (subject to any assignment or Crown copyright).

14 s 22(4) *Copyright Act 1968* (Cth).

15 s 97(1), (2) *Copyright Act 1968* (Cth) (subject to any assignment or Crown copyright).

16 s 22(3) *Copyright Act 1968* (Cth).

17 s 10 *Copyright Act 1968* (Cth).

18 s 22(3A) *Copyright Act 1968* (Cth). Special provisions ensure that parties who owned copyright in sound recordings prior to 1 January 2005 either are able to continue to exercise their rights as they had done previously (s 100AF) or will receive appropriate compensation for their losses: s 116AAA *Copyright Act 1968* (Cth).

19 A ‘broadcast’ is defined as a communication to the public delivered by a broadcasting service within the meaning of the *Broadcasting Services Act 1992*: s 10(1) *Copyright Act 1968* (Cth).

20 s 99 *Copyright Act 1968* (Cth) (subject to any assignment or Crown copyright).

21 s 22(6) *Copyright Act 1968* (Cth).

22 s 100 *Copyright Act 1968* (Cth) (subject to any assignment or Crown copyright).

7.2.2 Joint authorship

In recognition of the fact that many works are created through a collaborative process involving two or more authors, the *Copyright Act 1968* (Cth) provides for 'joint authorship'.²³ A 'work of joint authorship' is defined in section 10 as a work which has been produced by the collaboration of two or more authors and in which the contribution of each author is not separate from the contribution of the other author or the contribution of the other authors.²⁴

Each party must contribute to the joint work as an 'author'. Thus a person who merely supplies ideas or facts to another person who is creating the work is not a joint author.²⁵ Similarly, a person who supplies an artistic idea to an artist who then creates a work is not, on that ground alone, a joint author with the artist.²⁶ The contribution of each of the authors must not be distinct nor separable from each other. If one author's contribution can be separately identified, the works will be treated as separately authored rather than co-authored works. For example, if in a co-authored book each author contributes six chapters, rather than two authors correcting and editing all twelve chapters (all written jointly), then the contribution is separable and distinguishable.²⁷

There was an attempt to expand the notion of joint ownership in the decision of *Bulun Bulun and Milpurrurru v R & T Textiles*.²⁸ In that case, the issue arose as to whether the courts should recognise communal ownership of copyright in Aboriginal traditional ritual knowledge and, in particular, their artwork. Von Doussa J held that while the *Copyright Act 1968* (Cth) recognised joint authorship, it provided no grounds for recognising communal ownership as was being suggested in this case. It was held that the artist, Johnny Bulun Bulun, owed a fiduciary obligation to his people, the Ganalbingu people which, if he failed to bring a copyright infringement action (which he had) they, as beneficiaries, would have been able to bring an action in their own name against the infringer. As Bulun Bulun had fulfilled his obligation and brought an action, there was no basis for finding that the Ganalbingu people had an equitable interest in the work.²⁹

7.2.3 Works with no known author

In some situations it is not possible to determine who the author of a work is. This may be because there is no attribution of the author on the work or the work was published anonymously, under a false name or a pseudonym. In the US, the term

²³ T. Lauterbach, 'Joint Authorship in a Copyright Work Revisited' (2005) 3 *EIPR* 119–21; L. Longding, 'Collaborative Authorship of Distance Learning Materials: Cross-border Copyright and Moral Rights Problems' (2005) *EIPR* 1.

²⁴ For a general discussion of joint authorship, see *Milwell Pty Ltd v Olympic Amusements Pty Ltd* (1999) 43 IPR 32, 41. A reference to the 'author' of a work in the *Copyright Act* is to be read as a reference to all the authors of a joint work: s 78 *Copyright Act 1968* (Cth).

²⁵ See *Donoghue v Allied Newspapers Ltd* [1938] Ch 106; *Kenrick & Co. v Lawrence & Co.* (1890) 25 QBD 99.

²⁶ *Kenrick & Co v Lawrence & Co* (1890) 25 QBD 99.

²⁷ *Redwood Music Ltd v B. Feldman & Co. Ltd* [1979] RPC 1, 385; [1980] 2 All ER 817.

²⁸ (1998) 41 IPR 513.

²⁹ *Ibid* 531.

‘orphan works’ is used to describe works where the owner is unknown or untraceable.³⁰ Orphan works raise a number of difficult issues for copyright users. This is largely because, with no known author, the period of protection is difficult to ascertain. Orphan works also create problems where a person wants to use a copyright work and is willing to pay a licence fee, but is unable to determine from whom they should seek the relevant permissions. The difficulties encountered when using works with no known author have been well documented in a number of copyright reform reviews.³¹ Given the amount of time and money that is spent, particularly by institutional users such as libraries and educational institutions, in trying to obtain permission to use orphan works, in February 2006 the Attorney-General’s Department announced that they would conduct a review into this issue.³² Many commentators were disappointed that the issue of orphan works was not addressed in the raft of amendments introduced by the *Copyright Amendment Act 2006* (Cth).

7.3 Exceptions to first ownership

As a general rule, the author, maker or publisher is treated as the first owner of the copyright in the resulting creation. This is, however, subject to a number of important exceptions. These relate to works created in the course of employment (in particular, special rules apply to journalists); where certain artistic works are commissioned; and where works are created under the direction and control of the Crown.³³ Each will be dealt with in turn. It is important to note that these exceptions can be modified or excluded by agreement.³⁴

7.3.1 Works created by employees

Section 35(6) of the *Copyright Act 1968* (Cth) provides that where a literary, dramatic, musical or artistic work is made in the ‘course of employment’ that the employer is owner of the copyright.³⁵ It is important to note that these provisions

30 In January 2006, the US Copyright Office released a report on ‘orphan works’. The report was submitted to the Senate Judiciary Committee on 31 January 2007.

31 See, for example, the issues raised in relation to orphan works in the Fair Use Review and also the Free Trade Agreement discussions, particularly by institutional users such as libraries and universities. See the submission by the Australian Vice Chancellors’ Committee, *Entering the Digital Age: Fair Use and other Copyright exceptions, An Examination of Fair Use, Fair Dealing and other exceptions* (July, 2005) to the Attorney-General’s, *Fair Use and Other Copyright Exceptions: An examination of fair use, fair dealing and other exceptions in the Digital Age Issues Paper*; and the submission by the Australian Digital Alliance, *Fair Use and Other Copyright Exceptions: An examination of fair use, fair dealing and other exceptions in the Digital Age* (July, 2005).

32 H. Daniels, Paper presented to ACIPA Copyright Conference, Brisbane, 17 February 2006.

33 Arguably, future assignment of copyright, which is discussed in ch 8, could be seen as another exception to author as first owner.

34 s 35(3) provides that any of the general rules of ownership set out in s 35 *Copyright Act 1968* (Cth) can be excluded or modified by agreement. An assignment of copyright must be in writing to be effective. Assignment is discussed in more detail in ch 8.

35 A performance by an employee is taken to have been made by the employer unless modified or excluded by agreement: s 22(3B), (3C) *Copyright Act 1968* (Cth) (introduced by the *US Free Trade Agreement Implementation Act 2004* (Cth), item 2).

may be modified by agreement.³⁶ To determine whether s 35(6) applies, it is necessary to ask two related questions: is the creator of the work an employee?; and, secondly, was the work in question created in the course of employment?

7.3.1.1 Who is an employee?

The first question that should be asked when determining whether a work is caught by s 35(6) is whether the creator is an employee. General principles of employment law apply to this question and a number of factors are taken into account to determine the employment status or otherwise of a creator. These include: the nature and scope of the creator's duties; how and when the creator is being paid (is tax being deducted from their pay?); the hours of work; and whether there is a provision for holidays.³⁷ In *Stephenson Jordan & Harrison Ltd v MacDonald & Evans*³⁸ Denning LJ considered that a key factor when deciding whether a person is an employee is whether they are an integral part of a business or only an accessory to it. The fact that a creator is being paid for their work does not necessarily mean that they will be treated as an employee for the purposes of s 35(6). In some situations, if a business exercises direction and control as to the manner in which a person carries out their work, it is more likely that they will be treated as an employee (working under a *contract of service*), rather than an independent contractor or consultant (working under a *contract for service*).

However, for employees who exercise a greater amount of skill, the control test becomes less significant. This is because the employer will not always be able to control the manner in which their tasks are performed. This was the case in *Redrock Holdings and Hotline Communications v Adam Hinkley*,³⁹ where the defendant, Mr Hinkley, argued that as he was not an employee of Redrock, he retained copyright in software programs that he had developed. The main reason for this was that he was not subject to Redrock's control and direction. It was held that legal authority to control is no longer the sole determining factor when determining whether a person is an employee, particularly where a person exercises a high degree of professional skill and expertise in the performance of their duties. In situations such as this, the key question will be whether the creator is being paid to perform specified services rather than being in a position of being able to be asked to perform any number of duties as an employee may be.⁴⁰

36 s 35(3) *Copyright Act 1968* (Cth).

37 *Stevens v Brodcribb Sawmilling Co Pty Ltd* (1986) 160 CLR 16, 27 (Mason J).

38 (1952) 69 RPC 10.

39 [2001] 50 IPR 565. Referring to Denning LJ's test in *Stephenson Jordan & Harrison Ltd v MacDonald & Evans* (1952) 69 RPC 10, Harper J considered that the defendant had been an integral part of the business. It was also held that the following were relevant considerations when determining whether there was an employment relationship: evidence of fixed salary, the deduction of group tax, the completion of an ATO employees declaration form, annual, sick and long service leave entitlements, superannuation contributions and the provision of tools and equipment – all these pointed towards a contract of service. While Hinkley was held to be the owner of the 'Hotline' computer program, an associated program was held to be owned by his employer.

40 See *Noah v Shuba* (1991) FSR 14, 25–7.

7.3.1.2 Was the work created ‘in the course of employment’?

Once it has been determined that the work in question has been made by an employee, it is then necessary to ask whether the work was created in the course of employment. As Nettle J said in the *Victoria University of Technology v Wilson*⁴¹ – a decision concerned with ownership of patents which arguably also apply to copyright – ‘the mere existence of the employer/employee relationship will not give the employer ownership of inventions made by the employee during the term of the relationship. And that is so even if the invention is germane to and useful for the employer’s business. This is also the case even though the employee may have made use of the employer’s time and resources in bringing the invention to completion’.⁴² Instead, ownership of copyright under s 35(6) turns on whether the work was made in the normal course of employment. The test for determining whether a work is made in the normal course of employment is whether the making of the work falls within the types of activities that an employer could reasonably expect from an employee. In other words, was the work one that the employee could have been directed to create?

7.3.2 Works created by journalists

The second exception to the general rule that the author is the first owner of the work relates to journalists. Journalists are placed in a special position that can be contrasted with the position of all other employees. Section 35(4) lays down special rules for literary, dramatic or artistic (but not musical) works created for the purpose of being published in a newspaper, magazine or similar periodical under a contract of service or apprenticeship. Copyright in these works is divided between the employed journalist and the owner of the newspaper, magazine or periodical.⁴³ An employed journalist is the owner of the copyright for the reproduction of the work for the purpose of inclusion in a book *and* the reproduction of the work in the form of a hard copy facsimile.⁴⁴ In all other cases, the proprietor of the employing newspaper, magazine or similar periodical is the owner of the copyright.⁴⁵ The division drawn between electronic and analogue versions of the work enables journalists to pursue commercial opportunities in relation to their writings (the traditional formats for their works being books and articles), without impacting on the ability of newspaper proprietors to exploit the electronic version of the journalist works in online newspapers.

⁴¹ *Victoria University of Technology v Wilson* (2004) 60 IPR 392.

⁴² *Ibid.*, 422. For a general discussion of ownership within universities, see A. Monotti (with S. Ricketson) *Universities and Intellectual Property: Ownership and Exploitation* (Oxford University Press, 2003); A. Monotti, ‘Who Owns my Research and Teaching Materials – My University or me?’ (1997) 19(4) *Sydney Law Review* 425.

⁴³ Copyright is shared between the author and the owner of the relevant media if the work was created on or after 30 July 1998.

⁴⁴ Defined in s 35(7) *Copyright Act 1968* (Cth).

⁴⁵ This is in relation to works created after 30 July 1998. In relation to works created prior to 30 July 1998, the media proprietor owns the copyright in relation (1) to the publication of the work in the newspaper, magazine or similar periodical, (2) to the broadcasting of the work or (3) to the reproduction of the work for such publication or broadcasting. In all other cases, the employee is the owner of copyright.

7.3.3 Commissioned works

Another exception to the general rule that the author is the first owner of copyright is in relation to commissioned works. Prior to 1998, the general rule was that even though a literary, dramatic, musical or artistic work had been commissioned by another person, the author was the initial owner of the copyright. The commissioner only gained ownership of the copyright in the commissioned work if the copyright in the work was assigned to them by way of contract. While the general rule still operates, new rules were introduced in 1998 relating to commissioned photographs, portraits and engravings.⁴⁶ In part these were prompted by photographers selling personal photographs, such as wedding photographs, to newspapers. In this situation the commissioners were powerless to prevent photographers from selling and newspapers from publishing their private photographs. To prevent this from happening, the Act was changed to provide that the owner of copyright of a portrait, engraving or a photograph taken ‘for a private and domestic purpose’⁴⁷ will be the commissioner (as opposed to the author). A private or domestic purpose includes a portrait of family members, of a wedding party or of children.⁴⁸ Thus, with the exception of photographs taken for private and domestic purposes and subject to agreements to the contrary, the photographer will be the copyright owner.⁴⁹

7.3.4 Crown copyright

Part VII Division 1 of the *Copyright Act 1968* (Cth) (ss 176–9) gives the Commonwealth, States and Territories ownership of copyright in literary, dramatic, musical and artistic works, sound recordings and films made or first published by them or under their ‘direction or control’,⁵⁰ unless a contrary written agreement applies.⁵¹ Section 183(1) provides that where the use of copyright material is ‘for the services of the Crown it will not infringe copyright in that material’. Importantly Crown copyright covers the activities of both public servants and government agencies, as well as parties authorised by the government to do something for the services of the Crown.⁵² Part VII Division 2 provides for Crown use of copyright materials allowing a form of statutory licence for government use

46 s 35(5) *Copyright Act 1968* (Cth). This section does not apply to a work made at any time in pursuance of an agreement made before 1 May 1969: s 213(2) *Copyright Act 1968* (Cth).

47 s 35(5) (a) *Copyright Act 1968* (Cth), in relation to works made after 30 July 1998.

48 As defined in s 35(7) *Copyright Act 1968* (Cth).

49 In relation to works made prior to 30 July 1998, the copyright in a commissioned photograph, portrait or engraving is owned by the photographer.

50 See *Linter Group (in liq) v Price Waterhouse* [2000] VSC 90, paras [6], [7].

51 ss 176(1) and 178(1) *Copyright Act 1968* (Cth) also provide that where copyright would not otherwise subsist in works, sound recordings and films, copyright subsists by virtue of the sections.

52 The authority can be given before or after the doing of the relevant act: s 183(3) *Copyright Act 1968* (Cth). The Crown copyright provisions also apply to local councils: see *Greater Dandenong City Council v Australian Municipal, Administrative, Clerical and Services Union* (2001) 184 ALR 641; *Stack v Brisbane City Council* (1995) 32 IPR 69.

of works and other subject matter in circumstances which would otherwise constitute infringement.⁵³

A wide range of activities are covered by the phrase ‘for the services of the Crown’. Copyright works may be copied for training purposes for display on government websites, for inclusion in reports produced by government departments or their employees, or any activities engaged in by government employees in the course of their duties. Section 183(4) provides that as soon as possible after the doing of any act under the s 183 licence, the Commonwealth or State shall inform the copyright owner with such information as he or she from time to time reasonably requires (unless it was contrary to the public interest).

The Crown copyright provisions have been criticised on a number of occasions primarily because they place the government in what is seen as an unfair and privileged position.⁵⁴ In December 2003 the Copyright Law Review Committee (CLRC) was asked to examine the law relating to government ownership of copyright material. The CLRC’s report, *Crown Copyright*, was released in April 2005.⁵⁵ Two important themes formed the basis for the CLRC’s recommendations. These were that the government should as far as possible be placed on the same footing as other parties; and, secondly, that the provisions should aim to promote the widest possible access to government-owned materials.⁵⁶ The CLRC recommended that the special Crown subsistence and ownership provisions should be repealed.⁵⁷ The federal government has not yet responded to the CLRC’s report.

7.4 Nature of the rights

The *Copyright Act 1968* (Cth) gives the copyright owner the right to control the protected subject matter in a number of different ways.⁵⁸ While copyright allows the owner to control the use that can be made of a work or subject matter other than a work in various ways, the rights are not absolute. Unless a defendant’s activity falls within one of the activities that are given to the copyright owner, the activity will be non-infringing. This means, for example, that while a person may infringe copyright when they photocopy a book, they will not infringe when they read the book.

53 ss 182B–E *Copyright Act 1968* (Cth).

54 See, for example, Intellectual Property and Competition Review Committee, *Review of Intellectual Property Legislation under the Competition Principles Agreement (Ergas Committee Report)* (September 2000).

55 This report was the final report of the committee before it was disbanded by the Commonwealth government. The report is available at <www.clrc.gov.au>.

56 CLRC, *Crown Copyright Report* (Canberra: AGPS, 2005), 11.

57 First, the subsistence provisions are not clearly drafted and it is difficult to envisage situations where they would be relied upon. Second, the ambit of the ownership provisions was uncertain and there was no justification for government to have a privileged position compared with other copyright owners. In particular, the committee considered that the term ‘direction or control’ was potentially too broad. Ownership of copyright in works commissioned by government from independent parties should not be determined by default provisions that alter the usual copyright ownership rules. Not only do these provisions give government a negotiating advantage, but the Committee also heard evidence that many creators have been unaware that in the absence of a written contractual provision with government, they have lost copyright in their creations. CLRC, *Crown Copyright Report* (Canberra: AGPS, 2005), 11.

58 While the *Copyright Act* presents the rights in a positive sense, many commentators like to speak of copyright as a negative right, in that it allows the owner to prevent third parties from doing something.

It is important to note that the particular activities that fall within the owner's control vary depending on the type of work protected. Given this, the various activities that attach to different types of subject matter will be examined first. Then the scope of some of these rights will be examined in more detail.

The owner of the copyright in a *literary, dramatic or musical work* has the exclusive right to: (1) reproduce the work in a material form, (2) publish the work, (3) perform the work in public, (4) communicate the work to the public, (5) make an adaptation of the work and (6) do any of the acts in (1) to (4) in relation to an adaptation of the work.⁵⁹ An exclusive right of commercial rental is provided in computer programs and works embodied in sound recordings.⁶⁰

The owner of copyright in an *artistic work* is given the exclusive right to: (1) reproduce the work in material form, (2) to publish the work and (3) to communicate the work to the public.⁶¹

In relation to *sound recordings*⁶² and *films*,⁶³ the owner is given the exclusive right to: (a) make a copy of the recording, (b) to cause the recording to be heard and seen in public and (c) to communicate the recording or film to the public. The owner of copyright in a sound recording (but not a film) is also given the right to enter into a commercial rental arrangement in respect of the sound recording.⁶⁴ The owners of copyright in television and sound broadcasts are given the exclusive right to re-broadcast it or to communicate the broadcast to the public. In the case of television broadcasts insofar as they consist of visual images, the owner also has the right to make a film of the broadcast or a copy of such a film. In the case of sound recordings or a television broadcast insofar as it consists of sounds, the owner has the right to make a sound recording of the broadcast or a copy of such a recording.

The owner of copyright in *published editions* of works is given the exclusive right to make a facsimile copy of the edition.⁶⁵

7.4.1 The right of reproduction

One of the broadest and most commonly exercised rights in relation to Part III works is the right of reproduction. In *Ladbroke (Football) v William Hill (Football)*⁶⁶ Lord Reid observed that 'reproduction means copying, and does not include cases where an author or compiler produces a substantially similar result by independent work without copying'. Wilmer LJ in *Francis Day & Hunter v*

⁵⁹ s 31(1)(a) *Copyright Act 1968* (Cth).

⁶⁰ ss 31(1)(c) and (d) *Copyright Act 1968* (Cth) (introduced by the *Copyright (World Trade Organization Amendments) Act 1994* (Cth)). Generally, the right will not apply to commercial dealings in sound recordings and computer programs purchased before 1 January 1996 if the purchase was made in the course of an established commercial rental business: s 31(6) *Copyright Act 1968* (Cth).

⁶¹ s 31(1)(b) *Copyright Act 1968* (Cth).

⁶² s 85(1) *Copyright Act 1968* (Cth).

⁶³ s 86 *Copyright Act 1968* (Cth).

⁶⁴ s 85(2) *Copyright Act 1968* (Cth) sets out a number of exceptions to the rental rights.

⁶⁵ s 88 *Copyright Act 1968* (Cth).

⁶⁶ [1964] 1 WLR 273, 277.

*Bron*⁶⁷ said that to show reproduction it was necessary to establish that there was ‘a sufficient degree of objective similarity between the two works’ and ‘some causal connection between the plaintiff’s and the defendant’s works’.

The reproduction right is exercised when a literary, dramatic or musical work is copied in any material form.⁶⁸ ‘Material form’ includes any visible or non-visible form of storage, irrespective of whether the work or an adaptation can be reproduced.⁶⁹ A reproduction of a work will have taken place where that work is converted from a hard copy or analogue form into a digital form.⁷⁰ Where the work is a computer program, a reproduction will take place if an object code is derived from its source code, and vice versa.⁷¹ Thus the temporary or incidental storage of a computer program (or a substantial part thereof) in the RAM of a computer is an infringement of copyright.⁷²

One question that has arisen in recent years is whether the right of reproduction covers the practice of ‘caching’ (that is, where frequently accessed material is temporarily copied onto a local computer system in order to facilitate faster and more cost-effective access). The law in this area was clarified when the government introduced s 200AAA in 2006. This new section provides that proxy caching does not infringe copyright and as such is not a remunerable activity. More specifically, s 200AAA provides that copyright is not infringed where a computer system automatically makes a temporary electronic reproduction or copy of works or other subject matter available online. It also provides that the later communication of the work or other subject-matter to a user of the system is also non-infringing. These provisions are subject to the proviso that the computer system is operated by or on behalf of a body administering an educational institution; that the system is operated primarily to enable staff and students of the institution to use the system to gain online access for educational purposes to works and other subject matter (whether they are made available online using the internet or merely the system); and that the reproductions and copies are made by the computer system merely to facilitate efficient later access to the works and other subject matter by users of the system.⁷³

67 [1963] Ch 587, 614.

68 s 21(1) *Copyright Act 1968* (Cth).

69 s 10(1) *Copyright Act 1968* (Cth). For acts carried out prior to 1 January 2005, it is necessary to show that the work is able to be reproduced from its stored form. See *Kabushiki Kaisha Sony Computer Entertainment v Stevens* [2002] FCA 906, para 137; *Kabushiki Kaisha Sony Computer Entertainment v Stevens* [2003] FCAFC 157; *Stevens v Kabushiki Kaisha Sony Computer Entertainment* [2005] HCA 58.

70 s 21(1A) *Copyright Act 1968* (Cth) provides that a work is taken to have been reproduced if it is converted into or from a digital or other electronic machine-readable form, and any article embodying the work in such a form is taken to be a reproduction of the work. It further states that the reference to the conversion of a work into a digital or other electronic machine-readable form includes the first digitisation of the work.

71 s 21(5) *Copyright Act 1968* (Cth).

72 For acts carried on or after 1 January 2005, copyright protection extends to include non-reproducible forms of storage. This overturned *Kabushiki Kaisha Sony Computer Entertainment v Stevens* [2003] FCAFC 157; *Microsoft Corporation v Blanch* [2002] FCA 895; *Australian Video Retailers Association Ltd v Warner Home Video Pty Ltd* (2001) 53 IPR 242. In January 2005, a related defence was provided where a reproduction is made as part of a technical process by virtue of s 43B *Copyright Act 1968* (Cth).

73 s 200AAA(1)(a)–(d) *Copyright Act 1968* (Cth).

The copyright owners of sound recordings, films, television and sound broadcasts are given the right to make copies of their works.⁷⁴ In turn, the copyright owner of a published edition is given a narrow right to make a facsimile copy of the work.⁷⁵

7.4.2 The right to publish the work

The *Copyright Act 1968* (Cth) provides the owner of copyright in literary, dramatic, musical and artistic works with the right to publish the work. A work is published if reproductions of the work have been supplied to the public by sale or otherwise.⁷⁶ Publication requires that the public is able to read or visually perceive the work on the copies supplied to it; it is therefore not a publication of a work to supply records of it to the public.⁷⁷ The publication right only allows control of the first publication of the work in the relevant territory.⁷⁸ There are caveats to this in relation to rental rights, public lending and imports.

7.4.3 The right to perform the work in public

The right of the copyright owner to perform the work in public⁷⁹ includes both live performance and any visual or aural presentation of the work (such as presentations on television, radio, film or other form of reception equipment).⁸⁰ The operation of ‘reception equipment’ (which is defined as equipment such as a television that enables people to see or hear a work) constitutes a performance by the display or emission of the images or sounds received by that equipment.⁸¹ A performance also includes the delivery of a work by way of a lecture, address, speech, or sermon.⁸² The copyright owner of a film or sound recording has the exclusive right to cause it to be seen or heard in public.⁸³

A key feature of the right is that the performance is ‘in public’. While there is some uncertainty about what is meant by the ‘public’ (other than that that ‘it is often defined broadly so as to favour the copyright owners’),⁸⁴ in *APRA v Telstra Corporation*⁸⁵ the High Court provided some guidance by noting that ‘in public’

74 ss 85(a), 86(a), 87(a), (b) *Copyright Act 1968* (Cth).

75 s 88 *Copyright Act 1968* (Cth).

76 s 29(1)(a) *Copyright Act 1968* (Cth).

77 s 29(3) *Copyright Act 1968* (Cth).

78 *Avel Pty Ltd v Multicoin Amusements Pty Ltd* (1990) 18 IPR 443, following *Infabrics Ltd v Jaytex Shirt Co. Ltd* [1981] 1 All ER 1057.

79 s 31(1)(a)(iii) *Copyright Act 1968* (Cth).

80 s 27(1)(a) *Copyright Act 1968* (Cth). For definitions of ‘reception equipment’, ‘wireless telegraphy apparatus’, ‘cinematograph film’ and ‘record’: see s 10(1) *Copyright Act 1968* (Cth).

81 ss 27(2), (3) *Copyright Act 1968* (Cth). The occupier of the premises where the apparatus is situated is considered to be the person giving the performance if the apparatus was provided by or with his consent: s 27(4) *Copyright Act 1968* (Cth).

82 s 27(1)(b) *Copyright Act 1968* (Cth). Section 29(3) provides that the performance of a literary, dramatic, or musical work is not a publication of it.

83 ss 85, 86 *Copyright Act 1968* (Cth).

84 L. Bently and B. Sherman, *Intellectual Property Law* (2nd ed, Oxford: Oxford University Press, 2004), 143.

85 (1993) 118 ALR 684.

was probably broader than ‘to the public’ which was the subject of discussion before the High Court. The court held that that playing music on hold to people in their homes was a broadcast ‘to the public’. The High Court tended to prefer the test of whether the performance impacted on the copyright owners’ relationships with their audience; that is, whether it was to the copyright owners’ public.⁸⁶

Further guidance as to when a work is performed in public is provided by s 28. This states that where a literary, dramatic or musical work is performed by a teacher or student in class or otherwise in the presence of an audience for the purpose of non-profit educational instruction, that performance is deemed *not* to be a performance in public. This is subject to the proviso that the audience is limited to persons who are taking part in the instruction or are otherwise directly⁸⁷ connected with the place where the instruction is given. Similar provisions apply in relation to film and sound recordings.⁸⁸

7.4.4 The right to communicate the work to the public

As part of the Digital Agenda reforms in 2000, copyright owners were given a general right of communication of the work to the public.⁸⁹ ‘Communicate’ is defined to mean ‘to make available online or electronically transmit (whether over a path, or combination of paths, provided by a material substance or otherwise) a work or subject-matter’.⁹⁰ In turn, ‘to the public’ is defined to include the public within or outside Australia.⁹¹ This would mean that material directed to overseas audiences would fall within this right. The scope of the right does not extend, however, to communications that occur within non-profit educational institutions in certain specified circumstances which are deemed *not* to be communications to the public.⁹²

Section 22(6) provides that a communication (other than a broadcast) is taken to be have been made by the person responsible for determining the content of the communication. The scope of this provision was clarified in 2006⁹³ by the insertion of a new sub-s 22(6A) which makes it clear that a person who merely accesses or browses material online is not responsible for determining the

86 Rather than whether the performance was a domestic as opposed to a public one. Wright MR and Romer LJ discussed this in *Jennings v Stephens* [1936] 1 All ER 409, 418 where, by way of contrast, Greene LJ looked closely at the relationship between the audience and the copyright owner (at 420).

87 s 28(3) *Copyright Act 1968* (Cth): ‘For the purposes of this section, a person shall not be taken to be directly connected with a place where instruction is given by reason only that he or she is a parent or guardian of a student who receives instruction at that place’.

88 s 28(4) *Copyright Act 1968* (Cth).

89 This right applies in cases of literary, musical, artistic and dramatic works, and sound recordings, films and broadcasts. The right does not apply, however, to published editions.

90 s 10(1) *Copyright Act 1968* (Cth). *Woolworths Ltd v Olson* (Unreported, NSW Supreme Court, 7 September, 2004), [336] (the sending of two emails containing copyright materials by a husband to his wife did not breach the copyright owner’s right of communication to the public. The downloading of the emails did, however, breach the copyright owner’s right of reproduction).

91 s 10(1) *Copyright Act 1968* (Cth).

92 s 28 *Copyright Act 1968* (Cth). This applies to literary, dramatic and musical works; film and sound recordings; television and radio broadcasts (including works embodied in those broadcasts); and artistic works.

93 By the *Copyright Amendment Act 2006* (Cth).

content of the communication.⁹⁴ This means that a person who merely clicks on a hyperlink to gain access to a webpage is not exercising the right of communication and thus not infringing. The new provision also confirms that a person who clicks on a link to gain access to a page will not be responsible for determining the content of a communication for the purposes of the communication right.⁹⁵ As was discussed above, it is also now clear that the communication of a work or other subject matter which has been automatically reproduced (or cached) by a computer system operated by an educational institution is non-infringing.⁹⁶

7.4.5 The right to make an adaptation of the work

A copyright owner of a literary, dramatic or musical work has the exclusive right to make an adaptation of the work.⁹⁷ An adaptation of a literary work is defined to mean changing a dramatic literary work into a non-dramatic form (and vice versa); a translation of a literary work; and a version of a literary work in which a story or action is conveyed solely or principally by means of pictures.⁹⁸ An adaptation of a computer program means a version of the work, whether or not in the language, code or notation in which the work was originally expressed, not being a reproduction of the work. In relation to musical work, an adaptation of a musical work means an arrangement or transcription of a musical work.⁹⁹

The adaptation right gives the copyright owner protection beyond the mere expression of the ideas. A common example of the adaptation right is the right of an author of a novel to make a movie from the book – in other words, a pictorial version of the literary work. The adapted work may attract copyright protection in its own right. Copyright has been held to subsist in a translation,¹⁰⁰ an annotated edition of a work,¹⁰¹ and in an anthology of songs and lyrics.¹⁰² Copyright owners have the same rights in relation to the adaptation as they have in relation to the work that was adapted.¹⁰³

94 This issue was raised as part of the Government's *Digital Agenda Review*. See *Digital Agenda Review – Government Responses to Phillips Fox recommendations and related matters* (May 2006): 'Additional matters considered as part of the Digital Agenda Review', 13. The Explanatory Memorandum of the Copyright Amendment Bill 2006 stated: 'Although it was never intended that a person doing no more than merely accessing copyright material online could be considered to be exercising the communication right in relation to what was accessed, some have argued that this interpretation is possible', 130: as cited in M. Neilsen and R. Bell, *Copyright Amendment Bill 2006*, Parliament of Australia, Department of Parliamentary Service (22 November 2006, Bill Digest 51), 18.

95 In part this was in response to CAL's argument in the Copyright Tribunal in 2005 that 'telling students to view' a website should be a remunerable act. See Copyright Agency Ltd, *Umpire to set value of schools digital copying* (Press Release, 17 August 2005). See also K. Weatherall's commentary at <<http://weatherall.blogspot.com/>>. See also reference in *Copyright Agency Limited v Queensland Department of Education* [2006] ACopyT 1 (7 April 2006).

96 s 200AAA *Copyright Act 1968* (Cth).

97 s 31(1)(a)(vi) *Copyright Act 1968* (Cth).

98 s 10(1) *Copyright Act 1968* (Cth).

99 s 10(1) *Copyright Act 1968* (Cth).

100 *Pollock v J C Williamson Ltd* [1923] VLR 225.

101 *Blackie & Sons Ltd v Lothian Book Publishing Co Pty Ltd* (1921) 29 CLR 397.

102 *Macmillan & Co Ltd v Cooper* (1924) 93 LJPC 113.

103 s 31(1)(a)(vii) *Copyright Act 1968* (Cth).

The copyright owner of an artistic work has similar adaptation rights; for example, an artist has the exclusive right to make a two-dimensional version of a work into a three-dimensional form and a three-dimensional work into a two-dimensional form.¹⁰⁴

7.4.6 The right of commercial rental

An exclusive right of commercial rental is provided in computer programs and literary, musical and dramatic works embodied in sound recordings.¹⁰⁵ The right only applies where the essential object of the rental is the program itself. Thus, the rental of a DVD disc that embodied a computer program was *not* a rental of the computer program, because the essential object of the rental was to gain access to the video and audio content and not the computer program.¹⁰⁶

7.5 Technological protection measures

With the increase in the number of digital works that were made available on the internet in the 1990s, copyright owners began to use technological measures to lock up their copyright works to prevent them being transferred, copied and printed. While the technological locks or technological protection measures relied upon by copyright owners provided some relief from online piracy, they were not infallible because users were able to circumvent the locks and decrypt the encoded works.

In order to strengthen the technological protection measures, copyright owners lobbied the Commonwealth government for the legal means to reinforce the existing technological protection systems. In particular, they wanted the technological protection measures that they had adopted to be legitimised through statutory sanctions that would prohibit users from circumventing the locks.

The government accepted the copyright owners' arguments and in the 2000 *Digital Agenda Reforms* introduced a raft of enforcement provisions to enable copyright owners to enforce their rights in the digital environment.¹⁰⁷ There were two key technological protection measures introduced in the *Copyright Amendment (Digital Agenda) Act 2000* (Cth): provisions dealing with circumvention devices and services; and the provisions in relation to rights management information.

The technological protection measures scheme established by the *Digital Agenda Act* was modified as a result of Australia's entry into the *Australia–USA*

104 s 21(3) *Copyright Act 1968* (Cth).

105 ss 31(1)(c) and (d) *Copyright Act 1968* (Cth) (introduced by the *Copyright (World Trade Organization Amendments) Act 1994* (Cth), effective 1 January 1996). Generally, the right will not apply to commercial dealings in sound recordings and computer programs purchased before 1 January 1996, if the purchase was made in the course of an established commercial rental business: s 31(6) *Copyright Act 1968* (Cth).

106 *Australian Video Retailers Association Ltd v Warner Home Video Pty Ltd* (2001) 53 IPR 242.

107 In part, the *Copyright Amendment (Digital Agenda) Act 2000* (Cth) was enacted in response to the *WIPO Copyright Treaty 1996*.

*Free Trade Agreement (AUSFTA) 2004*¹⁰⁸ which required Australia to introduce a stronger technological protection measure scheme.¹⁰⁹ To implement these requirements, the Attorney-General released an Exposure Draft of the Copyright Amendment (Technological Protection Measures) Bill in September 2006.¹¹⁰ After public consultation, the Bill was incorporated into the *Copyright Amendment Act 2006* (Cth) (as sch 12). The *Copyright Amendment Act 2006* (Cth) repealed the existing technological protection measures scheme and introduced an expanded regime which complies with Australia's obligations under the *Australia–USA Free Trade Agreement 2004*. The new technology protection scheme came into effect on 1 January 2007.

7.5.1 Anti-circumvention

The new technological protection measures scheme essentially sets up three prohibited activities. There are where a person:

- circumvents an access control technological protection measure (s 116AN)
- manufactures a circumvention device for a technological protection measure (s 116AO), and
- provides a circumvention service for a technological protection measure (s 116AP).¹¹¹

To limit the scope of the new provisions, a number of new exceptions were also introduced.¹¹² The Senate recommended that a prohibition on contracting out of the defences to the anti-circumvention provisions should be introduced into the *Copyright Amendment Act 2006* (Cth) to protect consumers from 'contracting away' their rights. However the government did not accept this recommendation.¹¹³

A key feature of the new technology protection measure scheme is that it provides for both civil and criminal sanctions.

7.5.1.1 Circumventing an access control technological protection measure

One of the most important changes made to the technological protection scheme was the introduction of provisions dealing with '*access control technological protection measures*' [emphasis added]. While the old scheme protected devices that

108 art 17.4.7 of *Australia–USA Free Trade Agreement 2004* required Australia to provide civil and criminal liability for the circumvention of any technological protection measures and for 'trafficking' in devices that are designed or promoted as enabling or facilitating technological protection measures be circumvented or only have limited commercial purpose other than circumvention of technological protection measures.

109 When announcing the new Bill, the Attorney-General claimed that the 'new laws aimed at preventing unauthorised access to material protected by copyright should increase the availability of music, film and games in digital form'. Hon P. Ruddock, MP, Attorney-General, *DVDs, CDs and Computer Games: Good News For Consumers, Bad News For Pirates* (Press Release, 4 September 2006).

110 The Copyright Amendment (Technological Protection Measures) Bill 2006.

111 Item 9 of the *Copyright Amendment Act 2006* (Cth) repealed s 116A, the provision that currently regulated the use of TPM circumvention devices and substituted a new sub-div A into pt V.

112 s 116AN(2)–116AN(9) *Copyright Act 1968* (Cth).

113 Recommendation 14, Senate Standing Committee on Legal and Constitutional Affairs, *Copyright Amendment Bill 2006 [Provisions], Report* (2006).

restricted the infringement of copyright,¹¹⁴ the new scheme protects devices that control access to the work or other subject matter. The ability to control access to copyright material (rather than merely to prevent copyright infringement) marks an important extension of the copyright owner's rights.

The new provision is found in s 116AN(1). This provides that an owner or exclusive licensee of copyright in a work or other subject matter that is protected by an access control technological protection measure is able to bring an action against a person who does an act that results in the circumvention of the access control technological protection measure. To be liable, a person must have known, or ought reasonably to have known, that the act in question would lead to the circumvention of the access control technological protection measure.

An 'access control technological protection measure' is defined as:

- a device, product, technology or component (including a computer program) that is used in Australia or a qualifying country
- by, with the permission of, or on behalf of, the owner or the exclusive licensee of the copyright in a work or other subject matter, and in connection with the exercise of the copyright, and
- controls access to the work or other subject-matter.¹¹⁵

While the definition of an 'access control technological protection measure' excludes geographic market segmentation technologies such as region coding and computer technologies that are aimed at preventing competition in non-copyright goods,¹¹⁶ it is still very broad. It would include, for example, most of the access control systems currently in use such as Apple's digital rights management system used with the iPod which 'envelopes each song purchased from the iTunes store in special and secret software so that it cannot be played on unauthorised devices'.¹¹⁷

7.5.1.1.1 Exceptions

To some extent, the potential of the access control technological protection measures to lock up digital works is alleviated by the fact that there are situations where copyright users are able to circumvent a copyright owner's technological protection measures. There are a number of exceptions to liability for circumventing access control technological protection measures. In all cases, the defendant bears the burden of proof for these exceptions.¹¹⁸

114 s 116A *Copyright Act 1968* (Cth) (replaced by new section in 2006).

115 s 10(1) *Copyright Act 1968* (Cth). The Senate recommended a change to this definition so that the definition of access control technological protection measure should be restricted from devices that are used 'in connection with' the exercise of copyright to devices that are used to prevent, inhibit or restrict the doing of acts comprised in copyright. Senate Standing Committee on Legal and Constitutional Affairs, *Copyright Amendment Bill 2006 [Provisions], Report (2006), Recommendation 12*. The government did not adopt this recommendation and there was no change to the definition of access control measure.

116 s 10(1) *Copyright Act 1968* (Cth).

117 Steve Jobs, 'Thoughts on Music' (6 February 2007) <www.apple.com/hotnews/thoughtsonmusic>.

118 s 116AN(10) *Copyright Act 1968* (Cth). These exceptions correspond to the exceptions allowed in art 17.4.7(e) of *AUSFTA*.

Section 116AN(2) provides that a person will not be liable where they have the permission (either express or implied) of the copyright owner or exclusive licensee to circumvent the access control technological protection measure.¹¹⁹ A number of other exceptions are made to protect specific activities. For example, the Act provides that a person will not be liable where the circumvention is for the sole purpose of:

- achieving interoperability of an independently created computer program with the original program;¹²⁰
- identifying and analysing flaws and vulnerabilities of encryption technology;¹²¹
- testing, investigating or correcting the security of a computer, computer system or computer network;¹²²
- providing online privacy;¹²³ and
- allowing libraries, archives and educational institutions to make a decision as to whether they want to buy the copyright material.¹²⁴

These exceptions are subject to the proviso that the act in question will not infringe the copyright in the work or other subject matter.

An additional exception provides that a person who circumvents an access control technological protection measure will not be liable if their conduct is for the purpose of law enforcement, national security, or performing a statutory function, power or duty of Commonwealth, State or Territory governments and agencies.¹²⁵ The new scheme also allows for additional exceptions to be prescribed in the regulations.¹²⁶

The civil remedies that are available for breach of s 116AN include an injunction, damages or an account of profits, or (where relevant) an order that the circumvention device be destroyed or otherwise dealt with. In assessing remedies, the courts may take account of any relevant matters including those listed in sub-s 116AQ(2).

7.5.1.2 Aiding and abetting in the circumvention of technological protection measures

The second prohibited activity is concerned with people who assist or otherwise facilitate third parties to circumvent technological protection measures. The new s 116AO provides that an owner or exclusive licensee of copyright in a work or

119 s 116AN(2) *Copyright Act 1968* (Cth).

120 s 116AN(3) *Copyright Act 1968* (Cth).

121 s 116AN(4) *Copyright Act 1968* (Cth).

122 s 116AN(5) *Copyright Act 1968* (Cth).

123 s 116AN(6) *Copyright Act 1968* (Cth). The Explanatory Memorandum states that this would permit circumvention in order to identify and disable an undisclosed capability to collect or disseminate personally identifying information about a person's online activities. See Explanatory Memorandum, Copyright Amendment Bill 2006 (Amendment to be moved on behalf of the government).

124 s 116AN(8) *Copyright Act 1968* (Cth).

125 s 116AN(7) *Copyright Act 1968* (Cth).

126 s 116AN(9) *Copyright Act 1968* (Cth). The process for making regulations is contained in s 249 *Copyright Act 1968* (Cth).

other subject matter that is protected by a technological protection measure is able to bring an action against a person who manufactures, imports, distributes, offers to the public or otherwise provides to another person a device that enables the user to circumvent a technological protection measure.¹²⁷ This is subject to the proviso that the person knew, or ought reasonably to have known, that the device is a circumvention device for a technological protection measure; and that the work or other subject matter in question is protected by the technological protection measure. The civil remedies for breach of s 116AO are the same as for breach of s 116AN (discussed above).

There are two key components of the provision: namely ‘*technological protection measure*’ and ‘*circumvention devices*’. A ‘*technological protection measure*’ is defined to include an access control technological protection measure (defined above).¹²⁸ It also includes a device, product, technology or component (including a computer program) that in the normal course of its operation prevents, inhibits or restricts the doing of an act that would infringe copyright.¹²⁹ The device must be used in Australia or a qualifying country with the permission of, or on behalf of, the owner or the exclusive licensee of the copyright in a work or other subject matter.¹³⁰ In relation to films and computer programs (including computer games), the definition of a ‘*technological protection measure*’ does not extend to regional coding devices. To encourage the provision of spare parts, the scope of the provision is also limited by the fact that in relation to computer programs, the definition does not include devices to the extent that they restrict the use of goods (other than the work) or services in relation to the machine or device. This ensures that the technology protection scheme cannot be used to restrict competitors from developing devices (such as remote controls) that embody an encrypted computer program.

In turn, a ‘*circumvention device*’ is either:

- a device promoted, advertised or marketed as having the purpose or use of circumventing a technological protection measure (that is, it does not require the device to have an actual circumvention purpose or use), or
- a device with only a limited commercially significant purpose or use, or no such purpose or use, other than the circumvention of a technological protection measure, or
- a device which is primarily or solely designed or produced to enable or facilitate the circumvention of a technological protection measure.¹³¹

127 s 116AO(1) *Copyright Act 1968* (Cth).

128 The meaning of a technological protection measure under the pre-2006 scheme was discussed by the High Court in *Stevens v Kabushiki Kaisha Sony Computer Entertainment* [2005] HCA 58; see in particular Kirby J at para 224.

129 Under the *Australia–US Free Trade Agreement 2004*, a technological protection measure is ‘any technology, device or component that, in the normal course of its operation, controls access to a protected work, performance, phonogram, or other subject matter’ (art 17.4.7 *AUSFTA*).

130 s 10(1) *Copyright Act 1968* (Cth).

131 s 10(1) *Copyright Act 1968* (Cth).

7.5.1.2.1 Exceptions

There are a number of new exceptions that a person who aids or abets in the circumvention of technological protection measures may be able to rely upon.¹³² In all cases, the defendant bears the burden of proving the exception to the usual civil standard.¹³³ In addition to excluding activities carried out for law enforcement, national security, performing a statutory function and so on,¹³⁴ exceptions are also made for activities that promote interoperability,¹³⁵ are part of research that aims to identify and analyse flaws and vulnerabilities in encryption technology,¹³⁶ and where the circumvention is undertaken to test, investigate or correct the security of a computer, computer system or computer network¹³⁷ (similar to those mentioned above). An exception is also made where the promotion, advertising or marketing of the device is carried out without the defendant's authority or approval and where the particular device does not actually have the capacity to be used as a circumvention device.¹³⁸

7.5.1.3 Providing a circumvention service¹³⁹

The third activity prescribed in the new technology protection measures scheme relates to the provision of a service that circumvents a technological protection measure. Section 116AP provides that an owner or exclusive licensee of copyright in a work or other subject matter that is protected by a technology protection measure may bring an action against a person who provides a technology protection measures circumvention service to another person or who offers such a service to the public.¹⁴⁰ To be liable, the person must have known, or ought reasonably to have known, that the service is a 'circumvention service' for a technological protection measure. A 'circumvention service' for a technological protection measure is defined as a service that:

- is promoted, advertised or marketed as having the purpose or use of circumventing a technological protection measure, or
- only has a limited commercially significant purpose or use, or no such purpose or use, other than to circumvent a technological protection measure, or
- is primarily or solely designed or produced to enable or facilitate the circumvention of a technological protection measure.¹⁴¹

The civil remedies available for breach of s 116AP are the same as for breach of s 116AO and 116AN (discussed above).

132 ss 116AO(2)–(6) *Copyright Act 1968* (Cth).

133 s 116AO(7) *Copyright Act 1968* (Cth).

134 s 116AO(6) *Copyright Act 1968* (Cth).

135 s 116AO(3) *Copyright Act 1968* (Cth).

136 s 116AO(4) *Copyright Act 1968* (Cth).

137 s 116AO(5) *Copyright Act 1968* (Cth).

138 s 116AO(2) *Copyright Act 1968* (Cth).

139 Item 9 of the *Copyright Amendment Act 2006* (Cth) repealed s 116A, the provision that previously regulated the use of technological protection measure circumvention devices and substituted a new sub-div A into pt V.

140 s 116AP(1) *Copyright Act 1968* (Cth).

141 s 10(1) *Copyright Act 1968* (Cth).

7.5.1.3.1 Exceptions

There are a number of exceptions to civil liability under s 116AP.¹⁴² For example, a person is not liable where a service is promoted as a circumvention service without their authority and where the service is not actually able to be used to circumvent a technology protection measure.¹⁴³ Exceptions are also made where the activity is for the sole purpose of promoting interoperability,¹⁴⁴ for encryption-related research,¹⁴⁵ or for testing, investigating or correcting the security of a computer, computer system or computer network.¹⁴⁶ Activities that are carried out for law enforcement, national security or performing a statutory function, power or duty of Commonwealth, State or Territory governments and their agencies are also exempt.¹⁴⁷ In all cases, the defendant bears the burden of proof.¹⁴⁸

7.5.1.4 Criminal actions

As was mentioned above, a key component of the new technology protection measure scheme is that it provides for both civil and criminal sanctions. The criminal actions regarding technology protection measures are similar to the civil actions in that they target three activities,¹⁴⁹ namely: where a person circumvents an access control technology protection measure,¹⁵⁰ where they deal with a circumvention device for a technology protection measure¹⁵¹ and where they provide a circumvention service for a technology protection measure.¹⁵² A criminal action is only available where the circumvention is carried out for the purpose of commercial advantage or profit.¹⁵³ They are also subject to the evidential and procedural standards used in criminal law. The scale of the penalties for breach varies depending on the activity in question. While the penalty for circumventing an access control technology protection measure is 60 penalty units (\$6600), in contrast the penalty for manufacturing a technology protection measure circumvention device or providing a technology protection measure circumvention service is 550 penalty units (currently \$60,500) and/or five years imprisonment.

7.5.1.5 Defences to liability for criminal actions

The defences that are available to a criminal action for breach of the technology protection measures are, with two exceptions, the same as those that are available for the corresponding civil provision (discussed above).¹⁵⁴ The first difference is that the standard and burden of proof is that which is ordinarily applied in a

142 ss 116AP(2)–(6) *Copyright Act 1968* (Cth).

143 s 116AP(2) *Copyright Act 1968* (Cth).

144 s 116AP(3) *Copyright Act 1968* (Cth).

145 s 116AP(4) *Copyright Act 1968* (Cth).

146 s 116AP(5) *Copyright Act 1968* (Cth).

147 s 116AP(6) *Copyright Act 1968* (Cth).

148 s 116AP(7) *Copyright Act 1968* (Cth).

149 Item 11 of the Copyright Amendment Bill 2006 inserted new sub-div E into div 5 of pt V.

150 s 132APC *Copyright Act 1968* (Cth).

151 s 132APD *Copyright Act 1968* (Cth). The section applies where a person manufactures, imports, distributes, offers to the public, provides to another person or communicates a circumvention device.

152 s 132APE *Copyright Act 1968* (Cth).

153 These provisions implement art 17.4.7(a)(i) of the *AUSFTA*.

154 See ss 132APC(2)–(8), 132APD(2)–(7) and 132APE(2)–(7) *Copyright Act 1968* (Cth).

criminal action. The second difference is that non-profit libraries, archives, educational institutions and public non-commercial broadcasters are exempt from criminal liability in respect of anything lawfully done by them in performing their functions. This defence, which has no real civil law equivalent,¹⁵⁵ applies to all three forms of criminal liability.

7.5.2 Rights management information

The second technological protection measure introduced in the *Copyright Amendment (Digital Agenda) Act 2000* (Cth) which was extended and strengthened by the *US Free Trade Agreement Implementation Act 2004* (Cth), makes it an offence for someone to intentionally remove or alter 'electronic rights management information'.¹⁵⁶ Electronic rights management information is electronic information such as a digital watermark that is attached to or embodied in a copy of a work.¹⁵⁷ It also includes numbers or codes which represent such information in an electronic format.

Rights management information typically includes details about the copyright owner and the way the copyright material may be used.¹⁵⁸ One of the main advantages of rights management information is that it acts as a footprint that helps copyright owners to track the uses of their works online. This information effectively acts as a moral right of attribution, not for the author, but for the work itself. The practical effect of the protection of rights management information is that copyright owners are better able to police the use that is made of their works online. As such, rather than the internet being an unregulated domain where 'information is free', digital technologies enable copyright owners to more readily track use than they have been able to do with other technologies, such as the photocopier.

There are civil remedies and criminal sanctions for the intentional removal and alteration of electronic rights management information. To be criminally liable, a person must know, or be reckless as to whether, the information in question is protected.¹⁵⁹ The criminal offence requires an element of commercial

155 With the exception of the defence that allows libraries, archives and educational institutions to circumvent technology protection measures when deciding whether to purchase copyright materials, there is no equivalent exemption from civil liability: s 116AN(8) *Copyright Act 1968* (Cth).

156 s 116B(1)(a) and (b) *Copyright Act 1968* (Cth) provides that copyright is infringed by the removal or alteration of any electronic rights management information attached to a copy of a copyright work or other subject matter without the permission of the copyright owner or exclusive licensee.

157 A new definition of rights management information was introduced as a result of the *US Free Trade Agreement Implementation Act 2004* (Cth) that explicitly required electronic rights management information to be 'electronic' and that extends the coverage of electronic rights management information protection to information that 'appears or appeared in connection with a communication, or making available, of the work'.

158 s 10(1) *Copyright Act 1968* (Cth) defines rights management information as electronic information which identifies the work or subject matter that is attached to, or embodied in, a copy of a work or other subject matter, or 'appears or appeared in connection with a communication, or the making available of the work or other subject-matter', or any numbers or codes which represent such information in electronic form, for example, digital watermarks, terms and conditions of use, etc.

159 s 132(5C) *Copyright Act 1968* (Cth) (amended by the *US Free Trade Agreement Implementation Act 2004* (Cth), item 141). Where a person is criminally liable, the maximum fine payable is 550 penalty units (\$60,500 for individuals and \$302,500 for corporations) and/or imprisonment for not more than five years: s 132(6A) (introduced by the *Copyright Amendment (Digital Agenda) Act 2000* (Cth)).

or profit-making motivation.¹⁶⁰ In the civil action, knowledge can be implied if the person ought reasonably to have known that they would induce, enable, facilitate or conceal infringement of copyright.¹⁶¹ A special defence ensures that not-for-profit libraries, archives, educational institutions and public non-commercial broadcasters who are ‘performing their functions’ are able to alter and remove electronic rights management information without falling foul of these sanctions.¹⁶²

7.5.3 Unauthorised access to encoded broadcasts

On 8 January 2007, a new scheme providing for unauthorised access to encoded broadcasts came into operation.¹⁶³ This scheme replaced the scheme that dealt with the unauthorised manufacture, advertising, sale, marketing, use or supply of devices intended to decode cable and satellite television transmissions.¹⁶⁴ The new scheme introduced by the *Copyright Amendment Act 2006* (Cth) implements the recommendations of the government’s *Review in 2005*.¹⁶⁵

In addition to simplifying the existing civil and criminal provisions, the new scheme also introduced new civil actions and offences. A new civil cause of action is provided where a decoding device is made available online.¹⁶⁶ The new scheme also established an indictable offence for a person gaining unauthorised access to a subscription broadcast.¹⁶⁷ Where unauthorised access is gained to a decrypted encoded broadcast, three separate indictable offences are created.¹⁶⁸ They correspond to the civil actions in s 135AOD and 135AOC.¹⁶⁹

160 As a result of amendments introduced by the *US Free Trade Agreement Implementation Act 2004* (Cth), items 139, 141(25).

161 The criminal offence would require an element of commercial or profit-making motivation (inserted by the *US Free Trade Agreement Implementation Act 2004* (Cth), items 136, 137).

162 s 132(5EA) *Copyright Act 1968* (Cth) (inserted by the *US Free Trade Agreement Implementation Act 2004*, item 142).

163 The Broadcast Decoding Devices Scheme, introduced in 2001 by the *Digital Agenda Amendment* and strengthened by the *US Free Trade Agreement Implementation Act 2004* (Cth), provisions repealed by sch 9 of the *Copyright Amendment Act 2006*.

164 Part VAA *Copyright Act 1968* (Cth) s 135AL–ANA. The offence related to the commercial dealing with a broadcast decoding device (defined in s 135AL to mean a device (including a computer program) that is designed or adapted to enable a person to gain access to an encoded broadcast without the authorisation of the broadcaster by circumventing, or facilitating the circumvention of, the technical means or arrangements that protect access in an intelligible form to the broadcast) rather than the actual use of the device itself. A court was able to grant an injunction and either damages or an account of profits: s 135AN(4) *Copyright Act 1968* (Cth). The court was also, having regard to all relevant matters, able to direct that the relevant broadcast decoding device be destroyed: ss 135AN(6), 135ANA(6) *Copyright Act 1968* (Cth).

165 Attorney-General’s Department, *Protecting Subscription Broadcasts: Policy review concerning unauthorised access to and use of subscription broadcasts Discussion Paper*, where the government decided that it should be a criminal offence to dishonestly access a subscription broadcast without authorisation and payment of the subscription fee and that it should be an offence for pay TV subscribers to distribute a subscription broadcast to others or use it for commercial purposes without the broadcaster’s authorisation. Hon P. Ruddock, Attorney-General, ‘Pay TV signal theft to be criminal offence’ (Press Release, 30 June 2005).

166 s 135AOB *Copyright Act 1968* (Cth).

167 s 135AS1 *Copyright Act 1968* (Cth), which carries a penalty of 60 penalty units (\$6600).

168 s 135ASJ *Copyright Act 1968* (Cth).

169 The maximum penalty is a fine of 550 penalty units and/or five years imprisonment.

7.6 Duration

The question of the appropriate period of protection that ought to be given to copyright works has been an issue that has attracted a lot of attention in copyright law. The duration of copyright protection will depend on the category of copyright work in question.

Prior to 2005, the period of protection for literary, dramatic, musical and artistic works was the life of the author plus fifty years. The period of protection was extended as a result of the *US Free Trade Agreement Implementation Act 2004* (Cth), which required that Australia extend protection to bring it into line with the US provision on duration: namely, the life of the author plus seventy years.¹⁷⁰ The *Australia–USA Free Trade Agreement 2004* also changed the period of protection for photographs from fifty years to the life of the author plus seventy years (bringing photographs into line with other artistic works).¹⁷¹ These changes, which apply retrospectively,¹⁷² took place with little if any discussion in Australia of the pros and cons of the extension of term. Australia's protection for literary, dramatic, musical and artistic works, which is now the life of the author plus seventy years, is in line with Europe and the US.

If the first publication of a literary, dramatic, musical or artistic work is anonymous or pseudonymous, any copyright subsisting in the work continues to subsist until the end of the period of seventy years after the end of the calendar year in which the work was first published.¹⁷³

Copyright in a sound recording lasts for seventy years after the year in which the recording was made.¹⁷⁴ Copyright in a film under the 1968 Act runs for seventy years from the year in which the film was first published.¹⁷⁵ Copyright in a television or sound broadcast lasts for fifty years from the year in which the broadcast was made.¹⁷⁶ Copyright in a published edition of a work lasts for twenty-five years from the date when the work was first published.¹⁷⁷

170 s 33(2) *Copyright Act 1968* (Cth).

171 The period of copyright protection for photographs is now the same as other artistic works, i.e. the life of the author plus seventy years. These *US Free Trade Agreement Implementation Act 2004* (Cth) amendments apply to all photographs protected by copyright as of 1 January 2005. Special provisions ensure that parties who, prior to 16 August 2004, entered into agreements to exploit photographs on the assumption that they would be in the public domain are not adversely affected by these changes.

172 *US Free Trade Agreement Implementation Act 2004* (Cth), item 131.

173 s 34 *Copyright Act 1968* (Cth). Section 34(2) provides that sub-s (1) does not apply in relation to a work if, at any time before the end of the period referred to in that subsection, the identity of the author of the work is generally known or can be ascertained by reasonable inquiry.

174 As a result of the *US Free Trade Agreement Implementation Act 2004* (Cth). If a sound recording was protected by copyright on 1 January 2005, the new period of protection will apply retrospectively.

175 s 94 *Copyright Act 1968* (Cth) (amended by the *US Free Trade Agreement Implementation Act 2004* (Cth), item 125). There is an exemption for the showing of old news films in public.

176 s 95(1) *Copyright Act 1968* (Cth).

177 s 96 *Copyright Act 1968* (Cth).

Exploitation, infringement and defences

8.1 Introduction

This chapter examines the ways in which a copyright work can be exploited. It also examines the different ways in which copyright can be infringed. This is followed by a discussion of the defences which a party may rely upon to escape liability for an act that would otherwise be infringing.

8.2 Exploitation

When exploiting a copyright work the owner has a number of different options. One possibility is that the owner exploits the work themselves. Another option is for the owner to sell (or assign) copyright to a third party. In this situation, ownership of the copyright work passes to the third party; the initial owner no longer has any legal interest in the copyright work. Another option is for the copyright owner to retain ownership of the work, but to allow (or license) third parties to exploit the work for them. Copyright is divisible as to the exclusive rights comprising copyright, the time and the place.¹ An assignment or licence of copyright may be limited to apply to one or more of the acts that the copyright owner has the exclusive right to do, for example, broadcasting rights, film rights, paperback reprint rights, etc.² An assignment or licence may be also limited to apply to a place in or part of Australia or other countries.³ Finally, an assignment

¹ s 196(a)–(c) *Copyright Act 1968* (Cth).

² s 196(2)(a) *Copyright Act 1968* (Cth).

³ s 196(2)(b) *Copyright Act 1968* (Cth).

or licence may be limited to apply to part of the copyright term.⁴ Thus, a licence in a work may be granted for the broadcast rights for one year in Australia only.

In many situations, the decision as to the mode of exploitation is determined by the copyright owner. While they will need to comply with relevant rules and procedures (notably trade practices law), the owner is largely free to do as they wish with the copyright. In some situations, however, the owner is given virtually no say in how the work is exploited. This is the case where a statutory licensing scheme is established which dictates when a work is able to be used and the remuneration that the owner should receive in return.

8.2.1 Assignment

An assignment of copyright is the transfer of the ownership of copyright. Once an assignment of copyright is given, the author no longer retains any economic rights in the work (they will, however, retain their moral rights: see chapter 9). The rights of the copyright owner are divisible; for example, copyright may be assigned in part or as a whole. If copyright is assigned and limits are placed on the time, place or duration of the assignment, this is known as a partial assignment.⁵ Thus it is possible for a number of persons to hold different rights (for different acts, for different times, in different places) in the same copyright work.⁶

To be enforceable, an assignment of copyright must be in writing and signed by or on behalf of the assignor.⁷ There is no particular form of writing that is required;⁸ however, the terms of the agreement should make it clear that the owner intends to grant an assignment (or a licence).⁹

Future copyright¹⁰ may be assigned.¹¹ This commonly occurs in employment contracts to clarify an employee's position in relation to ownership of their copyright works. It also occurs in particular industries such as the music industry where music contracts often contain assignment of future as well as existing copyright. This is done to ensure that all works created by up-and-coming musicians are owned. This type of arrangement came under scrutiny in the courts in the mid-1970s when young or inexperienced musicians entered into contracts which assigned existing and future copyright to their recording companies, who in return gave no undertaking to exploit the copyright assigned to them. These cases highlight the inequality of bargaining relationships between the relevant parties and accepted that, in certain circumstances, undue influence could be

4 s 196(2)(c) *Copyright Act 1968* (Cth).

5 s 16 *Copyright Act 1968* (Cth).

6 s 30 provides that should any action need to be brought in relation to the work, the person who is entitled to the particular limited rights at issue will be entitled to sue. See *Albert & Sons Pty Ltd v Fletcher Construction Co Ltd* [1974] 2 NZLR 107.

7 s 196(3) *Copyright Act 1968* (Cth). See *Robin Jig & Tool Co Ltd v Taylor* [1979] FSR 130.

8 A letter has been held to be sufficient: *London Printing and Publishing Alliance Ltd v Cox* [1891] 3 Ch 291.

9 See *Jonathan Cape Ltd v Consolidated Press Ltd* [1954] 1 WLR 1313; *Frisby v British Broadcasting Corporation* [1967] Ch 932; *Gold Peg International Ltd v Kovan Engineering (Aust) Pty Ltd* [2005] FCA 1521, para 71–113.

10 'Future copyright' is defined as copyright which is to come into existence at a future time or upon the happening of a future event: s 10(1) *Copyright Act 1968* (Cth).

11 s 197(1) *Copyright Act 1968* (Cth).

brought over the weaker party, resulting in what some would see as unconscionable contracts that were able to be rescinded.¹²

8.2.2 Licences

Copyright owners commonly use licences as a means to exploit their works. Licensing is one of the best ways for copyright owners to exploit their copyright. By licensing use of their works, copyright owners can place conditions on the use that can be made of their copyright works. This enables copyright owners to retain ownership and control over the work while allowing others to use the work. Copyright owners may grant either an express licence (either an exclusive or non-exclusive licence) or an implied licence to utilise the work in certain circumstances.¹³ Within the *Copyright Act 1968* (Cth) there is provision for statutory and compulsory licences.¹⁴

8.2.2.1 Express licences

When thinking about licensing the use of a copyright work, a copyright owner has the option of either granting an exclusive or a non-exclusive licence over their copyright work. An exclusive licence gives the licensee the sole right to use of the copyright work.¹⁵ An exclusive licence must be in writing and signed by the licensor.¹⁶ An exclusive licensee is given the same rights of action in relation to the licensed work as if they were the copyright owner.¹⁷ Where an exclusive licence is sought, the copyright owner should consider a premium for that exclusivity as no one else can make use of the copyright work.¹⁸ A non-exclusive licence can be granted by the copyright owner to a licensee, which enables them to do any or all of the exclusive rights of the copyright owner (as set out in s 31). A non-exclusive licence does not prevent the copyright owner from entering into other licences in relation to other uses of the work. Non-exclusive licences do not need to be in writing.

8.2.2.2 Implied licences

In certain situations, a copyright licence may be impliedly granted over works. This may occur, for example, where plans for buildings are commissioned. In this case, the commissioner is usually granted an implied licence to use the architectural drawings for the purpose for which they were prepared: for example, the

12 See *A Schroeder Music Publishing Co Ltd v Macauley* [1974] 1 WLR 1308; *Clifford Davis Management Ltd v WEA Records Ltd* [1975] 1 All ER 237; *O'Sullivan v Management Agency and Music Ltd* [1985] QB 428. (Each case holding that the contracts containing the assignments were unenforceable; each on different grounds of restraint of trade, unconscionable contracts and undue influence.)

13 A licence granted by a copyright owner binds every successor in title of the licensor to the same extent as the licence was binding on the licensor: s 196(4) *Copyright Act 1968* (Cth).

14 See ss 47(3), 70(3), 107(3), 54–64, 108–9, pts VA, VB, VC, 182B–183E *Copyright Act 1968* (Cth).

15 s 10(1) *Copyright Act 1968* (Cth) provides that 'the licensee, to the exclusion of all other persons, to do an act that by virtue of the *Copyright Act*, the owner of copyright would but for the licence, have the exclusive right to do'.

16 s 10(1) *Copyright Act 1968* (Cth).

17 ss 117–125 *Copyright Act 1968* (Cth).

18 For a definition of exclusive licence, see *Sega Enterprises Ltd v Galaxy Electronics Pty Ltd* (1998) 39 IPR 577.

construction of the building. An implied licence will also be granted by the architect to subsequent owners of the land.¹⁹ There are many other situations where implied licences to use work are given. For example, where a person writes a letter to an editor of a newspaper, in the absence of an express permission to publish the letter it is clear that the person will have impliedly given a licence allowing publication.

8.2.2.3 Compulsory and statutory licences

As copyright owners may use their control over copyright works to create a monopoly over their works, the legislature has recognised the need to grant a compulsory or statutory licence to ensure the public interest is served. Since the grant of the first compulsory licence in the *Literary Property Act of 1842*,²⁰ the grant and operation of compulsory or statutory licences has been a controversial area of debate within copyright law.

The *Copyright Act 1968* (Cth) provides for a number of statutory or compulsory licences. A main feature of the statutory licence is that while the copyright owner may not withhold permission to use their copyright works, they are entitled to be paid a reasonable compensation for the use of their works. For parties that enjoy the benefit of a statutory licence, they are relieved of the obligation to seek permissions from numerous copyright owners for the use of copyright works.²¹

The two large statutory licence schemes operating in Australia that generate significant income for the relevant collecting societies are the Part VB and Part VA statutory licences that operate in the educational sector. There are, however, a number of specific statutory licences that will be discussed briefly first. Of these, there are two broad categories: statutory licences in relation to music works and sound recordings and a statutory licence scheme that operates for Crown copyright material.

8.2.2.3.1 Musical works, sounds recordings, broadcasts and Crown copyright

There are a number of specific provisions that allow the playing and replaying of sound recordings. For example, ss 108 and 109 allow sound recordings to be played (or broadcast) in public or broadcast if the person who plays or broadcasts the sound recording pays or agrees to pay equitable remuneration to the copyright owner. A statutory licence is also granted for the making of records of musical works that have been previously recorded²² and also for the use of sound recordings or film of a work or sound recording for the purposes of making a broadcast where the maker of the broadcast and recording are different.²³

¹⁹ Cf *Parramatta Design and Developments Pty Ltd v Concrete Pty Ltd* [2005] FCAFC 138.

²⁰ 5 & 6 Vict c 45.

²¹ In the CLRC Report, *Copyright and Contract*, it was noted that '[t]he statutory licences are an efficient means of overcoming market failure . . . On the one hand, the copyright owners' power to withhold a licence is taken away to save users from having to seek them out to obtain a licence. On the other hand the users are made liable to pay for the use in a way that ensures remuneration to the copyright owners without the latter having to seek out the users to obtain payment.' (Canberra: AGPS, 2002), paras [7.32], [7.33].

²² ss 54–64 *Copyright Act 1968* (Cth).

²³ ss 47(3), 70(3), 107(3) *Copyright Act 1968* (Cth).

Special schemes also regulate the making of a sound broadcast of a literary or dramatic work or its adaptation by the holder of a print handicapped radio licence.²⁴ Statutory licence schemes also exist for the payment of equitable remuneration for works contained in retransmitted, free-to-air broadcasts²⁵ and for the use of Crown copyright material.²⁶

8.2.2.3.2 Part VA licences

Part VA of the *Copyright Act 1968* (Cth) introduced a compulsory licensing scheme which enables educational institutions to copy broadcasts, sound recordings or films included in the broadcast. The regime only relates to copies made for educational purposes or for the purpose of assisting intellectually disabled persons. Part VA specifies that payment must be made to a collecting society (formerly the Audio-Visual Collecting Society, now Screenrights) and the amount will be calculated on the basis of either the number of copies made (records system) or the number of students in the institution (sampling system).²⁷

A pivotal feature of Part VA copying is the remuneration notice.²⁸ A remuneration notice must be given by the institution to the declared collecting society. Screenrights administers the scheme in Part VA, creating a statutory licence for the copying of sound and television broadcasts by educational institutions.²⁹ The *Copyright Act 1968* (Cth) provides that the university keeps records of the copying made or that samples be allowed to be taken.³⁰ The remuneration notice provides for the payment of equitable remuneration for the copies of broadcasts made by or on behalf of an institution in accordance with either a records system or a sampling system. It is only where a remuneration notice is in force that an institution can make a copy of a broadcast or in the material included in it.³¹

Money collected by Screenrights for copying under the statutory licence is distributed to the 'relevant copyright owners', namely the owners of copyright in works, sound recordings or films but not broadcasters who own copyright in the broadcasts themselves.³² Screenrights collects payments under the statutory licence for all copyright owners whether or not they are members of Screenrights. Where the owner is not a member, the funds are held in trust pending identification and admission to membership.³³ Since 1990, Screenrights has collected more than \$50 million for distribution to copyright owners.³⁴

24 s 47A *Copyright Act 1968* (Cth).

25 pt VC *Copyright Act 1968* (Cth).

26 pt VII div 2 (ss 182B–183E) *Copyright Act 1968* (Cth).

27 s 135ZX(2A), which was introduced in 2006, allows educational institutions and collecting societies to agree on aspects of the records notice scheme under the Part VA licences. If the parties cannot agree the Copyright Tribunal may make a determination about these additional issues.

28 As defined in s 135G(1) *Copyright Act 1968* (Cth).

29 ss 135P and 135ZZB of the *Copyright Act 1968* (Cth).

30 s 135E *Copyright Act 1968* (Cth).

31 s 135F(1)(a) *Copyright Act 1968* (Cth).

32 See definition of 'relevant copyright owner' in s 135A *Copyright Act 1968* (Cth).

33 s 135P(3) of the *Copyright Act 1968* (Cth) and art 16 of the *Articles of Association of Screenrights*. See also S. Simpson, *Review of Australian Copyright Collecting Societies: A report to the Minister for Communications and the Arts and the Minister for Justice* (AGPS, 1995), 184.

34 Screenrights, *Collecting Income for You* (undated). See also W. Osmond, 'Fresh image for copyright agency' (1997) Sep 17–23, *Campus Review*, 11.

The agreements that Screenrights has with educational institutions are by their nature blanket licences (to the extent that they allow an individual educational institution to copy *any* television or radio program for educational purposes). For Screenrights' purposes, a blanket licence is one with an entire education sector whereas an individual Screenrights' licence is one with a stand-alone educational institution.³⁵

The agreement between Australian Vice-Chancellors' Committee³⁶ and Screenrights, which began in 1994, stipulates that the rate of remuneration for each year is determined in accordance with a formula by which the total copying for the sampled institutions (in minutes) is divided by the census enrolment (EFTSU)³⁷ of the sampled institutions. This figure is then multiplied by the current rate per minute of copying. The resulting figure is the 'rate per EFTSU' which each institution pays. The rate is moderated by a rolling three-year average. The most recent agreement between the Australian Vice-Chancellors' Committee and Screenrights was reached in December 2004. The new licensing agreement, which is for the five-year period from 1 January 2005 to 31 December 2009, covers all thirty-eight members of the AV-CC and enables universities to copy and communicate broadcast material without needing to get the prior permission of copyright owners. Equitable remuneration is no longer based on a rate per EFTSU but is based on a sector-wide payment, with individual universities contributing to the overall payment based on student enrolments.³⁸

In December 2006, the Part VA statutory licence used by educational institutions to copy broadcast material was extended to include copying of material from online sources such as free-to-air podcasts and webcasts.³⁹ These can now be copied for educational use as long as they were originally 'born' as free broadcasts.⁴⁰

8.2.2.3.3 Part VB statutory licence

One of the most important ways in which the reproduction of literary works is regulated in the university sector is via statutory licence. The first statutory licence for educational copying in Australian universities was introduced in 1980.⁴¹ The main catalyst for its introduction was the increasing reliance on the photocopier in the provision of educational materials in Australian universities. Other

³⁵ Simpson, *Review of Australian Copyright Collecting Societies*, above n 33, 184.

³⁶ The Australian Vice-Chancellors' Committee (AV-CC) negotiates copyright licences on behalf of their thirty-eight member universities.

³⁷ EFTSU means Equivalent Full Time Student Unit.

³⁸ The *Copyright Act 1968* (Cth) contained a default record keeping scheme for the pt VA licence. However, a change was made to this by the *Copyright Amendment Act 2006* (Cth) as it introduced a new ability for educational institutions and collecting societies to agree on aspects of the records notice scheme other than the default scheme. If the parties cannot agree the Copyright Tribunal may make a determination about these additional issues: s 135K(2A) *Copyright Act 1968* (Cth).

³⁹ As a result of the *Copyright Amendment Act 2006* (Cth).

⁴⁰ s 135C *Copyright Act 1968* (Cth). This implements recommendation 9(i) of the Digital Agenda review. Explanatory Memorandum, Copyright Amendment Bill 2006, 132. See D. Browne, 'A Summary of the *Copyright Act 2006*', National Copyright Unit Schools Resourcing Taskforce (12 January 2007) <www.ais.wa.edu.au/images/member/Bulletins/summary-copyright-amendments-12Jan07.pdf>.

⁴¹ s 14 *Copyright Amendment Act 1980* (Cth) inserted div 5A of pt III of *Copyright Act 1968* (Cth).

contributing factors were the time and money spent in seeking copyright owners' permissions for the enormous number of works used in universities, and the 1975 High Court decision of *University of NSW v Moorhouse*⁴² which held that universities were liable for authorising copyright infringements that occurred on photocopiers placed in university libraries.

In 1989, the 1980 statutory licence was repealed and replaced by a new statutory licence, Part VB – Copying of Works etc by Educational and Other Institutions.⁴³ While the 1989 statutory licence has been amended and modified a number of times, it still forms the basis of the current licensing scheme. The aim of the educational statutory licence is 'to strike a balance between the public interest in the provision of multiple copies of works for use in educational institutions and the public interest in the provision of reasonable and practical opportunities for recompense by copyright owners for use of their work'.⁴⁴

In essence, Part VB provides that in return for payment of equitable remuneration, multiple copies of literary works can be made within educational institutions for educational purposes. This means that in carrying out their teaching functions, academics are able to make multiple copies of works without fear of infringement. This has allowed universities to make copies of works, to provide course-packs (or anthologies) to students, and to place copies of works on limited access reserves in university libraries. The statutory licence, in its most recent form, now also allows academics to digitise literary works and to make digital works available to students in an electronic format.⁴⁵ As with the other statutory licences, the statutory licence for educational copying allows universities to use copyright material in return for the payment of a fixed royalty.

A notable feature of both the 1980 and the 1989 statutory licences is that they could be amended by the parties voluntarily.⁴⁶ Since the introduction of the 1989 statutory licence, universities and CAL have entered into a number of voluntary agreements that modify the provisions of the statutory licence. The first agreement, where the parties effectively opted out of the 1989 statutory licence, was effective from 1989 and was renewed until 1994. Another agreement (which invoked the Part VB statutory licence) operated from 1995–99. During the duration of these agreements, there was a lot of debate between the parties, in some cases resulting in litigation, about the scope and operation of the Statutory Licence. In the latter years one issue that caused a lot of concern was whether or not the existing statutory licence covered digital copying.

When the parties were negotiating the scope of a new licence agreement in 1999, the Australian federal government released the Copyright Amendment

⁴² (1975) 133 CLR 1.

⁴³ By the *Copyright Amendment Act 1989* (Cth) inserting s 135ZH–ZM of the *Copyright Act 1968* (Cth).

⁴⁴ Copyright Law Review Committee Issues Paper, *Educational Institutions and Copying under the Copyright Act 1968*, 1.

⁴⁵ There have been relatively few major amendments made to the 1989 statutory scheme since its introduction. A number of streamlining improvements were made to the educational copying scheme under Part VB in the recent *Copyright Amendment Act (No 1) 1998* (Cth). However, a number of substantial amendments were made in 2001 when the Part VB licence was amended to cover digital copying: *Copyright Amendment (Digital Agenda) Act 2000* (Cth).

⁴⁶ See, for example, s 135ZZF *Copyright Act 1968* (Cth).

(Digital Agenda) Bill 1999. The Digital Agenda Bill made provision for the extension of the Part VB statutory licence to cover digital copying.⁴⁷ Two statutory licence schemes were proposed: one for hard copy reproductions made from works (*the hard copy licence*)⁴⁸ and the other provides for copies and communication of works that are in electronic form (*the digital licence*).⁴⁹ In so doing, the government hoped to end the ongoing debate as to whether digital copying fell under the existing Part VB licence.⁵⁰ Once the government made it clear that digital copying would come within the proposed amendments to the statutory licence, CAL and the AV-CC attempted to reach agreement on what would be an appropriate rate for digital copying. This matter had previously been before the Copyright Tribunal in 1996⁵¹ (where the Tribunal refused to set a rate for digital copying on the basis that it was matter to be agreed between the parties). The parties were again unable to reach agreement as to what a suitable rate should be. In frustration at the lack of agreement, the universities returned to record-keeping at the end of 1999. This only lasted for a short time before a new agreement was reached in March 2000.⁵²

In March 2000, the AV-CC entered into a new licence with CAL for educational copying in Australian universities. In return for a blanket licence that covers all copying done for educational purposes, twenty-nine of the AV-CC's thirty-seven member universities agreed to pay \$25 per EFTSU per year until 31 December 2002. The key feature of the agreement was that it covered all copying, 'including copies made by electric, magnetic or digital means'. This was the first time that an educational copying licence explicitly allowed universities to take advantage of the developments in digital technologies. A new educational copying licence agreement was signed between the parties in May 2002 and runs until 31 December 2007. The new licence included an 'electronic use' sampling arrangement for the first time. Also for the first time, equitable remuneration is not based on a rate per EFTSU but is based on a sector wide payment (with an adjustment for CPI). Each institution makes a contribution to the overall payment according to the number of students enrolled in their university.

A number of changes were made to the Part VB statutory licence by the *Copyright Amendment Act 2006* (Cth). For the most part, these implemented the recommendations of the Phillips Fox Review into the Digital Agenda reforms. One change that was made in 2006 was in relation to the default record-keeping provisions. As a result of these changes, the *Copyright Act 1968* (Cth) now allows

47 A new Division was inserted into the *Copyright Act* entitled 'Division 2A—Reproduction and communication of works that are in electronic form' which deals with the electronic equivalent of copies able to be made under the Part VB licence. See s 135ZMA–ZME *Copyright Act 1968* (Cth).

48 div 2 s 135ZGA–ZM *Copyright Act 1968* (Cth).

49 div 2A s 135ZMA–ZQ *Copyright Act 1968* (Cth).

50 The Copyright Amendment (Digital Agenda) Bill 1999 was enacted in September 2000, but did not come into operation until March 2001. The implementation of the Act was delayed for six months to give copyright owners time to revisit contractual arrangements entered into prior to the introduction of the new communication to the public right.

51 *Re Application by Copyright Agency Limited; Copyright Agency Ltd v The University of Adelaide & Others* (1997) 38 IPR 633.

52 The fact that the Commonwealth government, in its Digital Agenda Bill, demonstrated its intention to extend the Part VB statutory licence to include digital copying may have been one of the factors that brought the negotiations between the universities and CAL to an end in early 2000.

educational institutions and collecting societies to agree on aspects of the records notice scheme other than the default position. If the parties cannot agree, the Copyright Tribunal may make a determination about these additional issues.⁵³ The *Copyright Act 1968* (Cth) also now permits copying and communicating of up to fifteen pages from an electronic anthology.⁵⁴ This only applies to paginated electronic anthologies. This brings electronic anthologies into line with print anthologies. (There are administrative requirements when copying and communicating electronic works.)

The third and most important change made by the *Copyright Amendment Act 2006* (Cth) was to the insubstantial copying provisions under the Part VB licence. While copying of an insubstantial part of a copyright work has never been a copyright infringement,⁵⁵ the Part VB licence expressly provides that insubstantial copying under the statutory licence is not an infringement by virtue of s 135ZMB. After complaints by copyright owners that users were using the insubstantial part provisions to cherry-pick the best parts from copyright material, a number of limitations were placed on the insubstantial copying provisions by the *Copyright Amendment Act 2006* (Cth). The first limitation, which is in s 135ZMB(1A), provides that the insubstantial copying exception will not apply in relation to electronic works that are paginated (in a way that will not change when they are viewed or reproduced), in situations where:

- two or more pages are reproduced or communicated,
- the work is more than 200 pages long, and
- the number of pages reproduced or communicated exceeds 1% of the number of pages in that form of the work.

In relation to electronic works that are not paginated (such as a web page), s 135ZMB(2) provides that the insubstantial copying exception will not apply where the reproduction or communication is of more than 1% of the number of words in the work.⁵⁶

The 2006 Act also imposed the additional requirement that for copying of works in an electronic format to be regarded as insubstantial and therefore non-remunerable under the Part VB licence, the works must be continuous (or consecutive).⁵⁷ This is a result of the fact that s 135ZMB(3) provides that the exception from infringement for insubstantial parts in s 135ZMB(1) only applies to one part of a work at a time. More specifically, it provides that where a person makes, or causes to be made, a reproduction of a part of a work or communicates a part of a work that falls within the scope of sub-s (1) that the person cannot rely upon sub-s (1) in relation to the subsequent reproduction or to communication of any other part of that work by that person made fourteen days after the day on which

⁵³ s 135ZX(2A) *Copyright Act 1968* (Cth).

⁵⁴ s 135ZMCA *Copyright Act 1968* (Cth).

⁵⁵ s 14 *Copyright Act 1968* (Cth).

⁵⁶ s 135ZMB(1A), (2) *Copyright Act 1968* (Cth). Browne, 'A Summary of the *Copyright Act 2006*', above n 40.

⁵⁷ See s 135ZMB(5) and (6) *Copyright Act 1968* (Cth).

the previous reproduction or the first communication of the work was made. To prevent serial copying of different parts of the same work from occurring, the Act also provides that passages from the work that are not continuous are to be treated as different parts of the same work.⁵⁸ The upshot of this is where a teacher copies two separate (non-continuous) paragraphs from an electronic work, the copying of the second paragraph will not be covered by sub-s (1), even if it is less than 1% of the total work. This has been taken to mean that while the copying of the first paragraph will be non-infringing, the copying of the second paragraph will not be considered to be insubstantial, and will therefore be remunerable under Part VB.⁵⁹ If this is correct, it will have a significant financial impact on schools' payments under the Part VB statutory licence. It also 'places a more onerous standard on education than is applied to the general public and other industries using copyright material'.⁶⁰

8.2.3 Collective administration

One of the problems that arises in relation to the exploitation of copyright works relates to the difficulties that copyright owners experience when attempting to collect payment for the use of their works. One of the techniques that copyright owners have adopted to remedy this problem is for them to group together into Collecting Societies to regulate the way that their members' copyright works are used. Copyright owners rely upon collecting societies to collect licence fees for copies of the works that are made, which are collected and returned to the creator, less an administrative charge.

8.2.3.1 Collecting societies

Copyright collecting societies are non-profit organisations which licence certain uses of copyright material on behalf of their members, and distribute the fees collected to their members (for the practices of collecting societies).⁶¹ As of 1 January 2002, the collecting societies are governed by a voluntary code of conduct designed to strengthen accountability and transparency. All the major collecting societies are signatories to the code. The principal societies that operate in Australia are the Copyright Agency Limited (CAL), Screenrights (formerly Audio Visual Copyright Society Limited), Australian Performing Rights Association (APRA), Australasian Mechanical Copyright Owners' Society, Phonographic Performance Company of Australia (PPCA) and VI\$COPY. It is useful to briefly outline the interests of each of the copyright collecting societies.

⁵⁸ s 135ZMB(5) *Copyright Act 1968* (Cth). In an attempt to limit the impact of this reworking of traditional copyright doctrine, s 135ZMB(6) says that 'Subsection (5) does not affect by implication the meaning of a reference outside this section to a part of a work'.

⁵⁹ Browne, 'A Summary of the *Copyright Act 2006*', above n 40.

⁶⁰ *Ibid.*

⁶¹ See Simpson, *Review of Australian Copyright Collecting Societies*, above n 33, 184.

8.2.3.1.1 *Copyright Agency Limited*

Copyright Agency Limited (CAL) was set up in 1974 by authors and publishers principally to deal with the changing economics of the publishing market resulting from the impact of the photocopier. Although Copyright Agency Limited was formed in 1974, it did not commence operations until 1986 when the universities commenced payment for educational copying.⁶² Copyright Agency Limited acts as agent for its members and affiliated Reproduction Rights Organisations (RROs) overseas to collectively administer and protect their copyright reproduction rights.

8.2.3.1.2 *Screenrights*

Formerly known as the Audio Visual Copyright Society Limited, Screenrights is the collecting society for film producers and distributors, script writers and music copyright owners. Screenrights, established in 1990, administers the statutory licence which allows educational institutions to copy radio and television broadcasts, and more recently other uses of audio-visual material.

8.2.3.1.3 *Australian Performing Rights Association (APRA)*

The Australian Performing Rights Association licenses the broadcast, public performance and cable transmission of live and recorded musical works and accompanying lyrics. APRA's members consist of composers and music publishers.

8.2.3.1.4 *Australasian Mechanical Copyright Owners' Society*

Australasian Mechanical Copyright Owners Society licenses certain recording of music and lyrics, and photocopying of sheet music by schools. AMCOS' members are music publishers.

8.2.3.1.5 *Phonographic Performance Company of Australia (PPCA)*

PPCA licenses the broadcast and public performance of sound recordings (which are protected separately to any music and lyrics on the recording). The members of the PPCA are owners of copyright in sound recordings, principally record companies.

8.2.3.1.6 *VI\$COPY*

VI\$COPY, which was established in October 1995, is the collecting society for the visual arts. This society licenses the reproductions of visual or graphic artistic works on behalf of visual artists, including craft workers, photographers, sculptors, multimedia artists and designers. The society is establishing a schedule of recommended fees for various types of uses, such as the use of book covers, posters and multimedia products.

⁶² See *University of New South Wales v Moorhouse* (1975) 133 CLR 1; *Haines v CAL* [1982] 64 FLR 184; *CAL and Department of Education* [1985] 59 ALR 172. These cases set the rate for equitable remuneration for copying under the statutory licences.

8.2.3.2 The Copyright Tribunal of Australia

The Copyright Tribunal of Australia⁶³ is established by the *Copyright Act 1968* (Cth).⁶⁴ It has jurisdiction to determine a variety of applications and references for the grant of copyright licences and the determination of royalties and remuneration.⁶⁵ One of the reasons for the establishment of the tribunal was the concern that collecting societies would not only be able to charge high royalty rates but also grant and withhold licences at their whim.⁶⁶

In 2000, the Copyright Law Review Committee conducted a review of the jurisdiction and procedures of the Copyright Tribunal.⁶⁷ One of the recommendations made by the committee was that the jurisdiction of the tribunal should be extended to apply to collectively administered licences covering all types of copyright material and copyright users.⁶⁸ This recommendation (and others) were brought into effect in December 2006 by the *Copyright Amendment Act 2006* (Cth).

One of the changes made by the 2006 Act was in respect of the provisions dealing with the remuneration paid under Part VA and VB of the statutory licences.⁶⁹ As a result, it is now possible to charge different amounts depending on the class of material that is copied, the nature of the institution and the type of students.⁷⁰ Changes were also made in the way that collecting societies are established (the Attorney-General now has power to refer the decision to the Copyright Tribunal),⁷¹ the way in which royalties for the copying of musical works are paid, the record-keeping requirements⁷² and in relation to alternative dispute resolution.⁷³ Of particular importance, the tribunal can, where appropriate, now join the Australian Competition and Consumer Commission (ACCC) as a party to proceedings before the tribunal.⁷⁴

8.3 Infringement

One of the questions that constantly arises in copyright law concerns the scope of the rights which are recognised in artistic and cultural creations and their impact on the users of those creations. While these conflicting interests are mediated and

63 Formerly known as the Copyright Tribunal. The name was amended by pt 3 of sch 10 of *Copyright Amendment Act 2006* (Cth).

64 s 138 *Copyright Act 1968* (Cth).

65 See pt IV div 3 *Copyright Act 1968* (Cth).

66 The 'legislative purpose of the Copyright Tribunal in Australia is to act as a curb on potential abuse of the monopoly power or near monopoly power gained by a voluntary collecting society by aggregating the right of individual copyright owners': *Re Applications by Australasian Performing Right Association* (1999) 45 IPR 53, 73.

67 Copyright Law Review Committee, *Jurisdiction and procedures of the Copyright Tribunal*, Dec 2000.

68 *Ibid* 11.12.

69 Part 1 of Schedule 10, *Copyright Amendment Act 2006* (Cth).

70 s 135ZV(2) *Copyright Act 1968* (Cth).

71 Items 4–33 of Schedule 10 *Copyright Amendment Act 2006* (Cth).

72 *Ibid* sch 11, *Copyright Amendment Act 2006* (Cth). The changes made to the record-keeping system were opposed by the education sector on the grounds that the changes would impact on the costs for educational institutions.

73 Further implementing some of the CLRC Review recommendations.

74 By virtue of s 157AB *Copyright Act 1968* (Cth). The ACCC is developing guidelines in relation to collecting societies and copyright licensing. The ACCC released draft guidelines for public comment in January 2006.

moderated in a number of different ways (such as the duration of protection), these issues are most visible when considering the situations where copyright is infringed. This is because the question of whether copyright has been infringed depends on the scope and nature of the rights which are given to the copyright owner, as well as the defences which a defendant may rely upon to avoid liability.

Copyright can be infringed either directly or indirectly. Direct infringement occurs when a person other than the copyright owner carries out any of the activities that fall within the exclusive rights of the copyright owner without the requisite permission.⁷⁵ In turn, a person will indirectly infringe copyright where, without permission, they deal⁷⁶ with articles which are themselves infringing articles or, in the case of imported articles, articles that would have been infringing articles if they had been made in Australia by the importer.⁷⁷ A person will also indirectly infringe copyright if they permit a place of public entertainment to be used for the public performance of a literary, dramatic or musical work.⁷⁸

As part of the wide-ranging review of copyright that took place in 2006, the federal government made a number of changes, operative from 1 January 2007, to the way that the burden of proof operates in infringement actions.⁷⁹ These aim to make it easier for copyright owners to prove subsistence and ownership of copyright. In addition to general presumptions in relation to subsistence and ownership of copyright in civil⁸⁰ and criminal cases,⁸¹ the Act also contains specific presumptions relating to computer programs,⁸² sound recordings⁸³ and films.⁸⁴

8.3.1 Direct infringement

When considering whether there has been a direct infringement of copyright,⁸⁵ it is necessary to ask three subsidiary questions.⁸⁶ These are:

1. Has the defendant carried out one of the activities that falls within the copyright owner's exclusive control?
2. Was the alleged infringing work derived from the plaintiff's copyright work? and,

75 s 31(1) *Copyright Act 1968* (Cth) sets out the exclusive rights for works; ss 85–88 set out the exclusive rights for subject matter other than works.

76 The unauthorised dealings which constitute an indirect infringement of copyright are sale, hire, offering, or exposing for sale or hire, distributing or exhibiting in public for trade purposes, distributing for other purposes prejudicial to the copyright owner, and importation for these purposes: s 37 *Copyright Act 1968* (Cth).

77 ss 37, 38, 102, 103 *Copyright Act 1968* (Cth). On the application of s 103, see *Universal Music Australia v Cooper* [2005] FCA 972; and on appeal to the Full Federal Court: *Cooper v Universal Music Australia Pty Ltd* [2006] FCAFC 187.

78 s 39 *Copyright Act 1968* (Cth).

79 Introduced by *Copyright Amendment Act 2006* (Cth), sch 2.

80 ss 126–9, 126A, 126B *Copyright Act 1968* (Cth) (amended by *Copyright Amendment Act 2006* (Cth)).

81 s 132A *Copyright Act 1968* (Cth) (which applies to all offences in div 5 except s 132AM).

82 ss 129A, 130B, 132AAA *Copyright Act 1968* (Cth) (amended by *Copyright Amendment Act 2006* (Cth)).

83 ss 130, 130A, 132B *Copyright Act 1968* (Cth) (amended by *Copyright Amendment Act 2006* (Cth)).

84 s 132C *Copyright Act 1968* (Cth) (amended by *Copyright Amendment Act 2006* (Cth)).

85 s 36(1), 101(1) *Copyright Act 1968* (Cth).

86 See L. Bently and B. Sherman, *Intellectual Property Law* (2nd ed, Oxford: Oxford University Press, 2004), 162.

3. Was the unauthorised act done in relation to either the whole or a substantial part of the work?

We will look at each of these in turn.

8.3.1.1 Activities within copyright owner's exclusive control

As was explained in chapter 7, copyright owners are not given absolute control over all uses of the copyright work. Instead, they are only given the exclusive right to prohibit others from dealing with the protected work in a limited number of ways. More specifically, the copyright owner is given the exclusive right to carry out certain types of activities in relation to the protected work. While the particular activities that fall within the copyright owner's control vary from work to work, they might include, for example, the exclusive right to reproduce the work or the right to communicate the work to the public. When thinking about whether a person has infringed copyright in a work, the first question to be asked is whether the defendant has exercised any of the copyright owner's exclusive rights without the requisite permission. As the scope and nature of these activities were discussed in detail in chapter 7, it is not necessary to repeat them again here.⁸⁷

8.3.1.2 Alleged infringing work derived from copyright work?

Once it has been established that the defendant has carried out one of the activities that falls within the copyright owner's control, the next issue that needs to be established is that the alleged infringing work has been derived from the plaintiff's copyright work. That is, it needs to be shown that there is a causal connection between the two works.

The need to show derivation or copying is a key feature of copyright protection, which distinguishes it from other areas of intellectual property law, such as patents, which can be infringed independently. In contrast, in copyright, an independently created work does not infringe. As has been previously discussed, two identical works may be created and if there is no evidence of copying both will attract copyright protection.

When proving derivation, it is necessary to show that there is a degree of similarity between the copyright work and the alleged infringing work. It is not sufficient that there is similarity in the underlying idea; instead, the similarity must be in the way the idea is expressed, that is, in the material form of the work. This means that copyright will not be infringed if the idea behind a work, as distinct from the expression of the idea, is taken.⁸⁸ This also means that a person will not infringe if they merely draw inspiration from a copyright work.⁸⁹

⁸⁷ The most common type of direct infringement occurs when a work is copied (or reproduced) in a material form (discussed above at 7.4.1). While the term 'reproduction' is not defined in the *Copyright Act 1968* (Cth), s 21 has a number of deeming provisions where works will be deemed to have been reproduced in a material form. Section 21 provides that a reproduction of a literary, musical or artistic work includes the recording of a film of the work and that an artistic work can be reproduced in another dimension. Note also s 21(1A) which clarified that the conversion of a work from analogue to digital (including the first digitisation) and vice versa is a reproduction.

⁸⁸ See *Cuisinatre v Reed* [1963] VR 719, where the idea of coloured rods could not be protected.

⁸⁹ *Cummins v Vella* [2002] FCAFC 218, para [36].

While it is usual for us to talk of the infringement of physical objects, such as books, CDs and so on, these objects may consist of more than one form of copyright. It is important to note that the type of subject matter in question will dictate that aspect of the tangible object that must be copied for the work to be infringed. This will mean, for example, that artistic works will be judged according to visual criteria⁹⁰ and musical works judged aurally.

As was explained in chapter 5, one of the key features of copyright protection is that it is intangible. One of the consequences of this is that it is not necessary to show that the allegedly infringing copy has been derived from the *original* work; an infringing copy can be made from a copy of an original work. For example, an image which is copied from a drawing of a painting will still infringe the artistic copyright in the painting if there is sufficient similarity between the two works.⁹¹ Similarly, the Act also provides that a two-dimensional artistic work (such as a plan) can be reproduced in three-dimensional form (as a building).⁹² Similar provisions also apply for the transformation of a three-dimensional work into a two-dimensional form.⁹³ In *Frank M Winstone (Merchants) Ltd v Plix Products Ltd*,⁹⁴ a tray for holding kiwi fruit made by the appellants was held to have infringed copyright in the respondent's drawings of the trays. This was the case even though the trays were made from written and oral instructions given by the appellant, rather than the drawings themselves. The Act also makes it clear that copyright in a computer program will be held to have been reproduced where an object code version of the program is derived from the source code. Similar provisions apply where a source code version of a program is reproduced from object code.⁹⁵

It does not matter that the defendant was unaware that the work was protected by copyright. In this sense there is strict liability in that if there is a causal link between the works, the defendant will be liable for infringement even though they might have been unaware that they were infringing. Obviously the question of whether or not the defendant had access to the plaintiff's work is a relevant factor in determining a causal connection. Where the plaintiff is unable to show that the defendant had access to their work, an action for infringement is likely to fail, even though the works are similar.⁹⁶ In some cases, copyright may be infringed innocently or sub-consciously.⁹⁷ In other words, liability is strict for direct infringement unless some defence or exception applies.

90 *Walt Disney Production v H John Edwards Publishing Co Pty Ltd* (1954) 71 WN (NSW) 150, where the court referred to the test in *King Features Syndicate Inc v D & M Kluman* [1941] AC 417, 426 by Lord Wright: the 'test to be applied in deciding an artistic work is purely visual, the work and the alleged infringement being compared *occulis subjecta fidelibus*'. In this case, it was held that the idea of Donald Duck and his three nephew ducklings involved in adventures with a dog (Goofy) and a donkey (Basil) were not infringed unless the drawings were actually copied.

91 See *King Features Syndicate Inc v D & M Kluman* [1941] AC 417; *Burke & Margot Burke Ltd v Spicers Dress Design* [1936] Ch 400.

92 s 21(3)(a) *Copyright Act 1968* (Cth).

93 s 21(3)(b) *Copyright Act 1968* (Cth).

94 (1985) 5 IPR 156.

95 s 21(5) *Copyright Act 1968* (Cth).

96 *Francis Day and Hunter Ltd v Bron* [1963] Ch 587.

97 *Ibid*, where the court accepted that as a matter of law unconscious copying was possible.

Copying can be proved in a number of ways. One common way of establishing copying is for the copyright owner to include deliberate mistakes in a work. This might consist of false names and addresses being placed in a telephone directory. If a plaintiff can show that a defendant's work includes the false names, the defendant will be unable to claim that they independently created the work; which is sometimes argued where informational works such as tables, compilations, data bases and computer programs have been copied. An example of a situation where copying of this nature was held to have taken place was the decision of *Ibcos Computers v Barclays Mercantile Highland Finance*.⁹⁸ In this case, involving an allegation of copying of computer programs, the fact that the defendant had included spelling errors and redundant code from the plaintiff's computer program in their own program was sufficient evidence for the court to conclude that copying had occurred. In other situations, evidence of copying may be gathered from someone close to the copying, for example, an ex-employee of a company that has allegedly infringed. In other cases, the courts may need to view the works side by side to reach a decision about whether there has been copying. In these instances the courts rely upon the similarities between the work and the copy to decide infringement.⁹⁹

Once a casual connection between the alleged infringing work and the copyright work has been shown, the onus then shifts to the defendant to prove that the work was created independently. One way in which this may be achieved is if the defendant is able to show a record of the process by which the alleged infringing work was created.¹⁰⁰

8.3.1.3 Unauthorised act done on whole or substantial part of copyright work?

The third point that needs to be established in an infringement action is that the defendant's unauthorised activities were carried out in relation to the copyright work or a substantial part thereof. In many situations this will be a straightforward issue. This will be the case, for example, where a defendant reproduces all of a CD or they photocopy all of a book. In these circumstances the unauthorised activity clearly occurs in relation to the work as a whole. Problems arise, however, where only part of a work is used. In these circumstances, the *Copyright Act* provides that copyright will only be infringed where an act is carried out in relation to a *substantial part* of the work or other subject matter.¹⁰¹ It follows that it is not an infringement to copy an insubstantial portion of a work or other subject matter.

⁹⁸ [1994] FSR 275, 298.

⁹⁹ For a discussion of infringement of literary and dramatic plots, see S. Rebikoff, 'Restructuring The Test For Copyright Infringement In Relation To Literary And Dramatic Plots' [2001] *Melbourne University Law Review* 12.

¹⁰⁰ See *Billhöfer Maschinenfabrik GmbH v TH Dixon & Co Ltd* [1990] FSR 105, 123 where Hoffman J stated that, 'It is the resemblance in inessentials, the small redundant even mistaken elements of the copyright work which carry the greatest weight. This is because they are least likely to have been the result of independent design.'

¹⁰¹ s 14 *Copyright Act 1968* (Cth).

The *Copyright Act 1968* (Cth) does not define what is meant by a ‘substantial part’. Over time the courts have attempted to develop a number of tests to explain what is meant by a substantial part of a work. While not always helpful, they do provide some guidance as to how this issue is addressed by the courts. One of the factors that the courts will look at when deciding whether a defendant has taken a substantial part is the *quantity* of the work that is taken. Clearly, the more that it is taken or used by a defendant the more likely it is that they will infringe. In some situations it is possible to take a small portion of work and still infringe. This is because in some cases the courts will look to the *quality*, as distinct to the quantity, of the work that has been taken.¹⁰² This may mean, for example, that a person will infringe where they reproduce a small part of a work, such as the core of a poem, the chorus of a song, or the results of a lengthy experiment. In these cases, the courts will be guided by a range of different factors including the importance of the part taken and the effort that went into its creation. In some cases the courts have relied on the fact that the part taken is easily recognisable by the public. Thus in *Hawkes and Son (London) v Paramount Film Service*,¹⁰³ a key factor in Lord Hanworth’s decision that the copying of twenty seconds of a four-minute musical work was an infringement was the fact that ‘it would be recognised by any person’.¹⁰⁴ Similarly, if the part taken represents the application of a high degree of skill and labour on the part of the author it may be regarded as a substantial part, even though it is comparatively small in quantitative terms. In other cases, the courts have suggested that substantiality should be determined by ‘considering the originality of the part allegedly taken’.¹⁰⁵ This may not necessarily mean that the taking of a small part will infringe. In contrast, it may mean that there will be no infringement even if a large portion of a work is copied where the portion copied is not original (for example, where the defendant only takes facts or data). As explained earlier, one of the ways in which Part IV subject matter (that is, ‘subject matter other than works’) differs from Part III works is that subsistence of copyright does not depend on the need to show originality. Instead, all that needs to be shown is that the work has not been copied. One of the consequences of this is that the courts tend to look more to the quantity rather than the quality of the part taken when determining whether there has been an infringement of subject matter other than works.¹⁰⁶

One issue that has arisen in recent years relates to the question of what it means to reproduce a substantial part of a computer program. One of the first

¹⁰² *Hawkes & Son (London) Ltd v Paramount Film Service* [1934] Ch 593.

¹⁰³ *Ibid* 604.

¹⁰⁴ *Ibid*; Slessor LJ held that it was a substantial part ‘looked at from any point of view, whether it be quantity, quality or occasion’ (at 604).

¹⁰⁵ *Data Access Corporation v Powerflex Services Pty Ltd* (1999) 166 ALR 228, quoting Mason CJ in *Autodesk Inc v Dyason (No 1)* (1992) 173 CLR 330, 305. See *Klissers Bakeries v Harvest Bakers* (1986) 5 IPR 33 (a substantial reproduction is not necessarily reproduction of a ‘substantial part’ where that part has no originality).

¹⁰⁶ *Nationwide News v Copyright Agency Limited* (1996) 136 ALR 273. The Full Federal Court in *TCN Channel Nine Pty Limited v Network Ten Pty Limited* [2002] FCA 146 (at first instance, *TCN Channel Nine Pty Limited v Network Ten Pty Limited* [2001] FCA 108 provided an interesting discussion of what constituted a substantial taking in relation to a television broadcast. See also M. Handler, ‘The Panel Case and Television Broadcast Copyright’ (2003) 25 *Sydney Law Review* 391.

occasions where this occurred was in *Autodesk v Dyason*,¹⁰⁷ where a majority of the High Court¹⁰⁸ suggested that to infringe, a person needed to reproduce the functional features of a program. As Dawson J said:

Whilst the 127-bit look-up table does not of itself constitute a computer program within the meaning of the definition – it does not by itself amount to a set of instructions – it is a substantial part of Widget C and its reproduction in the Auto Key lock is a reproduction of a substantial part of that program.¹⁰⁹

The minority said that the question of whether a substantial part had been reproduced should be determined by reference to the originality of the part in question.¹¹⁰ Mason CJ, in dissent, quoted Lord Pearce's statement in *Ladbroke (Football) Ltd v William Hill (Football) Ltd*¹¹¹ and commented: 'in the context of copyright law, where emphasis is to be placed upon the "originality" of the work's expression, the essential or material features of a work should be ascertained by considering the originality of the part allegedly taken'.¹¹²

The next occasion where the High Court considered the question of what it means to reproduce a substantial part of a computer program was in the 1999 decision of *Data Access Corp v Powerflex Pty Ltd*.¹¹³ In *Data Access*, a majority of the High Court recognised that the reasoning in *Autodesk* was problematic:

there is great force in the criticism that the 'but for' essentiality test which is effectively invoked by the majority in *Autodesk (No 2)* is not practicable as a test for determining whether something which appears in a computer program is a substantial part.¹¹⁴

The majority then indicated that they preferred Mason CJ's view in *Autodesk*.¹¹⁵ In light of this they held that the question of whether a substantial part of a computer program had been taken was to be decided by reference to the originality of the part taken and not its functionality.¹¹⁶ Some of the confusion in this area has been clarified by the introduction of s 47D, which details a number of situations where copyright in a computer program will not be infringed.¹¹⁷

107 *Autodesk Inc v Dyason (No 1)* (1992) 173 CLR 330. In *Autodesk Inc v Dyason [No 2]* (1993) 111 ALR 385, the High Court refused to reopen its judgment in *Autodesk Inc v Dyason (No 1)* (1992) 173 CLR 330.

108 Dawson, Brennan and Gaudron JJ (majority).

109 *Autodesk Inc v Dyason (No 1)* (1992) 173 CLR 330, at 346. All members of the court agreed with this conclusion.

110 Mason CJ and Deane J (minority).

111 [1964] 1 WLR 273.

112 (1993) 176 CLR 300, 305.

113 (1999) 166 ALR 228.

114 *Ibid* 248.

115 *Ibid* (Gleeson CJ, McHugh, Gummow and Hayne JJ). In *Cantor Fitzgerald International v Tradition (UK) Ltd* [2000] RPC 95 Pumfrey J criticised the approach of the majority in *Autodesk* stating that their approach was too simplistic as 'the reasoning would result in any part of any computer program being substantial since without any part the program would not work . . .' (130).

116 The High Court (other than Gaudron J) said that they would have decided *Autodesk No 2* differently stating at 249: ' . . . that being so, a person who does no more than reproduce those parts of a program which are "data" or "related information" and which are irrelevant to its structure, choice of commands and combination and sequencing of commands will be unlikely to have reproduced a substantial part of the computer program. We say "unlikely" and not "impossible" because it is conceivable that the data considered alone could be sufficiently original to be a substantial part of the computer program.'

117 This largely covers situations where reproductions are made for the purposes of making interoperable products.

8.3.1.4 Authorisation

One of the notable characteristics of many types of copyright works is that they are able to be consumed and used by a vast number of people at once. This provides owners with the opportunity to recoup money from a large number of people (although there are often problems and costs associated with the collection of small sums of money from a large number of users). At the same time, the fact that copyright works may be simultaneously used by a number of different people also presents owners with the problem that their copyright may be infringed by a number of different people. These problems have been exacerbated by technological changes, particularly the introduction of the photocopier, the tape player and more recently digital technologies. New modes of distributing copyright works, particularly those based on peer-to-peer technology, have further exacerbated these problems.

To remedy problems of this nature, copyright owners have been given the capacity to bring an action against a person who authorises an infringing activity.¹¹⁸ This operates alongside the owner's right to bring an action against a person who directly infringes copyright (for example, against a person who manually operates a photocopy machine or downloads an infringing copy of a song). The ability to sue parties who authorise infringement means that copyright owners are able to concentrate their efforts on a smaller number of more visible and financially stable parties who, ideally, will then take on the role of policing copyright on behalf of the copyright owner. This technique has been used by copyright owners to sue large institutional users such as libraries and universities. More recently, copyright owners have also relied upon the fact that a party will infringe where they authorise infringement in their attempt to regulate and control copying and downloading on the internet. While copyright owners have brought a limited number of high-profile cases against individual users, it is clear that it was not practical to litigate against everyone who, for example, downloads pirated music. Instead, copyright owners have targeted third parties who have facilitated and fostered digital copyright infringement. Instead of suing each of the millions of individuals who used peer-to-peer technology to download songs, copyright owners decided to sue companies, in cases such as *Napster*¹¹⁹ and *Sharman*¹²⁰ that provided the technical means that supported the peer-to-peer technology used by individual users.

8.3.1.4.1 *The meaning of 'authorisation'*

The leading case on the meaning of authorisation in Australia is the 1975 High Court decision of *University of NSW v Moorhouse*.¹²¹ The case was brought to test

118 See ss 36(1) and 101(1) *Copyright Act 1968* (Cth).

119 *A & M Records Inc v Napster* (2000) 50 IPR 232.

120 *Universal Music Australia v Sharman Licence Holdings Ltd* [2005] FCA 1242.

121 (1975) 133 CLR 1. *Moorhouse* also added weight to the review by the Franki Committee into copying within universities, which was largely responsible for introduction of the first Statutory Licence in 1980. Section 14 of the *Copyright Amendment Act 1980* (Cth) inserted the new div 5A of pt III of *Copyright Act 1968* (Cth).

the system of unsupervised coin-operated photocopying machines in university libraries. While the subject matter in hand was of little importance, nonetheless leave was granted for the matter to be heard by the High Court because of the public interest issues involved.¹²²

This decision arose when the novelist Frank Moorhouse sued the University of New South Wales for infringement of the copyright in his collection of short stories called *The Americans, Baby*. As was common at the time, the University of New South Wales supplied a number of coin-operated photocopier machines for use by staff and students of the university. The university adopted a number of measures to prevent the photocopying machine being used to commit copyright infringements. Notices were displayed on the machines in accordance with s 49 of the *Copyright Act*, which provided that copyright is not infringed by the making of a copy by or on behalf of a librarian on the conditions set out in s 49.¹²³ This section provided a defence to copying done by a librarian, but not by others. The university also issued a library guide each year advising students, inter alia, of their rights to make a copy of a work for research or private study. However it did not set out the permissible limits nor details of what constituted a fair dealing of a work.¹²⁴ Beyond this, the use of the photocopiers in the library was largely unsupervised.

Paul Brennan, who was a graduate of the university, used one of the coin-operated self-service photocopying machines in the University of New South Wales library to make two photocopies of a story from *The Americans, Baby*. Moorhouse and his publisher, Angus & Robertson, sued the university alleging that it had infringed copyright in the book by reproducing or authorising the reproduction of part of the book. Moorhouse alleged that the university had effectively authorised the infringement because they had placed photocopying machines in its libraries, but had failed to supervise or control what was being copied. It was also argued that the university was indifferent to whether persons using the machines infringed copyright. In essence, the question before the High Court was whether the University of New South Wales had authorised the copyright infringement which had taken place on the photocopying machines in the university library because it exercised control or supervision over the machines.

The High Court began by noting that the university had reasonable grounds to suspect that some infringements would occur if adequate precautions were not taken.¹²⁵ It then went on to hold that the measures taken by the university, such as the s 49 notice (which protected librarians from infringement) and the

122 *University of NSW v Moorhouse* (1975) 133 CLR 1, 3.

123 At the time, s 49 of the *Copyright Act 1968* (Cth) permitted librarians to copy reasonable portions and periodical articles for a user if requests were made and certain conditions met. The section is similar today; however, amendments were made by the *Copyright Amendment (Digital Agenda) Act 2000* (Cth) to take into account electronic copies of works.

124 The trial judge went so far as to say that much photocopying was taking place in the university which was not fair dealing and this was evidenced by the fact that the university had failed to attach to the machines notice in a form prepared by the AV-CC and sent to the university in October 1969. This was rejected by the High Court as an unsupported conclusion: *University of NSW v Moorhouse* (1975) 133 CLR 1, 14 (Gibbs J).

125 *University of NSW v Moorhouse* (1975) 133 CLR 1, McTiernan ACJ, 17, Gibbs J, 5 and Jacobs J, 23.

library guides, did not amount to reasonable or effective precautions against infringement of copyright by the use of the photocopying machines.¹²⁶ As such, the High Court held that the university had authorised the infringement.¹²⁷ As Gibbs J said:

the university had the power to control both the use of the books and the use of the machines. In the circumstances, if a person who was allowed to use the library made a copy of a substantial part of a book taken from the open shelves of the library, and did so otherwise than by way of fair dealing for the purpose of research or private study, it can be inferred that the University authorised him to do so, unless the University had taken reasonable steps to prevent an infringing copying of that kind from being made.¹²⁸

The next important occasion where the meaning of authorisation was considered was the British House of Lords decision of *CBS Songs Ltd v Amstrad Consumer Electronics plc*.¹²⁹ The question before the House of Lords in this case was whether in selling a high speed twin-tape recorder, Amstrad had authorised the infringements that were inevitably going to be made on the tape recorder. The Lords held that the sale of the tape-player did not amount to an authorisation. The key reason for this was that advertisements for the tape recorder specifically warned users that the recording of some material was only possible with permission of the copyright owner. While the tape-players provided the means to infringe, the Lords were persuaded that Amstrad had not granted or purported to grant the right to do the act complained of. In so doing, the Lords defined ‘authorisation’ very restrictively.¹³⁰

In 2001, a number of changes were made to the *Copyright Act 1968* (Cth) to clarify what was meant by ‘authorisation’.¹³¹ These apply both to infringement of works¹³² and to subject matter other than works.¹³³ Under these provisions, the following factors are to be taken into consideration when deciding whether a person has illicitly authorised the doing of an act:

- a. the extent of the person’s power to prevent the doing of the act concerned;
- b. the nature of any relationship existing between the person and the person who did the act concerned; and
- c. whether the person took any reasonable steps to prevent or avoid the doing of the act, including whether the person complied with any relevant industry codes of practice.

126 Ibid 17 (Gibbs J).

127 Ibid.

128 Ibid 14 (Gibbs J). As a result of this decision, s 39 of the *Copyright Act 1968* (Cth) was inserted which provided that, if a notice was displayed at a photocopying machine that advised people of their obligations under the *Copyright Act 1968* (Cth), then there could be no responsibility sheeted home to an institution for authorising infringements that may have taken place on that machine. In effect the High Court followed earlier decisions that had held that authorise means to sanction, countenance or approve. See *Falcon v Famous Players* [1926] 2 KB 474, 491.

129 (1998) 11 IPR 1.

130 Ibid 493–4.

131 As a result of the *Copyright Amendment (Digital Agenda) Act 2000* (Cth) amendments. See ss 39B for works and 112B for subject matter other than works.

132 s 36(1A) *Copyright Act 1968* (Cth).

133 s 101(1A) *Copyright Act 1968* (Cth) for subject matter other than works.

Special provisions protect libraries and archives from liability for authorising infringement of a copyright work on copiers and computers, so long as an appropriate sign is placed near the machine in question.¹³⁴ The *Copyright Act 1968* (Cth) also provides that if a person makes an infringing copy of a published edition of a work or audio-visual item on a machine, including a computer, in a library or archive, the library or archive will not be taken to have authorised the infringement if a prescribed notice is given on or near the machine.¹³⁵

8.3.1.4.2 *Liability of internet service providers*

As mentioned above, the fact that parties who authorise other parties to infringe copyright are themselves potentially liable for infringement has been used by copyright owners in an attempt to control online uses of copyright works.

The same principles apply to authorisation of online infringements as apply in other contexts. This means that a person will only be directly liable for copyright infringement where they have determined the content of that communication. In light of concerns raised by internet service providers about their liability for infringements by users of their services,¹³⁶ the *Copyright Act 1968* (Cth) was amended in 2001 to make it clear that internet service providers and telecommunications carriers will not be liable ‘merely because another person uses the facilities to do something’.¹³⁷

The legal standing of internet service providers and telecommunication carriers was clarified by changes made to the *Copyright Act 1968* (Cth) in 2004 to bring copyright law into line with the *Australia–USA Free Trade Agreement 2004*. Under these new provisions, internet service providers and telecommunication carriers (referred to in the Act as ‘carriage providers’) are deemed to be immune from monetary remedies for copyright infringement in the course of carrying out certain ‘relevant activities’.¹³⁸ For a carriage provider to rely upon these so-called ‘safe harbour provisions’, they must comply with certain ‘relevant conditions’.

The relevant conditions that carriage providers must comply with to avoid liability change depending on the way that the carriage provider interacts with the copyright material.¹³⁹ The only requirements that apply in all situations is that the carriage provider must adopt and apply a policy that provides for the termination of repeat infringers, as well as comply with any relevant industry code in force. Beyond this the requirements that a carriage provider must comply with to rely upon the safe harbour provisions vary depending on how they interact with the copyright material. In this sense, the *Copyright Act 1968* (Cth) distinguishes between three different situations. The first is where a carriage service provider provides facilities or services for transmitting or routing of copyright materials or for the storage of such material whilst in transmission. In this case, to avoid

134 s 39A *Copyright Act 1968* (Cth).

135 s 104B *Copyright Act 1968* (Cth).

136 s 36(1A) *Copyright Act 1968* (Cth).

137 s 112E *Copyright Act 1968* (Cth).

138 s 116AG *Copyright Act 1968* (Cth).

139 s 116AC–AF *Copyright Act 1968* (Cth) (defining ‘relevant activities’) and s 116AH (defining the ‘relevant conditions’).

financial liability for infringement the carriage service provider must not initiate or direct a third party to undertake the transmissions. The Act also states that they must not make substantive modifications to the copyright material that is being transmitted.¹⁴⁰

The second situation is where a carriage service provider automatically caches copyright material. Here, to avoid financial liability for infringement the provider must ensure that all parties who have access to the cached material comply with any obligations that are imposed on users at the site where the materials originated from. The carriage service provider must also comply with any industry codes of conduct in force, as well as remove or disable access to cached material upon notification in the 'prescribed form'¹⁴¹ that the material has been removed from the originating site. To benefit from the safe harbour provisions, the carriage provider must not make any substantive modifications to the cached material when it is transmitted to users (other than that which occurs as part of a technical process).¹⁴²

The third scenario is where a carriage service provider stores copyright material at the discretion of a user¹⁴³ or refers or links users to an online location.¹⁴⁴ In this situation, to escape financial liability for infringement, the provider must not receive any financial benefits as a result of the infringing activity. They must also remove or disable access to the copyright material if they become aware that the copyright material is, or is likely to be, infringing.¹⁴⁵

The meaning of authorisation for online uses of infringing works was further clarified in two recent decisions. The first of these was *Universal Music Australia v Sharman Licence Holdings*.¹⁴⁶ In this case, an infringement action was brought against Sharman Licence Holdings, a company that provided the software and website that underpinned a peer-to-peer network that was widely used for the exchange of pirated music. While the *Copyright Act 1968* (Cth) provides that the mere provision of facilities such as a peer-to-peer sharing network would not of itself constitute an authorisation,¹⁴⁷ nonetheless Sharman was still held to have infringed copyright insofar as they authorised users of the system to make copies of pirated sound recordings. An important consideration in the court's deliberations was the fact that Sharman had encouraged users to share music files and had used advertising that 'conveyed the idea that it was "cool" to defy the record companies and their stuffy reliance on their copyrights'.¹⁴⁸ The second decision where the nature of online authorisation was considered was *Universal Music Australia v Cooper*.¹⁴⁹ While the defendant (Cooper) was not directly involved in

140 s 116AH, Condition 2 *Copyright Act 1968* (Cth).

141 The form of the take-down notices are set out in *Copyright Amendment Regulations 2004 (No 1)*, sch 10, pts 1–6.

142 ss 116AC, 116AH Condition 3 *Copyright Act 1968* (Cth).

143 s 116AE *Copyright Act 1968* (Cth).

144 s 116AF *Copyright Act 1968* (Cth).

145 s 116AD–AE, S 116AH Conditions 3–4 *Copyright Act 1968* (Cth).

146 [2005] FCA 1242.

147 s 112E *Copyright Act 1968* (Cth).

148 *Universal Music Australia v Sharman Licence Holdings Ltd* [2005] FCA 1242.

149 *Universal Music Australia v Cooper* [2005] FCA 972.

any infringing activities, he hosted a website that provided hyperlinks to remote websites that contained pirated sound recordings that could be downloaded by users. Cooper was held to have authorised the infringement of copyright by internet users who downloaded music from the remote websites. He was also held to have authorised the infringement of copyright by the operators of the remote websites. In the Federal Court, Justice Tamberlin said that although Cooper was aware that at least some of the music on the internet was pirated, he had not even attempted to ascertain whether the sites which he was directing users to contained recordings that were made in breach of copyright.¹⁵⁰ On appeal, the Full Federal Court affirmed the reasoning of Tamberlin J, holding that Cooper (the website designer) and E-talk (the hosting ISP) were both liable for having authorised infringement of copyright in so far as they provided links to infringing music.¹⁵¹ In so doing, the Full Federal Court provided an expansive reading of the meaning of authorisation. This is exemplified by Branson J when she said:

a person's power to prevent the doing of an act comprised in a copyright includes the person's power not to facilitate the doing of that act by, for example, making available to the public a technical capacity calculated to lead to the doing of that act. The evidence leads to the inexorable inference that it was the deliberate choice of Mr Cooper to establish and maintain his website in a form which did not give him the power immediately to prevent, or immediately to restrict, internet users from using links on his website to access remote websites for the purpose of copying sound recordings in which copyright subsisted.¹⁵²

While Kenny J provides a more conventional approach to the question of whether a person has authorised an infringement – focusing on a combination of factors including knowledge, inactivity and control – nonetheless she also emphasised the fact that Cooper could have prevented the infringing acts

either by not establishing the link in the first place or, subsequently, by disabling or removing the link. The fact that internet users could make other online copies of the sound recordings by other means does not detract from the fact that there were infringements as a consequence of effective activations of the links on the website operated by Mr Cooper.¹⁵³

8.3.2 Indirect infringement

Copyright law has long recognised that to protect the investment that copyright owners make in the creation and distribution of artistic and cultural objects, it is not enough merely to provide recourse against parties who directly infringe their copyright. As such, the law also provides copyright owners with the capacity to

¹⁵⁰ Ibid. See J. Ginsburg and S. Ricketson, 'Inducers and Authorisers: A comparison of the US Supreme Court's *Grokster* Decision and the Australian Federal Court's *Kazaa* Ruling' (2006) 11 *Media and Arts Law Review* 1; G. Austin, '*Kazaa* and *Grokster* across borders' (2006) 11 *Media and Arts Law Review* 355.

¹⁵¹ *Cooper v Universal Music Australia Pty Ltd* [2006] FCAFC 187.

¹⁵² *Cooper v Universal Music Australia* [2006] FCAFC 187, para 41.

¹⁵³ Ibid paras 148 and 149.

control parties who assist in the process of infringement. This is known as indirect infringement.

The *Copyright Act 1968* (Cth) recognises two types of indirect infringement. The first is where a person permits a place of public entertainment to be used for the public performance of a literary, dramatic or musical work.¹⁵⁴ The second form of indirect infringement is where a person without permission ‘deals’ with articles which are themselves infringing articles or, in the case of imported articles, articles that would have been infringing articles if they had been made in Australia by the importer.¹⁵⁵ Dealing is defined broadly to include the sale, hire, offering, or exposing for sale or hire, distributing or exhibiting in public for trade purposes, or distributing for other purposes prejudicial to the copyright owner.¹⁵⁶

In order to bring an action for indirect infringement of copyright, it is necessary to show that the defendant had either actual or constructive knowledge that they were infringing copyright. This general rule applies to all forms of indirect infringement (except a number of special cases in relation to the importation of copyright works discussed below). To show that a defendant has constructive knowledge, it is necessary to show that they ‘ought reasonably to have known’ having regard to his or her ‘knowledge, capacity and circumstances’ that they were infringing copyright.¹⁵⁷ The chief exception to this general rule arises where the action is brought against a person who imports non-infringing copies into Australia. In a number of specific instances (listed below), copyright owners no longer have to prove that the importer knew or ought reasonably to have known that the making of the imported accessory to an article would have infringed copyright if it had been made in Australia by the importer.¹⁵⁸ Instead, the onus of proof falls upon the defendant to show that the items in question are non-infringing.¹⁵⁹

8.3.2.1 Parallel importation

As explained earlier, one of the rights that is given to copyright owners is the right to prevent the importation of protected works into Australia. Importantly, the right to control the importation of copyright works, which is commonly referred to as the right to control the parallel importation of works, applies to both pirated and non-pirated works. While the ability to prevent pirated works from being

154 s 39 *Copyright Act 1968* (Cth). See the defence in s 39(2) and the definition of ‘place of public entertainment’ in s 39(3) *Copyright Act 1968* (Cth).

155 ss 37, 38, 102, 103 *Copyright Act 1968* (Cth). On the application of s 103, see *Universal Music Australia v Cooper* [2005] FCA 972.

156 s 37 *Copyright Act 1968* (Cth).

157 *Raben Footwear Pty Ltd v Polygram Records Inc* (1997) 75 FCR 88, 91; see also *Milpururru v Indofurn Pty Ltd* (1994) 30 IPR 209.

158 s 37(2) *Copyright Act 1968* (Cth).

159 These changes only apply in relation to the importers and not to the distributors of unauthorised articles. As such, where an action is brought against a distributor under s 38 or 103 of the *Copyright Act 1968* (Cth), it is still necessary for the copyright owner to prove, in relation to imported articles, the distributors knew or ought reasonably to have known that if the article had been made in Australia by the importer, it would have constituted an infringement.

introduced into Australia has not proved to be controversial, this is not the case with the fact that copyright owners are also able to prevent copyright works which are legitimately purchased overseas from being imported into Australia. The ability to prevent parallel importations has enabled copyright owners to divide the world into separate markets. More specifically, it has enabled them to charge higher prices for the same product in different markets, safe in the knowledge that competitors will not be able to import the cheaper products from overseas to keep local costs down. The power to prevent the parallel importation of non-infringing copies of works confers a 'significant advantage on copyright owners and can be seen as a corresponding serious disadvantage to consumers and users of copyright material'.¹⁶⁰ Given this, it is not surprising that the federal government has limited the owners' right to control importation into Australia in a number of different areas.

8.3.2.2 Books

Publishers have long used their rights to control importation in an anti-competitive manner to divide the world into discrete markets. In Australia, this led to the undesirable position where consumers were forced to pay higher prices for books than consumers in other countries were being charged. Consumers were also faced with the problem, at least in relation to certain types of books, that the books were not available in Australia or at best there was a long delay before they were made available. To remedy some of the problems that had arisen as a result of the way copyright owners controlled the importation of books into Australia, the government amended the *Copyright Act 1968* (Cth) in 1991. These amendments changed the law to allow the free importation of non-infringing copies of books from abroad where there was a failure to supply the Australian market.¹⁶¹ Under the scheme, the copyright owners' ability to control the importation of works into Australia is restricted in two situations. Firstly, the importation provisions do not apply to books that are published overseas but have never been released in Australia, and to books not published in Australia within thirty days of being published overseas. In these circumstances, non-pirated copies may be imported from overseas without the approval of the copyright owner. Secondly, in relation to books first published in Australia (whatever the date) and books first published overseas but subsequently published in Australia within thirty days, these books can only be imported where it is necessary to 'satisfy local orders which have remained unfulfilled for at least 90 days'.¹⁶²

As will be seen below, while there have been attempts to broaden these provisions, the provisions have remained in place; the only changes that have been

¹⁶⁰ S. Ricketson and C. Creswell, *The Law of Intellectual Property* (2nd ed, Sydney: Lawbook Company, 1999), para [9.615].

¹⁶¹ *Ibid.*

¹⁶² ss 44A, 112A *Copyright Act 1968* (Cth).

made are in relation to the importation of books, periodicals and printed music which are in an *electronic* format.

8.3.2.3 Sound recordings

Given the relative success that consumer groups had in limiting the copyright owner's ability to control the importation of books into Australia, it is not surprising that they also targeted other types of copyright works, notably copyright in sound recordings. In many ways the debates in relation to the importation of sound recordings were similar to those in relation to books. As with books, a key driving force behind this push for reform was the belief that Australian consumers were paying higher prices for records, tapes and CDs than consumers were being charged for the same products overseas. While in other cases, the market might have corrected this discrepancy, this was restricted by the copyright owner's ability to control parallel importation. Faced with this problem, in 1991 the Prices Surveillance Authority recommended that changes ought to be made to the copyright owner's ability to control the importation of sound recordings.

After the initial Bill lapsed,¹⁶³ amendments were made to the *Copyright Act 1968* (Cth) in 1998 which made it easier to import non-infringing sound recordings into Australia. The explicit aim of this change was to provide lower prices for compact discs in Australia. The amended law allowed for the unauthorised importation of a non-infringing copy of a sound recording into Australia.¹⁶⁴ An imported sound recording is a 'non-infringing copy' if it can be shown that the copy was made (i) without infringement in the country of manufacture, (ii) where there is no copyright protection in that country, or (iii) with the consent of the copyright owner in the country of first recording.¹⁶⁵

Where the sound recording is subject to copyright in Australia, it must also be shown that copyright subsists in the work under the law of the 'copy country'; that the making of the copy does not infringe the copyright in the work under the law of the 'copy country'; and the 'copy country' is a party to the Berne Convention and is *TRIPS* compliant.¹⁶⁶

To appease industry fears that these changes to allow for the parallel importation of non-infringing copies would increase the risk of the importation of pirated copies, the government made a number of additional changes. As well as increasing penalties and simplifying penalties for copyright piracy offences generally, changes were also made in relation to the onus of proof. Once a plaintiff has established the necessary elements to sue for infringement of copyright,¹⁶⁷ the onus of proof then shifts to the defendant to establish that the imported copies are 'non-infringing copies'.¹⁶⁸

163 Copyright Amendment Bill 1992 (Cth) (lapsed).

164 A non-infringing copy is defined in s 10 AA *Copyright Act 1968* (Cth).

165 s 10AA *Copyright Act 1968* (Cth).

166 s 10AA(2)(c), (3) *Copyright Act 1968* (Cth).

167 ss 37, 102 (importation) or ss 38, 103 (distribution) *Copyright Act 1968* (Cth).

168 s 130A *Copyright Act 1968* (Cth).

8.3.2.4 Books, periodicals and printed music in electronic format, and computer programs

The next area where the copyright owner's ability to control importation has been limited is in relation to books, periodical publications and printed music in an *electronic* format, as well as articles that embody a computer program. These reforms grew out of plans that began in 2000 to abolish all of the remaining limitations on parallel importation.¹⁶⁹ While anecdotal evidence suggested that the changes made in 1991 provided some benefits to consumers, there were still a number of problems. One of the concerns was that there was still a significant difference in the price charged for books sold in Australia and overseas, particularly for bestseller titles in paperback form, denying consumers reduced prices and improved product range. As the Attorney-General said in 2002, 'the current outdated copyright law creates a lucrative distribution monopoly for foreign multinationals and prevents local retailers from sourcing cheaper copyrighted materials from overseas, even though individuals can make purchases directly over the Internet'.¹⁷⁰ These concerns were reinforced by research that found that the 1991 amendments had not improved competition.¹⁷¹ More recent studies showed that the price of books in Australia was still significantly higher than overseas. For example, from July 1988 to December 2000, Australians paid around 44% more for fiction paperbacks than United States readers and around 9% more than UK readers for best-selling paperback fiction.¹⁷² A survey carried out by the Australian Competition and Consumer Commission in 2002 found that a selection of technical and professional books was around 23% more expensive in Australia than in the USA, and 18% more expensive than in the UK.¹⁷³

To remedy problems of this nature, the government introduced the Parallel Importation Bill into parliament in 2001. The Bill aimed to improve access on a fair, competitive basis to a wide range of products, including books, periodical publications and printed music. It also aimed 'to prevent international price discrimination that exists under present arrangements to the detriment of Australian consumers and facilitate efficiency in the Australian book publishing industry, while protecting copyright'.¹⁷⁴ To do this the Bill proposed to allow the commercial importation of non-pirated electronic books and printed books without the permission of the Australian rights holder. It was argued that the removal of the parallel importation restrictions would reduce prices, improve product range for consumers, and provide an 'impetus for local suppliers to seek greater operational efficiencies, with consequent flow-on effects in terms of reduced costs and prices and improved service levels'.¹⁷⁵

169 Reflecting the ongoing importance of the film industry, the one proposed exception to this was in relation to films.

170 Hon R. Alston and Hon D. Williams, 'Cheaper books and Software' (Press Release, 13 March 2002).

171 Prices Surveillance Authority, *Book Prices and Parallel Imports*, Report No 61 (28 April 1995).

172 Hon R. Alston and Hon D. Williams, 'Cheaper books and Software', above n 170.

173 *Ibid.*

174 Explanatory Memorandum, Copyright Amendment (Parallel Importation) Bill 2001 (Cth).

175 *Ibid.*

Unsurprisingly, publishers and (certain) author groups were opposed to the removal of the parallel importation scheme. Their major concern was that if copyright owners were unable to prevent the parallel importation of books this would displace the sales of books by Australian authors and books generated by Australian publishers. As the Australian Society of Authors said:

any move that weakens the positions of copyright owners now will be seen as incredibly short sighted in a few years time. At a time when Australia is being criticised for being out of step with the burgeoning knowledge-based economies of the world, it will be seen as remarkable that we should even contemplate undermining our home grown copyright creating industries.¹⁷⁶

After considerable debate, the *Copyright (Parallel Importation) Act 2003* (Cth) was passed by parliament. The new Act repealed the 1991 provisions on the parallel importation of books, periodical publications and printed music in an *electronic* format.¹⁷⁷ As a result, it provides consumers with improved access to digital copyright works. However, earlier proposals to allow the parallel importation of books, periodical publications, and printed music which would have provided the Australian reading public with cheaper copyright works did not appear in the final Act. Thus, while the final amendments improved the position of readers (at least in relation to literary works in an electronic format), the position in relation to books and publications in a hard copy form, which still constitute the bulk of the income for publishers, did not change.¹⁷⁸

The *Copyright (Parallel Importation) Act 2003* (Cth) also made changes in relation to the importation of non-infringing copies of computer programs. More specifically, s 44E provides that the literary copyright in a computer program will not be infringed where a person imports an article that has embodied within it a non-infringing copy of a computer program previously published in Australia or in a *Berne Convention* or *TRIPS* country.

As was the case when changes were made in relation to the importation of sound recordings, to appease copyright owners the federal government changed the burden of proof so that defendants have the obligation of proving that the work in question was non-infringing. The change in onus of proof applies to books, periodical publications and printed music in an *electronic* format, as well as to articles that embody a computer program.¹⁷⁹

8.3.2.5 Non-infringing accessories to the article

The final area where the rights of the copyright owner to control importation have been curtailed is in relation to what are called 'non-infringing accessories'. Initially this provision arose when copyright owners realised that while the changes

176 Hon R. McMullan, Copyright Amendment (Parallel Importation) Bill, 2001, Second Reading Speech, *Hansard* (23 May 2001), 27,066.

177 ss 44F (works); 112DA (published editions) *Copyright Act 1968* (Cth).

178 The total sales of books in Australia in 2002–03 amounted to \$814.5 million. Of this sales of electronic books only amounted to \$7.1million. Australian Government, Bureau of Statistics, 2004.

179 ss 130B–C *Copyright Act 1968* (Cth).

made in 1998 meant that they could no longer use copyright in sound recordings to prevent the importation of CDs into Australia, nonetheless they could still rely on other forms of copyright in CDs (such as copyright in the artwork) to prevent CDs from being imported into Australia. The use of these ‘incidental’ forms of copyright clearly had the potential to undermine the reforms made to allow for the parallel importation of non-infringing sound recordings. To prevent this, further changes were made to the *Copyright Act 1968* (Cth) which allowed for the importation of a non-infringing accessory to a non-infringing copy of a sound recording. Faced with similar problems in other areas,¹⁸⁰ from January 2000 these provisions were extended beyond sound recordings to apply to ‘articles’ more generally.

The amended law now provides that it will not be an infringement of copyright in a work to import an article for commercial purposes where the work is on, or embodied in, a non-infringing accessory to the article.¹⁸¹ An ‘accessory’ is defined broadly and includes labels, packaging, written instructions and other information provided with the article, and records embodying an instructional sound recording or a copy of an instructional film provided with the article.¹⁸² An accessory is ‘non-infringing’ if it was made in a country that was a party to the *Berne Convention* (1886) and complies with the *TRIPS Agreement* (1994) in relation to copyright,¹⁸³ and the owner of the copyright in that country authorised the making of any copy of the work that is on or embodied in the accessory.¹⁸⁴

8.4 Relief for copyright infringement

An action for infringement of copyright may be brought by the owner of a copyright or an exclusive licensee.¹⁸⁵ The action for infringement must be brought within six years of the time of the infringement or of the making of the copy.¹⁸⁶ Remedies include injunctions, damages or conversion awards, additional damages, accounts of profits, and delivery-up of infringing copies or devices (as well as costs).¹⁸⁷ While the remedies for infringement of copyright are similar to the remedies which are available for the infringement of other forms of intellectual property (which are discussed separately),¹⁸⁸ there are a number of important differences in relation to damages that warrant separate attention. In a limited number of situations, criminal sanctions may also be available where a person infringes copyright.

180 *RA & A Bailey & Co Ltd v Boccaccio Pty Ltd and others* [1986] 4 NSWLR 701 (use of artistic copyright in a label to prevent the importation of Bailey’s Irish Cream Liquor into Australia).

181 s 44C *Copyright Act 1968* (Cth).

182 s 10(1)(a)–(e) *Copyright Act 1968* (Cth). It is also provided that any label, packaging or container on which the Olympic signal is reproduced and a manual sold with computer software for use in connection with that software are not ‘accessories’: s 10(1)(f), (g) *Copyright Act 1968* (Cth).

183 s 10(1)(a), (b) *Copyright Act 1968* (Cth).

184 s 10(1)(c), (d) *Copyright Act 1968* (Cth).

185 A licensee may not sue the owner of the copyright.

186 s 134 *Copyright Act 1968* (Cth).

187 s 115(2) *Copyright Act 1968* (Cth).

188 See Chapter 17 on Remedies.

8.4.1 Damages

Alongside the injunction, damages are the most common remedy for the infringement of copyright.¹⁸⁹ The purpose of damages is to ‘compensate the defendant for the loss suffered as a result of the defendant’s breach’.¹⁹⁰ The courts use a number of different tests to determine the amount of damages that needs to be paid including: lost profits, a notional royalty rate or, if it exists, the going royalty rate.¹⁹¹ Where the infringement has the potential to expose the copyright owner to embarrassment and contempt, the assessment of damages may also include compensation for personal suffering, humiliation and personal distress.¹⁹²

8.4.1.1 Additional damages

In exceptional cases, the court will award additional damages for infringement of copyright.¹⁹³ Additional damages, which are also known as exemplary or punitive damages, will be awarded where the infringement is clearly deliberate or the conduct of the defendant is otherwise objectionable. In deciding whether to grant additional damages the court will take account of a range of factors including: the flagrancy of the infringement;¹⁹⁴ the need to deter similar infringements; the defendant’s conduct after the infringing act or, if relevant, after being informed that he or she had allegedly infringed the plaintiff’s copyright; whether the infringement involved the conversion of copyright material from hard copy or analog form into digital or other machine-readable form; any benefits that accrued to the infringer, and all other relevant matters.¹⁹⁵ Additional damages have been awarded to Indigenous plaintiffs whose artworks were reproduced on carpets because of the cultural harm that the infringement created for the plaintiff and his community.¹⁹⁶ Additional damages have also been awarded for the repeated importation of infringing copies, as well as the ‘aggressive and flagrant infringement’ of the plaintiff’s copyright works.¹⁹⁷

189 s 115(2) *Copyright Act 1968* (Cth). ‘Damages are an incorporeal right which are measured by the depreciation caused by the infringement to the value of the copyright, as a chose in action’: *Sutherland Publishing Co Ltd v Caxton Publishing Co Ltd* [1936] Ch 323, 336 (Lord Wright MR).

190 *Autodesk Australia Pty Ltd v Cheung* (1990) 94 ALR 472, 475.

191 *Microsoft Corporation v Ezy Loans Pty Ltd* (with Corrigendum dated 4 Feb 2005) [2004] FCA 1135, para 88.

192 See *Milpurrruru v Indofurn Pty Ltd* (1994) 30 IPR 209.

193 s 115(4) *Copyright Act 1968* (Cth).

194 The term ‘flagrancy’ has been interpreted a number of ways including: *Prior v Lansdowne Press Pty Ltd* [1977] VR 65, 70, ‘calculated disregard of the plaintiff’s rights, or cynical pursuit of benefit’; *Raben Footwear Pty Ltd v Polygram Records Inc* [1997] 75 FCR 88, 103 (Tamberlin J), ‘glaring, notorious, scandalous or blatant conduct’; *Ravenscroft v Herbert & New English Library Ltd* [1980] RPC 193, ‘scandalous conduct, deceit and such like [including] deliberate and calculated copyright infringement’; *Microsoft Corporation v ATIFO Pty Ltd* (1997) 38 IPR 643, 648, ‘deliberate, deceitful and serious’ conduct.

195 s 115(4) *Copyright Act 1968* (Cth).

196 *Milpurrruru v Indofurn Pty Ltd* (1994) 30 IPR 209. See *Bailey v Namol Pty Ltd* (1994) 30 IPR 147; *Fortuity Pty Ltd v Barcza* (1995) 32 IPR 517.

197 *Sullivan v FNH Investment Pty Ltd* [2003] FCA 323 (\$15,000 additional damages awarded for flagrant breach), aff’d, *FNH Investment Pty Ltd v Sullivan* [2003] FCAFC 246 (Full Federal Court); *Eagle Rock Entertainment Ltd v Caisley* [2005] FCA 1238 (\$90,000 additional damages awarded for the deliberate and deceitful pirating of DVDs). See also *Polygram Records Inc v Raben Footwear Pty Ltd* (1996) 35 IPR 426; *Columbia Pictures Industries Inc v Luckins* (1996) 34 IPR 504.

8.4.2 Innocent infringement

Under s 115(3) the court will not award damages if at the time of the infringement the defendant was not aware or had no reasonable grounds for suspecting that they were infringing copyright. The owner is still entitled, however, to an account of profits. A defendant will not be able to maintain innocence where they were put on notice that they are infringing, but failed to make any positive inquiries.¹⁹⁸ For the ‘defence’ to operate the defendant must establish ‘an active, subjective, lack of awareness that the act constituting the infringement was an infringement of the copyright’, and that ‘objectively considered [the defendant] had no reasonable grounds for suspecting that the act constituted an infringement’.¹⁹⁹ A defendant who was mistaken about the scope of copyright law will not be able to avoid damages.²⁰⁰ If the defendant makes an error when trying to identify the copyright owner, but has otherwise acted reasonably, they may still be able to rely upon s 115(3).²⁰¹

8.4.3 Conversion or detention

The *Copyright Act 1968* (Cth) also provides that the copyright owner can bring an action for conversion or detention in relation to infringing copies or devices that are used to make infringing copies.²⁰² An ‘infringing copy’ is defined as a reproduction or copy the making of which constituted an infringement of copyright or, in the case of an imported article, would have been an infringement if it had been made in Australia by the importer.²⁰³ In effect, conversion damages compensate the copyright owner for acts that are inconsistent with their right to possess infringing copies and devices. This might occur, for example, where a defendant is ordered to ‘deliver up’ infringing copies, but has already sold them. Any relief granted under this section is in addition to the owner’s right to bring an action for damages or account of profits.²⁰⁴ Despite this, conversion or detention damages will not be available where the court believes that damages or account of profits provide ‘a sufficient remedy’.²⁰⁵ The measure of conversion damages is the value of the copies and devices at the date of the conversion, not the depreciation caused by any infringement to the value of the copyright.²⁰⁶ Defendants have a defence to any claim for conversion or detention if they can prove either that they were not aware, or that they did not have reasonable grounds for suspecting,

198 See *Polygram Pty Ltd v Golden Editions Pty Ltd* (1994) 30 IPR 183.

199 *Milwell Pty Ltd v Olympic Amusements Pty Ltd* (1999) 43 IPR 32, 43.

200 See *Milwell Pty Ltd v Olympic Amusements Pty Ltd* (1999) 43 IPR 32.

201 See *Kalamazoo (Aust) Pty Ltd v Compact Business Systems Pty Ltd* (1985) 5 IPR 213; *Polygram Pty Ltd v Golden Editions Pty Ltd* (1994) 30 IPR 183, 193–4.

202 s 116 *Copyright Act 1968* (Cth) (amended by *Copyright Amendment (Digital Agenda) Act 2000* (Cth)). Schedule 3 of the *Copyright Amendment Act (No 1) 1998* (Cth) substituted ‘device’ for plate in s 116(2)(c) *Copyright Act 1968* (Cth).

203 s 10 *Copyright Act 1968* (Cth).

204 s 116(1B) *Copyright Act 1968* (Cth).

205 s 116(1C) *Copyright Act 1968* (Cth).

206 See *Polygram Records Inc v Raben Footwear Pty Ltd* (1996) 35 IPR 246; *Autodesk Inc v Yee* (1996) 35 IPR 415.

that the materials which the action relates to were protected by copyright, or that the copies they made or dealt in were infringing.²⁰⁷

8.4.4 Groundless threats to sue

Section 202 of the Act permits a person who is subject to a groundless threat of an action for infringement of copyright to bring proceedings against the person making the threat. Section 202A also provides for relief against groundless threats for legal proceeding in relation to technological protection measures.²⁰⁸ The remedies available against a person making a groundless threat include a declaration, an injunction and damages. Similar provisions exist in the other intellectual property regimes.

The mere notification of the existence of copyright does not constitute a threat of an action or proceedings.²⁰⁹ However, the courts are quick to infer a threat if a person's conduct goes beyond notifying another party that a work is protected by copyright.²¹⁰ Legal representatives are not liable for threats that they make on their clients' behalf but the clients will be liable for such threats.²¹¹

Numerous cases have been brought pursuant to this section by parties seeking to resolve their legal position prior to proceeding to exploit copyright material. Examples include proceedings by Channel Nine seeking a declaration that its television program 'The Block' did not infringe any copyright in a similar reality television program produced in New Zealand. By initiating proceedings, it forced the other party into instituting a counter-claim for infringement and it then sought security for its costs as the other party had no assets in Australia.²¹²

8.4.5 Criminal offences

The *Copyright Act 1968* (Cth) provides for offences and penalties for specified dealings in infringing copies and devices. There is no limitation upon the time within which criminal proceedings may be brought. The criminal remedies under the *Copyright Act 1968* (Cth) were substantially modified by the *Copyright Amendment Act 2006* (Cth).

From 1 January 2007 the criminal offences in the *Copyright Act 1968* (Cth) are divided into indictable, summary and strict liability offences. The main difference between these tiered offences is in relation to the level of fault that must be satisfied and the penalties that apply.

To establish an *indictable offence*, it is necessary to show that the infringement was either intentional or reckless. Indictable offences have maximum penalties

207 s 116(2) *Copyright Act 1968* (Cth). There are a number of offences in relation to making, retaining, and inspecting records of copying under the various provisions of the Act dealing with reprographic reproduction: ss 203A–H.

208 This was added by the *Copyright Amendment Act 2006* (Cth).

209 s 202(2) *Copyright Act 1968* (Cth).

210 *Rosedale Associated Manufacturers Ltd v Airfix Products Ltd* [1956] RPC 360, 363.

211 s 202(3). See *Wanem Pty Ltd v Tekiela* (1990) 19 IPR 435, 444.

212 *Nine Films & Television Pty Ltd v Ninnox Television Ltd* [2005] FCA 1404. See also *Concrete Pty Ltd v Parramatta Design Developments Pty Ltd* [2004] FCA 1312.

of five years imprisonment and/or between 550 (\$60,500) to 850 (\$93,500) penalty units for natural persons. For corporations, the fine can be up to five times the maximum fine of a natural person.

Most *summary offences* require intention (by default) and/or negligence, and have maximum penalties of two years imprisonment and/or 120 penalty units (\$13,200).

The *strict liability offences*, which do not contain a fault requirement, were introduced by the *Copyright Amendment Act 2006* (Cth) to target lower levels of commercial piracy, such as the sale of pirated works at street markets. This means that a person will be liable for infringement irrespective of intention, negligence or fault. The government's rationale for introducing strict liability offences was that 'it would give police and prosecutors a wider range of enforcement options depending on the seriousness of the relevant conduct'.²¹³

One of the fears that were raised about the strict liability offences was that they had the potential to criminalise activities that were considered to be a legitimate part of commercial life. To ensure that this did not occur, the strict liability offences only apply in a limited number of cases.²¹⁴ There are also a number of defences to the strict liability offences.²¹⁵ The strict liability offences arise where a person:

- makes an infringing copy²¹⁶ in preparation for, or in the course of, selling it, letting it for hire, or obtaining a commercial advantage or profit;²¹⁷
- sells or lets for hire an infringing copy;²¹⁸
- exposes or offers for sale or hire an infringing copy by way of trade;²¹⁹
- exhibits an infringing copy in public, by way of trade;²²⁰
- exhibits an infringing copy in public in preparation for, or in the course of, obtaining a commercial advantage or profit;²²¹
- imports an infringing copy to be used for a commercial purpose;²²²
- distributes an infringing copy in preparation for, or in the course of, trading or obtaining a commercial advantage or profit;²²³
- possesses an infringing copy in preparation for, or in the course of, doing any of the above acts (selling, letting for hire, exhibiting, distributing etc);²²⁴
- makes a device for the purpose of making an infringing copy;²²⁵ and

213 Explanatory Memorandum to the Copyright Amendment Bill 2006, 2.

214 The offences that do not have strict liability include ss 132AI, 132AL, 132AN, 132AO *Copyright Act 1968* (Cth) (introduced by *Copyright Amendment Act 2006* (Cth)).

215 E.g., see s 132AT(1)–(2) *Copyright Act 1968* (Cth) (introduced by *Copyright Amendment Act 2006* (Cth)).

216 s 10 *Copyright Act 1968* (Cth) defines an 'infringing copy' as 'an article that infringes copyright in a work or other subject matter where copyright subsists in the work or other subject matters at the time when the article is made'.

217 s 132AD(5) *Copyright Act 1968* (Cth).

218 132AE(5) *Copyright Act 1968* (Cth).

219 s 132AF(7) *Copyright Act 1968* (Cth).

220 s 132AG(7) *Copyright Act 1968* (Cth).

221 s 132AG(8) *Copyright Act 1968* (Cth).

222 s 132AH(5) *Copyright Act 1968* (Cth).

223 s 132AJ(5) *Copyright Act 1968* (Cth).

224 s 132AI(7) *Copyright Act 1968* (Cth).

225 s 132AL(8) *Copyright Act 1968* (Cth).

- causes images or sound from a cinematographic film to be seen or heard in public at a place of public entertainment, where causing the hearing or seeing infringes copyright in the recording or film.²²⁶

The maximum penalty for a strict liability offence is 60 penalty units (\$6600) for a natural person. It is also possible for an alleged offender to be issued with an infringement notice in lieu of prosecution, which gives them the option of paying one-fifth of the maximum fine (that is \$1320) and to forfeit the alleged infringing article or device.²²⁷ The possibility of issuing what is effectively an on-the-spot fine may provide copyright owners with a useful strategy against small-scale pirates.

8.5 Defences and limitations

While the rights conferred on copyright owners have expanded greatly over the last century or so, they are not absolute. As with all forms of intellectual property, the rights granted to owners are subject to a number of limitations. In addition to the compulsory licence schemes that are discussed in chapter 9, copyright law also recognises a series of defences or exceptions to copyright infringement.²²⁸ The limits placed upon the copyright owner's rights serve to balance the rights of copyright owners against the rights of the public to use copyright works.²²⁹ The *Copyright Act 1968* (Cth) includes a variety of different types of defences. Some, such as the fair dealing defences, are general in nature, whereas others, such as special provisions to deal with computer programs, were designed to deal with specific issues.

In May 2005, the Attorney-General's Department published an *Issues Paper on Fair Use and other Copyright Exceptions* to encourage public consultation on a number of issues relating, inter alia, to fair dealing. One of the questions that was raised was whether Australia should adopt a US style open-ended fair use defence (instead of the specific purpose-driven fair dealing exception). Following the public consultation process in May 2006, the Attorney-General announced that the government intends to reform the law of fair dealing in Australia.²³⁰ In particular, the government decided not to adopt a US-style open-ended fair use exception. Instead, the *Copyright Amendment Act 2006* (Cth) introduced a

226 s 132AO(5) *Copyright Act 1968* (Cth).

227 s 133B *Copyright Act 1968* (Cth) *Copyright Regulations 1969* pt 6A.

228 The relationship between the fair dealing defence and the educational statutory licences was considered in *CAL v Haines* [1982] 1 NSWLR 182. The issue in dispute was whether persons who have the benefit of a statutory licence are nevertheless entitled to rely on the fair dealing provisions. This case did not rule out reliance by teachers and schools on s 40 fair dealing for copying within the educational context. McLelland J granted relief to restrain the threatened authorisation of infringement on the basis that a memo, stating that virtually the same copying as could be done under s 53B (later replaced by the pt VB statutory licence provisions) could also be done under s 40, without the need for the payment of equitable remuneration to copyright owners.

229 Copyright Law Review Committee, *Copyright and Contract* (Canberra: AGPS, 2002), para [2.01].

230 Hon P. Ruddock, Attorney-General, 'Major Copyright Reforms Strike Balance' (Press Release, 088/2006, 14 May 2006).

number of new exceptions to infringement including copying for the purpose of parody and satire, time-shifting, format-shifting, as well as a number of specific exceptions for libraries, archives and educational institutions.²³¹

8.5.1 Fair dealing

The fair dealing provisions that operate in Australia are found in ss 40–43 of the *Copyright Act* (Cth). Unlike the open-ended fair use regime that operates in the United States,²³² the defence of fair dealing, for what would otherwise be an infringing act, is permitted in five²³³ specific circumstances (which are listed below). Once it has been established that a particular dealing falls within the scope of one of the specified purposes, it is then necessary to show that the dealing was ‘fair’. All that is meant by ‘dealing’ in this context is that the copyright work has been used in some way or another.²³⁴

In December 2006, a number of important amendments were made to the fair dealing provisions in the *Copyright Act 1968* (Cth). In addition to adding a fifth permitted purpose (of parody or satire), the *Copyright Amendment Act 2006* (Cth) also made changes to the research and study defence by repealing sub-ss 40(3) and (4) and substituting new provisions to clarify the meaning of ‘reasonable portion’ for the purposes of s 40, and to align the definition with that used elsewhere in the Act.²³⁵

8.5.1.1 Permitted purposes

In order for a defendant to rely upon the fair dealing defence, they need to be able to show that the dealing in question was carried out for one of the five specific purposes listed in the Act. In this respect it is similar to the British, Canadian and New Zealand fair dealing provisions.²³⁶ Under current law, the defence of fair dealing, for what would otherwise be an infringing act, is permitted for the purpose of:

- research or study²³⁷
- criticism or review²³⁸

231 See sch 6–8 *Copyright Amendment Act 2006* (Cth).

232 s 107 *US Copyright Act 1986*.

233 Prior to the passage of the *Copyright Amendment Act 2006*, there were only four permitted purposes. The fifth purpose of ‘parody or satire’ was added in 2006.

234 Bently and Sherman, *Intellectual Property Law*, above n 86, 193; see *Newspaper Licensing Agency v Marks & Spencer* [2000] 4 All ER 239, 257 (Chadwick LJ); *Pro Sieben Media v Carlton Television* [1999] FSR 610, 620; *Ashdown v Telegraph Group Ltd* [2002] Ch 149, 172 (para 64).

235 s 10 *Copyright Act 1968* (Cth).

236 England – *Copyright, Designs and Patents Act 1988*, ss 29(1), 30(1); Canada – *Copyright Act RS*, c C-30, ss 29, 29(1), 29(2), see also *CCH Canadian Ltd v Law Society of Upper Canada*, [2004] 1 SCR 339, 2004 SCC 13; New Zealand – *Copyright Act 1994*, ss 42, 43.

237 ss 40, 103C *Copyright Act 1968* (Cth). In 1976, the Franki Committee recommended substantial changes to the fair dealing provisions. One of the significant changes was the removal of the requirement that a fair dealing for the purposes of study had to be for ‘private’ study which enabled the reliance on the fair dealing provisions for what has been referred to as ‘commercial’ research. *Copyright Law Committee on Reprographic Reproduction Report* (Canberra: AGPS, 1976).

238 ss 41, 103A *Copyright Act 1968* (Cth).

- reporting news²³⁹
- professional advice given by a legal practitioner or patent attorney²⁴⁰ and
- parody or satire.²⁴¹

The purpose of the copying is determined by an objective test (would a reasonable person have understood that copying was being done for one of the specified purposes), rather than by the subjective intention of the person doing the copying (whether the copier intends to use the copies for one of the specified purposes).²⁴²

8.5.1.1.1 *Research or study*

The first type of dealing recognised under the *Copyright Act 1968* (Cth) relates to those activities that are carried out for the purpose of ‘research’ and ‘study’. Under s 40, fair dealing for the purpose of research or study is not an infringement of copyright.²⁴³ This exception to infringement applies to literary, dramatic, musical or artistic works, adaptations of such works, sound recordings, films, broadcasts and published editions of works.

The terms ‘research’ and ‘study’ are not defined in the *Copyright Act 1968* (Cth). One of the leading cases on the meaning of these terms is the decision of *De Garis v Neville Jeffress Pidler Pty Ltd*.²⁴⁴ In this case the defendant’s press clipping service located and scanned newspaper articles at the request of subscribers. The defendant provided no commentary or additional input, leading Beaumont J to conclude that the defendant had not dealt with the plaintiff’s copyright works for the purposes of criticism or review within the meaning of the Act. Beaumont J did not need to define the terms ‘criticism’ and ‘review’ to come to this conclusion: under any interpretation of these terms, the defendant’s activities were clearly not for the prescribed statutory purpose. Beaumont J said that the terms ‘research’ and ‘study’ should be given their ordinary dictionary meaning. In so doing, he relied upon the *Macquarie Dictionary* definition of research as the ‘diligent and systematic enquiry or investigation into a subject in order to discover facts or principles’. In turn, Beaumont J defined study as ‘(1) the application of the mind to the acquisition of knowledge, as by reading, investigation or reflection; (2) the cultivation of a particular branch of learning, science or art; (3) a particular course of effort to acquire knowledge . . . (5) a thorough examination and analysis of a particular subject . . .’.²⁴⁵ It was also said that as the media monitoring agency was merely involved in the collection of data, rather than the *evaluation* and *analysis* of that data, the copying fell outside the research or study defence.²⁴⁶

239 ss 42, 103(B) *Copyright Act 1968* (Cth).

240 s 43(2) *Copyright Act 1968* (Cth).

241 s 41A *Copyright Act 1968* (Cth).

242 Bently and Sherman, *Intellectual Property Law*, above n 86, 193.

243 s 40 *Copyright Act 1968* (Cth). As to the meaning of ‘research’ and ‘study’ see *De Garis v Neville Jeffress Pidler Pty Ltd* (1990) 37 FCR 99.

244 (1990) 37 FCR 99.

245 *Ibid.*

246 *Ibid.*

In so doing, the court emphasised that for the defence to apply, a person needs to engage with the material that has been copied. The court also held that it was the purpose of the copier and not the purpose of the ultimate user of the copies which was important.²⁴⁷

While it has been suggested that the specified purposes have been construed narrowly in Australia,²⁴⁸ it seems that the definition of research or study as set out in *De Garis* (and other decisions) would cover many of the activities that would ordinarily be expected to qualify as research and study. It would seem, for example, that it would cover much of the copying undertaken by staff and students in Australian universities (at least copying for academic reasons), as well as the situation where academics, researchers and writers copy parts of books or articles for use in the preparation of the writing of new articles and books.²⁴⁹ It would also cover the copying of works by students studying for exams or writing assignments.²⁵⁰ It is also clear that the defence applies where the copying is carried out for the purpose of, or associated with, an approved course of study or research by an enrolled external student of an educational institution.²⁵¹

8.5.1.1.2 Criticism or review

Section 41 of the *Copyright Act 1968* (Cth) provides that a fair dealing with a literary, dramatic, musical or artistic work, or with an adaptation of a work, is not

247 Ibid.

248 K. Weatherall and E. Hudson, *Response to the Issues paper: Fair Use and Other Copyright Exceptions* (Intellectual Property Research Institute of Australia and Centre for Media and Communications Law, University of Melbourne, July 2005), 11. In contrast, the specified purposes have been construed liberally in the United Kingdom, see L. Bently and B. Sherman, *Intellectual Property Law*, above n 86, 193. See *Newspaper Licensing Agency v Marks & Spencer* [2000] 4 All ER 239, 257 (Chadwick LJ); *Pro Sieben Media v Carlton Television* [1999] FSR 610, 620; *Ashdown v Telegraph Group Ltd* [2002] Ch 149, 172; and in Canada, *CCH Canadian v Law Society of Upper Canada* [2004] SCC 13, where the Supreme Court said: 'Research must be given a large and liberal interpretation in order to ensure that users' rights are not unduly constrained . . . Lawyers carrying on the business of law for profit are conducting research' (para 51).

249 This is supported by reasoning in the US that was put forward by the Second Circuit in *Texaco* when it distinguished the systematic copying being done by Texaco from a situation where 'a professor or independent scientist [is] engaged in copying and creating files for independent research'. *Texaco* 60 F 3d 916 as cited in M. Ryan, 'Fair use and Academic Expression: Rhetoric, Reality, and Restriction on Academic Freedom' (1999) 8 *Cornell Journal of Law and Public Policy* 541, 550. 'The court's decision in *Texaco* may serve a useful purpose is shaking academia from its complacency. Unless a critical distinction can be made regarding academic use of academic scholarship and research in the university setting, we must prepare ourselves for the possibility that copyright restrictions on such academic expression may invade academia': Ryan, 'Fair use and Academic Expression', above, 541, 551.

250 The first is that 'during the early stages of writing an article, conference paper, essay or thesis any copying that is done usually consists of obtaining extracts of earlier published and unpublished works. Such copies are made for a variety of reasons – to allow reading to be done at the researcher's convenience, because material is held in a distant library or archive to which the researcher has to travel and does not have time to read all potentially relevant material on site, and sometimes because the researcher has not finally decided what questions she is asking and thus may need to review the material several times. A second type of copying occurs when the researcher's results are presented, for example, in an essay, thesis, published paper or book and the researcher wishes to make reference to source material. R. Burrell and A. Coleman, *Copyright Exceptions: the Digital Impact* (Cambridge: Cambridge University Press, 2005), 116.

251 s 40(1A) *Copyright Act 1968* (Cth). 'A fair dealing with a literary work (other than lecture notes) does not constitute an infringement of the copyright in the work if it is for the purpose of, or associated with, an approved course of study or research by an enrolled external student of an educational institution.' As Ricketson suggests, 'It is unclear what section 40(1A) adds to what is already allowed under s 40(1), in the absence of any deeming effect. It is noteworthy that the provision was added as result of non-governmental amendment and that the government of the day regarded the amendment as unnecessary'. Ricketson and Creswell, *The Law of Intellectual Property*, above n 160, para [11.32], referring to the CLRC, *Exceptions Report*, 81 and the fact that the CLRC itself recommended its deletion.

an infringement of copyright in the work if the fair dealing is for the purpose of criticism or review.²⁵² A similar exception exists for sound recordings, cinematograph films, television and radio broadcasts.²⁵³ Insofar as the exception prevents the copyright owner from controlling the work and thus controlling reviews of the work it recognises the importance of criticism or review for public debate.²⁵⁴ In an odd version of evolutionary jurisprudence, the defence is often justified on the basis that it allows creators to build on and thus progress existing cultural and artistic works.²⁵⁵ The exception, which allows for what Americans like to call transformative use, is ‘based on the policy that all copyright subject matter is published with an expectation of critical review, and as such, it is reasonable to freely take portions from the original in order to illustrate the review’.²⁵⁶

For the defence to apply, a defendant must ‘sufficiently acknowledge’ the work. That is, they must identify the name or title of the work that is being criticised or reviewed, as well as the name of the author.²⁵⁷ It is not necessary to identify the author if the work is anonymous or pseudonymous or the author has previously agreed or directed that an acknowledgement of his or her name is not to be made. It has been held in this context that the fact that the ‘Channel 9’ logo appeared on the bottom of a television image shown on Channel 10 was ‘sufficient acknowledgement’ of the television station that originally broadcast the work.²⁵⁸

The main issue relates to whether a particular activity falls within the meaning of ‘criticism’ and ‘review’. The scope and meaning of these terms was considered in the *Panel* decision (*TCN Channel Nine v Network Ten*).²⁵⁹ The *Panel* decision concerned the claim by Channel 9 that by showing extracts from twenty of its broadcast programs as part of commentary on ‘The Panel’ program, Channel 10 had infringed 9’s copyright in those programs. The extracts were of various lengths, ranging from eight seconds to forty-two seconds in duration and were taken from a variety of news, sport and entertainment programs. The *Panel*, broadcast weekly on Wednesday evenings, was a sixty-minute TV program on which a panel of regulars and guests discuss the events of the preceding week including news, current affairs, entertainment and sport. Channel 10 responded that by screening extracts from various programs which were discussed by the panellists, it had not taken a substantial part of the programs sufficient to constitute infringement and, even if it had, that use could be excused on the grounds

252 s 41 *Copyright Act 1968* (Cth). See, e.g., *De Garis v Neville Jeffress Pidler Pty Ltd* (1990) 37 FCR 99; *TCN Channel Nine Pty Ltd v Network Ten Ltd* [2002] FCA 146 (on the meaning of ‘criticism’ and ‘review’), overturned on other grounds; *Network Ten Ltd v TCN Channel Nine Pty Ltd* (2004) 218 CLR 273.

253 ss 103A, 100A *Copyright Act 1968* (Cth).

254 Bently and Sherman, *Intellectual Property Law*, above n 86, 200.

255 Weatherall and Hudson, *Response to the Issues paper*, above n 248, 11–12.

256 D. Brennan, ‘Copyright and Parody in Australia: Some thoughts on *Suntrust Bank v Houghton Mifflin Company*’ (2002) 13 *AIPJ* 161, 163 citing *Chatterton v Cave* (1878) 3 App Cas 483, 492.

257 s 10 *Copyright Act 1968* (Cth). See *Sillitoe v McGraw Hill Book Co (UK) Ltd* [1983] FSR 545.

258 *TCN Channel Nine Pty Ltd v Network Ten Ltd* [2001] FCA 108, para 72 (ii). Upheld, issue not discussed on appeal, *TCN Channel Nine Pty Ltd v Network Ten Ltd* [2002] FCA 146; *Network Ten Ltd v TCN Channel Nine Pty Ltd* [2004] ALR 585 (HC).

259 (2002) 118 FCR 417 (later in the High Court).

that such uses were fair dealing, either for the purpose of criticism of review, or additional or in the alternative for the purpose of reporting the news.²⁶⁰ Given that the courts were called on to consider the status of a large number of different extracts, it provides a useful guidance as to how these factual issues are addressed.²⁶¹ While this decision had the potential to provide some important guidance as to what is meant by criticism and review, at best it only provides indirect guidance. At worst, it only confuses things further.²⁶²

It has been suggested that ‘criticism’ means ‘the act or art of analysing and judging the quality of a literary or artistic work’.²⁶³ It was ‘the act of passing judgement as to the merits of something . . . A critical comment, article or essay; a critique’.²⁶⁴ In turn ‘review’ has been described as a ‘critical article or report, as in a periodical, on some literary work, commonly some work of recent appearance; a critique’.²⁶⁵ In the *Panel* decision, Conti J said that criticism or review are words of wide and infinite scope which should be interpreted liberally; nevertheless criticism and review involve the passing of judgement; criticism and review may be strongly expressed.²⁶⁶

The copying may be for the purpose of criticising or reviewing either the work itself, or another work. The criticism or review can be aimed at the work, or the underlying ideas that are used in the work.²⁶⁷ Criticism and review must be genuine and not a pretence for some other purpose. If criticism is genuine, there is no need for it to be balanced.²⁶⁸ Given that the Act does not specifically link the criticism or review to the work itself, it may be possible for the provision to be used as a basis to criticise the author and their motives. It is not necessary that the defendant be able to show that criticism or review was the sole reason for the copying in question. Instead, it is only necessary that the copying was

260 M. De Zwart, ‘Seriously entertaining: the *Panel* and the future of fair dealing’ (2003) 8(1) *Media and Arts Law Review* 1, 8.

261 At first instance, Conti J concluded that Channel 9 had not succeeded in showing that a substantial part of the subject matter if each of the program segments originally broadcast on Channel 9 had then been shown on The Panel. Therefore there was no infringement and it was not necessary to consider if use of the excerpts was justified on the basis of fair dealing. Nevertheless Conti J went on to consider if the uses would have been justified on the basis of fair dealing. The decision was appealed and the Full Court disagreed with Conti J at first instance. See also M. Handler and D. Rolph, ‘“A Real Pea-Souper”: The Panel Case and the Development of the Fair Dealing Defences to Copyright Infringement in Australia’ (2003) 27 *Melbourne University Law Review* 381–422; Brennan, ‘Copyright and Parody in Australia’, above n 256, 161, 163.

262 Handler and Rolph, ‘“A Real Pea-Souper”’, above n 261, 381, 390.

263 In *De Garis v Neville Jeffress Pidler Pty Ltd* (1990) 18 IPR 292, 299 (Beaumont J relied on the *Macquarie Dictionary*).

264 *Ibid.* Despite referring to the need to interpret criticism and review broadly, the court in the *Panel* case still applied a narrow, dictionary-based definitions of ‘criticism’ and ‘review’. These definitions require that the use involve the ‘passing of judgment’. *TCN Channel Nine v Network Ten* (2001) 108 FCR 235, 285 as cited in Weatherall and Hudson, *Response to the Issues paper*, above n 248, 11.

265 *De Garis v Neville Jeffress Pidler Pty Ltd* (1990) 95 ALR 625, 631. This approach has been criticised on the basis that only certain *Macquarie Dictionary* definitions were adopted by Beaumont J and others such as ‘censure’ and ‘fault-finding’ for ‘criticism or a ‘general survey of something’ for ‘review’ were not considered. It has also been suggested that Beaumont J failed to consider whether there were more expansive definitions available in other dictionaries. Handler and Rolph, ‘“A Real Pea-Souper”’, above n 261, 381, 399 citing A. Delbridge et al. (eds), *The Macquarie Dictionary* (1st ed, 1981).

266 (2002) 118 FCR 417 (later in the High Court).

267 *Ibid.* (Criticism and review extends to thought underlying the expression of the copyright works or subject matter). *Hubbard v Vosper* [1972] 2 QB 84, 94–5, 98.

268 (2002) 118 FCR 417 (later in the High Court).

‘substantially’ for the purpose of criticism or review. This allows the use to be made for both criticism and another related purpose, such as education.²⁶⁹ However, it seems that the defence will not apply where a person has an ‘oblique or hidden motive . . . particularly where the infringer is a trade rival who uses the copyright subject matter for its own benefit, particularly in dissembling way’.²⁷⁰

8.5.1.1.3 Reporting news

The third type of dealing that is protected by the fair dealing defences are those dealings which are carried out for the purpose of ‘reporting news’. The defence applies both to literary, dramatic, musical and artistic works,²⁷¹ and to sound recordings, cinematograph films, and television and radio broadcasts.²⁷² The reporting of news must take place in a newspaper, magazine, or similar periodical²⁷³ (in which case the original work must be sufficiently acknowledged). Alternatively, the dealing must take place for the purpose of reporting the news by means of a communication or in a cinematograph film.²⁷⁴

While ‘reporting news’ usually refers to providing information about current events, it does not extend to the provision of newspaper articles as part of a media-monitoring service.²⁷⁵ This suggests that the reporting of news requires at least some type of input on behalf of the reporter. In light of the fact that it may be increasingly difficult to distinguish between news and entertainment, particularly in light of the growth of ‘infotainment’ programs, it has been held that ‘news’ may involve the use of humour.²⁷⁶

8.5.1.1.4 Professional advice and legal proceedings

A fair dealing may also be made of a literary, dramatic, musical or artistic work for the purpose of giving advice, if that advice is given by a legal practitioner, a patent attorney or a trade mark attorney.²⁷⁷ Similarly, copyright will not be infringed by anything done for the purposes of a judicial proceeding or of a report of a judicial proceeding.²⁷⁸ Section 104 provides a similar defence in relation to Part IV works; however, this section is worded more broadly in that it covers ‘anything done’ for the purpose of giving or seeking such advice.²⁷⁹

269 *Sillitoe v McGraw Hill Book Co (UK) Ltd* [1983] FSR 545. It is not a fair dealing of a work for the purpose of criticism or review to publish the work knowing that it has been improperly obtained, although the work is published for the purpose of criticism and comment. See *Beloff v Pressdram Ltd* [1973] 1 All ER 241; [1973] RPC 765; *Commonwealth of Australia v John Fairfax & Sons Ltd* (1980) 147 CLR 39.

270 (2002) 118 FCR 417 (later in the High Court).

271 s 42 *Copyright Act 1968* (Cth).

272 s 103B *Copyright Act 1968* (Cth).

273 *De Garis v Neville Jeffress Pidler Pty Ltd* (1990) 37 FCR 99 (a media-monitoring service was not ‘a newspaper, magazine or similar periodical’).

274 ss 42(1)(a)(b) and 103B(1) *Copyright Act 1968* (Cth). Section 42(2) *Copyright Act 1968* (Cth) provides that, in the case of a musical work, the playing of the work forms part of the news being reported.

275 *De Garis v Neville Jeffress Pidler Pty Ltd* (1990) 37 FCR 99.

276 *TCN Channel Nine Pty Ltd v Network Ten Ltd* [2002] FCA 146. (Decision overturned on other grounds on appeal to the High Court: *Network Ten Ltd v TCN Channel Nine Pty Ltd* [2004] (2004) 218 CLR 273). De Zwart, ‘Seriously entertaining’, above n 260, 1, 8.

277 s 43(2) *Copyright Act 1968* (Cth).

278 s 43(1) *Copyright Act 1968* (Cth).

279 ss 104(b), (c) *Copyright Act 1968* (Cth).

8.5.1.1.5 Parody or satire²⁸⁰

In 2006,²⁸¹ the government introduced a new s 41A (and the corresponding s 103 AA for audio-visual works) to allow for fair dealing for the purpose of parody or satire.²⁸² The government felt that it was ‘appropriate to require that a use for the purpose of parody and satire should be ‘fair’.²⁸³ Section 41A provides that a fair dealing with a literary, dramatic, musical or artistic work, or with an adaptation of a literary, dramatic or musical work, does not constitute an infringement of the copyright in the work if it is for the purpose of parody or satire.²⁸⁴

A range of justifications have been given to support parody and satire including their importance to free speech, criticism, and public debate and because they aim to provide humour in an effective and creative way.²⁸⁵ As there is no definition of parody or satire in the Act, the courts will probably rely on standard techniques (such as the use of dictionaries) to define the limits of these activities. While there is no clear consensus, parody and satire tend to employ irony, sarcasm and ridicule in a humorous manner. Where they differ is in terms of the focus of their attention. The term ‘parody’ is associated more with ridicule and is generally directed at criticism of a work.²⁸⁶ On the other hand, the purpose of satire is to draw attention to characteristics or actions which are external to an author’s work. Despite the fact that a parody ‘may appear to treat its target in a manner similar to satire in making it the object of laughter, one major factor which distinguishes parody from satire is . . . the parody’s use of the performed material of its “target” as a constituent part of its own structure’. In contrast, satire uses the target material to make fun of something external to the target.²⁸⁷ Parody, by its nature, is likely to involve holding a creator or performer up to scorn or ridicule. Satire does not involve such direct comment on the original material but, in using material for a general point, should also not be unfair in its effect for the copyright owner.²⁸⁸

Given that an aim of parody and satire is to usurp or undermine the way that an author intends their work to be viewed, it is not surprising that questions

280 The pre-2006 position of parody and satire in Australian law is unclear. See *AGL Sydney Ltd v Shortland County Council* (1989) 17 IPR 99, 105: the *Copyright Act* ‘grants no exemption, in terms, in the case of works of parody or burlesque’.

281 From 11 December 2006.

282 In the Copyright Amendment Bill 2006 the government originally proposed to amend s 200AB of the *Copyright Act* to provide for parody and satire. However after numerous submissions pointing out the limits of placing the parody and satire defence within this section, the government in its response to the Senate Inquiry indicated that it would insert a new provision in the fair dealing section of the Act to provide for parody and satire. Senate Standing Committee on Legal and Constitutional Affairs, *Copyright Amendment Bill 2006*, para 3.72. See also Supplementary Explanatory Memorandum, *Copyright Amendment Bill 2006* (Amendment to be moved on behalf of the government), 11.

283 Many countries have a special exception for parody (but none appear to have a special exception for satire). Australian Copyright Council Information Sheet G 096, *Copyright Amendment Act 2006*, 5.

284 Section 103AA is a mirror provision which relates to fair dealing for parody and satire of audio-visual items: a fair dealing with an audio-visual item does not constitute an infringement of the copyright in the item or in any work or other audio-visual item included in the item if it is for the purpose of parody or satire.

285 Commonwealth of Australia, *Discussion Paper: Proposed Moral Rights Legislation for Copyright Creators* (1994), [3.66].

286 *Ibid.*

287 M. Rose, *Parody: Ancient, Modern, Post-Modern* (Cambridge: Cambridge University Press, 1993), 81–2.

288 Supplementary Explanatory Memorandum, *Copyright Amendment Bill 2006* (Amendment to be moved on behalf of the government), 11.

have arisen about the relationship of a defence that protects parody and satire with the author's moral rights of integrity (which aims to protect the work from certain abuses). For example, in discussions about moral rights in 1997 it was said that 'the introduction of moral rights, in particular the right of integrity, is not intended to impede or adversely affect the time-honoured practices of parody and burlesque. The moral right of integrity is not intended to stifle satire, spoof or lampoon any more than does the existing law of defamation'.²⁸⁹ While the government has been keen to stress that the new fair dealing defence was not intended to detract from the creator's moral rights in their works, it will be interesting to see how the courts manage the obvious and clear conflicts that exist between these two provisions.²⁹⁰

8.5.1.2 The dealing must be 'fair'

Once it has been shown that dealing was carried out for one of the specified purposes recognised in the Act, for the defence to apply it is then necessary to show that the dealing was 'fair'. It has long been recognised that it is very difficult to determine how 'fair' is to be judged in this context. In part this is because it is a question of fact which will depend on the circumstances of the case. As Lord Denning said, it is

impossible to define what is 'fair dealing'. It must be a question of degree. You must first consider the number and the extent of the quotations and the extracts. Are they altogether too many and too long to be fair? Then you must consider the use made of them. If they are used as a basis for comment, criticism and review, that may be a fair dealing. If they are used to convey the same information as the author, for a rival purpose, that may be unfair. Next you must consider the proportions . . . But after all is said and done, it must be a matter of impression.²⁹¹

Conti J adopted a similar approach in the *Panel* decision when he said that fair dealing involves questions of degree and impression: it is to be judged by the criterion of a fair minded and honest person, and is an abstract concept.²⁹²

Fairness is judged objectively in relation to the relevant purpose, that is to say, 'the purpose of criticism or review or the purpose of reporting news; in short, it must be fair and genuine for the relevant purpose'.²⁹³ Of the five different permitted purposes recognised in the Act, the question of what is meant by a *fair* dealing is easiest to answer in relation to dealings that are undertaken for the purpose of criticism and review under s 40. Prior to 1980, the question of whether a dealing was 'fair' under s 40 was open-ended. This created problems for librarians and universities who in their daily dealings with copyright works had

289 The government was careful to make this observation in its introduction of the first Moral Rights Bill in 1997: Hon Daryl Williams, Commonwealth of Australia, *Parliamentary Debates*, House of Representatives, 18 June 1997, 5548.

290 Australian Copyright Council Information Sheet G 096, *Copyright Amendment Act 2006*, 5.

291 *Hubbard v Vosper* [1972] 2 QB 84, 94. 'The notion of fairness is not personal or idiosyncratic, but rather is to be assessed objectively, with sound reasons for judgment given in support.' Handler and Rolph, "A Real Pea-Souper", above n 261, 381.

292 *TCN Channel Nine v Network Ten* (2001) 50 IPR 335, 375.

293 *Ibid* 381; approved on appeal by the Full Court [2002] 118 FCR 417.

to determine when a dealing was fair and thus non-remunerable:²⁹⁴ a problem that became particularly acute after the decision of *University of New South Wales v Moorhouse*.²⁹⁵

In part concerns of this nature led the Commonwealth government in 1974 to establish the Copyright Law Committee (the Franki Committee) to examine the impact of reprographic reproduction on copyright law in Australia. One of the issues that were considered by the committee was the scope and operation of the fair dealing defences, particularly in relation to reprographic copying.

Many institutional copyright users, such as educational institutions and libraries, made it clear in their submissions that they were not only concerned generally about the future of the fair dealing provisions but more specifically about what would amount to a 'fair' dealing. In other words, their concern was about the practical question of *how much* could be copied.²⁹⁶

In an effort to alleviate some of the uncertainty associated with fair dealing, the Franki Committee suggested in its 1976 report that the *Copyright Act 1968* (Cth) should be amended to provide guidelines as to when a dealing was 'fair'.²⁹⁷ Following these recommendations, the government introduced qualitative (s 40(2)) and quantitative guidelines (s 40(3), (4))²⁹⁸ that help determine whether a particular dealing for the purposes of research and study was fair.²⁹⁹ As is shown below, the s 40(3) and (4) quantitative guidelines introduced in 1980 were repealed and replaced by the new guidelines (now found in s 40(3)–(5)).³⁰⁰

Section 40(2) provides a list of qualitative factors that are taken into account when considering whether a dealing for the purpose of research or study is fair. These are: (a) the purpose and character of the dealing (including anything which has a commercial flavour to it),³⁰¹ (b) the nature of the work or adaptation; (c) the possibility of obtaining the work or adaptation within a reasonable time at an ordinary commercial price (this suggests that the defence should not be

294 Ricketson and Creswell, *The Law of Intellectual Property*, above n 160, para [11.35].

295 (1975) 133 CLR 1.

296 This concern was articulated by the State Library of Tasmania: 'The area of the *Copyright Act* which causes us particular concern in the State Library is section 40 where closer thought needs to be given to stating the amount that is permissible to copy. There also seems little point in requiring that copies should be for research or private study because of the difficulty of providing that copies are not used for this and the inability of the librarian to control this if they were.' Submission to Copyright Law Committee on Reprographic Reproduction by the State Library of Tasmania, 14 October 1974.

297 *Copyright Law Committee on Reprographic Reproduction Report*, (AGPS, Canberra, 1976) para 2.60, 29. See also s 7 *Copyright Amendment Act 1980* (Cth). Interestingly, the Franki Committee went on to state that 'a person coming within the general provisions of section 40 may be entitled to make more than one copy of a substantial part of a work for research or study if, for example, he is engaged on a research project which requires him to assemble for his own use part of a work under different headings or, for example, where he wished to make certain references on one copy and certain comment or criticism on another'. *Copyright Law Committee on Reprographic Reproduction Report*, (Canberra: AGPS, 1976), para 2.61, 30.

298 Also added in 1980. See Ricketson and Creswell, *The Law of Intellectual Property*, above n 160, para [11.35]. Sections 40(3) and (4) were amended in 2006.

299 In an attempt to provide further guidance to what constitutes a fair dealing, the Franki Committee recommended the introduction of a quantitative test which is now laid down in s 40(3) *Copyright Act 1968* (Cth) (replaced in 2006). Copyright Law Committee, *Reprographic Reproduction Report*, above n 297, 29, para 2.60.

300 Schedule 6 of the *Copyright Amendment Act 2006* repealed the quantitative test in s 40(5) and (6) and inserted new quantitative limits.

301 Ricketson and Creswell, *The Law of Intellectual Property*, above n 160, para [11.35].

used as a matter of convenience. If the work can be purchased at a reasonable price then the court would consider that the defendant should have licensed the work rather than copying it); (d) the effect of the dealing upon the potential market for, or value of, the work or adaptation; and (e) where only part of the work is reproduced, the amount of the part copied in relation to the whole work or adaptation.³⁰² As the Franki Committee acknowledged³⁰³ the guidelines in s 40(2) still leave considerable room for judicial interpretation.³⁰⁴

The second change to fair dealing initiated by the Franki Committee was the introduction of the s 40(3) quantitative guidelines. These provisions were replaced by new quantitative guidelines by the *Copyright Amendment Act 2006* (Cth) in s 40(3)–(5). These new sections provide specific guidance as to when certain types of copying will be fair. The quantitative guidelines introduced in 2006 provide that it is a fair dealing for the purposes of research or study to reproduce (i) one article from a periodical publication³⁰⁵ (ii) more than one article from the same periodical publication only when those articles are required for the same research or the same course of study.³⁰⁶

In relation to a *published literary, dramatic or musical work* (or of an adaptation thereof), s 40(5) provides that a person will not infringe where they reproduce a ‘reasonable portion’ of a work for the purpose of research and study. In this context, a ‘reasonable portion’ is defined as 10% of the number of pages in the edition; or if the work or adaptation is divided into chapters, a single chapter.

Section 40(5) also provides that in relation to a *published literary work in electronic form* (except a computer program or an electronic compilation such as a database), a published dramatic work in electronic form, or an adaptation published in electronic form of such a literary or dramatic work a person will not infringe where they reproduce a ‘reasonable portion’ of a work for the purpose of research and study. In this context, a ‘reasonable portion’ is defined as 10% of the number of words in the work or adaptation; or if the work or adaptation is divided into chapters, a single chapter.

The statutory guidance as to when a dealing will be fair only applies where the dealing is for the purpose of research or study. In all other cases – that is, in relation to dealings for the purpose of criticism or review, reporting of news,

302 The factors in s 40(2) represent the sort of factors that the courts took into account when deciding cases such as *Beloff v Pressdram* (1973) 1 All ER 241 and *Hubbard v Vosper* [1972] 2 QB 84. See Ricketson and Creswell, *The Law of Intellectual Property*, above n 160, para [11.35]. These factors are similar to those in s 107 of the US *Copyright Act 1976*. For fair dealings with respect to audio-visual works see s 103C(2) *Copyright Act 1968* (Cth).

303 The Franki Committee admitted that given the section was ‘mainly directed to the acts of an individual, there are so many factors which may have to be considered in deciding whether a particular instance of copying is “fair dealing” we think it is quite impracticable to attempt to remove entirely from the Court the duty of deciding the question whether or not a particular instance constitutes “fair dealing”’. Copyright Law Committee, *Reprographic Reproduction Report*, above n 297, 29.

304 Ricketson and Creswell, *The Law of Intellectual Property*, above n 160, para [11.35]. The operation and scope of the defence has rarely been tested in Australian courts. See *De Garis v Neville Jeffress Pidler Pty Ltd* [1990] 37 FCR 99; *TCN Channel Nine v Network Ten* [2001] FCR 108; approved on appeal by the Full Court [2002] FCA 146.

305 s 40(3) *Copyright Act 1968* (Cth).

306 s 40(4) *Copyright Act 1968* (Cth).

the provision of professional advice and legal proceedings, and parody or satire – fairness is assessed by the court according to the general guidelines discussed above. While it is not possible to provide precise details as to when a dealing will be fair, it is possible to identify a number of factors that may influence the way this question is answered. Following suggestions made about equivalent provisions in the UK, some of the factors that are likely to be important when deciding whether a dealing is fair include: whether the work is unpublished; how the work was obtained; the amount taken; the use made of the work; the motives for, and consequences of, the dealing; and whether or not the purpose could be achieved by different means.³⁰⁷

8.5.2 Time-shifting

The question of private copying has been an issue in Australian law since the advent of the video recorder and the tape-to-tape player. Both of these technologies, which allow individuals to copy in the privacy of their homes, were seen as a threat to the interests of copyright owners. Faced with the realisation that it was very difficult, if not impossible, to regulate such copying, copyright owners shifted their attention to the parties who facilitated the copying: namely the companies that sold video and tape players, as well those companies that sold blank tapes and videos. In light of decisions that suggested that the sale of tape-to-tape players did not amount to an authorisation of infringement, copyright owners argued that a levy should be imposed on the sale of blank tapes to offset the private copying. When challenged, however, the scheme was overturned by the High Court on the basis that the levy was a tax which should have been dealt with in separate legislation.³⁰⁸ Over the last few years, private copying has again received a lot of attention, particularly in light of the recording and downloading of music on computers and MP3 players. Faced with concerns that copyright could hinder the uptake and use of new technologies, in 2006 the government introduced two new exceptions for private copying.

One of the new exceptions introduced as part of the federal government's review of copyright in 2006 was a defence of 'time-shifting'. In essence, this allows people to record broadcasts for replaying at a more convenient time without infringing copyright.³⁰⁹ Section 111(1) provides a defence to copyright infringement where a person records a cinematograph film or sound recording of a broadcast to watch or listen at a more convenient time. The defence applies to 'private and domestic uses' which is defined to mean 'private and domestic use on or off domestic premises'.³¹⁰ The fact that the new definition of 'private and

307 Bently and Sherman, *Intellectual Property Law*, above n 86, 194–6.

308 *Australian Tape Manufacturers Association v Commonwealth of Australia* [1993] 176 CLR 480. Section 55 of the Australian Constitution provides that laws imposing taxation shall deal only with the imposition of taxation, and any provision therein dealing with any other matter shall be of no effect.

309 Part 1 of sch 6 *Copyright Amendment Act 2006* (Cth).

310 s 10(1) *Copyright Act 1968* (Cth). The definition of 'private and domestic use' was inserted after the Senate Committee highlighted the limitations of the previous requirement that the recording needed to

domestic use' makes it clear that the new exception applies to the use of time-shifted material 'on or off domestic premises' means that the recording can be played on a portable device (such as a DVD or MP3 player). It also means that the time-shifted recording need not be made 'in domestic premises'. The person making the recording is able to lend the recording to a member of their family or household so long as it is used for that person's private and domestic use.³¹¹ If a copy is sold, let for hire, offered for sale or hire, or distributed for trade or other purposes then the recording becomes an infringing copy, in respect of both its making and subsequent dealing.³¹²

The upshot of these changes is that it is possible to tape a broadcast of a radio or television program to watch or listen for private and domestic use at a more convenient time.³¹³ The new exception would allow a person to record a television program that is shown while they are at work to be watched at a later time.

8.5.3 Format-shifting

As well as providing individuals with the ability to make recordings for the purpose of time-shifting, in 2006 the federal government also introduced a new format-shifting defence.³¹⁴ In essence, this allows a person to reproduce copyright material in a different format for private use without infringing copyright. The government gave two reasons why an individual might want to copy material into a different format. One is to have a private copy to carry around, for example, a music performance in an iPod instead of the original CD form. The second reason for format-shifting is because one format has become obsolete, and an individual wants to move their collection of music into a new format (for example, vinyl records to CDs).

The format-shifting defence, which applies to four categories of copyright material, provides that it is permissible to copy, without infringing copyright:

- the content of a book, newspaper or periodical into another format (for example, making a digital copy of the work by scanning it or uploading onto the internet);³¹⁵
- a photograph from hardcopy into electronic format, or from electronic format into hardcopy form;³¹⁶
- a sound recording from CD, tape, record, or digital download to any other format³¹⁷ (except podcasts³¹⁸); and
- a film from video to electronic format.³¹⁹

be made in domestic premises. Senate Standing Committee on Legal and Constitutional Affairs, Copyright Amendment Bill 2006, [Provisions], Report, 2006 (Recommendation 31.147–31.148). The insertion of the definition of private and domestic use to mean use *on or off premises* overcame the previous physical limitation and legitimised the use of MP3s and iPods.

311 s 111(4) *Copyright Act 1968* (Cth).

312 s 111(3) *Copyright Act 1968* (Cth).

313 s 111 *Copyright Act 1968* (Cth).

314 pt 2 of sch 6 *Copyright Amendment Act 2006* (Cth).

315 s 43(c) *Copyright Act 1968* (Cth).

316 s 47J *Copyright Act 1968* (Cth).

317 s 109A *Copyright Act 1968* (Cth).

318 s 109A(1)(c) *Copyright Act 1968* (Cth).

319 s 110AA *Copyright Act 1968* (Cth).

There are a number of conditions that must be satisfied before the defence can operate. These are:

- An individual is only able to copy for their own 'private and domestic use'. This is defined in s 10 to mean private or domestic use inside or outside premises. This enables a person, for example, to copy a CD onto their iPod to listen to on their way to work.
- An individual can only copy from a legitimately purchased or owned original. This means that it is not permissible to copy from a borrowed or pirated copy. The owner is not required to store the original, and may choose to read, view or listen to the original or the main copy.³²⁰ However, the main copy must be in a different format to the original.
- The exception will not apply if the main copy is sold, hired, traded or distributed. The main copy becomes an infringing copy if the owner disposes of the original to another person. This is said to avoid the situation where a person acquires an article, makes a free copy of it for ongoing use and then disposes of the original to another person who might repeat the process. However, loaning the copy to a member of the lender's family or household for the member's private use is allowed.
- An individual is only able to make one (direct) copy in any given format.³²¹ With the exception of sound recordings, all incidental copies made as a consequence of the format-shifting must be 'destroyed at the first practicable time'. As a result of changes made in the Senate, there is no longer a requirement to destroy any 'temporary copy' made in the course of shifting music to another format.³²² This means that a person is able to copy music from a CD onto their computer as a part of the process of shifting the CD to an iPod or MP3 player.

8.5.4 Exceptions for archives and libraries

Libraries and archives play an important role in collecting and maintaining information, in providing access to information, as well as disseminating that information to the wider community. To ensure that copyright law does not hamper archives and libraries in their efforts to collect, preserve and disseminate information, the *Copyright Act 1968* (Cth) provides them with a number of special exceptions to infringement. Traditionally copyright owners have not seemed to be overly concerned about the exceptions for libraries and archives. Over the last decade, however, owners have become more wary of these exceptions. One reason for this is that certain libraries have become more concerned with commercial

320 The copy that is made through the process of 'format-shifting', that is the digital version of a CD is referred to as the 'main copy'.

321 While the format-shifting defence requires a person making a copy to destroy any incidental copies as soon as practicable, this does not apply in the case of sound recordings.

322 The Senate Committee said that to allow legitimate use of digital music players there should not be a requirement that 'temporary copies' made in the course of shifting music to another format be destroyed. Senate Standing Committee on Legal and Constitutional Affairs, Copyright Amendment Bill 2006, [Provisions], Report, 2006 (Recommendation 31.148).

considerations: a factor that makes it more difficult for them to argue that they operate in the public good (and thus should be exempt from liability). This has been compounded by the argument that as more and more information has become available digitally libraries have changed from information holders to publishers of sorts. The changing status of at least some libraries has been used to argue against the archive and library exceptions, primarily on the basis that they threaten the markets that copyright owners have in electronic works. Despite pleas of this nature, the *Copyright Act 1968* (Cth) still contains a number of important exceptions to copyright infringement specifically targeted at archives and libraries.

Sections 49 and 50 form the basis of the library and archives copying provisions. Section 49 provides that non-profit making libraries or archives may make copies of published literary, dramatic, musical and artistic works, for the purposes of research or study of users of the library or archives without payment to the copyright owner on certain conditions.³²³ The definition of a library was revised in 2006 so that it now means a library ‘all or part of whose collection is accessible to members of the public directly or through interlibrary loans’.³²⁴ This means that a library of a commercial company such as a law firm or an engineering firm now can rely upon the library copying provisions. A librarian or archivist has the right to reproduce the whole of a work or more than a reasonable portion of a work³²⁵ where a new copy of the work cannot be obtained within a reasonable time and at a reasonable price.³²⁶ A librarian of a non-profit library may reproduce and supply one article in a periodical journal, part of one article, two or more articles on the same subject matter in a periodical journal or a reasonable portion of a published work for a person who has requested a copy for their research or study and has made a declaration to that effect. ‘Supply’ includes making the article available to a person online or electronically transmitting it to them. This is subject to the proviso that where a work is communicated in this way, the library or archive must destroy any reproduction made for the purpose of the communication as soon as is possible. A library cannot digitise a hard copy work under this section. Section 50 allows libraries and archives to reproduce and communicate works for the purpose of supplying the works to other libraries and archives. Sections 49 and 50 do not apply if the library or archive imposes a charge which is more than the cost of reproducing and supplying the reproduction. Other exceptions allow libraries and archives to reproduce and communicate published and unpublished works for libraries and archives.³²⁷ As a result of changes in 2006, libraries and archives are able to make preservation

323 Also for artistic works which are accompanying illustrations: see s 53 *Copyright Act 1968* (Cth). See also J. Lahore, *Copyright and Designs* (Sydney: LexisNexis Butterworths Loose-leaf), [44, 025].

324 s 49(9) *Copyright Act 1968* (Cth) as amended by the *Copyright Amendment Act 2006*.

325 A ‘reasonable portion’ is defined as not more than 10% of the number of pages of a published edition of the work of not less than ten pages, or the whole or part of a single chapter of the work, where the work is divided into chapters: s 10(2) *Copyright Act 1968* (Cth).

326 s 49 *Copyright Act 1968* (Cth).

327 s 51 *Copyright Act 1968* (Cth). Additional exceptions can be found in ss 48A, 10A 49, 50, 51, 110A, 51AA, 51A, 110B, 52 *Copyright Act 1968* (Cth).

non-infringing copies of significant published editions in key cultural institutions' collections.³²⁸

From December 2006 libraries and archives are also able to rely on a new 'special case exemption' to copyright infringement (s 200AB). While the special case exemption began as an attempt to provide copyright users with a flexible and open-ended exception (similar to the US fair use model),³²⁹ there is so much uncertainty with the provision in its final form that it is unlikely to be of much use to libraries or archives.³³⁰ For the new exemption to operate it must be shown that:

- the material was used for the purpose of maintaining or operating a library or archive;³³¹
- was not used partly for the purpose of obtaining a commercial advantage or profit;³³²
- the circumstances of the use amount to a 'special case';³³³
- the use does not conflict with the normal exploitation of the work;³³⁴ and
- the use does not 'unreasonably prejudice the legitimate interests of the owner of the copyright or a person licensed by the owner of the copyright'.³³⁵

One of the key limitations of the new defence is that it only operates in 'special cases', which is given the same meaning as in art 13 of *TRIPS*.³³⁶ The fact that the defence only operates in 'special cases', which ultimately need to be decided by Australian courts on the basis of World Trade Organisation jurisprudence, means that the scope of the defence is, and is likely to remain, uncertain. This is compounded by the fact that, in many cases, it will be unclear whether a use conflicts with the normal exploitation of the work, and unreasonably prejudices the legitimate interests of the owner. While these three requirements (which go to make up the so-called three-step test)³³⁷ may be of use in deciding whether the

328 s 112AA *Copyright Act 1968* (Cth).

329 Explanatory Memorandum, Copyright Amendment Bill 2006, 109, para 6.53.

330 The exception will not apply if (a) the use is not an infringement of copyright; or (b) the use would not be an infringement of copyright assuming the conditions or requirements of that other provision were met: s 200AB(6) *Copyright Act 1968* (Cth).

331 s 200AB(2)(b) *Copyright Act 1968* (Cth).

332 s 200AB(c) *Copyright Act 1968* (Cth). Section 200 provides that the use does not fail to meet the condition in para (2)(c), merely because of the charging of a fee that: (a) is connected with the use; and (b) does not exceed the costs of the use to the charger of the fee.

333 s 200AB(1)(a) *Copyright Act 1968* (Cth). 'Special case' is given the same meaning as in art 13 of *TRIPS Agreement* by s 200AB(7) *Copyright Act 1968* (Cth).

334 s 200AB(1)(c) *Copyright Act 1968* (Cth). 'Conflict with normal exploitation' is given the same meaning as in art 13 of *TRIPS Agreement* by s 200AB(7) *Copyright Act 1968* (Cth).

335 s 200AB(1)(d) *Copyright Act 1968* (Cth). 'Unreasonably prejudice the legitimate interests' is given the same meaning as in art 13 of *TRIPS Agreement* by s 200AB(7) *Copyright Act 1968* (Cth).

336 art 13 *TRIPS* provides that: 'Members shall confine limitations or exceptions to exclusive rights to certain special cases which do not conflict with a normal exploitation of the work and do not unreasonably prejudice the legitimate interests of the right holder'. The meaning of this Article was discussed in *EC v US WT/DS160*, re s 110(5) *US Copyright Act* (home-style exemption).

337 art 9(2) of the *Berne Convention for the Protection of Literary and Artistic Works* (1886) provides that Members shall confine limitations or exceptions to exclusive rights to certain special cases which do not conflict with a normal exploitation of the work and do not unreasonably prejudice the legitimate interests of rights holders.

legalisation of a particular country complies with *TRIPS* or the *Berne Convention*, they only hinder the operation of the defence. Given that one of the key complaints by libraries, archives and educational institutions about copyright law is its uncertainty, it is highly unlikely that the new exception will provide much assistance to copyright users in their day-to-day work.

8.5.5 Educational uses

Educational institutions have always had special privileges or exception from infringement. This is largely because of the important public roles that schools and universities serve in the community. For universities, schools and other educational institutions to fulfil their educative roles, they need to be able to access and use copyright works. To facilitate the delivery of research, education and training, the *Copyright Act 1968* (Cth) allows certain uses of copyright works to be made without the acts constituting an infringement of copyright. In addition to the compulsory licence schemes that are discussed in chapter 9, there are a range of exceptions in the *Copyright Act 1968* (Cth) that apply to educational uses of copyright works. Section 200 allows copyright works, or adaptations of a work, to be used as part of an exam question or in answer to an exam question. It also provides that such material can be displayed on a screen, an overhead, or a part of a PowerPoint presentation (this does not extend to multiple copying such as photocopying or digital copying).³³⁸

Where sound broadcasts are used for educational instruction, there is no infringement of either the copyright in the broadcast or the underlying works if a copy is made by an educational institution for educational instruction at that institution or at another institution.³³⁹ A teacher or student may perform a work, show a film or play a sound recording without infringing the relevant performance in public rights so long as the act is done in the course of an educational instruction (that is, to the students in the course rather than a performance to the 'public' or parents).³⁴⁰

Short extracts of works are able to be included in a collection of readings, films or sound recordings produced by educational institutions so long as the collection consists principally of *non-copyright works*. It is the fact that the collection must contain non-copyright works that means institutions rarely rely upon this as a defence and instead rely upon the Part VB statutory licence to produce course-packs of copyright works that can be produced for students, which has been (and will continue to be) a point of controversy with copyright owners.³⁴¹

Educational institutions are also able to rely upon the 'special case exemption' contained in s 200AB (which was discussed above).³⁴² The defence covers non-commercial uses. This is subject to the proviso that the use is (i) a 'special case'; (ii) does not conflict with the 'normal exploitation' of the work; and (iii) does

338 s 200(1)(b) *Copyright Act 1968* (Cth).

339 ss 200(2), (2A) *Copyright Act 1968* (Cth).

340 s 28 *Copyright Act 1968* (Cth).

341 See *Copyright Agency Limited v Victoria University of Technology* (1994) 29 IPR 263.

342 See 8.5.4.

not ‘unreasonably prejudice’ the interests of the copyright owner. As mentioned above, the scope of this provision is unclear.

8.5.6 Artistic works

Artistic works, particularly architectural and visual artistic works, figure prominently in our urban landscape. The fact that many of these artistic works are protected by copyright has the potential to restrict the way that we operate in public spaces. It has the potential, for example, to restrict landscape artists, photographers and film makers.³⁴³ To minimise the negative impact of copyright in these situations, the *Copyright Act 1968* (Cth) allows buildings, sculptures, and works of artistic craftsmanship that are on permanent display in a public place or on premises open to the public³⁴⁴ to be reproduced in a two-dimensional form (that is, in photographs, paintings or drawings).³⁴⁵ As was discussed above, from 2006 the new format-shifting defence allows the owner of a photograph to reproduce the photograph in a different format for private use. This will allow a person to translate a photograph from hardcopy into electronic format, or from electronic format into hardcopy form without infringing copyright in the photograph.³⁴⁶

The Act also provides that copyright in an artistic work is not infringed where it is reproduced in a film or television broadcast where its inclusion is incidental to the principal matters represented.³⁴⁷ This would mean, for example, that a person could make a film of a car chase in a city, without having to obtain permission to use the artistic works (such as buildings or sculptures) that might be included in the background. Clearly, the key issue here is determining when an image is ‘incidental’ to a film or broadcast. This question was considered in *Thompson v Eagle Boys Dial-A-Pizza*,³⁴⁸ an infringement action brought by the American-owned Pizza Hut in relation to a television advertisement made by the Australian-owned Eagle Boys Pizza. In the advertisement in question, the presenter placed a pizza box used by Pizza Hut on an airport trolley and wheeled it to a United Airlines airplane waiting on the tarmac. On the basis that the Pizza Hut packaging was protected as an artistic work, Pizza Hut argued that its inclusion in the advertisement was a breach of artistic copyright. While the issue was not finalised, Wilcox J said that although the Pizza Hut packaging was deliberately used in the advertisement, nonetheless its inclusion was incidental to the primary purpose of the advertisement, namely the importance of buying products from Australian, rather than foreign-owned, companies.³⁴⁹

One of the problems that potentially confront an artist who relinquishes copyright in a particular artistic work is that the new copyright owner may be able to prohibit the artist from re-using or developing the ideas or themes in subsequent

343 As we see in ch 10, ss 74–77 *Copyright Act 1968* (Cth) set a series of special rules in relation to the reproduction of artistic works as designs.

344 ss 65, 68 *Copyright Act 1968* (Cth).

345 ss 65, 66 *Copyright Act 1968* (Cth).

346 s 47J *Copyright Act 1968* (Cth).

347 ss 67–68, 70 *Copyright Act 1968* (Cth).

348 [2001] FCA 741.

349 *Ibid* para 19.

works. Problems may also arise if they wish to re-use moulds, casts, sketches, plans, or models that formed the basis of an earlier work. To prevent these problems from arising, s 72 allows artists to reproduce part of one of their earlier works in a later work. This is subject to the proviso that the artist does not repeat or initiate the main design of the earlier work.³⁵⁰ Equivalent provisions also provide that copyright in a building, and in any drawing or plan of the building, are not infringed by the reconstruction of that building.³⁵¹

8.5.7 Computer programs

One of the key features of the package of reforms introduced by the federal government to adapt copyright law to digital technologies was the introduction of a number of specific defences in relation to the use and operation of computer programs. Copyright in a computer program is not infringed by a reproduction that is ‘incidentally and automatically made as part of the technical process of running a copy of the program for the purposes for which the program was designed’.³⁵² A person will not infringe copyright if they make, store or use a back-up copy of a computer program in case the original is lost, destroyed or rendered unusable.³⁵³ Similar provisions also allow a person to make a back-up copy for security purposes.³⁵⁴ Special rules also provide that a reproduction of a computer program is non-infringing where it is made for the purpose of:

- correcting an error in the original program that prevents it from operating;³⁵⁵
- testing, in good faith, the security of the original program, a computer system, or the network of which the program is a part;³⁵⁶
- studying the ideas behind the program and the way in which it functions;³⁵⁷
- obtaining information necessary to enable the owner, a person acting on behalf of the owner, or a licensee to make a new program or article which is interoperable with the original program.³⁵⁸

In order to ensure that these exceptions are not undermined, the Act specifically provides that a party cannot contract out of these exceptions.³⁵⁹

350 s 72 *Copyright Act 1968* (Cth).

351 s 73 *Copyright Act 1968* (Cth).

352 s 47B(1) *Copyright Act 1968* (Cth).

353 s 47C(1)(c)(i), (ii) *Copyright Act 1968* (Cth).

354 s 47C(2) (as amended by the *Copyright Amendment (Digital Agenda) Act 2000* (Cth)).

355 This exemption is subject to the condition that an error-free copy must not be available within a reasonable time at an ordinary commercial price. The exception will not apply where the reproduction is made from an infringing copy of the computer program: ss 47E, 47E(d) *Copyright Act 1968* (Cth).

356 s 47F *Copyright Act 1968* (Cth). (This exemption does not apply where the reproduction is made from an infringing copy of the computer program.)

357 s 47B(3) *Copyright Act 1968* (Cth). This decompilation exemption will not apply to the making of a reproduction from an infringing copy of the computer program.

358 s 47D *Copyright Act 1968* (Cth). This is subject to the requirement that the ‘necessary information’ must not be readily available to the owner or licensee from another source. Nor does the exception apply where the reproduction is made from an infringing copy.

359 s 47H *Copyright Act 1968* (Cth).

8.5.8 Temporary and incidental reproductions

A number of provisions ensure that the copying that occurs as an incidental part of a technical process will not constitute an infringement. For example, ss 43A and 111A provide that copyright in works and audio-visual items will not be infringed when they are temporarily reproduced as part of the technical process of making or receiving a communication.³⁶⁰ This exception, which includes temporary reproductions made when caching, browsing or viewing copyright material online, is intended to ensure that copyright owners are not able to interfere unduly in internet and like technologies. Users are also exempt from infringement where the incidental reproductions are made as part of a technical process of using a copy of the work.³⁶¹ Similar exceptions also apply to incidental reproductions of sound recordings, cinematograph films, television and sound broadcasts, and published editions.³⁶²

One of the questions that arose in the discussions that preceded the introduction of the format-shifting defence in 2006 was the status of incidental copies made in the course of translating a work from one format to another. In relation to books, newspapers and periodicals, photographs and films, the Act places an obligation on the person making the copy to destroy any temporary reproductions that may arise ‘at the first practicable time during or after the making of the copy’. This obligation does not apply, however, in relation to sound recordings. The upshot of this is that a person copying a CD onto their computer as a part of the process of transferring the music onto their iPod is not under an obligation to remove the music that was incidentally copied onto their computer.

8.5.9 Legal materials

Access to legal information, particularly to legislation and judgments, is a central tenet on which our legal and political system is based. Given this, it is not surprising that the *Copyright Act 1968* (Cth) provides that a person will not infringe copyright or any prerogative right or privilege of the Crown where they make a single reprographic copy of Commonwealth and State legislation, statutory instruments, as well as of judgments, orders and awards of courts and tribunals whether they be Commonwealth, State or Territory.³⁶³ The exception does not apply to works that are based upon legal materials (such as headnotes and summaries of facts).³⁶⁴ While it is possible for a person to charge a fee for the making

360 s 43A *Copyright Act 1968* (Cth).

361 s 43B (introduced by the *US Free Trade Agreement Implementation Act 2004* (Cth), item 188).

362 s 111B(1) (introduced by the *US Free Trade Agreement Implementation Act 2004* (Cth), item 189). In both cases, the defence only applies to acts carried out on or after 1 January 2005. This exception does not apply if the reproduction of the subject matter is made from an infringing copy of the subject matter: s 111B(2) (introduced by the *US Free Trade Agreement Implementation Act 2004* (Cth), item 189). This difference suggests that the defence may not apply for the private non-commercial playing of pirated CDs or DVDs. Such playing could render the user liable for infringement under the new definition of ‘copy’ that means that mere storage will infringe, even if it is not in a form that can be reproduced.

363 s 182A *Copyright Act 1968* (Cth).

364 s 182A(3) *Copyright Act 1968* (Cth).

and supplying of a copy (which is allowed under the provision), they must ensure that the fee does not exceed the cost of making and supplying the copy. Similar provisions also apply to copying undertaken for judicial proceedings. Specifically, s 43(1) provides that copyright in a literary, dramatic, musical or artistic work will not be infringed by anything done for the purposes of a judicial proceeding or of a report of a judicial proceeding.³⁶⁵ A judicial proceeding is defined as a proceeding before a court, tribunal, or person having power by law to hear, receive, and examine evidence on oath.³⁶⁶

8.5.10 Government uses

There is an exemption from infringement where copyright material is used for the services of the Crown.³⁶⁷ In particular, s 183 provides that copyright is not infringed if the Commonwealth or a State, or a person authorised in writing by the Commonwealth or a State, does an act which would otherwise be an infringement for the services of the Commonwealth or a State. Until 1998,³⁶⁸ the Commonwealth and State governments were obliged to enter into an agreement with the copyright owner about the terms on which the copyright material was to be used.³⁶⁹ This scheme was changed in 1998 when a scheme for government copying similar to that in place between educational institutions and collecting societies was established. Under the scheme, which is administered by the Copyright Agency Limited (CAL),³⁷⁰ the government pays equitable remuneration for any copies made.

8.5.11 Reading or recitation in public

It is not an infringement to read or recite in public, or to include in a sound or television broadcast of a reading or recitation, a reasonable length extract from a published literary or dramatic work or an adaptation of such a work.³⁷¹

8.5.12 Sound recordings

A number of exceptions to infringement apply in relation to sound recordings. In addition to the format-shifting defence that was discussed above,³⁷² a person who plays a sound recording in public at premises where persons reside or sleep will not be liable for infringement of copyright in the sound recording. This is

365 ss 43(1), 104(a) *Copyright Act 1968* (Cth).

366 s 10 *Copyright Act 1968* (Cth).

367 s 183 *Copyright Act 1968* (Cth).

368 *Copyright Amendment Act (No 1) 1998* (Cth) sch 4.

369 s 183(4); *Copyright Regulations* reg. 25. The terms of use were fixed by the Copyright Tribunal, in default of agreement between the parties, s 184(5) *Copyright Act 1968* (Cth). On operation of the Copyright Tribunal, see ch 9.

370 s 153F *Copyright Act 1968* (Cth).

371 s 45 *Copyright Act 1968* (Cth).

372 See above at 8.5.3.

on the condition that no charge is made to listen to the music³⁷³ and that the music is exclusively for residents of the premises and their guests.³⁷⁴ Non-profit clubs and societies (who pursue charitable ends or the advancement of religion, education, or social welfare) are also exempt from infringement where they play a sound recording in public.³⁷⁵ The defence does not apply if a charge is made for admission to the place where the recording is to be heard. Section 199(2) also provides that copyright in a sound recording is not infringed where as a result of playing a television or sound broadcast in public, the sound recording is heard in public.³⁷⁶

8.5.13 Films

In addition to the time-shifting and format-shifting defences that were discussed above,³⁷⁷ the *Copyright Act 1968* (Cth) provides a number of defences to an action for infringement of copyright in films. These ensure, for example, that a film that primarily consists of old news images can be shown in public without infringing copyright;³⁷⁸ and that copyright in a film is not infringed by any use of a record which embodies a film sound track.³⁷⁹ As explained earlier, the duration of film copyright (fifty years) is often less than copyright in literary, dramatic, musical or artistic works (life of the author plus seventy years). Given this, where a literary, dramatic, musical, or artistic work is included in a film, it has the potential to extend the time period in which the showing and use of a film is controlled by copyright. To avoid this, the *Copyright Act 1968* (Cth) provides that the public exhibition of a cinematograph film after copyright has expired in the film does not infringe copyright in any literary, dramatic, musical or artistic work that is included in the film.³⁸⁰

8.5.14 Public interest

The final exception to copyright infringement that is examined is the non-statutory public interest defence. Unlike the position in the UK, where the public interest defence has been accepted by the courts, its status in Australia is unclear. To the extent that the defence operates in Australia, it is usually taken into account when the court is deciding whether or not to grant injunctive relief.³⁸¹ To date the

373 This is the case even if the charge is only partly related to the sound recording and is partly for other purposes.

374 s 106(1)(a) *Copyright Act 1968* (Cth). See *Phonographic Performance Ltd v Pontin's Ltd* [1968] Ch 290.

375 s 106(1)(b) *Copyright Act 1968* (Cth).

376 s 199(2) *Copyright Act 1968* (Cth). Note there is no diffusion right in sound recordings.

377 See above at 8.5.2 and 8.5.3.

378 s 110(1) *Copyright Act 1968* (Cth).

379 s 110(3) *Copyright Act 1968* (Cth).

380 s 110(2) *Copyright Act 1968* (Cth).

381 *Fraser v Evans* [1969] 1 QB 349; *Beloff v Pressdram* [1973] 1 All ER 241; *Commonwealth of Australia v John Fairfax & Sons Ltd* (1980) 147 CLR 39; *British Steel Corp v Granada Television Ltd* [1981] AC 1096; *Collier Constructions v Foskett* (1990) 19 IPR 44. Gummow J said that the defence did not exist, focusing instead on the equitable principle that a court has the capacity not to grant injunctive relief when a party has 'unclean hands'.

defence has only been applied to prevent copyright from being used to suppress publication of information that has the potential to cause destruction, damage or harm, as well as the disclosure of information which involves danger to the public.³⁸² In other cases, the defence has been used to deal with fraud and breach of national security.³⁸³

8.5.15 Contracting out of the defences

While the provisions in the *Copyright Amendment (Digital Agenda) Act 2000* (Cth) were designed to balance the interests of copyright users and owners, the particular terms of online contracts depend on the negotiating power of the parties involved. This is because in drawing on the basic principles of freedom of contract, copyright law allows the parties relatively free rein to decide the terms on which an information service may be offered. In practice, the inequality of bargaining power that exists between providers and users of information means that users are often confronted with a 'take-it-or-leave-it' situation. With online contracts, copyright users are led through a series of online screens that require them to click 'yes' to proceed. In clicking 'yes', the user might agree to terms of access to a work that would be unacceptable in an analogue world.

Online contracts are often drafted in favour of copyright owners allowing very few, if any, of the normal uses that are allowed under copyright law. For example, before readers are able to access the e-book Adobe Glassbook reader version of Lewis Carroll's classic *Alice in Wonderland*, they must agree not to copy, print, loan or give the book to someone else, nor to read the book aloud. One of the consequences of copyright owners being able to determine the terms on which a work can be used is that online contracts can be overly restrictive of the public's right to access and use copyright works. For example, a copyright owner is able to use a contract to restrict access to a work beyond the term of copyright protection. Online contracts can also take away a user's right to access or browse works. The Attorney-General admitted as much when he said that while the *Digital Agenda Act* allows 'free browsing . . . this is not to say that copyright owners may not charge for the browsing of their copyright material made available online under specific licensing arrangements'.³⁸⁴

An important issue that arises in this context is whether contracts entered into between owners and users are able to override the operation of copyright defences. If this is the case, it will further shift the balance away from users and authors of copyright to owners and publishers. Copyright law gives the parties free rein when deciding the terms of a contract. It is becoming increasingly common for on-line contracts to include terms that stipulate that the user will not exercise rights such as fair dealing. (This is referred to as 'contracting out' of copyright

382 Cf *Commonwealth of Australia v John Fairfax & Sons Ltd* (1980) 147 CLR 39 with *Malone v Commissioner of Police of the Metropolis (No 2)* [1979] 2 All ER 620.

383 *Commonwealth of Australia v John Fairfax & Sons Ltd* (1980) 147 CLR 39.

384 D. Williams, 'Government progress on Copyright Issues' (1999) 12(6) *Australian Intellectual Property Law Bulletin* 62.

defences.) If this is allowed, the policy objectives of the copyright defences, such as ensuring that the public is able to freely access and use copyright works for certain purposes, would not be achieved.³⁸⁵ To ensure that individuals are unable to use their bargaining position, in 2002 the CLRC recommended that parliament should legislate to ensure that the parties cannot contract out of the defences set out in the *Copyright Act 1968* (Cth).³⁸⁶ There is precedent for this in the *Copyright Act 1968* (Cth) which overturns any attempt to contract out of the provisions that allow parties to make a back-up copy of a computer program.³⁸⁷ Until changes of this nature are made, the only legal relief available to copyright users is provided by the so-called vitiating factors of contract law, such as the equitable ground of unconscionability.³⁸⁸

8.5.16 Future reforms

One issue that has troubled researchers in the past is whether research undertaken for commercial purposes could be regarded as fair dealing for the purpose of research or study. Unfortunately this issue was not clarified in the 2006 reforms. The government is considering an Australian Law Reform Commission recommendation to amend the *Copyright Act 1968* (Cth) to provide that commercial research is 'research' for the purposes of the fair dealing exceptions.³⁸⁹

385 P. B. Hugenholtz, 'Copyright, Contract and Technology: What will remain of the public domain? Is Copyright a right to control access to works?' (2000) 18 *Cahiers Du Centre de Recherches Informatique et Droit* 77.

386 Copyright Law Review Committee, *Copyright and Contract* (Canberra: AGPS, 2001), Recommendation 7.49.

387 s 47B *Copyright Act 1968* (Cth).

388 It is also possible that overly restrictive contractual terms, like those in the Adobe e-book version of *Alice in Wonderland*, contravene consumer protection legislation such as the 1974 *Trade Practices Act*. While contract law's vitiating factors and the safeguards of the *Trade Practices Act* may provide copyright users with some relief, nonetheless the obligation falls upon the user to initiate legal actions to seek relief, which may be an expensive and time-consuming process.

389 Australia Law Reform Commission, *Genes and Ingenuity: Gene Patenting and Human Health* (Report No 99, Canberra, 2004), paras 28.56–28.60, recommended that commercial research be considered research for the purposes of the fair dealing provisions.

Moral rights, performers' rights and circuit layouts

9.1 Introduction

This chapter examines some of the rights that are closely associated with but not usually seen as part of copyright law. The first section examines the moral rights which are given to creators. This is followed by an examination of the protection given to performers under the *Copyright Act 1968* (Cth). The law in this area has undergone a number of recent changes, principally as a result of the *Australia–USA Free Trade Agreement 2004* which extended the protection to include control over authorised sound recordings of performances.¹ The moral rights which have been given to performers will also be discussed. It should be noted that although the provisions dealing with performers' moral rights are set out in the *Copyright Act 1968* (Cth), they will not enter into force until Australia accedes to the *WIPO Performances and Phonograms Treaty (WPPT)* (1996).² Finally, this chapter considers circuit layout rights and the public and educational lending rights.

9.2 Moral rights

One of the recurring themes of twentieth-century Australian copyright law was the question of whether Australia complied with its requirements under the *Berne Convention* to protect the moral rights of authors.³ While the government and

¹ These new rights exist from 1 January 2005.

² The *Copyright Act* is amended by the *US Free Trade Agreement Implementation Act 2004*. Schedule 9 Part 2 (items 16–58) are yet to commence. It will commence on the day on which the *WPPT* comes into force in Australia.

³ Art 6 bis of the *Berne Convention for the Protection of Literary and Artistic Works* (1886) requires Member States to provide authors with the right to claim authorship of the work and to object to any distortion, mutilation, or other modification of the work which would be prejudicial to the author's honour or reputation.

many others argued that the existing laws of defamation and passing off provided adequate protection, creators and commentators continually expressed their dissatisfaction with the level of protection afforded by Australian law.⁴ After nearly seventy years of debate,⁵ the Commonwealth government capitulated in 2000 and admitted that the existing laws were 'fragmentary and incomplete'.⁶ To remedy this deficiency, in December 2000 the government introduced a moral rights legislative scheme into Australian copyright law.⁷

Typically, moral rights are defined in relation to copyright. Copyright provides an alienable economic right to control certain uses (notably reproduction) of protected works. In contrast, moral rights provide specific protection for authors, their reputation and, in some cases, the work itself.⁸ Moral rights are personal to the creator. They are non-economic rights that are distinct from copyright and are often justified on similar non-economic grounds.⁹

As with many legal regimes, moral rights perform, or at least are said to perform, a number of different roles. At the most general level, they provide protection for authors and their works. This is particularly important where creators no longer own copyright in their works, or where they 'no longer own the physical items in which their copyright is embodied, and who therefore do not have an opportunity to contract with users for the protection of those rights'.¹⁰ Moral rights are also meant to ensure that people who make use of artistic and cultural creations do so in a manner that is respectful to the interests of the creator. Moral rights also play a role in protecting and promoting the author's or creator's reputation.

Australian law recognises three moral rights: the right of attribution of authorship, the right of integrity of authorship and the right to prevent false

4 See S. Ricketson, *The Berne Convention for the Protection of Literary and Artistic Works: 1886–1986* (London: Kluwer, 1987); J. Crawford, 'Opinion of Australia's Obligation under the Berne Convention to Introduce Moral Rights' (1989) 7 *Copyright Reporter* 8; S. Ricketson, 'Is Australia in Breach of its International Obligations with Respect to the Protection of Moral Rights?' (1990) 17 *Melbourne University Law Review* 462; P. Anderson and D. Saunders (eds), *Moral Rights Protection in a Copyright System* (Brisbane: Griffith University, 1992).

5 Copyright Law Review Committee (CLRC), *The Importation of Provisions of the Copyright Act 1968* (AGPS, 1988); Copyright Law Review Committee (CLRC), *Report on Moral Rights* (AGPS, 1988); Attorney-General and Department of Communications and the Arts discussion paper, *Proposed Moral Rights Legislation for Copyright Creators* (AGPS, 1994).

6 Hon D. Williams, Commonwealth Attorney-General, Copyright (Moral Rights) Amendment Bill 1999 (Cth), Second Reading Speech, House of Representatives (8 December 1999). Prior attempts to introduce such rights had failed. See Joint Statement of the Minister for the Arts and the Minister for Justice of 26 August 1993: *Proposed Moral Rights Legislation for Copyright Creators* (Commonwealth of Australia, 1994).

7 E. Adeney, 'Moral Rights and Substantiality: Some Questions of Integration', *Australian Intellectual Property Journal* 13 (2002), 5–20; E. Adeney, 'The Moral Rights of Integrity: The Past and Future of "Honour"', (2005) 2 *Intellectual Property Quarterly* 111–35; E. Adeney, 'Defining the Shape of Australia's Moral Rights: A Review of the New Laws' [2001] *Intellectual Property Quarterly* 291; K. Giles, 'Mind the gap: parody and moral rights' (2005) 18(5) *Australian Intellectual Property Law Bulletin* 69–73.

8 See generally, J. Ginsburg, 'Moral Rights in a Common law System' (1990) 14 *Ent. Law Review* 121.

9 Moral rights are often said to derive from romantic notions of authorship, including ideas from natural law that liken the author's creation of a work to the creation of a child. The 'good manners' argument also stems from these ideas: S. Ricketson and C. Creswell, *The Law of Intellectual Property: Copyright, Designs and Confidential Information* (2nd ed, Sydney: LBC Information Services, 1999), para [10.15]. See generally M. Sainsbury, *Moral Rights and their Application in Australia* (Sydney: Federation Press, 2003).

10 V. Morrison, 'The New Moral Rights Legislation' (2000) 18 *Copyright Reporter* 170, 178.

attribution.¹¹ With exception of cinematograph films, all moral rights continue in force until copyright ceases to exist in the work.¹² When the author of a work dies, the author's moral rights may be exercised and enforced by the author's legal personal representative.¹³ In relation to cinematograph films, the right of integrity lapses when the last film creator – that is, director, producer or screenwriter – dies.¹⁴

The potential impact of moral rights was weakened by the fact that when the government introduced the new rights in 2000, it also added two limitations to the operation of these rights. These are the defence of reasonableness and the ability of authors to consent to their moral rights being infringed. The scope of these limitations will be examined after looking at each of the individual rights in turn.

9.2.1 The right of attribution

The right of attribution provides authors with the right to be identified as author of the works that they have created.¹⁵ Performers also have a right of attribution in relation to their live performances.¹⁶ For literary works, the right of attribution applies where the work is reproduced, published, performed, communicated to the public or adapted.¹⁷ The author of an artistic work has the right to be identified as author where the work is reproduced, published, exhibited publicly or communicated to the public.¹⁸ The director, producer and screenwriter of a film¹⁹ have the right to be named as such where the film is copied, exhibited publicly or communicated to the public.²⁰ In all these situations (which are called 'attributable acts'), the author has the right to be identified as author of the work in question. The right of attribution will be infringed where a person performs an 'attributable act', but fails to identify the author in an appropriate manner. A party will also infringe where they authorise someone else to act in a manner such that they infringe the author's right of attribution.²¹

The author of a work may be identified by any reasonable form of identification:²² the main requirement is that the identification is clear and reasonably

11 The moral rights recognised under the Act are not transmissible by assignment, by will, or by devolution by operation of law: s 195AN(3) *Copyright Act 1968* (Cth). However, if the author of a work dies, the author's moral rights (other than the right of integrity of authorship in respect of a cinematograph film) may be exercised and enforced by the author's legal personal representative: s 195AN(1) *Copyright Act 1968* (Cth).

12 s 195AM(1) *Copyright Act 1968* (Cth).

13 s 195AN(1) *Copyright Act 1968* (Cth). See also s 195AN(2) *Copyright Act 1968* (Cth) (where the affairs of an author are lawfully administered by another person, other than by way of bankruptcy or insolvency).

14 s 195AM(1) *Copyright Act 1968* (Cth).

15 s 193 *Copyright Act 1968* (Cth). In relation to literary works, the right of attribution applies to works that were made before the commencement of the moral rights regime (21 December 2000). However, the right only applies to acts carried out after 21 December 2000: s 195AZM(2) *Copyright Act 1968* (Cth).

16 See s 195ABA *Copyright Act 1968* (Cth) (by the *US Free Trade Agreement Implementation Act 2004* (Cth)). This will come into force when Australia accedes to the new *WPPT*.

17 s 194(1) *Copyright Act 1968* (Cth).

18 s 194(2) *Copyright Act 1968* (Cth).

19 s 189 *Copyright Act 1968* (Cth).

20 s 195 *Copyright Act 1968* (Cth).

21 s 195AO *Copyright Act 1968* (Cth).

22 s 194(1) *Copyright Act 1968* (Cth).

prominent.²³ The identification of an author will be reasonably prominent if it is included on each reproduction, adaptation or copy in such a way that a person acquiring the item would have notice of the author's identity.²⁴ It has been suggested that a reasonably distinct identification of the author at the beginning or end of the work would satisfy this requirement.²⁵ Industry practice may also have an impact on what is considered to be a reasonable attribution.²⁶ Attribution is not required where it was 'reasonable in all the circumstances not to identify the author' or where the author has consented in writing to not being identified.²⁷

The matters to be taken into account in determining whether an infringement has been authorised are the extent (if any) of the person's power to prevent the doing of the act concerned; the nature of any relationship existing between the person and the person who did the act concerned; whether the person took any reasonable steps to prevent or avoid the doing of the act, including whether the person complied with any relevant industry codes of practice.²⁸

9.2.2 The right of integrity

The second moral right granted to authors is the right of integrity of authorship.²⁹ In essence, the right of integrity provides that authors have the right not to have their work subject to derogatory treatment in relation to certain specified uses of the work.³⁰

In relation to literary, dramatic and musical works, the right of integrity applies where the work is reproduced, published, performed, communicated to the public or adapted.³¹ In relation to artistic works, the right applies where the work is reproduced, published, or communicated to the public.³² With cinematograph films, the right of integrity applies where the film is copied, exhibited or communicated to the public.³³ Performers are also given a right of integrity in relation to their live performances and recordings of their live performances.³⁴

In relation to *literary, dramatic and musical works*, derogatory treatment means (a) the doing of anything that results in the material distortion of, the mutilation

23 s 195AA *Copyright Act 1968* (Cth).

24 s 195AB *Copyright Act 1968* (Cth). A person infringes an author's right of attribution if the person deals with the work, or authorises another to deal with the work, without identifying the author: s 195AO. The factors to be taken into account when determining whether there has been an 'authorisation' are outlined in s 195AVA *Copyright Act 1968* (Cth).

25 Ricketson and Creswell, *The Law of Intellectual Property*, above n 9, para [10.70].

26 V. Morrison, *Moral Rights: A Practical Guide* (Sydney: Australian Copyright Council, 2000), 11.

27 ss 195AR, 195AW, 195AWA *Copyright Act 1968* (Cth).

28 s 195AVA *Copyright Act 1968* (Cth).

29 s 195AI(1), (2) *Copyright Act 1968* (Cth). See B. Ong, 'Why Moral Rights Matter: Recognising the Intrinsic Value of Integrity Rights (2002) 26 *Colum J.L. & Arts* 297.

30 In relation to literary, dramatic, musical and artistic works, other than those included in films, the right of integrity subsists with respect to works made before or after 21 December 2000. In relation to films and to literary, dramatic, musical, and artistic works included in films, the right of integrity subsists only in films made after 21 December 2000: s 195AI(1)–(2) *Copyright Act 1968* (Cth).

31 s 195AQ(3) *Copyright Act 1968* (Cth).

32 s 195AQ(4) *Copyright Act 1968* (Cth).

33 s 195AQ(5) *Copyright Act 1968* (Cth).

34 See s 195ALA *Copyright Act 1968* (Cth) by the *US Free Trade Agreement Implementation Act 2004* (Cth). This will come into operation when Australia accedes to the *WPPT*.

of, or a material alteration to the work that is prejudicial to the author's honour or reputation;³⁵ or (b) the doing of anything in relation to the work that is prejudicial to the author's honour or reputation.³⁶ In relation to *artistic works*, derogatory treatment means (a) the doing of anything that results in the material distortion of, the destruction or mutilation of or a material alteration to the work that is prejudicial to the author's honour or reputation; (b) an exhibition in public that is prejudicial to the author's honour or reputation because of the manner in which the exhibition occurs; or (c) the doing of anything in relation to the work that is prejudicial to the author's honour or reputation.³⁷

When determining whether an author's moral right of integrity has been infringed the key issue is whether or not the treatment in question was 'derogatory'. Under the Act, to be derogatory, the treatment must be prejudicial to the author's honour or reputation. This might occur, for example, where part of a work is taken out of context in such a way that it changes its meaning,³⁸ or where a work is inappropriately placed alongside another work in a manner which is deemed to be derogatory: for example, where an article written by a Jewish author is placed in a collection of neo-Nazi writings or a painting by an artist who is inspired by Christian ideals is placed in a gallery of pornographic 'art'. The task of determining whether an author's honour and reputation has been harmed is often very difficult.³⁹ One of the problems that potentially arises here is that a particular artist may be hypersensitive or overly controlling in relation to the way that their works are used. If the courts were to allow the subjective judgement of the author to determine whether a work had been used in a derogatory manner, it could have far-reaching consequences. This question was addressed in the Canadian decision of *Snow v Eaton Shopping Centre*,⁴⁰ where O'Brien J said that 'the words "prejudicial to his honour or reputation" involve a certain subjective element or judgement on the part of the author so long as it is reasonably arrived at'.⁴¹ It would seem that this approach is the most sensible way of determining whether a particular treatment was derogatory.

One factor that may influence the decision as to whether a treatment was derogatory was the motive of the infringer, particularly where they were

35 ss 195AJ(a), 195AL(a) *Copyright Act 1968* (Cth).

36 ss 195AJ(b), 195AL(b) *Copyright Act 1968* (Cth). See also ss 195AJ(a), 195AL(a) *Copyright Act 1968* (Cth); or the doing of anything else in relation to the work that is prejudicial to the author's honour or reputation: ss 195AJ(b), 195AL(b) *Copyright Act 1968* (Cth).

37 s 195AK *Copyright Act 1968* (Cth). In *Tidy v Trustees Of The Natural History Museum* (1995) 39 IPR 501, 504, Ratee J referred to the test used in *Snow v Eaton Shopping Centre* (1982) 70 CPR (2d) 105, stating: 'Even if I accept that statement of principle, the fact remains that before accepting the plaintiff's view that the reproduction in the book complained of is prejudicial to his honour or reputation, I have to be satisfied that that view is one which is reasonably held, which inevitably involves the application of an objective test of reasonableness'.

38 In *Morrison Leahy Music Limited v Lightbond Limited* [1993] EMLR 144, the singer George Michael, via his first record company, claimed a violation of his right of integrity after the release of a recording of a 'mega-mix' containing altered portions of his work. The moral right issue was not clearly dealt with by the judges because a copyright violation had been established.

39 On the problems that arise where the courts are asked to assess the artistic merits of a work as to whether a work had been 'debased' under s 55 of the *Copyright Act* see *Schott Musik International GmbH & Co v Colossal Records Of Australia Pty Ltd* (1997) 75 FCR 321, where a 'techno' dance remix of the 'O Fortuna' chorus from the work *Carmina Burana* 'debased' the original work. The appeal was dismissed.

40 (1982) 70 CPR (2d) 105.

41 *Ibid* 106.

motivated by malice. The nature or type of work may also be relevant when determining whether a treatment of a work is derogatory.⁴² The courts may adopt a different attitude to works that have been created as a result of intellectual creativity from works that are more utilitarian in nature.⁴³ In the latter case, it would be more likely to expect that the work (such as the shape of a petrol bowser) would be modified and changed, than a work (such as a painting) that was perceived to be more 'artistic or cultural' in nature.⁴⁴

Special rules apply to the movable artistic works and buildings.⁴⁵ The destruction of a movable artistic work is not an infringement of the author's right of integrity if the person who destroyed the work gave the author or their representative a reasonable opportunity to remove the work from the place where it was situated.⁴⁶ Similarly, the rights of integrity in a building will not be infringed where the building is relocated, demolished or destroyed on the condition that either the 'author' or their representative cannot be located after reasonable inquiries, or the author was given reasonable opportunity to remove the work.⁴⁷ The Act also provides that the right of integrity in an artistic work will not be infringed where a person sets out to restore or preserve that work.⁴⁸

9.2.3 The right to object to false attribution

The third moral right recognised in Australian copyright law, which is the oldest of the three moral rights, is the right of authors not to have authorship of their work falsely attributed.⁴⁹ The right to object to false attribution, which existed in Australian copyright law prior to 2000, was reinforced and extended by the *Copyright Amendment (Moral Rights) Act 2000* (Cth).⁵⁰ This right allows authors to prevent someone else affixing or inserting someone else's name to a work (or a reproduction of a work) in a way that falsely implies that that person is the author

42 s 195AS(2)(a) *Copyright Act 1968* (Cth).

43 See generally I. Eagles and L. Longdin, 'Technological creativity and moral rights: A comparative perspective' (2004) 12 *Int'l J L & Info Tech* 209.

44 In *Buffet v Fersing CA Paris 30 May 1962* [1962] D Jur 570 where the dismantling of an artistically painted refrigerator into six parts for sale as separate artworks was held to be an infringement of the artist's right of integrity under French law. For discussion see J. H. Merryman, 'The Refrigerator of Bernard Buffet' (1976) 27 *The Hastings Law Journal* 1023.

45 s 195AT *Copyright Act 1968* (Cth). There have been a number of disputes in Australia involving architects and their moral rights (for example the National Gallery of Australia, the National Museum of Australia, New Parliament House, the Queensland Performing Arts Complex and Brisbane's Riverside Centre.) Most of these have been resolved without litigation. See M. Rimmer, 'Crystal palaces: Copyright Law and Public Architecture' (2002) 14 *Bond Law Review* 320. See also K. Stammer and H. Macpherson, 'Moral Rights in the Australian Building Industry: What's been happening' (2006) 18(9) *AIPLB* 137.

46 s 195AT(1) *Copyright Act 1968* (Cth).

47 s 195AT(1) and (2) *Copyright Act 1968* (Cth). The procedures that must be followed in these circumstances are set out in ss 195AT(2A)–(4A).

48 s 195AT(5) *Copyright Act 1968* (Cth).

49 s 195AC(1) *Copyright Act 1968* (Cth). This right subsists in works made before or after 21 December 2000. However, the right only applies in relation to acts of false attribution done after that date: s 195AZN(1). For a discussion of the now repealed s 190: see *Adams v Quasar Management Service Pty Ltd* (2002) 56 IPR 385.

50 s 195AC(1) *Copyright Act 1968* (Cth). This expanded right subsists in works or films made before or after 21 December 2000, but only applies in relation to acts of false attribution done after that date. The prior right against false attribution of authorship, somewhat more restricted in scope, applies to acts before that date: s 195AZN(1).

of the work.⁵¹ It also prevents commercial dealings with the work carrying a false attribution.⁵²

The right applies where someone inserts or affixes another person's name in or on the work or film, or in or on a reproduction of the work or film, in such a way as to imply falsely that the other person is its author.⁵³ In all cases, the right applies where the wrongly attributed work is published, sold, let for hire, offered or exposed for sale or hire, or exhibited or communicated to the public.⁵⁴ False attribution can be shown even where there is no intention to falsely attribute, as 'falsely' bears the meaning of 'objectively incorrect'.⁵⁵ In the case of literary, dramatic, musical works, and films, the right also applies where a named work is performed in public under someone else's name.⁵⁶ In relation to artistic works, the right also applies where a party authorises the use of a person's name in connection with the work or with a reproduction of the work, in such a way as to imply falsely that the other person is the author of the work.⁵⁷ This might occur, for example, where a sign is placed beside a painting that falsely suggests that the work was created by someone other than the actual artist. In what is thought to be the first reported decision on moral rights in Australia, *Meskenas v ACP Publishing Ltd*, the court suggested that the fact that the artist had a well-established reputation would mean that the false attribution would have had less of an impact on their reputation.⁵⁸ In other words, a well-established artist would have to prove significant damage to reputation from a lack of attribution to succeed in a substantial award of damages.

9.2.4 Limits on moral rights

While moral rights have the potential to protect the interests that authors have in their creations, even when they may have assigned away their copyright, the impact that moral rights have on the way works are used ultimately depends on a number of factors. This is because, in response to fears that moral rights would have imposed unreasonable burdens on industry,⁵⁹ the Commonwealth government imposed two limitations on the operation of an author's moral rights. The first is the so-called 'reasonableness defence' which provides that if a person performs an attributable act or subjects a work to a derogatory treatment, that there will be no infringement if the act or treatment of the work was 'reasonable in all of the circumstances'.⁶⁰ The second limit is that authors are able to consent to

51 ss 195AD(a), 195AE(a) *Copyright Act 1968* (Cth).

52 s 195AG *Copyright Act 1968* (Cth). This is subject to the requirement that the offender knows that the work has been altered.

53 ss 195AD(a), 195AE(a) and 195AF(1),(2) *Copyright Act 1968* (Cth): Directors, producers or screenwriters have the right not to have authorship of their work falsely attributed where the work is a cinematograph film.

54 ss 195AD(b)–(c), 195AE(b)–(d) *Copyright Act 1968* (Cth). For a discussion of UK provisions see *Clark v Associated Newspapers Ltd* (1998) 40 IPR 262.

55 *Meskenas v ACP Publishing Ltd* [2006] FMCA 1136, para 31.

56 s 195AD(d) *Copyright Act 1968* (Cth).

57 s 195AE(a) *Copyright Act 1968* (Cth).

58 *Meskenas v ACP Publishing Ltd* [2006] FMCA 1136, para 40.

59 Particularly from the film and advertising industries.

60 ss 195AR(1) and 195AS(1) *Copyright Act 1968* (Cth).

acts that may otherwise infringe their moral rights. Given that the reasonableness defence and the ability of authors to consent to moral rights infringements have the potential to erode the impact that moral rights have in regulating the way in which works are used, it may be helpful to look at each in turn.

9.2.4.1 'Reasonable in all of the circumstances'

One of the most important limitations on the moral rights regime is that the right of attribution and the right of integrity will not be infringed where the treatment in question was 'reasonable in all the circumstances'.⁶¹ The question of whether the conduct of a party is reasonable will vary depending on the circumstances of the case.

The *Copyright Act 1968* (Cth) outlines some of the matters to be taken into account when determining whether a treatment of a work was 'reasonable in all of the circumstances'.⁶² In determining whether a treatment of a work was 'reasonable in the circumstances', the nature or type of work will be relevant.⁶³ In particular, works of 'high art' will be treated differently from more mundane or 'low brow' works.⁶⁴ Another factor to be taken into account when deciding whether an act or treatment of a work was reasonable is the purpose,⁶⁵ manner⁶⁶ and context⁶⁷ in which the work is used. In relation to the purpose of the use, a relevant consideration is whether the work was used for a private or public purpose and whether the purpose of the intended use was commercial or non-commercial.⁶⁸ Where the use was for the greater public good, the conduct in question may be considered to be reasonable in the circumstances. In contrast, where the use is private and likely to result in commercial gain for the user, the use may not be considered to be reasonable. This may also refer to the permanency of the use of the work: that is, whether the work is used, for example, in a permanent publication or a transitory handout. Where a work is used for private, non-commercial ends (for example, where it is disseminated as part of a public seminar series) there may be circumstances in which a failure to attribute authorship or to deal with the work in an otherwise derogatory way would be reasonable. This may especially be the case where the work is circulated on a one-off basis and the recipients were not expected to retain the publication. However, where a work is used for a commercial purpose, for example, as part of a full fee-paying seminar that is continuously on offer, it would be reasonable to expect proper attribution and treatment of the work that does not prejudice the author's honour or reputation.

⁶¹ ss 195AR and 195AS *Copyright Act 1968* (Cth).

⁶² ss 195AR(2) and 195AS(2) *Copyright Act 1968* (Cth). The *Copyright Act* provides no guidance as to how the reasonableness factors are to be balanced against each other. In the absence of such guidance, it can be assumed that each factor weighs equally with the others.

⁶³ s 195AR(2)(a) *Copyright Act 1968* (Cth).

⁶⁴ Morrison, *Moral Rights: A Practical Guide*, above n 26, 13.

⁶⁵ ss 195AR(2)(b), 195AS(2)(b) *Copyright Act 1968* (Cth).

⁶⁶ ss 195AR(2)(c), 195AS(2)(c) *Copyright Act 1968* (Cth).

⁶⁷ ss 195AR(2)(d), 195AS(2)(d) *Copyright Act 1968* (Cth).

⁶⁸ Ricketson and Creswell, *The Law of Intellectual Property*, above n 9, para [10.175].

The manner in which a work is used is also relevant when deciding whether an act or treatment was reasonable.⁶⁹ In relation to attribution, a failure to attribute authorship may occur for a number of reasons. For example, only a small portion of a work may have been used, or a work has a very large number of authors, or there are limits on the amount of space or time.⁷⁰ In these situations, it may be reasonable not to attribute authorship.

The context in which the work is used is also relevant when deciding whether an act or treatment was reasonable.⁷¹ For example if an artist's painting is displayed as part of an exhibition of the 'Ten Worst Paintings of the Twentieth Century', then this would clearly prejudice the artist's honour or reputation. Another factor that may be relevant when deciding whether an act or treatment was reasonable is whether there is any practice in the industry in which the work is used that is relevant to the work or the use of the work.⁷² This was introduced in recognition of the fact that certain industries already had in place practices that regulated how creators and their works should be treated. It was also designed to encourage other industries to adopt similar best practice models.⁷³

Another factor that may influence the decision as to whether the way that a work was used was reasonable is the fact that the work was made in the course of the author's employment.⁷⁴ While this does not mean that an employed author has no moral rights, it does suggest that it may be more reasonable for employers to breach the moral rights of their employees than is the case with non-employed authors. Employers would argue that it would be impractical and inconvenient for them to consult with their employed authors constantly in relation to normal uses of the work, particularly where the employer already owns the copyright in the work.⁷⁵

9.2.5 Consent

One of the defining characteristics of moral rights in many regimes (particularly those based on European models) is that moral rights are inalienable. That is, while an author may be able to assign their copyright in a work to a third party, they are unable to transfer their moral rights to anyone else. In the same way in which many human rights cannot be overruled by contract or other legal instruments, moral rights, at least in some jurisdictions, always remain with the author. In drafting the moral rights regime, the government decided that this

69 ss 195AR(2)(c), 195AS(2)(c) *Copyright Act 1968* (Cth).

70 Ricketson and Creswell, *The Law of Intellectual Property*, above n 9, para [10.175].

71 ss 195AR(2)(d), 195AS(2)(d) *Copyright Act 1968* (Cth).

72 ss 195AR(2)(e), 195AS(2)(e) *Copyright Act 1968* (Cth).

73 Some peak industry bodies have developed industry codes of conduct. For example, the Australian Publishing Association in conjunction with the Australian Society of Authors has implemented a code.

74 ss 195AR(2)(h)(i), 195AS(2)(g)(i) *Copyright Act 1968* (Cth). Together with the issue of consent (formerly the waiver provision) this was one of the more controversial aspects of the moral rights legislation. This is largely because of the concern that employed authors are in a much less favourable position than other authors. That is, because of the nature of the employment relationship, it may be considered 'reasonable in the circumstances' for employers to breach their employees' moral rights.

75 Ricketson and Creswell, *The Law of Intellectual Property*, above n 9, para [10.175].

approach should not be adopted in Australia. Instead, the government decided that authors should be able to consent (in writing) to acts that would otherwise infringe their moral rights.⁷⁶

Reflecting the impact that the film industry had on the moral rights regime, the consent provisions differ between films (including literary, dramatic, musical and artistic works that are included in a film), on the one hand, and literary, dramatic, musical and artistic works (other than those included in a film) on the other.⁷⁷

In relation to films (including literary, dramatic, musical and artistic works that are included in a film), the Act provides that it is not an infringement of moral rights to do, or omit to do, something if the act or omission is within the written consent given by the author or by a person representing the author.⁷⁸ Consent can be granted in relation to specified existing works when the consent is given, or to works of a particular description that do not yet exist.⁷⁹ Generally, the consent must be in relation to specified acts or omissions, or classes or types of acts or omissions.⁸⁰ A distinction is made where the author is an employee, insofar as an employee can grant consent in relation to all works made in the course of employment.⁸¹ Where such a broad consent is given, a waiver of moral right is effectively granted. Consents must be granted by the author, who may or may not be the copyright owner. Where consent is obtained as a result of duress or false or misleading statements, the consent will be invalid.⁸²

While the provisions in relation to literary, dramatic, musical and artistic works (other than those included in a film) are similar to those dealing with films, there are a number of subtle differences. The first is that the written consent has to be 'genuinely given by the author'. Another difference is that no mention is made of the possibility of consents applying retrospectively. Beyond this, the provisions are much the same as for films.

76 See generally W. Rothnie, 'Moral Rights: Consents and Waivers' (2002) 20 *Copyright Reporter* 145.

77 ss 195AWA and 195AWB *Copyright Act 1968* (Cth).

78 See Hon D. Williams, Attorney-General, Copyright (Moral Rights) Amendment Bill 1999 (Cth), House of Representatives, Second Reading Speech (8 December 1999): 'As recognised by the Government when withdrawing the original legislation, the most controversial and divisive issue was whether it should be possible for authors, artists and film-makers to waive their moral rights. Understandably, creators saw the provision for waiver in the original legislation as a means by which economically powerful users of their copyright works could force them to agree to give up these new rights completely. In response to these concerns the concept of waiver has been dropped from this Bill.'

79 s 195AWA(3) *Copyright Act 1968* (Cth).

80 For works that are not films.

81 See s 195AWA(4) *Copyright Act 1968* (Cth) which provides that consent may be given by an employee for the benefit of his or her employer in relation to all or any acts or omissions (whether occurring before or after the consent is given) and in relation to all works made or to be made by the employee in the course of his or her employment.

82 See s 195AWB *Copyright Act 1968* (Cth). This section was introduced in the Senate: Hon Daryl Williams, Attorney-General, Copyright Amendment (Moral Rights) Bill 1999, Senate, Second Reading Speech, 7 December 2000. It was welcomed by many. See, e.g., Julie Rigg, who stated on ABC Radio National 'Moral Rights Legislation Question and Answer', *Arts Today with Michael Cathcart*, 12 December 2000, 2, <www.abc.net.au/rn/arts/atoday/stories/s222198.htm> at 6 October 2004: 'the legislation was further strengthened by opposition amendments in the Senate, invalidating "consent" obtained under duress. What this exactly means no one knows. One view of film and television industry negotiations is that contract negotiations all involve duress: as in "sign this or you don't eat". It is a field rife with lawyers . . . A test case on this might be very interesting'.

9.2.6 Remedies for infringement of moral rights

Authors are able to bring an action for infringement of their moral rights by virtue of s 195AZ *Copyright Act 1968* (Cth).⁸³ The existence of moral rights does not preclude the possibility of authors protecting their honour and reputation under different causes of action, such as defamation or passing off.⁸⁴

The courts have the power to award an injunction and/or damages, or make a declaration that the defendant makes a public apology. The court can also order that any false attribution of authorship or derogatory treatment must be removed or reversed.⁸⁵ In exercising its discretion as to which relief to grant, the court may take into account:⁸⁶

- (a) whether the defendant was aware, or ought reasonably to have been aware, of the author's moral rights;
- (b) the effect on the author's honour or reputation resulting from any damage to the work;
- (c) the number, and categories, of people who have seen or heard the work;
- (d) anything done by the defendant to mitigate the effects of the infringement;
- (e) if the moral right that was infringed was a right of attribution of authorship – any cost or difficulty that would have been associated with identifying the author;
- (f) any cost or difficulty in removing or reversing any false attribution of authorship, or derogatory treatment, of the work.

Where the court is considering whether to grant an injunction, it must consider whether the parties have made any attempt to negotiate a settlement, through mediation or otherwise.⁸⁷

9.2.7 Reform: Indigenous communal moral rights?

When the new moral rights legislation was being debated in parliament at the end of 1999, Senator Aden Ridgeway argued that the law should recognise Indigenous communal moral rights.⁸⁸ While the proposal was not accepted by the Senate, nonetheless the government gave an assurance that 'serious consideration' would be given to the principles underlying Senator Ridgeway's proposal.⁸⁹ After pledges were made by all political parties, copies of the draft Copyright Amendment (Indigenous Communal Moral Rights) Bill 2003 were distributed to

83 s 195AZA *Copyright Act 1968* (Cth) provides that the court may award an injunction and/or damages, make a declaration that a moral right of an author has been infringed, make an order that the defendant make a public apology or that any false attribution of authorship or derogatory treatment be removed or reversed, or any combination of these remedies. See also s 195AZA(2) *Copyright Act 1968* (Cth).

84 s 195AZB(1) *Copyright Act 1968* (Cth).

85 s 195AZA *Copyright Act 1968* (Cth).

86 s 195AZA(2) *Copyright Act 1968* (Cth).

87 s 195AZA(3) *Copyright Act 1968* (Cth).

88 Senator Aden Ridgeway, Copyright Amendment (Moral Rights) Bill 1999, Senate (7 December 2000), *Hansard*, 21062–21064.

89 I. MacDonald, 'Indigenous Communal Moral Rights Back on the Agenda' (2003) 16 *Australian Intellectual Property Law Bulletin* 47.

a limited group of stakeholders in mid-2003.⁹⁰ The Bill recognises 'indigenous communal moral rights in relation to a work or film based on an agreement between the author/artist and the indigenous community'. It proposes that communities (and not merely individual artists) be allowed to 'take legal action to protect against inappropriate, derogatory or culturally insensitive use of such material'. In order for a community to claim Indigenous communal moral rights, the draft Bill proposes that five formal requirements would need to be met.⁹¹ First, there must be copyright subject matter. Secondly, the work must draw on the particular body of traditional observances, customs or beliefs held in common by the Indigenous community. Thirdly, there must be a voluntary agreement (which could be oral) between the Indigenous community and the creator of the work (the copyright holder). Fourthly, there must be an acknowledgement of the Indigenous community's involvement with the work. Finally, interested parties in the work need to have consented to the rights arising, and this consent must be provided through written notice.⁹² Submissions were made to the government by the limited group of stakeholders and in March 2006, the federal Attorney-General, Phillip Ruddock, confirmed the government's commitment to introduce a new version of the Copyright Amendment (Indigenous Communal Moral Rights) Bill into Parliament. It is highly unlikely that this legislation will be passed in its current form.

9.3 Performers' rights

Until 1989, performers had no specific protection for their live performances under Australian law.⁹³ There was nothing that a performer could do to prevent others from recording and using their performances where they had not already been fixed in a material form. The situation changed in 1989 when the government amended the *Copyright Act 1968* (Cth) to provide specific protection for performers.⁹⁴ Essentially, the new rights meant that performers could prevent 'unauthorised uses' of their live performances in Australia. Performers' rights were strengthened as a result of the *Australia–USA Free Trade Agreement 2004*, which obliged Australia to introduce additional protection for performers so that it could accede to the *WIPO Copyright Treaty 1996* (WCT) and the *WIPO*

⁹⁰ For critical comments, see J. Anderson, 'Indigenous communal moral rights Bill – a failure of language and imagination' (2004) 17(2) *Australian Intellectual Property Law Bulletin* 26.

⁹¹ J. Anderson, 'The Politics of Indigenous Knowledge' (2004) 27:3 *University of New South Wales Law Journal* 585, 597.

⁹² *Ibid.*

⁹³ Performers' rights were recognised in the *Rome Convention* as a right given to performers to prevent unauthorised dealing with sound recordings of musical performances: *Rome Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organisations 1961*.

⁹⁴ With effect from October 1989, the *Copyright Act 1968* (Cth) was amended by adding a new pt XIA which introduces a system of protection for performers. This followed the recommendations of the Copyright Law Review Committee in its 1987 Report on *Performers' Protection* and involved the minimum legislation necessary to enable Australia to join to the *Rome Convention* (which it subsequently did, in 1992).

Performances and Phonograms Treaty 1996 (WPPT) in 2005.⁹⁵ As is discussed below, performers were also given moral rights in their performances (although these rights are yet to come into force).

A 'performance' is defined to mean a live performance of a dramatic work (including a puppet show); a musical work; a reading, recitation or delivery of a literary work; a dance performance, a circus act or variety act or an expression of folklore.⁹⁶ A performance includes the improvisation of a literary, dramatic or musical work. It is not necessary that the performance be in the presence of an audience.⁹⁷ A performance does not include a reading, recital or delivery of any item of news and information; performance of a sporting activity; or participation in a performance as a member of the audience; and certain performances by teachers and students in the course of educational instruction.⁹⁸

Performers' rights are separate from and additional to copyright in the material that is performed and to the creator's or author's moral rights. Performers have the right to control their performances in two situations. Firstly, performers have the right to control the recording and communication of their performances. An unauthorised use of a performance is an unauthorised recording of a live performance directly or indirectly off-air (that is, a bootleg), or an unauthorised broadcast or transmission of a live performance. Secondly as a result of the *Australia–USA Free Trade Agreement 2004*, performers also now have rights over authorised sound recordings of their performances. In particular, performers are the first owners of the copyright in sound recordings of their performances along with owners of the master recording (which is usually the record company). This enables performers to exercise some control over sound recordings in which their performances are recorded. As a result of the *US Free Trade Agreement Implementation Act 2004* (Cth), performers now also have the exclusive right to authorise the communication of their unrecorded performances to the public, either directly from the performance or indirectly from an unauthorised recording of it.⁹⁹ These rights effectively only exist from 1 January 2005.

As a general rule, performers' rights last for fifty years from the year in which the performance was made.¹⁰⁰ In contrast, a performer's right to control the communication of their performance to the public or its inclusion in a sound track only lasts for twenty years.

The rights given to performers will be infringed where there has been an 'unauthorised use'. The requisite consent can be written or oral. The *Copyright*

95 Articles 7–10 of the *WIPO Performance and Phonograms Treaty (WPPT)* (1996) require contracting parties to provide performers with economic rights in their performances embodied in sound recordings. Article 6 requires parties to grant performers the exclusive right of authorising the broadcasting and communication to the public of their unfixated performances, and art 5 concerns moral rights for performers. *US Free Trade Agreement Implementation Act 2004* (Cth) and the *Copyright Legislation Amendment Act 2004* (Cth).

96 s 248A *Copyright Act 1968* (Cth). 'Performership' is defined to mean participation in a performance, as the performer or one of the performers: s 189.

97 The performance is protected if it is a live performance given in Australia or given by an Australian qualified person: s 248(1) *Copyright Act 1968* (Cth).

98 s 248A(1)(2) *Copyright Act 1968* (Cth).

99 s 248G(1)(b) *Copyright Act 1968* (Cth). This right came into effect on 1 January 2005 and replaces a prior right relating to broadcasting.

100 s 248CA(1), (3) *Copyright Act 1968* (Cth) in relation to sound recordings.

Act 1968 (Cth) distinguishes between primary unauthorised uses (which do not require any knowledge on the part of the unauthorised user) and secondary unauthorised uses.¹⁰¹ A primary unauthorised use occurs if a person makes a direct or indirect recording of the performance,¹⁰² or broadcasts or re-broadcasts the performance, either directly from the live performance or from an unauthorised recording of it.¹⁰³ A number of secondary types of unauthorised uses are also provided for in the *Copyright Act 1968* (Cth).¹⁰⁴ These include the making of and dealings in copies of recordings of performances. For liability to be established it must be shown there is actual or constructive knowledge on the part of the defendant.

Certain types of indirect recordings are exempt from the performers' rights scheme.¹⁰⁵ These include private uses, uses solely for teaching or scientific research, and uses that fall under any of the permitted fair dealing purposes (notably where it is used for the purpose of research or study; criticism or review, or reporting of the news).¹⁰⁶ In 2006, the definition of 'exempt recording' was amended to include an indirect film or sound recording made in domestic premises from a broadcast for private and domestic use by watching or listening to the performance at a more convenient time.¹⁰⁷ This ensures that the time-shifting defence operates effectively.¹⁰⁸ The blanket exemption that was previously granted to educational institutions assisting people with disabilities for the indirect sound recordings of performances has been repealed.¹⁰⁹ Instead, performers now have a right to equitable remuneration that will be administered by a collecting society (that is yet to be established).

As discussed above, performers are now recognised as co-owner of copyright with the maker in their sound recordings.¹¹⁰ There are a number of limits on the performers' right in sound recordings. These are similar to the rules of ownership of copyright works insofar as they provide that the performer will not be first owner where a sound recording is commissioned or produced in the course of employment. The *Copyright Act 1968* (Cth) provides that the permission of a performer to use their performance captured in a sound recording is deemed to have been given if the performance was recorded for a particular purpose and the recording is used in accordance with the performer's original consent. In certain

101 s 248G *Copyright Act 1968* (Cth).

102 A 'direct' recording is defined as a sound recording or film made directly from a live performance. An 'indirect' recording is defined as a sound recording or film made from a broadcast of a live performance: s 248 A(1) *Copyright Act 1968* (Cth).

103 s 248G(1)(b) *Copyright Act 1968* (Cth).

104 s 248(G)(2) *Copyright Act 1968* (Cth) sets out the circumstances where a person will have made an unauthorised use that falls into the second category.

105 s 248A(1) *Copyright Act 1968* (Cth).

106 The fair dealing provisions provide that a sound recording, or a copy of a sound recording that is an exempt recording ceases to be an exempt recording if it is used for any other purpose without the authority of the performer.

107 *Copyright Amendment Act 2006* (Cth). Without this amendment, a performer might have been able to bring an action for an unauthorised use of a performance against a person who records a broadcast of a performance under the 'time-shifting provision'.

108 See Chapter 8 at 8.5.2.

109 As a result of changes to 'exempt recording' in s 248(1) *Copyright Act 1968* (Cth) introduced by the *US Free Trade Agreement Implementation Act 2004* (Cth).

110 As a result of changes introduced by the *US Free Trade Agreement Implementation Act 2004* (Cth) to *Copyright Act 1968* (Cth) s 22(3A), (3B).

cases, performers' rights cease to expire when a performer authorises certain uses of fixations of their sound recordings and films of their performances.

Performers are only given certain rights to prevent or claim damages for 'unauthorised uses' of their performances in Australia.¹¹¹ Where there has been an 'unauthorised use'¹¹² of their performance, a performer may bring an action seeking an injunction and/or damages, including exemplary damages.¹¹³

9.3.1 Performers' moral rights

In order to comply with the *Australia–USA Free Trade Agreement 2004*, Part IX of the *Copyright Act 1968* (Cth) was recently amended to include moral rights for performers. Performers' moral rights are very similar to the moral rights given to authors.¹¹⁴ These provisions will not come into effect until Australia accedes to the *WIPO Performances and Phonograms Treaty (WPPT)* (1996).¹¹⁵

There are three moral rights given to performers: the right of attribution of performership,¹¹⁶ a right not to have performership falsely attributed¹¹⁷ and a right of integrity of performership.¹¹⁸ Performership is the ugly name given to a person who undertakes a performance (which is defined as above).

The right of attribution is the right to be identified as a performer in a live performance, whenever the performance is staged or communicated to the public.¹¹⁹ In relation to a performance recorded on a sound recording, the right of attribution arises whenever that recording is copied or communicated to the public.¹²⁰ Where there are a number of performers, each of the performers has the right to be known as author of the performance.¹²¹ A performer's moral right of attribution will be infringed where an 'attributable act' is carried out in relation to the performance without properly attributing the performer.¹²² In relation to a live performance, the attributable acts are communicating or staging the live performance in public. The attributable acts for a recorded performance are the making of a copy of the recorded performance or communicating the recorded performance to the public.¹²³ Any 'reasonable' form of identification which is 'clear' and 'reasonably prominent' or audible may be used.¹²⁴ If a performance is

111 s 248G *Copyright Act 1968* (Cth).

112 The unauthorised use may relate to either the whole performance or a substantial part of the performance: s 248A(3) *Copyright Act 1968* (Cth).

113 s 248J *Copyright Act 1968* (Cth).

114 These only apply to performances made after the commencement of the *US Free Trade Agreement Implementation Act 2004*: s 195AZR *Copyright Act 1968* (Cth).

115 The *Copyright Act* is amended by the *US Free Trade Agreement Implementation Act 2004* (Cth). Schedule 9 pt 2 (items 16–58) are yet to commence. It will commence on the day on which the *WPPT* comes into force in Australia.

116 s 195ABA *Copyright Act 1968* (Cth).

117 s 195AHA *Copyright Act 1968* (Cth).

118 s 195ALA *Copyright Act 1968* (Cth).

119 s 195ABB(1), 195ABA *Copyright Act 1968* (Cth).

120 s 195ABB(2) *Copyright Act 1968* (Cth).

121 s 195AZQ(2) *Copyright Act 1968* (Cth).

122 s 195AXA *Copyright Act 1968* (Cth).

123 s 195BB (1), (2) *Copyright Act 1968* (Cth).

124 s 195ABD *Copyright Act 1968* (Cth).

presented by performers who use a group name, identification using the group name is sufficient.¹²⁵

Performers also have the right not to have performances falsely attributed to them.¹²⁶ In the case of a live performance, a person staging a performance will infringe the right not to have performership falsely attributed where they state or imply falsely that a person is, was, or will be a performer in the performance; or the performance is being, was, or will be presented by a particular group of performers.¹²⁷ In the case of a recorded performance, false attribution involves implying falsely that a person (or group) is a performer in the recording when in fact they are not. The act of false attribution will usually occur where a person affixes or inserts a name to, or on, a recording. A person will also infringe the right where they deal with a recording or communicate a sound recording to the public knowing that a person (or group) named in, or on, the sound recording is not a performer. The right will also be infringed where they deal with a recorded performance that has been altered by someone other than the performer as an unaltered performance knowing that it is not¹²⁸ (except if the effect of the alteration was insubstantial or required by law).¹²⁹

The right of integrity of performership is the right not to have a live or recorded performance subject to derogatory treatment.¹³⁰ Derogatory treatment is the doing of anything that results in a material distortion or mutilation of the performance, or a material alteration to the performance, that is prejudicial to the performer's reputation.¹³¹ The question of whether a treatment is derogatory will be decided in a similar manner to the way this question is decided in relation to an author's right of integrity (discussed above).¹³²

There are two key defences to infringement of performers' moral rights. These are where the performer has consented to the infringing act and where the infringement was reasonable in the circumstances. The consent provisions for performers are similar to those that relate to the moral rights for authors.¹³³ A failure to attribute a performance, false attribution of a performer, or a derogatory treatment of a performance does not infringe the performer's moral rights if the performer consented to the action or omission.¹³⁴ The consent has no effect if it was given under duress or because of a false misrepresentation.¹³⁵ Consent can be given for all or any acts or omissions occurring before or after the consent if given; or in relation to specific performances or to particular performances or for performances where the performer is an employee.¹³⁶

125 s 195ABC(3) *Copyright Act 1968* (Cth).

126 s 195AHA *Copyright Act 1968* (Cth).

127 s 195AHB(1)–(7) *Copyright Act 1968* (Cth).

128 s 195AHC *Copyright Act 1968* (Cth).

129 s 195AHC(2)(a), (b) *Copyright Act 1968* (Cth).

130 ss 195ALA, 195AXC *Copyright Act 1968* (Cth).

131 s 195ALB *Copyright Act 1968* (Cth).

132 See discussion at 9.2.2.

133 s 195AXJ *Copyright Act 1968* (Cth).

134 s 195AXJ(1) *Copyright Act 1968* (Cth).

135 s 195AXK *Copyright Act 1968* (Cth).

136 s 195AXJ *Copyright Act 1968* (Cth).

The reasonableness defence is only available in relation to the right of attribution of performership and the right of integrity of performership. There are a number of factors that the court can take into account when determining whether a failure to attribute a performer or derogatory treatment of a performance was reasonable. These include the nature of the performance; the purpose, manner and context for which the performance is being used; and any relevant industry practices.¹³⁷

9.4 Circuit layouts

Intellectual property law has been grappling with the various changes introduced by the growth in computers and information technologies since the 1970s. During this time, the law has granted protection to computer programs, and has been modified to deal with new ways of creation, distribution and use. One area that attracted special attention in the 1980s was the protection available to ‘computer chips’ (also known as circuit layouts, semi-conductor chips, integrated circuits and silicon chips). A computer chip is a very small electronic device that allows data to be stored, arranged and accessed. As such, it is a key component in many computer-based systems. The specific form that a chip takes will vary depending on a range of factors including the program that it operates with and what it is to be used for. The layout of the circuitry on the chips (which often look like topographic maps) give them a distinctive appearance.

In the early 1980s, it was estimated that US industry was losing millions of dollars as a result of unauthorised copying of semi-conductor chips.¹³⁸ One of the problems facing the computer industry was that as the designs of the chips were largely dictated by function, it was unlikely that the physical layout of computer chips would have been protected by copyright. To overcome this problem, the computer industry argued that specific *sui generis* legal protection for the layout of computer chips should be introduced. In 1984, the US passed the *Semi Conductor Chip Protection Act* that protected circuit layouts. In order to ensure that American interests were protected in other jurisdictions, the US was only prepared to recognise the rights of foreign owned semi-conductor chips where their country of origin recognised the rights of US semi-conductor chip designers. This approach saw the European Commission introduce an equivalent system in 1986.¹³⁹ The European Directive required all Member States to introduce protection for semi-conductor chips. In the UK, the *Semi Conductor (Protection of Topography) Regulations* were passed in 1987. These were later repealed and replaced by the *Design Right (Semiconductor Topographies) Regulations 1989*. In

137 s 195AXJ *Copyright Act 1968* (Cth).

138 See House Report on the *Semiconductor Chip Protection Act 1984*, HR Rep 781, 98th Cong, 2d, Sess (1984).

139 EC Council Directive 87/54/EEC of 16 December 1986 on the *Legal Protection of semiconductor products*, OJ L 24/36.

the UK, semi-conductor topographies are now protected as unregistered designs with a number of modifications.

The US *Semi Conductor Chip Protection Act* (1984) also prompted WIPO to develop a *Treaty on Protection on Intellectual Property in respect to Integrated Circuits* (the *Washington Treaty*) 1989. While this treaty prompted a number of countries to adopt their own national *sui generis* schemes for semi-conductor chip protection (including Australia), few countries became formal signatories to the treaty. More recently, the *TRIPS Agreement* (1994) requires Member States to provide protection for circuit layouts in accordance with the WIPO *Washington Treaty*.¹⁴⁰ In this section, the *sui generis* legal regime introduced into Australian law in 1989¹⁴¹ to protect the layout of circuit layouts will be discussed.¹⁴²

9.4.1 Nature and scope of circuit layouts

Circuit layouts and semi-conductor chips are protected in Australia under the *Circuit Layouts Act 1989* (Cth). This legislation was introduced in anticipation of the *Washington Treaty 1989*. The stated aim of the Act is to 'protect plans which show the three-dimensional location of the electronic components of an integrated circuit and to give the owner of the plans certain rights in relation to the plans including the right to make an integrated circuit from the plans'.¹⁴³

A *circuit layout* is defined as a representation, fixed in any material form, of the three-dimensional location of the active and passive elements and interconnections making up an integrated circuit.¹⁴⁴ An *integrated circuit* means a circuit, whether in a final form or an intermediate form, the purpose, or one of the purposes, of which is to perform an electronic function, being a circuit in which the active and passive elements, and any of the interconnections, are integrally formed in or on a piece of material.¹⁴⁵ Both the originals of circuit layouts and copies of circuit layouts and integrated circuits are protected.¹⁴⁶

The *Circuit Layouts Act 1989* (Cth) protects what are called 'eligible layouts'. An 'eligible layout' is defined to mean an original circuit layout: (a) the maker of

140 art 35. Articles 36–38 set out the minimum requirements for the scope of protection of circuit layouts, as well as exceptions and duration.

141 *Circuit Layouts Act 1989* (Cth).

142 When reviewing the intellectual property laws to assess the effect of competition, no submissions were received by the Intellectual Property Competition Review Committee on circuit layout legislation. Therefore, it was held that the legislation has no adverse effects. However, the Committee did question '... the value of, and the need for, *sui generis* laws such as the *Circuit Layouts Act*. By their nature such laws are highly specialised, technology-specific and narrowly defined. Their ability to keep pace with technological changes is limited.' J. McKeough, A. Stewart and K. Bowrey, *Intellectual Property Law* (3rd ed, Sydney: LexisNexis Butterworths, 2004), 272.

143 Australian Government, Attorneys-General, *Circuit Layouts Act 1989*, available at <www.ag.gov.au/agd/WWW/securitylawHome.nsf/Page/Publications_Intellectual_Property_Circuit_Layouts_Act_1989>.

Northrop J outlined the characteristics of the statutory scheme in *Centronics Systems Pty Ltd v Nintendo Co Ltd* (1992) 111 ALR 13, 15–16.

144 s 5 *Circuit Layouts Act 1989* (Cth).

145 ss *Circuit Layouts Act 1989* (Cth).

146 ss *Circuit Layouts Act 1989* (Cth).

which was, at the time the layout was made, an eligible person; or (b) that was first commercially exploited in Australia or in an eligible foreign country.¹⁴⁷

9.4.2 Subsistence

For a circuit layout to be eligible for protection, it needs to be original, in a 'material form', and connected to Australia. The Act defines originality in a negative sense: a circuit layout shall be taken not to be original if its making involved no creative contribution by the maker; if it was commonplace at the time it was made; or its features are dictated solely by function.¹⁴⁸ It has been suggested that the threshold of originality that a circuit layout must meet to qualify for protection requires more intellectual input than is required under the *Copyright Act 1968* (Cth).¹⁴⁹

An eligible layout is deemed to have been made when it was first fixed in material form.¹⁵⁰ Material form includes any form of storage (whether visible or not) from which the layout, or a substantial part of it, can be reproduced.¹⁵¹ There must be a necessary connection with Australia. The maker¹⁵² of the circuit layout must be an Australian citizen, resident or incorporated company. Alternatively, the place of the first commercial exploitation of the layout must be in Australia.¹⁵³ Reciprocal rights are given to citizens, residents or incorporated companies of designated countries.¹⁵⁴

9.4.3 Exclusive rights

The exclusive rights of the maker of an eligible layout or integrated circuit are referred to as eligible layout rights.¹⁵⁵ The owner of the rights in an eligible layout has the exclusive right to copy the layout, directly or indirectly, in material form; to make an integrated circuit in accordance with the layout or a copy of the layout; and to exploit the layout commercially in Australia.¹⁵⁶ A circuit layout is taken to have been *commercially exploited* if the layout or a copy of the layout is sold, let for hire or otherwise distributed by way of trade; offered or exposed for sale or hire, or other distribution by way of trade; imported for the purpose of sale, letting for hire, or other distribution by way of trade.¹⁵⁷ The exclusive right to exploit the layout commercially in Australia extends to parallel importation. However, it should be noted that where an authorised computer chip is first put on the market by the owner of the eligible layout rights, the circuit layout or integrated circuit

147 ss *Circuit Layouts Act 1989* (Cth).

148 s 11 *Circuit Layouts Act 1989* (Cth).

149 J. Lahore, *Copyright and Designs* (Sydney: LexisNexis Butterworths Looseleaf), para 52,040.

150 s 10(b) *Circuit Layouts Act 1989* (Cth).

151 s 5 *Circuit Layouts Act 1989* (Cth).

152 See definitions in ss 10, 14, 15 *Circuit Layouts Act 1989* (Cth).

153 s 5 *Circuit Layouts Act 1989* (Cth).

154 ss 5, 42 and 48 *Circuit Layouts Act 1989* (Cth).

155 *Avel Pty Ltd v Wells* (1992) 23 IPR 353, 360–2.

156 s 17 *Circuit Layouts Act 1989* (Cth).

157 s 8 *Circuit Layouts Act 1989* (Cth). Section 8(2) contains a similar provision to the sale, hire or distribution by way of trade of a copy of a circuit layout or an integrated circuit made in accordance with a circuit layout.

may be freely imported into Australia.¹⁵⁸ Thus, parallel importation is permitted in these circumstances. The owner also has the right to authorise another person to exercise any of these rights.¹⁵⁹

9.4.4 Ownership

The person who makes an eligible layout is the first owner of any eligible layout rights.¹⁶⁰ Where an eligible layout is made in the course of employment, the employer will be the first owner of the eligible layout.¹⁶¹ The parties may agree to exclude or modify the employment provisions of the Act.¹⁶² The Act recognises that circuit layouts are often made by more than one person and hence joint-makers are recognised unless there is a contrary intention.¹⁶³

9.4.5 Exploitation

Eligible layout rights are the personal property of the holder which are transmissible by assignment, will, devolution or by operation of law.¹⁶⁴ Eligible layout rights may be assigned or licensed. Eligible layout rights may be wholly or partially assigned to another party.¹⁶⁵ Limits can be placed on what rights are assigned as well as the area and the duration. An assignment of eligible layout rights does not have effect unless it is in writing signed by or on behalf of the assignor.¹⁶⁶ Future eligible layout rights may be also assigned or licensed.¹⁶⁷ The grant of a licence over eligible layout rights will bind the grantor's successors.¹⁶⁸

9.4.6 Duration

The period of protection for an eligible layout is ten years after the calendar year in which the layout was made.¹⁶⁹ Where a circuit layout has been commercially exploited within the first ten years of its creation, it will be protected for a further ten years calculable from the end of the year in which the first commercial exploitation took place.¹⁷⁰

158 s 24(1) *Circuit Layouts Act 1989* (Cth).

159 s 9 *Circuit Layouts Act 1989* (Cth).

160 s 16(1) *Circuit Layouts Act 1989* (Cth).

161 s 16(2) *Circuit Layouts Act 1989* (Cth).

162 s 16(3) *Circuit Layouts Act 1989* (Cth).

163 A reference to joint makers refers to all the makers of the layout, unless the contrary intention appears: s 15 *Circuit Layouts Act 1989* (Cth). Where only some of the makers are eligible persons under the Act, eligible layouts rights will subsist in the layout but will only vest in those who are eligible persons: s 18 *Circuit Layouts Act 1989* (Cth).

164 s 45(1) *Circuit Layouts Act 1989* (Cth).

165 s 45(2) *Circuit Layouts Act 1989* (Cth).

166 s 45(3) *Circuit Layouts Act 1989* (Cth).

167 s 44 *Circuit Layouts Act 1989* (Cth).

168 s 45(4) *Circuit Layouts Act 1989* (Cth).

169 s 5 *Circuit Layouts Act 1989* (Cth).

170 See the definition of protected period in s 5 *Circuit Layouts Act 1989* (Cth).

9.4.7 Infringement

A person commits a primary infringement of a layout right where they exercise one of the exclusive rights of the eligible layout rights holder without permission.¹⁷¹ To infringe, the unauthorised act must be carried out in relation to the protected layout or a *substantial part* thereof.¹⁷² To infringe, the infringer must know or ought reasonably to have known that they were not licensed by the owner of that right to do the acts that they are doing.¹⁷³ Hence a person who innocently exploits an eligible layout will not infringe.¹⁷⁴ Damages will not be available in certain cases of innocent infringement.¹⁷⁵ In *Nintendo v Centronics Systems*,¹⁷⁶ it was held that it is not enough for the defendant to be aware that the plaintiff has not provided authorisation for use of their layout. To establish infringement the defendant must have known (or had reason to know) that the plaintiff is the owner of the layout rights. However, in the same case, the High Court also held that a person would be infringing if they had that knowledge even if they were not aware that their particular use would amount to a commercial exploitation.¹⁷⁷

9.4.8 Exceptions and defences

The defences to an infringement of eligible layout rights¹⁷⁸ are similar to the copyright defences in that they allow use of an eligible layout for research or teaching purposes,¹⁷⁹ for private use¹⁸⁰ and for evaluation or analysis.¹⁸¹ The evaluation or analysis defence has been likened to the reverse engineering provisions of the *Copyright Act 1968* (Cth).¹⁸² There is also a defence where there has been innocent commercial exploitation of the eligible layout, discussed in more detail below.¹⁸³

9.4.8.1 Innocent commercial exploitation

For this defence to operate, the infringer needs to be able to show that at the time the eligible layout was acquired they did not know and could not reasonably have been expected to have known that eligible layout rights subsisted in the layout. The infringer also needs to pay equitable remuneration to the owner or exclusive

171 s 19 *Circuit Layouts Act 1989* (Cth).

172 s 13 *Circuit Layouts Act 1989* (Cth).

173 s 19(3) *Circuit Layouts Act 1989* (Cth); see also *Nintendo Co Ltd v Centronics Systems Pty Ltd* (1994) 181 CLR 134. See also A. Christie, *Integrated Circuits and their Contents: International Protection* (Sydney: LBC Information Services, 1995), 120.

174 s 20 *Circuit Layouts Act 1989* (Cth).

175 s 27 *Circuit Layouts Act 1989* (Cth).

176 (1994) 181 CLR 134.

177 This concept is summed up by McKeough et al., who say that 'ignorance of the existence of layout rights or the identity of their owner may constitute a defence; but ignorance as to the extent of those rights may not'. McKeough et al, *Intellectual Property Law*, above n 142, 270.

178 div 3 of the *Circuit Layouts Act 1989* (Cth).

179 s 22 *Circuit Layouts Act 1989* (Cth).

180 s 21 *Circuit Layouts Act 1989* (Cth).

181 s 23 *Circuit Layouts Act 1989* (Cth).

182 Van Caenegem states that an interesting parallel can be drawn with between s 23 and the provisions introduced by the *Copyright Amendment (Computer Programs) Act 1999* (Cth) s 47B ff. W. van Caenegem, *Intellectual Property* (2nd ed, Sydney: LexisNexis Butterworths, 2006), 327.

183 s 20(1) *Circuit Layouts Act 1989* (Cth).

licensee of the rights from the time of awareness.¹⁸⁴ The policy underlying this defence has been described as being:

... to make special provision for circumstances in which it would be unjust to impose liability for infringement on a person who innocently acquires and subsequently deals with an unauthorised integrated circuit. One can readily envisage circumstances in which an ordinary person who innocently acquires, and subsequently commercially deals with, an item of electronic equipment would have no means of knowing or ascertaining that some concealed integrated circuit in the article was an unauthorised copy of an eligible circuit layout in which [eligible layouts] rights subsist.¹⁸⁵

Following *Nintendo v Centronics Systems*,¹⁸⁶ a defendant will only be liable if they knew or ought reasonably to have known the identity of the owner of the eligible layouts rights *and* that the owner had not licensed the defendant to exploit the layout.¹⁸⁷ Once a person becomes aware, or could reasonably be expected to have become aware, that their use of the integrated circuit was unauthorised, a compulsory or statutory licence comes into operation. The defence ceases to apply to any subsequent commercial exploitation of the circuit unless the person pays equitable remuneration to the owner or exclusive licensee of the eligible layout rights in the layout.¹⁸⁸ An integrated circuit is unauthorised if it is made without the licence of the owners of the eligible layout rights in the layout.¹⁸⁹

Where a circuit or a copy of a circuit has been acquired as a result of an authorised commercial exploitation either in Australia or overseas, then the commercial exploitation of that circuit is excused by virtue of s 24(1). In this situation, the owner of the eligible layout cannot prevent parallel importation of an integrated circuit obtained overseas from being imported into Australia. Given that integrated circuits often contain a computer program (which will be protected as a literary work), there is the possibility that the owner of the copyright may be able to prevent the importation of the integrated circuit into Australia.¹⁹⁰ To prevent this from happening, s 24(2) provides that copyright in a work embedded in a computer chip cannot be relied on to prohibit the importation of that integrated circuit into Australia.

9.4.9 Remedies

Where an infringement action is successfully brought, the owner or exclusive licensee of an eligible layout may be awarded an injunction and either damages or an account of profits.¹⁹¹ Damages will not be awarded against a person who

184 s 20(1) *Circuit Layouts Act 1989* (Cth).

185 *Nintendo Ltd v Centronics Systems Pty Ltd* (1994) 181 CLR 134, 154.

186 (1994) 181 CLR 134.

187 Van Caenegem, *Intellectual Property*, above n 182, 327.

188 s 20(2) *Circuit Layouts Act 1989* (Cth).

189 s 20(3) *Circuit Layouts Act 1989* (Cth).

190 *Avel Pty Ltd v Wells* (1992) 23 IPR 353 (s 24(2) applied both to works embodied in a circuit at the time it was manufactured and to works subsequently stored there by someone other than the maker of the chip); *Galaxy Electronics Pty Ltd v Sega Enterprises Ltd* (1997) 37 IPR 462 (a video game with computer-generated images was held to be a 'cinematograph film' under s 10(1) of the *Copyright Act 1968* (Cth). This resulted in it being protected against parallel importation).

191 s 27(2)–(4) *Circuit Layout Acts 1989* (Cth).

neither knew nor reasonably should have known that they were committing an infringement.¹⁹² Courts have the power to award punitive damages where the infringement is flagrant. In deciding whether to grant punitive damages, the court will look at a range of factors including the benefit derived by the defendant.¹⁹³

9.4.10 Overlap with copyright and design protection?

One of the questions that often arise when *sui generis* legislation is introduced is how the tailor-made law relates to more general forms of intellectual property protection. The specific protection given to semi-conductor chips is no exception to this problem: particularly in relation to the way it overlaps with copyright and design protection. Given that the protection afforded by the *Circuit Layout Act 1989* (Cth) is for the physical aspects of the design of the integrated circuit on the computer chips, it is unlikely that these features would also fall within the subject matter of copyright. However, to ensure that there is no overlap, amendments were made to the definition of relevant categories of subject matter under the *Copyright Act 1968* (Cth) and the *Designs Act 2003* (Cth).¹⁹⁴ As computer chips store large amounts of information (as ‘embodiments’ or ‘aggregates’ of information), it is possible that some of the information stored on the computer chip, as distinct from the chip itself, will be protected by copyright.¹⁹⁵

9.5 Public and educational lending rights

The public lending right¹⁹⁶ and educational lending right¹⁹⁷ schemes are regimes designed to compensate Australian authors and publishers for income that is ‘lost’

192 s 27(2)–(4) *Circuit Layouts Act 1989* (Cth).

193 s 27(4) *Circuit Layouts Act 1989* (Cth).

194 The definition of artistic work under s 10 of the *Copyright Act 1968* (Cth) excludes ‘a circuit layout within the meaning of the *Circuit Layouts Act 1989*’. The definition of article in s 4(1) of the *Designs Act 2003* (Cth) excludes ‘an ‘integrated circuit, or part of an integrated circuit within the meaning of the *Circuit Layouts Act 1989*’, or a mask used to make such as circuit. Designs of integrated circuits are expressly excluded from registration under s 43(1)(c)(i) of the *Designs Act 2003* (Cth).

195 The question of dual protection has been considered by the Australian courts in *Avel Pty Ltd v Wells* (1992) 23 IPR 353 and *Sega Enterprises Ltd v Galaxy Electronics Pty Ltd* (1996) 35 IPR 161. Burchett J held that certain computer games that were stored in integrated circuits imported in Australia were ‘cinematograph films’ as recognised under Part IV of the *Copyright Act*. Burchett J rejected the idea that the computer games (being stored on a computer) should only find protection (if at all) under the *Circuit Layouts Act 1989* (Cth). He said at 168: ‘The fact that there are here integrated circuits and that these give rise to the application of particular statutory provisions, does not subtract from the further and relevant fact that the use of the integrated circuits is capable of bringing to the screen, so as to be shown as a moving picture, the aggregate of visual images making up [the computer program]. That attracts the operation of the *Copyright Act* in respect of cinematograph films.’

196 From the mid-1960s, the Australian Society of Authors (ASA) lobbied successive Commonwealth governments for a Public Lending Right (PLR) scheme. Since 1974, this scheme has compensated Australian authors, compilers, translators, editors, illustrators and publishers for royalties lost in sales to the public because their books are freely available in public libraries. See A. Jordens, ‘Assisting Australian Authors’, *National Library News*, February 2005 at <www.nla.gov.au/pub/nlanews/2005/feb05/article2.html>. The public lending right regime was established by the *Public Lending Right Act 1985*.

197 In the 1990s the Australian Society of Authors campaigned for an Educational Lending Right (ELR) scheme to compensate for books held in the libraries of educational institutions. Such a scheme was agreed to by the Keating Labor Government in 1994, abandoned by the Howard Government in 1996, and finally funded for four years in 2000 as part of a compensation package to the book industry for the imposition of the GST on books. Funding was renewed in 2005 for a further four years. Authors eligible for royalties whose books are used in school, university and other tertiary educational libraries, benefit from this scheme. See A. Jordens, ‘Assisting Australian Authors’, *National Library News* (February 2005).

when their books are made available in public lending libraries and educational libraries (in schools, TAFEs and universities). In contrast with the rights conferred upon authors by the *Copyright Act 1968* (Cth), the schemes do not create a 'right' in authors to demand payment for the lending of their works. Instead, the two schemes provide payments to authors and publishers on the basis of the number of copies of their books that are held in relevant libraries. The schemes are open to creators (authors, editors, illustrators, translators and compilers)¹⁹⁸ and publishers¹⁹⁹ who have been involved in the development of a book with an International Standard Book Number (ISBN) that has been offered for sale and has no more than five creators.²⁰⁰ The amount distributed is based on a sample survey of the number of books that are held in relevant libraries. The rates payable under the public lending right are currently set at \$1.40 for creators and 35c for publishers per copy.²⁰¹

198 Publishers are eligible for Public Lending Rights payments where their businesses consist wholly or substantially of the publication of books and who regularly publish (at least once in preceding two years in Australia). Self-publishing authors may also be eligible: s 6 *Public Lending Right Act 1985* (Cth).

199 ss 5(4)(a) and (c) *Public Lending Right Act 1985* (Cth).

200 ss 10(1) and (2), also more generally s 30 *Public Lending Right Act 1985* (Cth). The Public Lending Rights scheme is administered by the Public Lending Rights Committee who distributes funds set aside by the federal government, whose functions are outlined in s 8(1) of the *Public Lending Right Act 1985* (Cth).

201 Public Lending Rights, *Annual Report 2004–2005* <www.dcita.gov.au/_data/assets/pdf.file/57313/PLRAnnualReport05-06.pdf>.

Designs

10.1 Introduction

From the chairs that we sit on, the pens that we write with and the clothes that we wear, design plays an important role in many aspects of our lives. Design impacts on objects in a range of ways from the way that objects look through to the way that they function. Given this it is not surprising that design is pivotal to the commercialisation and marketing of many different products.¹ In this chapter, we look at the law that encourages and protects the skill, labour and effort that goes into the creation of new designs.² Intellectual property protection for designs focuses on the visual appearance of commercial or industrial articles, rather than their function or the means of producing them. In Australia, the law in this area is set out in the *Designs Act 2003* (Cth).³ This Act repealed the *Designs Act 1906* (Cth), which governed Australian designs law for most of the twentieth century.

10.2 History

Design law occupies an awkward position in contemporary intellectual property law, where it is often regarded as the step-child of patents and copyright. In

¹ Australian Law Reform Commission, *Designs* (Report No 74, Canberra: 1995), 31.

² Cf the Bureau of Industry Economics, who noted that although it has been economically demonstrated that intellectual property rights such as patents are vital to innovation and growth, there is no empirical evidence to support such a claim with respect to any form of design right. Bureau of Industry Economics, *The Economic Rights of Intellectual Property Rights for Design* (Occasional Paper, 27 May 1995), 3.

³ s 150 *Designs Act 2003* (Cth) (superseding the *Designs Act 1906* (Cth), effective 17 June 2004). See J. Cooke and K. O'Connell, 'Rags to Riches? Changes in Australian and European Design Laws' (2003) 14 *AIPJ* 65.

part this has been reinforced by the fact that unlike these other categories of intellectual property law, there has never been a specific international treaty that deals with design protection.⁴ Despite this, design law is one of the oldest forms of intellectual property.⁵ Designs for certain textiles such as linens, cottons, calicos and muslins were first protected in the UK by the 1787 and 1794 *Calico Printers Acts*.⁶ This was followed in 1839 and then in 1842 and 1843 by design legislation which not only laid the groundwork for modern design law but also for modern intellectual property law more generally.⁷

Design law in Australia was first introduced by the *Designs Act 1906* (Cth). This provided the framework for the protection for registered designs for nearly a century. In light of growing criticisms of the 1906 Act, in 1992 the ALRC was commissioned to produce a report on the system (as it then was).⁸ After a wide-ranging review, the ALRC suggested that the law needed to be modernised and simplified. In explaining why designs had been under utilised for so long, the ALRC highlighted the mismatch between modern design requirements (such as technological and interactive designs) and legislative protection.⁹

After a period of deliberation, the Australian government repealed and replaced the 1906 *Designs Act* when it passed the *Designs Act 2003* (Cth) and the *Designs (Consequential Amendments) Act 2003* (Cth). These Acts, which came into operation in June 2004, aimed to clarify a number of issues including the overlap between copyright and design protection. Although in some respects the criteria for protection are now more arduous and the period of protection was reduced from sixteen to ten years, it was thought that the new system would be more cost-effective and straightforward and thus more attractive to designers. To overcome problems that had developed under the old law, the 2003 Act also added a 'right to repair' defence against infringement.

Given that the term of maximum protection under the 1906 *Designs Act* was sixteen years, there were a large number of designs that were registered under the 1906 Act which were still in force when the 2003 *Designs Act* came into force in June 2004. To deal with these registered designs, ss 151–161 of the 2003 *Designs Act* provides that the 1906 Act will still operate in limited circumstances. The main areas affected by these transitional provisions are duration of protection,¹⁰

4 With the exception of *TRIPS*, arts 25–6 (setting out the requirements and scope of protection).

5 See B. Sherman and L. Bently, *The Making of Modern Intellectual Property Law* (Cambridge: Cambridge University Press, 1999), ch 3, ch 4.

6 27 Geo c 23; 34 Geo c 23.

7 2 Vict c 17. See Sherman and Bently, *The Making of Modern Intellectual Property Law*, above n 5, 61–76.

8 Australian Law Reform Commission, *Designs*, above n 1. The ALRC recommended the enactment of a new Act to replace the *Designs Act 1906*, based on the following key principles: (1) Definition of a Design – defined by one or more visual features of a product; (2) A new threshold test for protection – adopt a test ensuring the design is new and distinctive; (3) New test for infringement – determine whether there is infringement from an 'informed user' of the product. The court should also give more weight to the similarities between competing designs than the differences; (4) Duration of product – maximum should be fifteen with renewal at five years; (5) Spare parts protection – spare parts should continue to be protected subject to procedure for anti-competitive actions to the ACCC; (6) Copyright-designs overlap – Repeal the provisions in the *Copyright Act 1968* dealing with the overlap and introduce a new adaptation right for artistic works.

9 Australian Law Reform Commission, *Designs*, above n 1, para [2.1].

10 For example, all 1906 registrations will have a maximum period of protection of sixteen years: s 152 *Designs Act 2003* (Cth).

rectification of the design register and infringement proceedings.¹¹ In some cases, decisions under the 1906 Act will also continue to be relevant in interpreting the new provisions under the 2003 Act.

10.3 The registration process

As with patents and trade marks, a design will only be protected if it has been duly registered. The process of design registration is administered by the Designs Office in IP Australia, headed by the Registrar for Designs. The *Designs Act 2003* (Cth) provides a more streamlined registration system for the protection of designs than was afforded under the 1906 Act.

There are two notable features of the design registration process. The first is that unlike the case with patents and trade marks there is no substantive examination of the design application during the registration process. Instead, the application is only checked to see that it contains certain information, such as the name and contact details of the applicant and the prescribed number of representations of the design.¹² This makes the registration process similar to that of the innovation patent. The absence of substantive examination means that the registration process is simpler, faster and less expensive than was previously the case under the 1906 *Designs Act*. While examination may not occur as a matter of course during the registration process, a registered design may be examined after grant if it is requested. The request for examination can be made by anyone, including the applicant, the Registrar or the Court.¹³ One of the main reasons for examination is that an infringement action can only be brought once a design has been examined.¹⁴ The second notable feature of the 2003 *Designs Act* is that the applicant is given the option to publish, as opposed to register, the design. While publication of the design does not give the applicant any rights in the design, publication places the design in the prior art base. As this destroys the novelty of the design, it prevents others from registering similar designs.

10.3.1 Who can apply?

While there are no restrictions on who can apply to have a design registered,¹⁵ only certain people are able to be registered as owner of a design.¹⁶ These are the author of the design (that is, the ‘designer’),¹⁷ the employer of the author, if the author made the design in the course of their employment;¹⁸ the person who

11 An action for infringement for a design registered under the 1906 Act will be determined under the 1906 infringement provisions (s 30): s 156 *Designs Act 2003* (Cth).

12 s 21(2) *Designs Act 2003* (Cth), reg 3.01 *Designs Regulations 2004*.

13 s 63(1) *Designs Act 2003* (Cth).

14 s 73 *Designs Act 2003* (Cth).

15 s 21 *Designs Act 2003* (Cth).

16 s 13(1) *Designs Act 2003* (Cth).

17 s 13(1)(a) *Designs Act 2003* (Cth).

18 s 13(1)(b) *Designs Act 2003* (Cth).

contracted the author to make the design;¹⁹ or the person to whom the author has assigned the design (the assignment must be in writing).²⁰ A design can be owned by more than one person.²¹ Where there is a dispute between parties as to joint ownership, the Registrar may make a determination as to how the application is to proceed.²²

10.3.2 Requirements of the application

A design application must comply with the ‘minimum filing requirements’ as set out in s 21(2). These are that the application include a completed application form; five identical copies of each view of the representations of the design/s;²³ and the application fee.²⁴ A representation is a drawing, photograph or specimen of the design.²⁵ Photographs of the article are also acceptable. The representations should show the article as the eye would see it. A perspective view of the article usually gives a better overall impression than plan and face views.²⁶ The inclusion of a representation in the design application allows the public to determine the details of the design and the scope of the protection.

While an application can be filed in respect of one design applied to a product, s 22 allows for a single application to cover a ‘common design’ that applies to more than one product or multiple designs that apply to a particular product. Where an application relates to several designs for several products, the products must all fall within the same class of products as set out in the *Locarno Agreement on Classification on Industrial Designs 1968*.

A ‘statement of newness and distinctiveness’ may also be included in the application form.²⁷ This sets out any visual feature(s) of the design that the applicant believes are novel and distinctive. It is not compulsory to include a statement of newness and distinctiveness, but it may assist in the determination of whether the design is new and distinctive when compared to prior art of disclosed designs.

10.3.3 Request for registration or publication

One of the notable features of the design system is that applicants have the option of having their design either registered or published.²⁸ Whereas registration of the design gives the applicant rights in the design, publication merely serves to ensure that the design is part of the prior art. As publication destroys the novelty

19 s 13(1)(b) *Designs Act 2003* (Cth).

20 s 13(2) *Designs Act 2003* (Cth).

21 ss 13(3), 21(3) *Designs Act 2003* (Cth).

22 s 29 *Designs Act 2003* (Cth). The Registrar may also consider an application to revoke the design on the basis that one of the owners was not an entitled person: ss 51, 52 *Designs Act 2003* (Cth).

23 reg 4.04(f) *Designs Regulations 2004*.

24 See reg 3.01 *Designs Regulations 2004*. A fee must be paid for each design in the design application. The initial application fee (per design) is \$200. Reg 11.01 and sch 4 *Designs Regulations 2004*.

25 s 5 *Designs Act 2003* (Cth).

26 IP Australia, *Registering your Design* <www.ipaustralia.gov.au/designs/process_index.shtml>.

27 s 69 *Designs Act 2003* (Cth).

28 s 35 *Designs Act 2003* (Cth).

and distinctiveness of the design, it prevents other parties from registering similar designs. Applicants must make the decision as to whether they want to publish or register their design either at the time the application is lodged or within six months of the priority date of the application or the application will lapse.²⁹

10.3.4 Publication

If an applicant decides that they want their application to be published (rather than registered), the application will be checked to see that it satisfies the minimum filing requirements.³⁰ Where an application complies with the necessary requirements, it will be published in the Australian Official Journal of Designs and in the Australian Designs Data Searching (ADDS). While no rights arise as a result of the publication of a design, it may be useful in that it prevents others from registering the design. It is important to note that a person who wishes to ensure that similar designs are not registered does not need to go to the trouble and expense (currently \$200) of using the design system to destroy the novelty of the design. This is because, as is discussed below, a design will become part of the public domain and thus not be able to be protected if it is made available to the public (by any means) before the priority date of the application.

10.3.5 Registration

Registration of the application will occur after an initial formalities check.³¹ If the application complies with the requisite requirements and the registration is not prohibited by s 43(1) (which declares that certain designs must be refused such as integrated circuits and those protected by the *Olympic Insignia Protection Act 1987* (Cth)), the design will be registered. Where this occurs, details including the representation of the design will be published in the Australian Official Journal of Designs and in the Australian Designs Data Searching (ADDS). The Registrar will issue a Certificate of Registration and the successful design will be recorded in the Register of Designs.³² If the Registrar is not satisfied with the application, the applicant is given an opportunity to amend the application.³³

10.3.6 Priority date

The priority date of the application is the date when the application was filed, unless there is a claim to an earlier priority date from an overseas design application, or from a design excluded from an earlier Australian design application.³⁴

29 s 33(1)(a) *Designs Act 2003* (Cth). An applicant can choose publication for some designs in the application and registration for others: s 36(1) *Designs Act 2003* (Cth).

30 ss 39–40 *Designs Act 2003* (Cth).

31 ss 39–40 *Designs Act 2003* (Cth).

32 s 45 *Designs Act 2003* (Cth).

33 s 41 *Designs Act 2003* (Cth), so long as it is not amended as to matters of substance: s 28(3) *Designs Act 2003* (Cth).

34 s 27(1) *Designs Act 2003* (Cth); reg 3.06 *Designs Regulations 2004*.

10.3.7 Duration

The term of protection for a registered design is five years from the filing date of the design application, which is renewable for up to a total of ten years.³⁵ Under the 1906 *Designs Act* the maximum period of protection was sixteen years.³⁶

10.3.8 Post-registration examination

The *Designs Act 2003* (Cth) has a formal, post-registration examination system. Any person or relevant court may request that a design is examined.³⁷ As discussed above, a registered design must be examined and a certificate of examination issued before proceedings for infringement can be brought.³⁸ When examining the design, the Registrar must determine whether the design should be revoked.³⁹ The main grounds for revocation are that there is no ‘design’, or that the design is not ‘novel and distinctive’ as compared with the prior art base (both requirements are discussed below).⁴⁰ If the Registrar decides that there is no ground for revocation, a certification of examination will be issued.⁴¹ If the Registrar decides, however, that there is a ground of revocation, the applicant will be given an opportunity to amend their application.⁴² If the amendment does not rectify the problems, the parties are given a further hearing, after which, if the Registrar is still not satisfied, the registration will be revoked and the register amended.⁴³

10.4 Criteria for protection

A number of factors must be satisfied for a design to be registered. The two key criteria are that there is a ‘design’ which is ‘new and distinctive’.

10.4.1 Meaning of ‘design’

While designs are always closely connected to the object in which they are embodied, it has long been recognised that a design must be something that is separate and distinct from the article or product to which it is applied.⁴⁴ This is reflected in the fact that a *design* is defined in the 2003 Act to mean ‘the overall appearance

35 ss 46 and 47 *Designs Act 2003* (Cth). The fee for renewal of registration for the first five years is \$275. See sch 4 of *Designs Regulations 2004*.

36 s 27A *Designs Act 1906* (Cth). The sixteen-year period was made up of a twelve-month period from the date of registration, an extension for six years from the priority date (which included the initial twelve-month period) and two additional five-year extensions.

37 s 63(1) *Designs Act 2003* (Cth).

38 s 73(3) *Designs Act 2003* (Cth).

39 s 65 *Designs Act 2003* (Cth).

40 s 15 *Designs Act 2003* (Cth) and the discussion at 10.4.

41 s 67 *Designs Act 2003* (Cth).

42 s 66(3) *Designs Act 2003* (Cth).

43 s 68 *Designs Act 2003* (Cth). The unsuccessful registrant may appeal to the Federal Court: s 68(6) *Designs Act 2003* (Cth).

44 This was the case under s 4(1) *Designs Act 1906* which referred to ‘features . . . applicable to an article’.

of the product resulting from one or more visual features of the product'.⁴⁵ The requirement that the design be separate to the article itself was raised in *Re Wolanski's Registered Design*,⁴⁶ a case decided under the 1906 Act which is still relevant today. When discussing the design of a 'neck-tie support' Kitto J said observed that a design is 'a conception or suggestion as to shape, configuration, pattern or ornament . . . and accordingly what the proprietor of a design gets by its registration is a monopoly for one thing only, and that is "one particular individual and specific appearance"'.⁴⁷

There are two features of the 2003 definition of design that need further attention.

10.4.1.1 'Visual features'

The first requirement is that the design's appearance results from one or more visual features. Unlike the position under the 1906 *Designs Act*, there is no longer a requirement that a design consists of features 'that, in the finished article, can be judged by the eye'.⁴⁸ The requirement that there be eye appeal (under the 1906 Act) was interpreted to mean that the design must have sufficient individuality of appearance to distinguish it from the fundamental form.⁴⁹ This proved to be a difficult requirement to satisfy. The problems that arose when attempting to establish eye appeal was illustrated by *D Sebel & Co Ltd v National Art Metal Co Pty Ltd*:⁵⁰ a decision which concerned a design applied to the fundamental form of chair (that is, the back, legs and seat). The problem of showing eye appeal in this context was highlighted by Jacobs J's comment that in relation to a chair, startling novelty or originality should not be expected as 'the element of novelty or originality will of necessity be likely to be within a small compass'.⁵¹

The fact that the 2003 definition of 'design' no longer contains a requirement of eye appeal means that the law is more straightforward and thus clearer. Although eye appeal is no longer a requirement for protection, the 2003 Act specifically includes the visual features of a product in the definition of design. 'Visual feature' is defined to mean including the 'shape, configuration, pattern or

45 s 6 *Designs Act 2003* (Cth). A design was defined in s 4 of the *Designs Act 1906* (Cth) to mean 'features of shape, configuration, pattern or ornamentation applicable to an article, being features that, in the finished article, can be judged by the eye, but does not include a method or principle of construction'.

46 (1953) 88 CLR 278.

47 *Ibid* 79–280 (Kitto J) citing *Pugh v Riley Cycle Co Ltd* (1912) 1 Ch 613, 619 and A.D. Russell-Clarke, *Copyright in Industrial Designs* (1930), 17; *Kestos Ltd v Kempat Ltd* (1935) 53 RPC 139, 151. See also *Malleys Ltd v JW Tomlin Pty Ltd* (1961) 35 ALJR 352, 352–3.

48 s 4(1) *Designs Act 1906* (Cth). This did not necessarily mean that there had to be some aesthetic features or that the design was appealing to the eye. The question was often raised 'whose' eye? It was held that it was to be the eye of the court which must assess novelty or originality and expert evidence enabled the court's eye to be an 'instructed eye': *LJ Fisher & Co Ltd v Fabtile Industries Pty Ltd* (1979) 49 AOJP 3611, 572 whereas in the UK it was to be determined by the eye of the customer. *AMP Inc v Utilux Pty Ltd* [1972] RPC 103. The removal of the requirement of eye appeal followed the recommendation of the ALRC in its report *Designs*, above n 1.

49 *Malleys Ltd v JW Tomlin Pty Ltd* (1961) 35 ALJR 352.

50 (1965) 10 FLR 224.

51 (1965) 10 FLR 224, 226. Similarly in *Dias Aluminium Products Pty Ltd v Ullrich Aluminium Pty Ltd (No V123 of 2002)* (2006) 66 IPR 561, it was observed that startling novelty or originality cannot be expected with a sliding wardrobe door design.

ornamentation' of the product.⁵² This definition covers both three-dimensional articles (such as the shape of a tea cup and saucer) and two-dimensional patterns on products (such as the floral pattern applied to the tea cup and saucer).⁵³ There must be some specificity of the shape and configuration, not merely the idea of a general shape.⁵⁴ The fact that a design must appeal (or be apparent) to the eye does not mean that the design should be appealing in an aesthetic sense.⁵⁵ The feel of a product and the materials used in the creation of a product are excluded from the definition of visual feature.⁵⁶ This is because these features do not contribute to the overall visual appearance of the product.

A visual feature may, but need not, serve a functional purpose. Under Australian law, a functional design may be validly registered even if it consists of, or includes, features of shape or configuration that serve a functional purpose.⁵⁷ However, where every visual feature of a design is dictated solely by function, it is unclear whether such a design is registrable. It has been suggested that there must be *some choice* exercised to give the product specific features of shape or ornamentation.⁵⁸

10.4.1.2 Product

The second notable aspect of the way that a design is defined is that it applies to a 'product'. A product is defined as something 'that is manufactured or hand-made'.⁵⁹ A product includes the component parts of a complex product if it is made separately,⁶⁰ and a kit when it is assembled.⁶¹ While we usually think of a product as a single isolated object with fixed dimensions, in certain circumstances something may still qualify as a product even where it is of an indeterminate length. This might include, for example, plastic pipes, corrugated iron, or roof guttering: all of which are manufactured in continuous lengths. In order for something that has one or more indefinite dimensions to qualify as a product, it is necessary to show that (a) a cross-section taken across any indefinite dimension is fixed or varies according to a regular pattern; (b) all the dimensions remain in proportion; (c) the cross-sectional shape remains the same throughout, whether or not

52 s 7(1) *Designs Act 2003* (Cth). The expression 'features of shape, configuration, pattern or ornamentation' were also used in s 4 of the *Designs Act 1906* (Cth).

53 s 7(2) *Designs Act 2003* (Cth).

54 See *Firmagroup Australia Pty Ltd v Byrne & Davidson Doors (Vic) Pty Ltd* (1987) 9 IPR 353, 355 holding that a design registered for a recessed door handle and lock mechanism was sufficiently specific.

55 It is sufficient that the design is 'noticeable' and has 'some perceptible appearance of an individual character': *Dart Industries Inc v Décor Corp Pty Ltd* (1989) 15 IPR 403, 408.

56 s 7(3) *Designs Act 2003* (Cth). If the surface or the feel of a product constitute visual features of the product, they may be able to be registered.

57 s 7(2) *Designs Act 2003* (Cth). Cf *Edwards Hot Water Systems v SW Hart Pty Ltd* (1985) 5 IPR 1; *Hosokawa Micron International Inc v Fortune* (1990) 19 IPR 531 (discussing a similar provision under the *Designs Act 1906* (Cth)).

58 W. van Caenegem, *Intellectual Property* (2nd ed, LexisNexis Butterworths, 2006), 93; *Dart Industries Inc v Décor Corp Pty Ltd* (1989) 15 IPR 403, 408: 'if the shape exists solely to make the article work or function then it is not within the concept of a registered design'. Cited with approval in *Phillips Electronics NV v Remington Products Australia Pty Ltd* (1997) 39 IPR 283, 298.

59 s 6(1) *Designs Act 2003* (Cth).

60 s 6(2) *Designs Act 2003* (Cth).

61 s 6(4) *Designs Act 2003* (Cth).

the dimensions of that shape vary according to a ratio or series of ratios; or (d) it has a pattern or ornamentation that repeats itself.⁶²

10.4.2 ‘New’ and ‘distinctive’

The second condition that must be satisfied for a design to be protected is that the design is ‘new’ and ‘distinctive’.⁶³ This is a more difficult threshold to satisfy than was required under the 1906 *Designs Act* where it was only necessary to show that the design was new or original.⁶⁴ When determining whether a design is new and distinctive, it is necessary to compare the design as set out in the application with similar designs that fall within the ‘prior art base’.⁶⁵ The prior art base includes designs that have been used in Australia, that have been published in a document in Australia or overseas,⁶⁶ or disclosed in a published design application.⁶⁷ This expands the breadth of the prior art base beyond Australia. Importantly, the prior art base only includes designs that were made available before the design’s priority date.⁶⁸ Section 17 provides that certain things (such as publication with the consent of the owner in prescribed circumstances)⁶⁹ are to be disregarded in deciding whether a design is new and distinctive.

The task of having to decide whether a design is new and distinctive is one of fact, to be determined through the eye of the judge, who may be instructed by expert evidence. In *Dart Industries v Décor Corporation Pty Ltd*,⁷⁰ Lockhart, J (with whom Jenkinson and Gummow JJ agreed) said:

[I]t is for the court to determine the meaning of a design in proceeding under the Act, whether the central question be the meaning of the design, novelty or infringement . . . [W]hile some designs are simple so that the court needs no expert evidence to interpret them, other designs are complex and judges require technical assistance in order to understand them. Such evidence is plainly admissible, but ultimately it is for the court to rule on the meaning of a design.⁷¹

A design is *new* unless it is identical to a design that forms part of the prior art base for the design.⁷² A design is *distinctive* if it is not substantially similar in overall impression to a design that already exists.⁷³ In determining whether two designs are substantially similar in overall impression, more weight is to be given

⁶² s 6(3) *Designs Act 2003* (Cth).

⁶³ s 15(2) *Designs Act 2003* (Cth). The ALRC found this test to be too lenient: ALRC, *Designs*, above n 1, recommendation 32. The problem was that as long as the Registrar had regard to the differences between the two designs (as required by s 17 *Designs Act 1906*) and found that the design differed in at least one aspect from a design already registered, published or used in Australia, then it would be accepted for registration.

⁶⁴ s 17(1) *Designs Act 1906* (Cth).

⁶⁵ s 15 *Designs Act 2003* (Cth).

⁶⁶ s 15(2) *Designs Act 2003* (Cth). This means that the prior art base outside of Australia must be considered (which is a change to the law of invalidity as it stood under the 1906 *Designs Act*).

⁶⁷ s 15(2) *Designs Act 1906* (Cth).

⁶⁸ ss 15, 27(1), 27(2) *Designs Act 2003* (Cth).

⁶⁹ reg 2.01 of the *Designs Regulations 2004* sets out the prescribed circumstances and deals with uses and publications of designs that may occur at an official or officially recognised international exhibition.

⁷⁰ (1989) 15 IPR 403.

⁷¹ *Ibid* 14.

⁷² s 16(1) *Designs Act 2003* (Cth).

⁷³ s 16(2) *Designs Act 1906* (Cth). See s 19 *Designs Act 1906* (Cth) for factors to be used in assessing substantial similarity in overall impression.

to the similarities between the designs than to the differences.⁷⁴ This means that a design that is only different in a minor respect will not be registrable (unlike under the 1906 Act).⁷⁵ Distinctiveness is assessed by ‘the standard of the informed user’.⁷⁶ This is a person who is familiar with the product (or similar products) to which the design relates.⁷⁷ The examination focuses on whether there is any substantial similarity in overall impression to any of the prior art, taking into account any statement of newness and distinctiveness.⁷⁸

10.5 Ownership

The owner may assign all or part of their interest in the registered design. To be valid, the assignment must be in writing and signed by or on behalf of the assignor and assignee.⁷⁹ A registered design can also be transferred or devolved by will or through the operation of law.⁸⁰

10.6 Rights

The owner of a registered design has the exclusive right to control the way that products that embody a design are used in certain circumstances.⁸¹ Under the Act, the registered owner has the exclusive right to:

- Make a product that embodies the design;
- Import the product for sale;
- Sell, hire or otherwise dispose of the product;
- Use a product; and
- Authorise another person to do any of the things previously mentioned.⁸²

10.7 Infringement

As is discussed above, one of the areas where the 1906 Act continues to be relevant after the passage of the 2003 Act is in relation to infringement of designs registered

⁷⁴ s 19(1) *Designs Act 2003* (Cth).

⁷⁵ Under the 1906 Act, s 17 provided that a design needed to be new or original and if the design only differed in immaterial details or in features commonly used in the relevant trade, a design would not be able to be registered for the same article. See *Sebel and Co Ltd v National Art Metal Co Pty Ltd* (1965) 10 FLR 224; *J Rapee and Co Pty Ltd v Kas Cushions Pty Ltd* (1989) 90 ALR 288; *Conrol Pty Ltd v Meco M Callum Pty Ltd* (1996) 34 IPR 517 (which provides a good overview of the cases decided on this point under the 1906 Act).

⁷⁶ s 19(4) *Designs Act 1906* (Cth).

⁷⁷ s 19(4) *Designs Act 1906* (Cth).

⁷⁸ ss 16–17 *Designs Act 2003* (Cth).

⁷⁹ s 11 *Designs Act 2003* (Cth).

⁸⁰ ss 10(2), s 11(1), 11(2), 11(3) *Designs Act 2003* (Cth).

⁸¹ s 10 *Designs Act 2003* (Cth).

⁸² s 10(1) *Designs Act 1906* (Cth).

under the 1906 Act. An action for infringement for a design registered under the 1906 Act will be determined under the 1906 infringement provisions.⁸³

10.7.1 Infringement under the 1906 Act

In order to show that a design was infringed under the 1906 Act, it was necessary to show that there had been a *fraudulent or obvious imitation* of the registered design.⁸⁴ Factors that were to be taken into account in determining this question under the 1906 Act included first impressions when looking at the two designs, the essential features of the design, appeal to the eye, and novelty of the design compared to what had gone before.⁸⁵ In *Koninklijke Philips Electronics NV & Another v Remington Products Australia Pty Ltd*⁸⁶ Lehane J observed that

the essential questions in determining whether there had been a fraudulent imitation were, first, whether the allegedly infringing design is based on or derived from the registered design and, then, whether the differences are so substantial that the result is not to be described as an imitation. Frequently . . . changes will have been introduced for the purpose of disguising copyright, or perhaps, because of a conscious desire to come as close as possible to the registered design while avoiding infringement. But, as this case illustrates, particular changes may be introduced for other compelling reasons; and there is no obvious reason why that should defeat a claim for fraudulent infringement.⁸⁷

One of the problems with the test for infringement under the 1906 Act was that it focused on the differences between the designs, the result of which was that the scope of protection was very narrow. As Lockhart J explained in *Dart Industries Inc v Décor Corporation Pty Ltd*:⁸⁸

Where novelty or originality is discovered in slight variations there cannot be infringement without a very close resemblance between the registered design and the article alleged to be an infringement of the design . . . small differences between the registered design and the prior art will generally lead to a finding of no infringement if there are equally small differences between the registered design and the alleged infringing article. On the other hand, the greater the advance in the registered design over the prior art, generally the design and the alleged infringing article support a finding of infringement.

The Ergas Committee also said that the scope of protection under the 1906 Act 'is construed extremely narrowly, with the result that only a minor variation

83 s 156 *Designs Act 2003* (Cth). See *Polyaire Ptd Ltd v K-Aire Pty Ltd* [2005] HCA 32 which, by virtue of s 155(1) of the 2003 Act, involved a consideration of s 30 (fraudulent imitation) of the 1906 *Designs Act*. See also *Midamarine Pty Ltd v DMC International Pty Ltd* [2006] FCA 1458.

84 s 30 *Designs Act 1906* (Cth). See the discussion of 'fraudulent imitation' in *Polyaire Ptd Ltd v K-Aire Pty Ltd* [2005] HCA 32 and 'obvious imitation' in *Midamarine Pty Ltd v DMC International Pty Ltd* [2006] FCA 1458 (application for an interlocutory injunction granted).

85 *Dart Industries Ltd v Décor Corporation Pty Ltd* (1989) 15 IPR 403, 405 (Lockhart J).

86 (1999) 91 FCR 167.

87 (1999) 91 FCR 167, 200 accepted in *Polyaire Ptd Ltd v K-Aire Pty Ltd* [2005] HCA 32 where the High Court clarified that differences made to disguise copying can be a sufficient, but not essential, requirement for fraudulent imitation (at 277). See also *Midamarine Pty Ltd v DMC International Pty Ltd* [2006] FCA 1458 (application for an interlocutory injunction granted) and *Dias Aluminium Products Pty Ltd v Ullrich Aluminium Pty Ltd* (No V123 of 2002) (2006) 66 IPR 561.

88 (1989) 15 IPR 403.

in appearance is needed to avoid infringement of design rights'.⁸⁹ This led the committee to conclude that the 1906 legislation was ineffectual. In part, the 2003 Act was introduced to overcome these concerns.

10.7.2 Infringement under the 2003 *Designs Act*

A registered design must be examined and a certificate of examination issued before proceedings for infringement can be initiated under the 2003 Act.⁹⁰ Once a design has been examined, the owner of a registered design is able to bring an action for either primary or secondary infringement.⁹¹ In both cases, the onus is on the registered owner of the design to show infringement.⁹²

10.7.2.1 Primary infringement

Primary infringement under the 2003 *Designs Act* occurs when a person, without the licence or authority of the registered owner of the design, does one of a range of activities in relation to a product that embodies a design that is *identical or substantially similar* in overall impression to the registered design.⁹³ The activities that fall within the owner's control are the right to 'make or offer to make; import for sale or use in trade or business; sell, hire or otherwise dispose of (or offer to do any of those things); use in any way for a trade or business or keep the product that embodies the design for any of those purposes'.⁹⁴

The test of infringement under the 2003 Act differs from the test under the 1906 Act in that there is no need to prove *fraudulent or obvious imitation* of the registered design.⁹⁵ Instead, all that has to be established is that the defendant has undertaken one of the activities that fall within the owner's exclusive control *and* that this activity was carried out in relation to a product that embodies a design that is *identical or substantially similar* in overall impression to the registered design. When determining whether a product is *identical or substantially similar* in overall impression to the registered design, the court takes into account the same factors that are relevant to a determination of whether the design is distinctive (under s 16).⁹⁶ Unlike the case under the 1906 Act, the test of infringement under the 2003 *Designs Act* requires the court to give more weight to the similarities between the competing designs than the differences.⁹⁷ As a result, small differences between an allegedly infringing design and a registered design will be insufficient to avoid a finding of infringement, if the overall impression of the infringing design remains the same. When assessing substantial similarity

89 Intellectual Property Competition Committee, *Review of Intellectual Property Legislation under the Competition Principles Agreement* (Sept 2000), 181.

90 s 73(3) *Designs Act 2003* (Cth).

91 s 75(5) *Designs Act 2003* (Cth).

92 s 72(2) *Designs Act 2003* (Cth).

93 ss 71(1)(a), 71(3), 19(1) *Designs Act 2003* (Cth).

94 See s 71(1) *Designs Act 2003* (Cth).

95 s 30 *Designs Act 1906* (Cth).

96 s 71(3) *Designs Act 2003* (Cth).

97 s 19(1) *Designs Act 2003* (Cth).

in overall impression, the courts should have particular regard to the features identified in the statement of newness and distinctiveness which the applicant has the option to file.⁹⁸ Other factors to be taken into account are the state of development of the prior art⁹⁹ and the freedom of the designer to innovate.¹⁰⁰ In situations where only part of the design is substantially similar to another design, the court will take account of the amount, quality and importance of that part in the context of the design as a whole.¹⁰¹ Where the application did not include a statement of newness and distinctiveness, the court must have regard to the appearance of the design as a whole.¹⁰² The assessment must be made through the eyes of an informed user, in other words, the person familiar with the product to which the design relates.¹⁰³

While protection under the 2003 Act extends to the ‘particular, specific and individual appearance’ of articles which carry the design,¹⁰⁴ it does not extend to features that do not constitute the unique appearance of the product.¹⁰⁵ Where an action is brought for primary infringement of a registered design, the court may refuse to award damages, reduce the damages that would otherwise be awarded, or refuse to make an account of profits if the defendant can show that they were not aware that the design was registered and that before that time, the defendant had taken all reasonable steps to ascertain whether the design was registered.¹⁰⁶

10.7.2.2 Secondary infringement

A person will be liable for secondary infringement where they import, sell, hire or otherwise dispose of a product that embodies a design that is identical or substantially similar in overall impression to the registered design.¹⁰⁷ Secondary infringement will also occur where a person uses such a product for the purposes of trade or business; or where they keep such a product for the purpose of sale, hire, disposal or any trade or business.¹⁰⁸ The court may also refuse to award damages, reduce the damages that would otherwise be awarded, or refuse to make an order for an account of profits in the case of secondary infringement, if the defendant satisfies the court that at the time of the infringement that they were not aware, and could not reasonably have been expected to have been aware, that the design was registered.¹⁰⁹

In infringement proceedings, a defendant may counter-claim for rectification of the Register¹¹⁰ by virtue of s 74.

98 s 19(2)(b) *Designs Act 2003* (Cth).

99 s 19(2)(a) *Designs Act 2003* (Cth).

100 s 19(2)(d) *Designs Act 2003* (Cth).

101 s 19(2)(c) *Designs Act 2003* (Cth).

102 s 19(3) *Designs Act 2003* (Cth).

103 s 19(4) *Designs Act 2003* (Cth).

104 See *Re Wolanski's Registered Design* (1953) 88 CLR 278; *Malleys Ltd v J W Tomlin Pty Ltd* (1961) 35 ALJR 352.

105 *Firmagroup Australia Pty Ltd v Byrne & Davidson Doors (Vic) Pty Ltd* (1987) 9 IPR 353.

106 s 75(2)(a)(i)–(ii) *Designs Act 2003* (Cth).

107 ss 71(1)(a), 71(3), 19(1) *Designs Act 2003* (Cth).

108 s 71(1)(b)–(e) *Designs Act 2003* (Cth).

109 s 75(2)(b) *Designs Act 2003* (Cth).

110 Under s 93 *Designs Act 2003* (Cth).

10.8 Exceptions

There are two defences to infringement under the *Designs Act 2003* (Cth): the spare parts defence¹¹¹ and the defence of consent.¹¹² The Crown is also given special rights in relation to the use and supply of design via compulsory licence provisions.¹¹³

10.8.1 The spare parts defence

The introduction of the spare parts defence by the 2003 Act was in response to the fact that one of the areas with which design law has long had difficulties is in relation to complex objects, such as motor vehicles and machinery, which are made up of a number of separate and distinct but necessarily interrelated parts.¹¹⁴ The problem here is that as spare parts must fit or match existing equipment for them to function, the owner of the design of the spare part is given a monopoly not only over the manufacture of the part, but also over replacement parts. The fear here is the design monopoly may restrict competition for the repair and servicing of the original equipment and also enable the design owner to charge consumers higher prices for parts.¹¹⁵

To remedy some of these problems, the *Designs Act 2003* (Cth) allows complex products and their component parts to be registered, subject to a right of repair defence.¹¹⁶ In particular s 72(1) provides that a design is not infringed where:

- a person uses,¹¹⁷ or authorises another to use, a product in relation to which the design is registered; and
- the product embodies a design that is identical or substantially similar to the registered design; and
- that product is a component of a complex product;¹¹⁸ and
- the purpose of the use or authorisation is the repair of the complex product so as to restore its overall appearance in whole or in part.¹¹⁹

111 s 72 *Designs Act 2003* (Cth).

112 s 71(2) *Designs Act 2003* (Cth).

113 ss 95–105 *Designs Act 2003* (Cth).

114 Spare parts have been examined by the Industry Commission, the Bureau of Industry Economics, the ALRC, and the Intellectual Property and Competition Review Committee, *Review of Intellectual Property Legislation under the Competition Principles Agreement (Ergas Committee Report)*, Final report to Senator the Hon Nicholas Minchin, Minister for Industry, Science and Resources, and the Hon Daryl Williams MP, Attorney-General (AGPS, September 2000). The federal government undertook at the time of the introduction of this defence to review its operation in 2005. See Hon Nick Minchin, Second Reading Speech (4 Dec 2003), *Hansard*. IP Australia conducted the review in 2005. The Final Report (which recommended that no changes be made) is entitled *Review of the 'Spare Parts' Provision in the Designs Act 2003* (Dec 2005), available at <www.ipaustralia.gov.au>.

115 Ergas Committee Report, above n 114, 183.

116 s 6(2) *Designs Act 2003* (Cth).

117 The definition of 'use' in s 72(5) *Designs Act 2003* (Cth) extends the defence not only to consumers but also to spare parts manufacturers, dealers and importers by virtue of the reference to 'make', 'import' and 'sell' the product.

118 A 'complex product' means a product comprising at least two replaceable component parts permitting disassembly and re-assembly of the product: s 5 *Designs Act 2003* (Cth).

119 s 72(1) *Designs Act 2003* (Cth).

It is useful to examine the concepts of ‘repair’ and ‘overall appearance of a product’ in more detail.

10.8.1.1 ‘Repair’

In order for the repair defence to operate, the part that needs to be repaired must be damaged or decayed. This is reflected in the definition of ‘repair’ in the Act. In relation to a complex product, repair includes restoring a decayed or damaged component part of a complex product to, or replacing a decayed or damaged product part of a complex product with a component part in, good or sound condition; necessarily replacing incidental items when restoring or replacing a decayed or damaged component part of the complex product and carrying out maintenance of a complex product.¹²⁰

10.8.1.2 ‘Overall appearance of a product’

The repair defence only covers repairs that restore the overall appearance of a product. Thus, if a design of a front bumper of a car is used to repair the car’s appearance, then the repairer may be able to rely up on the repair defence. However, where a repair is made to the functional aspect of a (registered) car part (for example, replacing an internal (unseen) part in the engine), then there is no avoiding an infringement by way of the repair defence, if the spare part is copied without permission.¹²¹ The overall appearance is restored if, to a person familiar with the complex product (otherwise known as an ‘informed user’),¹²² there is no material difference in the appearance of the product before and after the use of the component part.¹²³

While the right of repair provides a defence against infringement, the use of a part that is protected by a registered design for purposes other than repair will still infringe. Where a defendant raises the spare parts defence in design infringement proceedings, the registered owner of the design bears the onus of proving that the registered spare parts were being used for non-repair purposes.¹²⁴

A review of the spare parts provision was conducted in 2005 by IP Australia.¹²⁵ It found that the full market impact of the spare parts provision is unlikely to be evident for several years to come. While many issues were raised by industry groups,¹²⁶ the Report concluded that all the issues had already been considered by the government in 2002–03 and that:

120 s 72(5) *Designs Act 2003* (Cth).

121 Unless the appearance of the engine design is also a registered design and the internal part contributes to the visual appearance of the engine.

122 An ‘informed user’, in relation to the overall appearance of a complex product, means a person who is familiar with the complex product, or with products similar to that product: s 72(4) *Designs Act 2003* (Cth).

123 s 72(3)(a) *Designs Act 2003* (Cth).

124 s 72(2) *Designs Act 2003* (Cth).

125 In 2003, the federal government made a commitment to conduct a formal review of the spare parts provision before the end of 2005: *Review of the ‘Spare Parts’ Provision in the Designs Act 2003*, Final Report (Dec 2003). To this end an issues paper was launched on 18 August 2005, leading to *Review of the ‘Spare Parts’ Provision in the Designs Act 2003*, Final Report (Dec 2005).

126 *Review of the ‘Spare Parts’ Provision in the Designs Act 2003*, Final Report (Dec 2005), 7–14.

there is no case for reconsidering the Government view that the right of repair defence strikes an appropriate balance between the Government's policy objective to encourage innovation by protecting components suppliers in the primary market; open up the spare parts market to greater competition; and operate an accessible design registration system that strikes the appropriate balance between consumer benefits, compliance costs for business and industry and administrative costs for the Government.¹²⁷

10.8.2 Consent and parallel importation

A defence to infringement is provided by s 71(2) where a person imports a product with an infringing design if a licence or authority is given by the registered owner of the design. The 2003 Act does not make it clear who is the 'registered owner' (i.e. whether the design needs to be registered in Australia or an overseas jurisdiction), so it is not clear whether parallel importation is allowed.¹²⁸

10.8.3 Crown use and supply

The Crown is granted a compulsory licence by virtue of ss 95–105 of the 2003 *Designs Act*. This is consistent with the ability of the Crown to use other forms of intellectual property such as patents and copyright material.

10.9 Remedies

The relief awarded where a registered design has been infringed include an injunction and either damages or an account of profits.¹²⁹ Additional damages may also be awarded in certain circumstances.¹³⁰ In situations where there has been an unjustified threat of infringement proceedings there is provision for declarations, injunctions and damages.

As was discussed in relation to the action for infringement above, the court may refuse to award damages or an account of profits, or reduce the amount of damages awarded if the defendant satisfies the court:

- for *direct infringement*, that the defendant was not aware that the design was registered and that the defendant had taken all reasonable steps to ascertain whether the design was registered;¹³¹
- for *secondary infringement*, that at the time of the infringement, the defendant was not aware, and could not reasonably have been expected to be aware, that the design was registered.¹³²

¹²⁷ Ibid 14.

¹²⁸ See R. Reynolds and N. Stoinanoff, *Intellectual Property: Text and Essential Cases* (2nd ed, Sydney: The Federation Press, 2005), 555.

¹²⁹ s 75(1) *Designs Act 2003* (Cth).

¹³⁰ s 75(3) *Designs Act 2003* (Cth).

¹³¹ s 75(2)(a)(i)–(ii) *Designs Act 2003* (Cth).

¹³² s 75(4) *Designs Act 2003* (Cth).

The defendant will be taken to have been aware that the design was registered if the product or its packaging is marked so as to indicate registration of the design.¹³³

10.9.1 Unjustified threats

A person threatened by another person with infringement proceedings in respect of a design may seek a declaration that the threat is unjustified, and an injunction preventing the continuation of the threat or damages.¹³⁴ A threat made before a certificate of examination has been issued in respect of a design is an unjustified threat.¹³⁵ The threat may be made by means of circulars, advertisements or otherwise.¹³⁶

The mere notification of the existence of a registered design does not constitute an unjustified threat.¹³⁷ However, the courts will be quick to infer a threat if a person goes beyond this and says something such as ‘our clients are prepared to protect their interests with the utmost vigour’.¹³⁸ Legal representatives, patent attorneys and trade mark attorneys will not be liable for threats made on behalf of their clients.¹³⁹ However, a client cannot escape liability by saying ‘My lawyer did that, not me’.¹⁴⁰

10.10 Design–copyright overlap

One of the problems that continually arise in designs law arises from the fact that the protection offered by the registered design system has the potential to overlap with the protection available under copyright law.¹⁴¹ The potential for overlap arises from the fact that the owner of copyright in a two-dimensional artistic work has the right to reproduce the work in three-dimensional format.¹⁴² This may mean, for example, that a chair protected as a registered design could also potentially be protected as an artistic work (on the basis of copyright in the drawing of the chair). As the two-dimensional drawing is also able to be protected when the chair is reproduced in three-dimensions, this means that the design of the chair would be potentially protected by both design and copyright law. There is also the possibility that the chair may also be protected as a sculpture. While in itself there is nothing inherently wrong with cumulative protection of designs, one of the problems with dual protection is that it enables owners to manipulate

133 s 75(2) (a)(i)–(ii) *Designs Act 2003* (Cth).

134 s 77(1) *Designs Act 2003* (Cth).

135 s 77(3) *Designs Act 2003* (Cth).

136 s 77(2) *Designs Act 2003* (Cth).

137 s 80 *Designs Act 2003* (Cth).

138 *Rosedale Associated Manufacturers Ltd v Airfix Products Ltd* [1956] RPC 360, 363.

139 s 79 *Designs Act 2003* (Cth).

140 *Wanem v Tekiela* (1990) 19 IPR 435, 444.

141 See C. Golvan, ‘The Copyright/Design Overlap: An appropriate balance under the new Design Legislation?’ (2004) 59 *Intellectual Property Forum* 36.

142 s 21(3) *Copyright Act 1968* (Cth).

the protection they receive in such a way that it undermines the policy goals that underpin intellectual property law. The main concern is that while design law is limited to ten year protection and is only available for designs that are new and distinctive, copyright protection is not only much longer (lasting for the life of the author plus seventy years), but also easier to acquire.

There are a number of different ways in which the issue of overlap of protection can be addressed. In some countries, dual protection is not seen as a problem to be resolved through legal means so much as something that the designer needs to be concerned with. In other circumstances, however, dual protection is seen as something that should be avoided. While there are a number of exceptions, this is the approach adopted in Australian law, which largely rejects cumulative protection of a design by both copyright and design laws. The law in this area is governed by ss 74–7 of the *Copyright Act 1968* (Cth),¹⁴³ as amended and clarified by the *Designs (Consequential Amendments) Act 2003* (Cth). While there are exceptions, as Crennan J said, the broad policy approach that underpins these provisions is that artistic works that are commercially exploited ‘as three-dimensional designs should generally be denied copyright protection and be protected, if at all, under the designs legislation’.¹⁴⁴ There are two situations where copyright protection will no longer be available to protect an artistic work. These are where (i) a corresponding design has been registered or (ii) a corresponding design has been industrially manufactured. We will look at each in turn.

10.10.1 Registration of a corresponding design

The first situation where copyright protection will not be available for an artistic work is where a design that corresponds to the artistic work is registered. More specifically, s 75 provides that where copyright subsists in an artistic work (whether made before the commencement of this section or otherwise) and a ‘corresponding design’ is or has been registered under the *Designs Act 1906* (Cth) or the *Designs Act 2003* (Cth), it is not an infringement of that copyright to reproduce the work by embodying the corresponding design in a product. A ‘corresponding design’ is defined in s 74 of the *Copyright Act 1968* (Cth) as the visual features of shape or configuration which, when embodied in a product, result in a reproduction of that work (whether or not the visual features constitute a design that is capable of being registered under the *Designs Act 2003* (Cth)). This definition was intended to reflect the policy that the restrictions on dual protection should only arise in relation to three-dimensional designs. In line with this, most commentators have suggested that s 75 will not apply where an artistic work (such as a painting) is applied to a flat surface (such as a t-shirt).¹⁴⁵ Accordingly, artistic works exploited in two dimensions as visual features of pattern or ornamentation

143 ss 74–7 (amended by the *Designs (Consequential Amendments) Act 2003* (Cth), effective from 17 June 2004).

144 *Gold Peg International Pty Ltd v Kovan Engineering (Aust) Pty Ltd* [2005] FCA 1521, para 201.

145 s 74(1) *Copyright Act 1968* (Cth). ‘Embodied in a product includes “woven into, impressed on or worked into the product”’: s 74(2) *Copyright Act 1968* (Cth). It is unclear whether this would include situations where

(but not ‘embodied in a product’) will retain copyright protection as they will be excluded. It would apply, however, to deny copyright protection for an engineering drawing of a chair that was subsequently registered as a three-dimensional design.

Unlike the case where a corresponding design has been applied industrially, s 75 applies where the artistic work is a building, a model of a building or a work of artistic craftsmanship. The upshot of s 75 is that where a registered design is a three-dimensional reproduction of an artistic work, copyright in the artistic work will not be infringed where an object that embodies the artistic work is reproduced. One of the consequences of registration is that the designer is no longer able to rely upon copyright to protect the artistic work when it is reproduced in a three-dimensional format.¹⁴⁶

The scope of the prohibition on dual protection was extended by the 2003 *Designs Act* which introduced a new defence of s 77A into the *Copyright Act 1968* (Cth). While s 75 primarily deals with the reproduction (or manufacture) of a product that embodies an artistic work, s 77A extends the defence to include situations where the reproduction occurs in the course of, or is incidental to, the making, selling or letting for hire of the product that embodies the artistic work. That is, the defence now applies to activities that occur during the manufacturing process. This might occur, for example, where a person uses technical drawings or where they make a cast or a mould embodying a corresponding registered design in relation to the artistic work.

10.10.2 Industrial application of a corresponding design

The second limitation on the potential for dual protection arises under s 77. Subject to a limited number of exceptions, this provides a defence to an action for infringement of copyright in an artistic work where a ‘corresponding design’ has not been registered as a design, but has been ‘applied industrially’ whether in Australia or overseas.¹⁴⁷ The section also applies where a complete patent specification or a representation of the product is published in Australia.¹⁴⁸ While the meaning of ‘corresponding design’ in this context is the same as with s 75, the scope of the exception is more limited in that it does not apply where the artistic work is a building, a model of a building or a work of artistic craftsmanship.¹⁴⁹ As is the case with the limitation imposed under s 75, the scope of the prohibition on dual protection under s 77 was extended in 2003 by the introduction of s 77A. The upshot is that s 77 now operates where the reproduction occurs in the course of, or is incidental to, the making, selling or letting for hire of the

an image is reproduced on a flat surface such as wallpaper or a t-shirt (although it is possible that in this context it could be argued that the image has been ‘impressed on’ the product).

146 This is subject to the proviso in relation to false registration set out in s 76 *Copyright Act 1968* (Cth).

147 *Gold Peg International Pty Ltd v Kovan Engineering (Aust) Pty Ltd* [2005] FCA 1521, para 203.

148 s 77(1A) *Copyright Act 1968* (Cth).

149 s 77(1)(a) *Copyright Act 1968* (Cth). A building or a model of a building does not include a portable building such as a shed, a pre-constructed swimming pool, a demountable building or similar portable building: s 77(5) *Copyright Act 1968* (Cth).

product that embodies the artistic work. Section 77(1)(d) provides that for s 77 to operate, the corresponding design must not have been registrable under either the *Designs Act 2003* (Cth) or the *Designs Act 1906* (Cth).

According to the *Copyright Regulations*, a design is taken to be ‘applied industrially’ if it is applied to more than fifty articles or to one or more articles (other than handmade articles) manufactured in lengths or pieces. For the purposes of the regulation, a design is taken to be applied to an article if the design is applied to the article by a process (whether a process of printing, embossing or otherwise); or the design is reproduced on or in the article in the course of the production of the article.¹⁵⁰ While reg 17 stipulates that a design is taken to have been applied industrially where it is applied to fifty or more articles, this is not an exhaustive definition. In a situation where only three prototypes of the plaintiff’s helmets had been produced, King J said that ‘there is nothing incongruous in leaving it to be decided as a question of fact whether there is industrial application of a design in a case where less than fifty applications of the design has taken place’.¹⁵¹ A similar approach was adopted in *Press-Form v Henderson* where Gummow J said that there ‘may be designs applicable to articles of such a substantial or complex nature that whilst it is unlikely that more than 50 articles will ever be made by the owner of the design registration, in ordinary parlance the design will have been applied industrially by manufacture of something less than 50 articles’.¹⁵²

150 reg 17, *Copyright Regulations 1969* (Cth).

151 *Safe Sport Australia Pty Ltd v Puma Australia Pty Ltd* (1985) 4 IPR 120, 126; cited in *Gold Peg International Pty Ltd v Kovan Engineering (Aust) Pty Ltd* [2005] FCA 1521, para 210.

152 (1993) 40 FCR 274, 281. Cited with approval in *Gold Peg International Pty Ltd v Kovan Engineering (Aust) Pty Ltd* [2005] FCA 1521, para 210. See also *Kevlacat Pty Ltd v Trailcraft Marine* (1987) 11 IPR 77 (French J).

Equitable doctrine of breach of confidence

11.1 Introduction

Creation and open transmission of ideas and information have long been regarded as important features of a democratic society. However, there are many occasions where a person will want to communicate information to another in confidence on the understanding that the information is not further disseminated or used without consent. This may arise in the context of business, government or personal relationships. The value of information in each type of context will differ. Businesses and corporations are usually concerned to protect information that has some commercial value.¹ It may be an invention for which a patent is to be sought, details of a business strategy or secret processes or recipes. Governments need to protect their ability to make decisions on sensitive issues. Individuals are usually concerned about protection of reputation and privacy.² In the case of indigenous groups, their concern is to protect the secrets of their tribal group.³

There is no discrete body of law that protects confidential information because the circumstances differ widely in which obligations are imposed.⁴ Duties of confidence may be relevant in many different legal contexts, including that of protection of government secrets, business secrets and personal privacy, and requests for information under the relevant freedom of information

¹ See generally: R. Dean, *The law of trade secrets and personal secrets* (2nd ed, Sydney: Law Book Company, 2002); R. P. Meagher, J. D. Heydon & M. D. Leeming, *Meagher, Gummow & Lehane's Equity: Doctrines and Remedies* (4th ed, Sydney: Butterworths, 2002); J. Glover, *Equity, restitution & fraud* (Sydney: LexisNexis Butterworths, 2004), ch 6; F. Gurry, *Breach of Confidence* (Oxford: Clarendon Press, 1984).

² J. McKeough, A. Stewart & P. Griffith, *Intellectual Property in Australia* (3rd ed, Sydney: LexisNexis Butterworths, 2004).

³ *Foster v Mountford & Rigby Ltd* (1976) 14 ALR 71.

⁴ McKeough et al, *Intellectual Property in Australia*, above n 2.

legislation.⁵ Obligations also arise under the doctrine of legal professional privilege,⁶ but this type of confidence must be distinguished from confidential information which is the source of the plaintiff's rights.⁷ Specific duties may be owed by people who have statutory powers to obtain information,⁸ and issues of confidentiality can arise in connection with arbitration proceedings.⁹ There are also statutory provisions that deal with protecting those who disclose confidential information.¹⁰ In certain types of relationships of trust and confidence, such as client and solicitor, patient and doctor, customer and banker, or employee and employer, the law will imply a term into the relationship requiring the confidant to respect the confidentiality.¹¹

In many instances, the duty of confidence will arise from a contractual relationship between the parties. The principles of contract govern the issue of breach if there is a contract with an express term that imposes an obligation of confidence on a party to the contract.¹² However, the courts will often imply a contractual term to fill the void if there is no express term, or if the term of the contract is in restraint of trade and unenforceable.¹³ Express terms that impose obligations of confidentiality, often in combination with a restrictive covenant, commonly appear in employment contracts, business or industry source funding of research within a university or disclosure of an invention to a potential business partner.¹⁴

Apart from these specific instances where duties of confidence are governed by statute, express or implied contractual conditions or terms that are implied by reference to the nature of the relationship, it is well settled that obligations of confidence might arise in equity independently of any contract. Where no contract exists, the action is based in the equitable doctrine of breach of confidence. While an express term in a contract will take precedence over the equitable obligation of confidence, the implied contractual term and the equitable obligation co-exist and courts usually do not differentiate between the two sources.¹⁵ The

5 M. Paterson, *Freedom of Information and Privacy in Australia: Government and Information Access in the Modern State* (Sydney: LexisNexis Butterworths, 2005).

6 S. B. McNicol, *The Law of Privilege* (Sydney: Law Book Company 1992); *PhotoCure ASA v Queen's University at Kingston* (2002) 56 IPR 86, 95–9; *Prince Jefri Bolkiah v KPMG* [1999] 2 AC 222 ('Chinese walls'); *AG Holdings v Burton* (2002) 58 NSWLR 464.

7 *Corrs Pavey Whiting & Byrne v Collector of Customs (Vic)* (1987) 14 FCR 434, 457; *Crowley v Murphy* (1981) 52 FLR 123, 145–6 (Lockhart J).

8 E.g., *Aboriginal Heritage Act 1988 (SA)* s 35; *Hughes Aircraft Systems International v Airservices Australia* (1997) 76 FCR 151; *Hoechst UK Ltd v Chemiculture Ltd* [1993] FSR 270.

9 *Esso Australia Resources Ltd v Plowman (Minister for Energy & Minerals)* (1995) 183 CLR 10.

10 E.g., *Protected Disclosures Act 1994 (NSW)* s 1; *Public Service Act 1999 (Cth)* s 16; *Parliamentary Service Act 1999 (Cth)* s 16; *Public Interest Disclosure Act 1994 (ACT)*. See also various state legislative provisions for whistleblowers: e.g., *Whistleblowers Protection Act 1993 (SA)*; *Whistleblowers Protection Act 1994 (Qld)*; *Whistleblowers Protection Act 2001 (Vic)*.

11 See Glover, *Equity, restitution and fraud*, above n 1, ch 2–4.

12 *Magbury Pty Ltd v Hafele Australia Pty Ltd* (2001) 210 CLR 181; *Faccenda Chicken Ltd v Fowler* [1987] Ch 117, 135; Meagher at al, *Meagher, Gummow & Lehane's Equity*, above n 1, ¶41–020.

13 *Triplex Safety Glass Co Ltd v Scorah* [1938] Ch 211; *Wessex Dairies Ltd v Smith* [1935] 2 KB 80; *Vokes Ltd v Heather* (1945) 62 RPC 135; *Deta Nominees Pty Ltd v Viscount Plastic Products Pty Ltd* [1979] VR 167; *Magbury Pty Ltd v Hafele Australia Pty Ltd* (2001) 210 CLR 181. See 11.6.2 below.

14 *Magbury Pty Ltd v Hafele Australia Pty Ltd* (2001) 210 CLR 181.

15 F. Gurry, 'Breach of Confidence', in P. D. Finn (ed), *Essays in Equity* (Sydney: Law Book Company 1985), ch 6, 115; *Titan Group Pty Ltd v Sterilene Manufacturing Pty Ltd* (1990) 19 IPR 353, 388; *Deta Nominees v Viscount Plastic Products* [1979] VR 167, 191 (Fullagar J).

significance of the difference relates to remedies and enforcement against third parties.¹⁶ The principal concern of this chapter is with the equitable doctrine of breach of confidence.

11.2 Origins of equitable doctrine of breach of confidence

In the absence of contract, relief is available on equitable grounds under the breach of confidence action.¹⁷ The origins of this action appear to arise from the practice of equity to protect secrets where one party confided them to another in recognised relationships of trust and confidence. However, the doctrine soon spread to protect a wider range of circumstances in which confidential information was disclosed in breach of confidence. The more immediate origins of the wider doctrine lie in two lines of cases in the eighteenth and nineteenth centuries where courts of equity intervened to protect confidences outside the usual relationships of trust.¹⁸ The first seemed to be based upon the common law right of property that was akin to copyright protection. Here, courts of Chancery restrained unauthorised use or publication of unpublished literary or artistic works.¹⁹ An example is that of *Prince Albert v Strange*,²⁰ where the court restrained publication of any information whatsoever concerning an unpublished catalogue of etchings made by Prince Albert and Queen Victoria for their own private enjoyment. This line of authority required the information to exist in a tangible form. It ceased when copyright protection extended to unpublished works in 1911.

The jurisdictional basis for the second line of cases was unclear, but arose quite apart from any contractual obligation or common law right of property in an unpublished work. In *Abernethy v Hutchinson*,²¹ a remedy was available to prevent an intending publisher from reproducing lectures that were delivered orally to a limited audience of students. It was not possible to base the action on the common law right of property in unpublished lectures because there were no written lectures. Furthermore, there was no contractual basis for a remedy because no such relationship existed between the lecturer and the intending publisher. An underlying sense of unconscionability that appears in the judgment may have influenced the decision.

16 *Peter Pan Manufacturing Corp v Corsets Silhouette Ltd* [1964] 1 WLR 96; *Surveys & Mining Ltd v Morrison* [1969] Qd R 470; *Mense & Ampere Electrical Manufacturing Co Pty Ltd v Milenkovic* [1973] VR 784; *Conveyor Co of Australia Pty Ltd v Cameron Bros Engineering Co Ltd* [1973] 2 NZLR 38; *Thomas Marshall (Exports) Ltd v Guinle* [1979] Ch 227; *G D Searle and Co Ltd v Celtech Ltd* [1982] FSR 92; Meagher et al, *Meagher, Gummow & Lehane's, Equity*, above n 1, ¶ 41–020.

17 *Moorgate Tobacco Co Ltd v Philip Morris Ltd [No 2]* [1984] 156 CLR 414, 438; *Attorney-General v Guardian Newspapers (No 2)* [1988] 3 All ER 545; *Saltman Engineering Co Ltd v Campbell Engineering Co Ltd* (1948) 65 RPC 203; *Seager v Copydex Ltd* [1967] 2 All ER 415; *Coco v AN Clark (Engineers) Ltd* [1969] RPC 41.

18 *Abernethy v Hutchinson* (1825) 3 LJ (Ch) 209, 1 H & T 28, 47 ER 1313; *Prince Albert v Strange* (1849) 1 H & Tw 1, 47 ER 1302 (Ch); *Morison v Moat* (1851) 9 Hare 241, 68 ER 492. Generally, see: Gurry, *Breach of Confidence*, above n 1; Dean, *The law of trade secrets*, above n 1; L.S. Sealy, 'Fiduciary Relationships' (1962) *CLJ* 69; P. D. Finn, *Fiduciary Obligations* (Sydney: Law Book Company 1977), ch 19.

19 *Prince Albert v Strange* (1849) 1 H & Tw 1, 47 ER 1302.

20 *Ibid.*

21 *Abernethy v Hutchinson* (1825) 3 LJ (Ch) 209, 1 H & T 28, 47 ER 1313.

These early cases lay the foundation for the modern action, but there is no clear definition as to the jurisdictional basis for the action. In some cases, the basis was referred to as property,²² in others as founded on contract²³ and in others upon trust and confidence.²⁴ Although debate continues as to the appropriate jurisdictional basis for the protection of confidential information,²⁵ Australian authorities are clear that property provides no rational basis for the action.²⁶ Rather, the better explanation is in terms of the 'notion of an obligation of conscience arising from the circumstances in or through which the information was communicated or obtained'.²⁷ This emphasises that a person who receives information in confidence must not take unfair advantage of it; the action requires an unconscientious use of the information.²⁸

The existence of the jurisdiction for an equitable action in breach of confidence in Australia is clearly established by three High Court decisions.²⁹ The general thrust of the action is to provide a person who discloses secret ideas and information to another in confidence with rights to restrain the threatened or actual unauthorised use or disclosure. In general terms, an obligation to protect confidences arises by reason of the subject matter and circumstances in which the subject matter comes into the hands of the person charged with the breach.³⁰ There is no requirement for secrets to be recorded in some tangible way and remedies apply equally to protect ideas that are conveyed to a person in confidence either orally or in some material form.³¹ However, such cases may not proceed far in practice due to problems of proof where there is no tangible embodiment of the information.

11.3 The elements of the action

The modern doctrine of the equitable action for breach of confidence emerged from *Saltman Engineering Co Ltd v Campbell Engineering Co Ltd*,³² a 1948 decision of the United Kingdom Court of Appeal. Its significance was that Lord Greene

22 *Morison v Moat* (1851) 9 Hare 241, 68 ER 492 (Ch); *Prince Albert v Strange* (1849) 1 H & Tw 1, 47 ER 1302 (Ch).

23 *Saltman Engineering Co Ltd v Campbell Engineering Co Ltd* (1948) 65 RPC 203.

24 *Morison v Moat* (1851) 9 Hare 241, 68 ER 492.

25 J. Stuckey, 'The Equitable Action for Breach of Confidence: Is Information ever Property?' (1981) 9 *Sydney LR* 402; S. Ricketson, 'Confidential Information – A New Proprietary Interest?: Part I' (1977) 11 *MULR* 223; 'Part II' (1978) 11 *MULR* 289.

26 E.g., *Moorgate Tobacco Co Ltd v Philip Morris Ltd [No 2]* [1984] 156 CLR 414, 437–8; *Federal Commissioner of Taxation v United Aircraft Corp* (1943) 68 CLR 525, 534 (Latham CJ); *Brent v Federal Commissioner of Taxation* (1971) 125 CLR 418, 425; but note comments of Gummow J in *Smith Kline & French Laboratories (Australia) Ltd v Secretary, Department of Community Services and Health* (1990) 22 FCR 73.

27 *Moorgate Tobacco Co Ltd v Philip Morris Ltd [No 2]* [1984] 156 CLR 414, 438; *Breen v Williams* (1996) 186 CLR 71; *Saltman Engineering Co Ltd v Campbell Engineering Co Ltd* (1948) 65 RPC 203; *Stephens v Avery* [1988] Ch 449.

28 *Smith Kline & French Laboratories (Australia) Ltd v Secretary, Department of Community Services and Health* (1990) 22 FCR 73.

29 *Moorgate Tobacco Co Ltd v Philip Morris Ltd [No 2]* [1984] 156 CLR 414; *The Commonwealth of Australia v John Fairfax & Sons Ltd* (1980) 147 CLR 39; *Johns v Australian Securities Commission* (1993) 178 CLR 408, 427 (Brennan J), 436 (Dawson J), 455 (Toohey J), 474 (Hugh J) and 459–60 (Gaudron J).

30 *Ansell Rubber Co Pty Ltd v Allied Rubber Industries Pty Ltd* [1967] VR 37, 40.

31 *Fraser v Thames Television* [1984] QB 44, 64.

32 [1963] 3 All ER 413.

recognised an action for breach of confidence was possible in the absence of a contract. The elements of the action were later summarised by Megarry J in *Coco v AN Clark (Engineers) Ltd*.³³ The case involved the disclosure of details including the prototype, drawings and other information in pre-contractual negotiations for a joint venture for the production of a motor-assisted cycle 'Coco' which the plaintiff had designed. The negotiations broke down and the plaintiff claimed unsuccessfully that the defendant had made unauthorised use of information communicated in the course of negotiations. The elements of the action were summarised as follows:

- (a) that the information was of a confidential nature – not in the public domain;
- (b) that the information was communicated in circumstances importing an obligation of confidence; and
- (c) that there has been unauthorised use of the information to the detriment of the person communicating it.

Some necessary refinement of these early principles has been an inevitable consequence of the complex circumstances in which a person might seek to protect confidences.³⁴ For example, it is clear that no relationship of confidence is required,³⁵ that there can be threatened misuse,³⁶ that the information must be identified with specificity before there can be a successful action,³⁷ that the imposition of the obligation must be reasonable,³⁸ that the information was received (as contrasted with communicated) in such circumstances as to import an obligation of confidence³⁹ and that the action can be brought to restrain disclosure by third parties.⁴⁰ The need for detriment is not necessarily clear.⁴¹ It seems that a duty of confidence may be imposed after the information has been communicated as long as the material concerned had not been published and the obligation was drawn to the attention of the person to whom it had been confided before they chose to read the information.⁴²

33 [1969] RPC 41.

34 *Corrs Pavey Whiting & Byrne v Collector of Customs (Vic)* (1987) 14 FCR 434, 443.

35 *Franklin v Giddins* [1978] Qd R 72; *Sullivan v Sclanders* (2000) 77 SASR 419; *Australian Broadcasting Corporation v Lenah Game Meats Pty Ltd* (2001) 208 CLR 199.

36 *Saltman Engineering Co Ltd v Campbell Engineering Co* (1948) 65 RPC 203, 215; *The Commonwealth of Australia v John Fairfax & Sons Ltd* (1980) 147 CLR 39, 50–1; *O'Brien v Komesaroff* (1982) 150 CLR 310, 326–8.

37 *O'Brien v Komesaroff* (1982) 150 CLR 310.

38 *Dunford & Elliott v Johnson & Firth Brown* [1978] FSR 143.

39 *Corrs Pavey Whiting & Byrne v Collector of Customs (Vic)* (1987) 14 FCR 434, 443; *Franklin v Giddins* [1978] Qd R 72.

40 *Talbot v General Television Corporation Pty Ltd* [1980] VR 224; *Wheatley v Bell* [1982] 2 NSWLR 544. J. Stuckey, 'The Liability of Innocent Third Parties Implicated in Another's Breach of Confidence' (1981) 4 UNSWLJ 73.

41 *Coco v A N Clark (Engineers) Ltd* [1969] RPC 41, 48; Mason J accepted the need for detriment in *The Commonwealth of Australia v John Fairfax & Sons Ltd* (1980) 147 CLR 39, at least for confidences reposed within government. See also: *Co-ordinated Industries Pty Ltd v Elliott* (1998) 43 NSWLR 282. An injunction may be granted without proof of detriment: see for example *Attorney General (UK) v Heinemann Publishers Australia Pty Ltd* (1987) 10 NSWLR 86, 190; see also *Moorgate Tobacco Co Ltd v Philip Morris Ltd [No 2]* [1984] 156 CLR 414, 438.

42 *English & American Insurance Co Ltd v Herbert Smith* [1988] FSR 232; *Surface Technology plc v Young* [2002] FSR 25 (privileged documents that come into the hands of the other party).

11.3.1 Must be able to identify the information with specificity

The plaintiff must identify clearly the information being relied upon in an action of breach of confidence.⁴³ Merely identifying a document or range of documents is an insufficiently precise definition of the confidential information which is required to found the cause of action.⁴⁴ It is necessary to identify the particular contents of the documents which are asserted to be entitled to protection.⁴⁵ However, as Nettle J stated in *Sent v John Fairfax Publication Pty Ltd*,⁴⁶ the degree of particularity must depend upon the circumstances of each case and the risk of disclosure. The fact that the proceedings are only at an interlocutory stage does not justify less precision in the identification of the confidential parts.⁴⁷

It is insufficient to claim confidentiality in general or global terms for two reasons.⁴⁸ First, such claims would provide insufficient detail to enable a court to be satisfied that the specified information was imparted or received in circumstances which give rise to an obligation of confidence and includes no rights to matters of common knowledge.⁴⁹ Second, the lack of precision would make it impossible for the court to frame a clear injunction in terms that enable people to determine what they can freely use⁵⁰ should relief against misuse of confidential information be granted.⁵¹ Therefore, a person who includes both confidential information and information that is public knowledge in documentation which is claimed to be confidential must distinguish the confidential items to successfully obtain a remedy. No remedy is available in these circumstances to protect matters of public knowledge.⁵²

11.3.2 Information must have the necessary quality of confidence

Information will not be protected unless it has ‘the necessary quality of confidence about it’.⁵³ This is an elusive concept: Finn wrote in 1977, ‘no general definition can be given of confidential information – secrecy in this context is a

43 *John Zink Co Ltd v Wilkinson* [1973] RPC 717; *O'Brien v Komesaroff* (1982) 150 CLR 310, 326; *The Gadget Shop Ltd v The Bug.Com Ltd* [2001] FSR 26; *Sent v John Fairfax Publication Pty Ltd* [2002] VSC 429; *Carindale Country Club Estate Pty Ltd v Astill* (1993) 42 FCR 307, 314–5.

44 *O'Brien v Komesaroff* (1982) 150 CLR 310, 324–5.

45 *Ibid* 326–7.

46 [2002] VSC 429, adopting Gillard J in *Yunghanns v Elfic Ltd* (Unreported, Supreme Court of Victoria, Library No 5970 of 1997, 3 July 1998). See also *Durban Roodepoort Deep Ltd v Reilly & Featherby* [2003] WASC 232; *Rapid Metal Developments (Australia) Pty Ltd v Anderson Formrite Pty Ltd* [2005] WASC 255.

47 *The Gadget Shop Ltd v The Bug.Com Ltd* [2001] FSR 26, 405.

48 *O'Brien v Komesaroff* (1982) 150 CLR 310, 326–8; *Corrs Pavey Whiting & Byrne v Collector of Customs (Vic)* (1987) 14 FCR 434, 443.

49 *Independent Management Resources Pty Ltd v Brown* [1987] VR 605, 609; *Carindale Country Club Estate Pty Ltd v Astill* (1993) 42 FCR 307, 314–5.

50 *Amway Corporation v Eurway International Ltd* [1974] RPC 82, 86–7.

51 *Carindale Country Club Estate Pty Ltd v Astill* (1993) 42 FCR 307, 314–5.

52 *O'Brien v Komesaroff* (1982) 150 CLR 310, 326–8.

53 *Saltman Engineering Co Ltd v Campbell Engineering Co Ltd* (1948) 65 RPC 203, 215; *Moorgate Tobacco Co Ltd v Phillip Morris Ltd [No 2]* [1984] 156 CLR 414, 437.

chameleon'.⁵⁴ The range of information that may be protected is extremely wide and extends to protect personal information,⁵⁵ government secrets,⁵⁶ business information and trade secrets⁵⁷ and a range of other ideas.⁵⁸ Confidential information given by citizens to governments and their departments and agencies will also be protected.⁵⁹ Also, the information must have some significance in the sense that 'the preservation of its confidentiality or secrecy is of substantial concern to the plaintiff'.⁶⁰ This may not necessarily be in a commercial sense.⁶¹ It is possible that 'information as to crimes, wrongs and misdeeds' lacks the necessary quality of confidence for a successful action on the basis that there is no confidence in an iniquity.⁶²

The requirement that information has the necessary quality of confidence means that no obligations of confidentiality can be imposed if information is already in the public domain.⁶³ This differs from a contractual imposition of an obligation of confidence, where the parties can agree to keep information secret even though it may already be in the public domain.⁶⁴

11.3.2.1 Ideas

A preliminary matter concerns the meaning of 'information' and the extent to which ideas must be developed before they satisfy this criterion. This issue is of particular relevance in cases that involve television, theatre and entertainment where there may be no tangible finished product, such as a detailed written script.⁶⁵ It is clear that protection is available for an idea that is developed to the stage of being a concept that is attractive as a television program and is capable of being realised as an actuality.⁶⁶ However, it is also clear that it is unnecessary to fully develop the literary or dramatic idea in the form of a synopsis or treatment that is embodied in some permanent form.⁶⁷ The required extent

54 Finn, *Fiduciary Obligations*, above n 18, 148.

55 *Argyle v Argyle* [1967] Ch 302; *Prince Albert v Strange* (1849) 1 H & Tw 1, 47 ER 1302; *Douglas v Hello!* Ltd (No 3) [2006] QB 125.

56 *The Commonwealth of Australia v John Fairfax & Sons Ltd* (1980) 147 CLR 39; *Attorney-General v Guardian Newspapers (No 2)* [1988] 3 All ER 545; *Attorney-General (UK) v Heinemann Publishers Australia Pty Ltd (No 2)* (1988) 165 CLR 30; *Attorney-General v Jonathan Cape Ltd* [1976] QB 752; *Castrol Australia Pty Ltd v Em Tech Associates Pty Ltd* (1980) 33 ALR 31.

57 *Ansell Rubber Co Pty Ltd v Allied Rubber Industries Pty Ltd* [1967] VR 37; *O'Mustad v Alcock and Dosen* [1963] 3 All ER 416 HL; *Saltman Engineering Co Ltd v Campbell Engineering Co Ltd* (1948) 65 RPC 203; *Coco v A N Clark (Engineers) Ltd* [1969] RPC 41; *Wright v Gasweld Pty Ltd* (1991) 22 NSWLR 317.

58 *Talbot v General Television Corporation Pty Ltd* [1980] VR 224; *De Maudsley v Palumbo* [1996] FSR 447.

59 *Castrol Australia Pty Ltd v Em Tech Associates Pty Ltd* (1980) 33 ALR 31; *Norwich Pharmacal Co v Customs and Excise Commissioners* [1974] AC 133, 189 (Viscount Dilhorne); *Attorney-General (UK) v Heinemann Publishers Australia Pty Ltd* (1987) 10 NSWLR 86, 191 (McHugh JA).

60 *Moorgate Tobacco Co Ltd v Philip Morris Ltd [No 2]* [1984] 156 CLR 414, 437.

61 *Argyle v Argyle* [1967] Ch 302, 329.

62 *Corrs Pavey Whiting & Byrne v Collector of Customs (Vic)* (1987) 14 FCR 434, 456; *Saltman Engineering Co Ltd v Campbell Engineering Co Ltd* (1948) 65 RPC 203, 215. See 11.8.

63 *Coco v A N Clark (Engineers) Ltd* [1969] RPC 41, 47.

64 *Maggbury Pty Ltd v Hafele Australia Pty Ltd* (2001) 210 CLR 181.

65 *De Maudsley v Palumbo* [1996] FSR 447, 453; *Talbot v General Television Corporation Pty Ltd* [1980] VR 224; *Fraser v Thames Television* [1984] QB 44.

66 *Talbot v General Television Corporation Pty Ltd* [1980] VR 224, 230; *Fraser v Thames Television* [1984] QB 44, 65; *Darvall McCutcheon (a firm) v HK Frost Holdings Pty Ltd (in liq)* (2002) 4 VR 570.

67 *De Maudsley v Palumbo* [1996] FSR 447, 455. See W. Cornish, 'Confidence in Ideas' (1990) 1 *IPJ* 3; J. Stuckey-Clark, 'Remedies for the Misappropriation of Ideas' [1989] *EIPR* 333.

of development will depend upon the nature of the idea. Sometimes a short unelaborated statement of an idea will satisfy the requirement; other ideas may be too vague and unable to be realised in actuality without further development. What is necessary appears to be for the idea to have a degree of particularity and ‘some significant element of originality not already in the realm of public knowledge’.⁶⁸

11.3.2.2 Concept of relative secrecy and the public domain

There can be no breach of confidence in revealing to others something that is already public property or public knowledge.⁶⁹ However, this does not require absolute secrecy in the sense that the information has not been made available to any members of the public. Rather, relative secrecy is the standard,⁷⁰ although the actual meaning of this will depend upon the facts of each case. Published information may still possess the necessary quality of confidence as long as it is not easily accessible.⁷¹ It is a question of degree whether information previously disclosed to a limited public has entered the public domain.⁷² For example, in *Douglas v Hello! Ltd (No 3)*, the UK Court of Appeal said:

Information will be confidential if it is available to one person (or a group of people) and not generally available to others, provided that the person (or group) who possesses the information does not intend that it should become available to others.⁷³

The concept of the ‘public domain’ may be satisfied if information is common knowledge in a particular industry or profession.⁷⁴ Not everything said at a meeting of a company’s board of directors is necessarily confidential and an obligation of confidence does not arise in respect of every item discussed.⁷⁵ Also, not everything that is done on private property will have the necessary quality of confidence. There is likely to be a difference between activities filmed on private property and private activities that are filmed.⁷⁶ The concept of private activities imports the notion of confidentiality that is not present merely because the activities are conducted on private property. Something further is necessary; there must be evidence that special precautions are taken to avoid the secret activities being seen or heard by unauthorised people.⁷⁷ Such precautions might involve the imposition of obligations of confidence on those people before they

68 *De Maudsley v Palumbo* [1996] FSR 447, 455; *Andrew Shelton & Co Pty Ltd v Alpha Healthcare Ltd* (2002) 5 VR 577.

69 *Coco v AN Clark (Engineers) Ltd* [1969] RPC 41, 47; *Saltman Engineering Co Ltd v Campbell Engineering Co Ltd* (1948) 65 RPC 203, 215.

70 *Franchi v Franchi* [1967] RPC 149, 152.

71 *Schering Chemicals Ltd v Falkman* [1981] 2 WLR 848.

72 *Attorney-General v Guardian Newspapers (No 2)* [1988] 3 All ER 545, 595 (Sir John Donaldson MR); *HRH Prince of Wales v Associated Newspapers Ltd* [2006] EWHC 522; *Franchi v Franchi* [1967] RPC 149, 152–3.

73 *Douglas v Hello! Ltd (No 3)* [2006] QB 125, 151.

74 *O’Brien v Komesaroff* (1982) 150 CLR 310, 326.

75 *NRMA v Geeson* (2001) 40 ACSR 1; *Bennetts v Board of Fire Commissioners of New South Wales* (1967) 87 WN (Pt 1) (NSW) 307, 310; *Harkness v Commonwealth Bank of Australia Ltd* (1993) 32 NSWLR 543, 552.

76 *Australian Broadcasting Corporation v Lenah Game Meats Pty Ltd* (2001) 208 CLR 199, 224–6 (Gleeson CJ); *Douglas v Hello! Ltd (No 3)* [2006] QB 125; *Hellewell v Chief Constable of Derbyshire* [1995] 1 WLR 804.

77 *Australian Broadcasting Corporation v Lenah Game Meats Pty Ltd* (2001) 208 CLR 199, 221 (Gleeson CJ).

enter the private property, or by the erection of appropriate signage.⁷⁸ It is not enough to impose an obligation of confidence on the basis that the information was obtained as a result of a trespass or other tortious action.⁷⁹

11.3.2.3 Information based on public knowledge and ideas

Information may lack the necessary quality of confidence when it is no different from knowledge or ideas that are in the public domain. However, this does not preclude information that has been constructed solely from materials in the public domain from possessing the necessary quality of confidentiality. What is required to convert public knowledge into confidential information is the application of intellectual skill and ingenuity to that material which results in something that is new and confidential.⁸⁰ For example, a person may write a diary to describe public events,⁸¹ or may build upon freely circulating ideas about television programs to develop something new.⁸² What takes the information out of the realm of public knowledge may be a particular slant on the program which has not been done before – such as a ‘commercial twist’. This is clear from the facts of *Talbot v General Television Corporation Pty Ltd*.⁸³ The case involved the plaintiff, an independent film maker, who devised a format for a proposed television series entitled ‘To Make Million’. The format was quite fully developed when it was submitted confidentially to the Channel 9 network. Although ideas about programs featuring millionaires were relatively common, the theme for the successful self-made millionaires to give recipes for their success was new.

11.3.2.4 Information that is no longer confidential

Information that possessed the necessary quality of confidence may subsequently enter the public domain when it receives such publicity amongst those in the relevant groups in the community or a particular industry or profession to effectively destroy the usefulness of enforcing the original confidential information to maintain its secrecy.⁸⁴ It will depend upon the degree of disclosure as to whether this occurs. Information will enter the public domain when a product that incorporates the secret information is available for anyone to purchase. This may also be true where the manufacturer encrypts information contained in the product, because people with skills to de-encrypt have access to that information. Therefore, in *Mars UK Ltd v Teknowledge Ltd*, Jacob J held that the full right of ownership in a chattel gives an entitlement ‘to dismantle the machine to find out

78 *Shelley Films Ltd v Rex Features Ltd* [1994] EMLR 134; *Creation Records Ltd v News Group Newspapers Ltd* (1997) 39 IPR 1. R. Arnold, ‘Note: Circumstances Importing an Obligation of Confidence’ (2003) 119 *LQR* 193.

79 *Australian Broadcasting Corporation v Lenah Game Meats Pty Ltd* (2001) 208 CLR 199, 222 (Gleeson CJ); **80** *Coco v AN Clark (Engineers) Ltd* [1969] RPC 41, 47.

81 *HRH Prince of Wales v Associated Newspapers Ltd* [2006] EWHC 522.

82 *Talbot v General Television Corporation Pty Ltd* [1980] VR 224.

83 [1980] VR 224.

84 *Franchi v Franchi* [1967] RPC 149; *O'Brien v Komesaroff* (1982) 150 CLR 310, 326; *Australian Broadcasting Corporation v Lenah Game Meats Pty Ltd* (2001) 208 CLR 199, 235 (Gummow and Hayne JJ).

how it works and tell anyone he pleases'.⁸⁵ However, the un-encrypted information remains confidential if it has never been published in that form. Hence, a person who steals that information would be in a different position⁸⁶ from the person who legitimately acquires the means to discover the information. Secret information will also enter the public domain in a country when it is published in a patent specification within that country.⁸⁷ A published patent specification may be within the public domain of another country if patent attorneys in that country regularly search those foreign specifications.⁸⁸

11.3.2.5 Guidelines for necessary quality of confidence for business or trade secrets

Business information is often referred to as a 'trade secret' but there is no special meaning in this term under Australian law. It is one type of secret information that may be protected under the equitable doctrine of breach of confidence if it satisfies the requirements of the breach of confidence action. There have been attempts to formulate guidelines to identify business information that would have the necessary quality of confidence. In *Ansell Rubber Co Pty Ltd v Allied Rubber Industries Pty Ltd*,⁸⁹ the following criteria were adapted from the American First Restatement of Torts:

- the extent to which the information is known outside of his business
- the extent to which it is known by employees and others involved in his business
- the extent of measures taken by him to guard the secrecy of the information
- the value of the information to him and to his competitors
- the amount of effort or money expended by him in developing the information
- the ease or difficulty with which the information could be properly acquired or duplicated by others.

Another set of four guidelines appears in the judgment of Megarry VC in *Thomas Marshall (Exports) Ltd v Guinle*:

First, . . . the information must be information the release of which the owner believes would be injurious to him or of advantage to his rivals or others. Second, . . . the owner must believe that the information is confidential or secret, i.e. that it is not already in the public domain. . . . Third, . . . the owner's belief under the two previous heads must be reasonable. Fourth, . . . the information must be judged in the light of the usages and practices of the particular industry or trade concerned.⁹⁰

85 (1999) 46 IPR 248, 256; *Alfa Laval Cheese Systems Ltd v Wincanton Engineering Ltd* [1990] FSR 583. See M. Richardson, 'Of Shrink-Wraps, 'Click-Wraps' and Reverse Engineering: Rethinking Trade Secret Protection' (2002) 25(3) *UNSWLJ* 748. See also *Saltman Engineering Co Ltd v Campbell Engineering Co Ltd* (1948) 65 RPC 203, 215; *Coco v A N Clark (Engineers) Ltd* [1969] RPC 41, 47.

86 *Terrapin Ltd v Builders' Supply Co (Hayes) Ltd* [1967] RPC 375.

87 *O'Mustad v Alcock and Dosen* [1963] 3 All ER 416.

88 *Franchi v Franchi* [1967] RPC 149.

89 [1967] VR 37; *Mense & Ampere Electrical Manufacturing Co Pty Ltd v Milenkovic* [1973] VR 784.

90 [1979] Ch 227, 248.

11.3.3 Information given or received to import an obligation of confidence

11.3.3.1 Disclosure in confidence

The early exposition of this aspect of the requirements for a successful action for breach of confidence referred to the communication of the information in circumstances importing an obligation of confidence.⁹¹ In *Coco v AN Clark (Engineers) Ltd*,⁹² Megarry J proposed a ‘reasonable man’ test in the following terms:

It seems to me that if the circumstances are such that any reasonable man standing in the shoes of the recipient of the information would have realised that upon reasonable grounds the information was being given to him in confidence, then this should suffice to impose upon him the equitable obligation of confidence.⁹³

This test was framed in the context of a direct disclosure of confidential information from one person to another in the course of business negotiations that had the common object of a joint venture or manufacture of articles. In such a case, Megarry J felt that the recipient would carry a heavy burden if he or she were to deny an obligation of confidence.⁹⁴

11.3.3.2 Absence of confidential relationship: innocent and surreptitious acquisition

The mere fact that a person asserts that information was imparted in confidence is not conclusive. Information is not always given or communicated by the confider to a person in confidence. There are other means by which confidential information is acquired. It was not necessary in *Coco* to determine the principles which govern an inadvertent disclosure to another, or surreptitious acquisition, so these means of acquisition of information fit uncomfortably within this traditional requirement for communication of information in confidence from the confider to the confidant. They are treated as two species of the same genus.⁹⁵ As courts have made it clear that receipt of confidential information in such circumstances should also satisfy this element, it is now common to emphasise the ‘receipt’ of the information in circumstances that import an obligation of confidence.⁹⁶

It is clear that an obligation of confidence can be imposed where a third party receives information from a person who breaches a duty of confidence to another in respect of that information, knowing that it has been disclosed in breach of that duty.⁹⁷ Even when the third party is an innocent recipient of the information,

⁹¹ *Coco v AN Clark (Engineers) Ltd* [1969] RPC 41.

⁹² *Ibid* 47.

⁹³ *Ibid* 48; *International Business Machines Corp v Phoenix International (Computers) Ltd* (1995) 1 All ER 413, 420–2 (Aldous J); *Telstra Corporation Ltd v First Netcom Pty Ltd* (1997) 78 FCR 132, 138.

⁹⁴ *Coco v AN Clark (Engineers) Ltd* [1969] RPC 41, 48.

⁹⁵ *Smith Kline & French Laboratories (Australia) Ltd v Secretary, Department of Community Services and Health* (1990) 22 FCR 73, 86.

⁹⁶ *Corrs Pavey Whiting & Byrne v Collector of Customs (Vic)* (1987) 14 FCR 434, 443.

⁹⁷ *Australian Broadcasting Corporation v Lenah Game Meats Pty Ltd* (2001) 208 CLR 199, 224–5 (Gummow J); *Attorney-General v Guardian Newspapers (No 2)* [1988] 3 All ER 545, 578–9 (Scott J); *Ansell Rubber Co Pty*

a duty of confidence will be imposed when he or she later becomes aware of the confidential quality of that information.⁹⁸ The case of *Stephenson Jordan & Harrison Ltd v MacDonald & Evans*⁹⁹ established that a third party cannot publish information once he/she learns of its confidentiality, despite the fact that its acquisition was innocent.

Other means for acquiring confidential information involve no disclosure in confidence. They include surreptitious acquisition or theft,¹⁰⁰ eavesdropping,¹⁰¹ telephoto lens photography¹⁰² and phone tapping.¹⁰³ These circumstances all share some form of reprehensible conduct in circumstances where the reasonable person would expect an obligation of confidence to be imposed upon the person who acquires the information. Such things as the presence of signs forbidding entry and restriction of access to an otherwise public area can create the circumstances in which an objective assessment of confidentiality is likely.¹⁰⁴ The authority for extending the circumstances in which an obligation of confidence can be imposed to surreptitiously obtained information comes from *Saltman*:

If a defendant is proved to have used confidential information, directly or indirectly obtained from a plaintiff, without the consent, express or implied, of the plaintiff, he will be guilty of an infringement of the plaintiff's rights.¹⁰⁵

It is clear that not every item of confidential information will merit protection by the courts. In *Coco v A N Clark (Engineers) Ltd*, Megarry J thought that equity should not be invoked merely to protect 'trivial tittle tattle', however confidential.¹⁰⁶ Hence, the obligation of confidence would not be imposed unless the circumstances are of sufficient gravity.

11.3.3.3 Encrypted information

It seems that the mere encryption of information contained in an article that is purchased in the open market will not impose an obligation of confidentiality upon the purchaser.¹⁰⁷ According to Jacob J in *Mars UK Ltd v Teknowledge Ltd*, the express notice to the effect – 'confidential – you may not de-encrypt' would make no difference. He continued:

Ltd v Allied Rubber Industries Pty Ltd [1967] VR 37; *The Commonwealth of Australia v John Fairfax & Sons Ltd* (1980) 147 CLR 39. Stuckey, 'The Liability of Innocent Third Parties', above n 40, 73.

⁹⁸ *Wheatley v Bell* [1982] 2 NSWLR 544; *Johns v Australian Securities Commission* (1993) 178 CLR 408, 474 (Gaudron J); *Stephenson Jordan & Harrison Ltd v MacDonald & Evans* (1952) 69 RPC 10; *Butler v Board of Trade* [1971] Ch 680, 690; *Talbot v General Television Corporation Pty Ltd* [1980] VR 224; *English & American Insurance Co Ltd v Herbert Smith* [1988] FSR 232.

⁹⁹ (1952) 69 RPC 10; *Talbot v General Television Corporation Pty Ltd* [1980] VR 224.

¹⁰⁰ *Franklin v Giddins* [1978] Qd R 72; *Sullivan v Sclanders* (2000) 77 SASR 419, 424.

¹⁰¹ *Hellewell v Chief Constable of Derbyshire* [1995] 1 WLR 804, 807.

¹⁰² *Douglas v Hello! Ltd (No 3)* [2006] QB 125.

¹⁰³ *Malone v Commissioner of Police of the Metropolis (No. 2)* [1979] 2 All ER 620.

¹⁰⁴ *Shelley Films Ltd v Rex Features Ltd* [1994] EMLR 134; *Creation Records Ltd v News Group Newspapers Ltd* (1997) 39 IPR 1. See R. Arnold, 'Note: Circumstances Importing an Obligation', above n 78, 193.

¹⁰⁵ *Saltman Engineering Co Ltd v Campbell Engineering Co Ltd* (1948) 65 RPC 203, 213.

¹⁰⁶ *Coco v A N Clark (Engineers) Ltd* [1969] RPC 41, 48.

¹⁰⁷ *Mars UK Ltd v Teknowledge Ltd* (1999) 46 IPR 248.

As pure matter of common sense I cannot see why the mere fact of encryption makes that which is encrypted confidential or why anyone who de-encrypts something in code, should necessarily be taken to be receiving information in confidence. He will appreciate that the source of the information did not want him to have access, but that is all. He has no other relationship with that source.¹⁰⁸

In the application of the reasonable person test, Jacob J distinguished this type of situation from the case of an actual transfer of information from one person to another. The de-encryption of information contained in a product purchased on the open market was ‘just about finding out information from a product on the market. I do not think [de-encrypting] would be regarded as anything other than fair game for competitors’. This is consistent with the understanding that the release of a product onto the market leaves purchasers free to reverse engineer the product.¹⁰⁹ A contractual obligation of confidence would be necessary to remove this right.

11.3.3.4 Verbal confidences: inadvertent eavesdropping

It is clear that no obligation can be imposed if the information is ‘blurted out in public’.¹¹⁰ According to Megarry V-C in *Malone v Commissioner of Police of the Metropolis (No 2)*, a person who carelessly discusses confidential matters in such places as a bus, over the back fence or in an office must accept the risk that someone nearby might overhear the conversation.¹¹¹ In his view, an obligation of confidence cannot be imposed on the accidental eavesdropper. Similarly, a person who speaks on a telephone takes the risks of being overheard that are inherent in the system.¹¹² This is particularly likely to be the case with cell phones. Although the confider may impose the obligation on the person to whom he is speaking, this imposition of an obligation would not extend to a person who accidentally overhears the conversation through an imperfection in the system.

This type of inadvertent eavesdropping shares some common features. First, the information is spoken and it is received in an environment that possesses no inherent secrecy in itself. This may be the communications systems or public places such as a bus or a restaurant. A person does not need to be proactive in order to overhear the information. In fact, the recipient has no opportunity to refuse to hear the information. Secondly, the confidant may be oblivious to the fact that the information has been overheard and by whom. Hence, there may be no opportunity to seek the agreement of the eavesdropper to keep the information confidential. It seems that a person who chooses to communicate confidential information in an environment that is inherently vulnerable to inadvertent overhearing by people conducting their day to day lives may impose a moral obligation of secrecy but no more. It is not clear whether an obligation of

108 Ibid 256.

109 *Saltman Engineering Co Ltd v Campbell Engineering Co Ltd* (1948) 65 RPC 203.

110 *Coco v A N Clark (Engineers) Ltd* [1969] RPC 41, 48.

111 *Malone v Commissioner of Police of the Metropolis (No 2)* [1979] 2 All ER 620, 645–6.

112 Ibid; *Francome v Mirror Group Newspapers Ltd* [1984] 2 All ER 408, 415.

confidence can be imposed directly on the inadvertent recipient at a later time by being asked to keep the information secret. Perhaps it is more likely that the person is responsible for protecting confidentiality before the obligation can be imposed on others.

11.3.3.5 Verbal confidences: eavesdropping and telephone tapping

The position will be different when there is deliberate illegal eavesdropping¹¹³ or surreptitious acquisition of the information.¹¹⁴ In the case of a telephone call, it has been held that the lawful interception for the purposes of a police investigation will not impose any obligation on the eavesdropper to keep the information confidential.¹¹⁵ However, in another decision it was held that the obligation of confidence may be imposed upon a private person who overhears the conversation using unlawful telephone tapping on the basis that the confidant would not be expected to accept this risk.¹¹⁶ An alternative explanation for this result may be that the action is only available because the recipient engaged in unlawful conduct.¹¹⁷

11.3.3.6 Inadvertent acquisition of written confidences

An obviously confidential document may inadvertently come to the attention of a person in a variety of ways. It may be emailed, posted or faxed in error to the wrong person.¹¹⁸ In contrast to the inadvertent verbal disclosure of information, a person who comes across an obviously confidential document can choose not to read it. According to Lord Goff in *Attorney-General v Guardian Newspapers (No 2)*,¹¹⁹ this type of receipt would impose an obligation of confidence on the recipient. The reason for this was expressed by DeBelle J in *Trevorrow v State of South Australia (No 4)*¹²⁰ in the context of a hypothetical example of the person who inadvertently leaves confidential information in a satchel on a bus that is found by another passenger. The obligation of confidence would arise from the fact that the finder came into possession of the information in circumstances in which it was not intended that the confidential information could be used by the finder. Expressing this in the terms of the reasonable person test in *Coco*, the finder would understand from the nature of the information and the fact that the bag was obviously left by mistake that the information should be kept in confidence.

In *Trevorrow v State of South Australia (No 4)*,¹²¹ all judges confirmed that it is the circumstances by which the person in possession of the confidential

113 *Francome v Mirror Group Newspapers Ltd* [1984] 2 All ER 408, 415.

114 *Franklin v Giddins* [1978] Qd R 72; *Lord Ashburton v Pape* [1913] 2 Ch 469.

115 *Malone v Commissioner of Police of the Metropolis (No 2)* [1979] 2 All ER 620.

116 *Francome v Mirror Group Newspapers Ltd* [1984] 2 All ER 408, 415; see M. Richardson, 'Breach of Confidence: Surreptitiously or Accidentally Obtained Information and Privacy: Theory Versus Law' (1994) 19 MULR 673.

117 See G. Wei, 'Surreptitious Takings of Confidential Information' (1992) 12 *Legal Studies* 302.

118 *Attorney-General v Guardian Newspapers (No 2)* [1988] 3 All ER 545, 658–9 (Lord Goff).

119 *Ibid.*

120 (2006) 94 SASR 64, 80–1.

121 *Ibid.*

information contained in a document has acquired that possession rather than the circumstances in which the information was imparted to the initial recipient that is the relevant consideration. Those circumstances are judged according to their impact on the reasonable person who is the recipient in those circumstances.¹²² Such things as the nature of the material, the presence of an express notice of confidentiality, and the inadvertent nature of the disclosure or otherwise will be relevant to the imposition of an obligation of confidence.

UK courts have developed principles to deal with the special case of inadvertent disclosure of secret information that is also protected by legal privilege.¹²³ However, the approach in Australia favours the application of the traditional principles articulated in *Coco v Clark*.¹²⁴ The test has been expressed as would 'a reasonable person standing in [the recipient's] shoes have appreciated that a mistake had been made, and that confidential information was being disclosed unintentionally?' An obligation of confidence would be imposed if an affirmative answer was given.

11.3.3.7 Surreptitious acquisition through theft or use of telephoto lens

Surreptitious acquisition or theft of confidential information can also be restrained under the doctrine of breach of confidence.¹²⁵ The circumstances in which this may arise include theft of bud wood from a private orchard,¹²⁶ and the taking of photographs of secret and private activities or information.¹²⁷ In the UK, the taking of unauthorised photographs of a private celebrity wedding has been held to impose a duty of confidence on the holders of those photos.¹²⁸

11.3.4 Unauthorised use or disclosure of the information

If the information which possesses the necessary quality of confidence is disclosed or received in circumstances that impose an obligation of confidence, the recipient will breach this obligation when he or she uses or discloses the information or threatens to do so, in ways that were not permitted. A court will intervene where the circumstances are such that it is unconscionable for a party to use

122 *Coco v A N Clark (Engineers) Ltd* [1969] RPC 41, 48; *Coulthard v State of South Australia* (1995) 63 SASR 531, 534–5 (King CJ), 548–9 (Debelle J); *Trevorrow v State of South Australia (No 4)* (2006) 94 SASR 64, 74; *AG Holdings v Burton* (2002) 58 NSWLR 464 (privileged documents that accidentally come into the hands of opponent to litigation).

123 *Goddard v Nationwide Building Society* [1987] QB 670; *English & American Insurance Co Ltd v Herbert Smith* [1988] FSR 232; *Guinness Peat Properties Ltd v Fitzroy Robinson Partnership* [1987] 1 WLR 1027; *Webster v James Chapman & Co* [1989] 3 All ER 939; *ISTIL Group Inc v Zahoor* [2003] 2 All ER 252, 269.

124 *Trevorrow v State of South Australia (No 4)* (2006) 94 SASR 64, 83. Debelle J applied the specific approach of the UK courts: see *ISTIL Group Inc v Zahoor* [2003] 2 All ER 252, 269.

125 *Lord Ashburton v Pape* [1913] 2 Ch 469, 475; *Johns v Australian Securities Commission* (1993) 178 CLR 408, 424, 426–7 (Brennan J), 459 (Gaudron J), 474 (McHugh J); *The Commonwealth of Australia v John Fairfax & Sons Ltd* (1980) 147 CLR 39, 50 (Mason J); *Corrs Pavey Whiting & Byrne v Collector of Customs (Vic)* (1987) 14 FCR 434, 443; *Sullivan v Sclanders (Records)* 77 SASR 419; *Bloomsbury Publishing Group Ltd v News Group Newspapers Ltd* [2003] FSR 45; *Creation Records Ltd v News Group Newspapers Ltd* (1997) 39 IPR 1.

126 *Franklin v Giddins* [1978] Qd R 72.

127 *Australian Broadcasting Corporation v Lenah Game Meats Pty Ltd* (2001) 208 CLR 199.

128 *Douglas v Hello! Ltd (No 3)* [2006] QB 125; see also *Campbell v MGN Ltd* [2004] 2 AC 457. For discussion of the issues, see Richardson, 'Breach of Confidence', above n 116, 673.

confidential information.¹²⁹ There is no requirement for this use or disclosure to be deliberate or for there to be ‘conscious plagiarism’.¹³⁰ However, the person must be aware (or have reason to be aware) at some stage of the confidential character of the information.¹³¹ In the UK, a remedy was available from a person who disclosed the information after he incorrectly believed that it had entered the public domain.¹³² Also, a genuine belief that the person was the originator of the information is irrelevant if it is established that this belief is false, and that the idea had been conveyed but forgotten.¹³³

A remedy will be available to restrain the use of information that is in the public domain if this use will result in the unauthorised disclosure of other information that is confidential. In a case involving a proposed broadcast of a report on police informers, the court restrained the use in the broadcast of a publicly available photograph of a police informer who had since been given a new secret identity. It was considered that the combination of the photograph with the report could lead to his identification.¹³⁴

Any unauthorised attempt to use, vary or modify confidential information can be restrained because it allows the party using the confidential information to achieve a particular result without having to go through the expense, time and effort of discovering the information themselves.¹³⁵ The use of information as the starting point of a new design gives the person an unfair advantage or ‘springboard’ into the marketplace.

In short, if a person wishes to design a product without it being alleged that the person has used confidential information he must proceed through an independent design sequence and not use confidential information as a springboard to jump through that sequence.¹³⁶

The presence of differences in the information confided and anything made using that information is irrelevant.¹³⁷

Compliance with the obligations imposed on confidants can be difficult in some circumstances. First, in *Seager v Copydex*, it was pointed out that a confidant who seeks to use public information that is mixed with the confidential information that was disclosed in circumstances of confidence must ‘take special care to use only the material which is in the public domain’. In that case, Lord

129 *Fraser v Evans* [1969] 1 QB 349, 361; *Deta Nominees Pty Ltd v Viscount Plastic Products Pty Ltd* [1979] VR 167, 191.

130 *Seager v Copydex Ltd* [1967] 2 All ER 415, 418 (Denning MR & Salmon LJ).

131 *Talbot v General Television Corporation Pty Ltd* [1980] VR 224.

132 *Norbrook Laboratories Ltd v Bomac Laboratories Ltd* [2006] UKPC 25.

133 *Talbot v General Television Corporation Pty Ltd* [1980] VR 224.

134 *G v Day* [1982] 1 NSWLR 24.

135 *Dart Industries Inc v David Bryar & Associates Pty Ltd* (1997) 38 IPR 389, 408–9; *Peter Pan Manufacturing Corp v Corsets Silhouette Ltd* [1964] 1 WLR 96; *Conveyor Co of Australia Pty Ltd v Cameron Bros Engineering Co Ltd* [1973] 2 NZLR 38, 42.

136 *Terrapin Ltd v Builders Supply Co (Hayes) Ltd* [1967] RPC 375, 390; *Saltman Engineering Co Ltd v Campbell Engineering Co Ltd* (1948) 65 RPC 203, 215.

137 *Dart Industries Inc v David Bryar & Associates Pty Ltd* (1997) 38 IPR 389, 409; *SW Hart & Co Pty Ltd v Edwards Hot Water Systems* (1985) 159 CLR 466, 472–3.

Denning MR stated that such circumstances may influence the remedy that is appropriate in the circumstances:

He should go to the public source and get it: or, at any rate, not be in a better position than if he had gone to the public source. He should not get a start over others by using the information which he received in confidence. At any rate, he should not get a start without paying for it. It may not be a case for injunction but only for damages, depending on the worth of the confidential information to him in saving him time and trouble.¹³⁸

It may be that this means that the recipient must take care only to use the public information: the private information must be paid for.¹³⁹ A second complex situation may arise where parties are engaged in a joint venture of some kind that requires exchange of information concerning the activities of products of the joint venture. There is the risk that both parties can exchange confidential information in such a way that it becomes intermingled. If the relationship unravels, neither the confider nor the confidant can use the other's confidential information as a 'springboard for activities detrimental to the person who made the confidential communication'¹⁴⁰ without permission. Again, courts can address these difficulties through their choice of the appropriate remedy to suit the circumstances.

11.3.5 The scope of the obligation

The equitable duty of confidence requires that 'he who has received information in confidence shall not take unfair advantage of it'.¹⁴¹ However, the test in *Coco v Clark* does not give guidance as to the scope of the obligation of confidence. As a general principle, a person can limit the scope for which a confidant may use confidential information. In such cases, the duty of confidence crystallises around that limited purpose.¹⁴² When a person claims to have imparted confidential information to another to be used for a limited purpose only, the recipient either must know or ought to have known of that limitation for his or her conscience to be bound.¹⁴³

The extent and limits of the obligation of confidentiality may be expressly stated at the time of the communication of clearly specified information. In other cases, an absolute obligation or one of limited scope may be implied from the

138 *Seager v Copydex Ltd* [1967] 2 All ER 415, 417.

139 *EPI Environmental Technologies Inc v Symphony Plastic Technologies plc* [2005] 1 WLR 3456, 3464.

140 *Terrapin Ltd v Builders Supply Co (Hayes) Ltd* [1967] RPC 375, 390; *Cranleigh Precision Engineering Ltd v Bryant* [1964] 3 All ER 289; *Saltman Engineering Co Ltd v Campbell Engineering Co Ltd* (1948) 65 RPC 203; *Seager v Copydex Ltd* [1967] 2 All ER 415; *Peter Pan Manufacturing Corp v Corsets Silhouette Ltd* [1964] 1 WLR 96; *Conveyor Co of Australia Pty Ltd v Cameron Bros Engineering Co Ltd* [1973] 2 NZLR 38; *Cray Valley Limited v Deltech Europe Limited* [2003] EWHC 728. See 11.9.2.

141 *Seager v Copydex Ltd* [1967] 2 All ER 415, 417.

142 *Elliott v Ivey* Unreported No 1561/98 [1998] NSWSC 116 (23 April 1998) (Spelling J); *Rapid Metal Developments (Australia) Pty Ltd v Anderson Formrite Pty Ltd* [2005] WASC 255, ¶ 60.

143 *Smith Kline & French Laboratories (Australia) Ltd v Secretary, Department of Community Services and Health* (1990) 22 FCR 73, 95.

circumstances.¹⁴⁴ The scope may differ according to each of the particular pieces of confidential information in his or her possession.¹⁴⁵

The scope of a limited purpose may not always be able to be determined by reference only to the confider's purpose. This is particularly the case where each party's interest is quite different. This is more likely to arise where a private person provides confidential information to a government authority or department.¹⁴⁶ In *Smith Kline & French Laboratories (Australia) Ltd v Secretary, Department of Community Services and Health*,¹⁴⁷ the Full Federal Court listed the types of factors that can help a court to define the scope of the duty of confidence in a particular fact situation, namely:

- Measures taken to guard or protect the information
- Express warning of confidentiality
- Existence of restraint of trade provisions in an employment contract
- Value of the information to the confider
- Whether the information is provided gratuitously or for consideration
- Sensitivity of the information
- Evidence of past practice of such a kind as to give rise to an understanding of confidence
- Whether confider has an interest in the purpose for which information is to be used.

When information is provided to a government department, for example, a person would ordinarily assume that the government would keep the information for use at a later date—perhaps to justify a decision. Although there is an obligation to avoid taking unfair advantage of the information, this does not mean that a department must use it only for the confider's purpose, when such a restriction could interfere with the vital functions of government. The obligation is not to make unconscientious use of the information.¹⁴⁸

11.3.6 The need to show detriment

The question was left open in *Coco v Clark* of whether it is necessary to show detriment to obtain relief for a breach of confidence. Although the summarised elements of the action of breach of confidence require detriment,¹⁴⁹ Megarry J noted that his summary stated the general propositions in their stricter form. He could find no general requirement for detriment among past authorities, some of which made no mention of detriment. As he conceived there may be a need for equity to intervene in the absence of detriment, he left open the possibility

144 *Smith Kline & French Laboratories (Australia) Ltd v Secretary, Department of Community Services and Health* (1990) 22 FCR 73.

145 *NRMA v Geeson* (2001) 40 ACSR 1, 6.

146 *Smith Kline & French Laboratories (Australia) Ltd v Secretary, Department of Community Services and Health* (1990) 22 FCR 73; *Kockums AB v The Commonwealth of Australia* [2001] FCA 398.

147 (1990) 22 FCR 73.

148 *Ibid.*

149 *Coco v AN Clark (Engineers) Ltd* [1969] RPC 41.

for a remedy in such a case.¹⁵⁰ Although most claimants suffer clear detriment, financial or personal, ‘in the sense that the preservation of its confidentiality or secrecy is of substantial concern to the plaintiff’,¹⁵¹ the need for them to do so is still not decided.¹⁵² As Gummow J stated in *Smith Kline & French Laboratories (Australia) Ltd v Secretary, Department of Community Services and Health*:

The obligation of conscience is to respect the confidence, not merely to refrain from causing detriment to the plaintiff. The plaintiff comes to equity to vindicate his right to observance of the obligation, not necessarily to recover loss or to restrain infliction of apprehended loss.¹⁵³

Even if detriment is required, it may be simple to satisfy. For example, in personal matters, it may be enough that a person will suffer sufficient detriment where disclosure of information relating to his affairs has exposed him to public discussion and criticism.¹⁵⁴ It may also be enough to merely suffer an unwanted disclosure.¹⁵⁵ Another suggestion is that, as equity is concerned to uphold the obligation of confidence, the question of detriment might go only to the discretion to grant the remedy.¹⁵⁶ Where no detriment has been proved the courts have awarded nominal damages.

However, it seems clear that the application of the doctrine to protect the secrets of government would not only require detriment, but would require a level of detriment that is higher than merely exposing government actions to criticism and review. In *The Commonwealth of Australia v John Fairfax & Sons Ltd*,¹⁵⁷ Mason J drew a distinction between private actions and actions involving government secrets. He noted that the remedy is fashioned to protect personal, private and proprietary interests of the individual, not to protect the very different interests of the executive government. As governments act in the public interest, disclosure will be restrained if it appears to be ‘inimical to the public interest because national security, relations with foreign countries or the ordinary business of government will be prejudiced’.¹⁵⁸

150 Ibid 48.

151 *Moorgate Tobacco Co Ltd v Philip Morris Ltd [No 2]* [1984] 156 CLR 414, 437.

152 *Corrs Pavey Whiting & Byrne v Collector of Customs (Vic)* (1987) 14 FCR 434, 443; *Re Nir Haim Toren & Department of Immigration & Ethnic Affairs* (1996) 64 Fol Review 53 (detriment required); *Smith Kline & French Laboratories (Australia) Ltd v Secretary, Department of Community Services and Health* (1990) 22 FCR 73, 112 (Gummow J – no detriment required). See Meagher et al., *Meagher, Gummow & Lehane’s Equity*, above n 1, ¶ 41–050 – 41–055.

153 (1990) 22 FCR 73, 112.

154 *Commonwealth of Australia v John Fairfax & Sons Ltd* (1980) 147 CLR 39, 52; *Prince Albert v Strange* (1849) 1 H & Tw 1, 47 ER 1302 (Ch).

155 *Rapid Metal Developments (Australia) Pty Ltd v Anderson Formrite Pty Ltd* [2005] WASC 255, ¶ 78; *Attorney-General v Guardian Newspapers (No 2)* [1988] 3 All ER 545, 640 (Lord Keith), 659 (Lord Goff).

156 *Coulthard v State of South Australia* (1995) 63 SASR 531, 546 (Debelles J); *Interfirm Comparison (Australia) Pty Ltd v Law Society of NSW* [1975] 2 NSWLR 104, 120.

157 (1980) 147 CLR 39.

158 *Commonwealth of Australia v John Fairfax & Sons Ltd* (1980) 147 CLR 39; *Attorney-General v Jonathan Cape Ltd* [1976] QB 752, 770–1.

11.3.7 Reasonableness of obtaining a remedy

A court has discretion as to whether it provides a remedy. One circumstance in which it may deny a remedy is where it is not reasonable to require the maintenance of a confidence, either because the stipulation at the time was unreasonable or because in the course of subsequent happenings, it becomes unreasonable that it should be enforced.¹⁵⁹

11.4 How long does the obligation last?

11.4.1 Express contractual obligations

Where the obligation is imposed by an express contractual term, the matter will be resolved by construction of the contract.¹⁶⁰ Parties to a contract can agree to keep information in confidence, irrespective of whether that information possesses or retains the quality of confidence that is necessary for a breach of confidence action. However, such terms are enforceable only if they survive the application of the restraint of trade doctrine.¹⁶¹

11.4.2 Equitable obligations

The position with the doctrine of breach of confidence is different because it only protects information that has the necessary quality of confidence. Hence, protection is not available for information that is in the public domain at the time the obligation is purportedly imposed. However, information that possesses the necessary quality of confidence at that time may subsequently enter the public domain. This may occur through disclosure by the confider, the confidant or a third party.

The requirement for information to be confidential means that a court would usually only restrain its use or disclosure if the information retained the quality of confidentiality at the time of breach or threatened breach of those obligations.¹⁶²

11.4.3 Disclosure by the confider

A confider can no longer enforce equitable obligations of confidence once the information is disclosed in public by the confider¹⁶³ or as a necessary

159 *Dunford & Elliott v Johnson & Firth Brown* [1978] FSR 143.

160 *Maggbury Pty Ltd v Hafele Australia Pty Ltd* (2001) 210 CLR 181, 166 (Gleeson CJ, Gummow & Hayne JJ), 169 (Kirby J), 175 (Callinan J).

161 *Maggbury Pty Ltd v Hafele Australia Pty Ltd* (2001) 210 CLR 181, 167; *Wright v Gasweld Pty Ltd* (1991) 22 NSWLR 317; *Industrial Rollformers Pty Ltd v Ingersoll-Rand (Australia) Ltd* [2001] NSWCA 111; *Restraints of Trade Act 1976* (NSW); *A T Poeton (Gloucester Plating) Ltd v Michael Ikem Horton* [2001] FSR 14.

162 *Maggbury Pty Ltd v Hafele Australia Pty Ltd* (2001) 210 CLR 181, 164.

163 *Attorney-General v Guardian Newspapers (No 2)* [1988] 3 All ER 545, 662; *Maggbury Pty Ltd v Hafele Australia Pty Ltd* (2001) 210 CLR 181, 167; *Speed Seal Products Ltd v Paddington* [1986] 1 All ER 91, 94; *Cranleigh Precision Engineering Ltd v Bryant* [1964] 3 All ER 289, 300 (Roskill J).

consequence of his or her actions in setting that disclosure in train. This may occur with the filing of a patent application that is subsequently published¹⁶⁴ or presumably with the release of products into the market place that could be pulled apart to discover the secret information.¹⁶⁵ In either case, once the information enters the public domain, the confidant would be released thereafter from the obligation of confidence. However, as the essence of the doctrine is the 'notion of an obligation of conscience arising from the circumstances in or through which the information was communicated or obtained',¹⁶⁶ a remedy may be available when the obligation is breached prior to its release into the public domain and the information is used to gain an unfair advantage in the market place.¹⁶⁷

11.4.4 Disclosure by the confidant

The disclosure by the person who owes the obligation of confidence will be an actionable breach of confidence and will destroy the value of the information for the confidant if the information enters the public domain. The principal issue in this case concerns the remedies that the confidant could obtain for this breach of confidence. It is clear that the confidant would be entitled to damages.¹⁶⁸ Whether this eventuates will depend upon the extent of the disclosure and the number of traders seriously competing in the market in which the confidant operates. An injunction to restrain further disclosure may still be appropriate relief if it would afford the plaintiff real protection in the particular case.¹⁶⁹ For example, where it is only the parties to the action who are serious competitors in the market, it may be important for the confidant to restrain the confidant's continuing use of the information. If the information has become generally known among other traders in the market, an injunction may be less useful.¹⁷⁰

11.4.5 Disclosure by third party after confidence is imposed

Once information enters the public domain, a confidant is free to have recourse to the public domain for that information. The continuation of the equitable obligation of confidence in these circumstances would seem to depend upon whether a confidant would abuse the confidence if released from the duty.¹⁷¹ There is no general principle that a confidant remains bound by the duty of confidence when a third party releases the information into the public

164 *O'Mustad v Alcock and Dosen* [1963] 3 All ER 416; *Franchi v Franchi* [1967] RPC 149.

165 *Coco v A N Clark (Engineers) Ltd* [1969] RPC 41.

166 *Moorgate Tobacco Co Ltd v Philip Morris Ltd [No 2]* [1984] 156 CLR 414, 438; *Breen v Williams* (1996) 186 CLR 71; *Saltman Engineering Co Ltd v Campbell Engineering Co Ltd* (1948) 65 RPC 203; *Stephens v Avery* [1988] Ch 449.

167 See 11.9.2.

168 *Speed Seal Products Ltd v Paddington* [1986] 1 All ER 91, 95.

169 *Speed Seal Products Ltd v Paddington* [1986] 1 All ER 91.

170 *Ibid* 95.

171 *Ibid*.

domain.¹⁷² It is different where the imposition of the obligations of confidence is contractual or pursuant to the employment relationship. An express contractual obligation of confidence that does not violate the doctrine of restraint of trade may continue after a third-party disclosure.¹⁷³ Similarly, an employee may be restrained from use or disclosure if the confidant becomes aware of the third party disclosure by reason of his employment.¹⁷⁴

11.5 Entitlement

To describe a person as ‘owning’ information implies a proprietary quality that remains contentious and is unlikely to be appropriate.¹⁷⁵ The High Court of Australia has confirmed that there is no property in information per se.¹⁷⁶ Confidential information is therefore in a different category from other forms of intellectual property that are all identified as personal property. In this area, the more helpful approach is to consider which party has the right to restrain unauthorised use or disclosure of the information, rather than to ask who ‘owns’ it.¹⁷⁷ The person who is entitled to bring an action for breach of confidence is the person who is ‘entitled to the confidence and to have it respected. He must be a person to whom the duty of good faith is owed’.¹⁷⁸ In the vast majority of cases the plaintiff will be the person who communicated the information in confidence to the defendant or to the person from whom the defendant obtained such information. However, when that person is an employee, different and more complicated principles apply to determine who has rights in the information and who can restrain its use.¹⁷⁹ These are discussed below in the context of employment.

An action will not lie at the hands of a person merely because he or she will be affected by the disclosure.¹⁸⁰ In *Fraser v Evans*,¹⁸¹ a public servant prepared a report for the Greek military government on its public relations in Europe but was given no undertaking on behalf of the government to keep this report secret. Some time later, the *Sunday Times* obtained a copy of the report and proposed to publish an article and selected extracts which the plaintiff believed would damage him. His application for an injunction to restrain publication was unsuccessful on

172 *Maggbury Pty Ltd v Hafele Australia Pty Ltd* (2001) 210 CLR 181, 200–1; *Attorney-General v Guardian Newspapers (No 2)* [1988] 3 All ER 545, 662.

173 *Maggbury Pty Ltd v Hafele Australia Pty Ltd* (2001) 210 CLR 181.

174 *Ibid* 200, ¶ 47; *Cranleigh Precision Engineering Ltd v Bryant* [1964] 3 All ER 289.

175 *Moorgate Tobacco Co Ltd v Philip Morris Ltd [No 2]* [1984] 156 CLR 414; *Breen v Williams* (1996) 186 CLR 71; Gurry, *Breach of Confidence*, above n 1; Ricketson, ‘Confidential Information: Part I’, 223; ‘Part II’, 289, (both) above n 25; Stuckey, ‘The Equitable Action’ above n 25, 402; A. Mitchell, ‘The jurisdictional basis of trade secret actions: economic and doctrinal considerations’ (1997) 8 *AIPJ* 134.

176 *Breen v Williams* (1996) 186 CLR 71.

177 Dean, *The law of trade secrets*, above n 1, 4–5.

178 *Fraser v Evans* [1969] 1 QB 349, 361 (Denning LJ).

179 *Faccenda Chicken Ltd v Fowler* [1985] FSR 105 (Goulding J); [1987] Ch 117; *Wright v Gasweld Pty Ltd* (1991) 22 NSWLR 317; *Printers & Finishers Limited v Holloway* [1965] RPC 239. As for universities, see: A. L. Monotti, with S. Ricketson, *Universities and Intellectual Property: Ownership and Exploitation* (New York; Oxford University Press, 2003), ¶ 3.76–3.102; as to rights among ‘co-owners’: ¶ 5.172–5.182.

180 *Fraser v Evans* [1969] 1 QB 349.

181 *Ibid*.

the grounds that the paper owed no duty to him. Only the Greek government was entitled to the information in the report and could control its communication and publication. They alone had the standing to complain if anyone obtained the information surreptitiously or proposed to publish it,¹⁸² and made no complaint about the proposed publication.

An unusual situation as to entitlement to seek a remedy for breach of confidence arose in the context of tribal secrets in *Foster v Mountford & Rigby Ltd*.¹⁸³ Dr Mountford, an anthropologist, was given confidences by elders of a tribe of Aboriginal people. Members of an unincorporated body known as the Pitjandjara Council, but suing on their own behalf, brought an action against Dr Mountford for breach of confidence. The members were concerned that the disclosure of secrets to their women, children and uninitiated men could disrupt their social system. The court held that the individuals had standing to sue as individuals who were threatened with damage from disclosure of the secrets. This decision was likely to have been influenced by the special circumstances that surround tribal secrets.

It is clear that confidential information is incapable of assignment because confidential information is not property.¹⁸⁴ Nevertheless, it is frequently purchased along with other assets of a business. In consequence, the information is acquired by the purchaser, in the sense of it being imparted,¹⁸⁵ and the purchaser can seek and obtain a remedy from a court of equity to restrain the disclosure or use of that information by a third party.¹⁸⁶

11.6 Special circumstances: during employment

Confidentiality in employment requires some qualification of the above principles.¹⁸⁷ There is enormous potential for abuse of secret information when an employee leaves employment to work with a competitor or in competition with the employer. While an employee is working for the employer there are duties owed to the employer. However, after employment ends, an employee should be able to continue using skills gained in previous employment. For example, while employed, an experienced computer programmer develops programs for the employer, but in doing so enhances her skills in computer programming. The programs may be confidential to the employer, but if the employee cannot

182 *Ibid*, 11; *Apps v Weldtite Products Ltd* [2001] FSR 703, 731.

183 (1976) 14 ALR 71.

184 *TS & B Retail Systems Pty Ltd v 3Fold Resources Pty Ltd* (2003) 57 IPR 530; *Federal Commissioner of Taxation v United Aircraft Corp* (1943) 68 CLR 525, 534 (Latham CJ).

185 *TS & B Retail Systems Pty Ltd v 3Fold Resources Pty Ltd* (2003) 57 IPR 530; *Temwell Pty Ltd v DKGR Holdings Pty Ltd* [2005] FCA 1403.

186 *TS & B Retail Systems Pty Ltd v 3Fold Resources Pty Ltd* (2003) 57 IPR 530, 537; *O'Mustad v Alcock and Dosen* [1963] 3 All ER 416; *Millwell Holdings Ltd v Johnson* (1988) 12 IPR 378; *Askew v Seventh Granite Pty Ltd* (Unreported, Federal Court of Australia, Olney J, No QG47 of 1995, 1 September 1995, BC9502913); *Cortis Exhaust Systems Pty Ltd v Kitten Software Pty Ltd* [2001] FCA 1189.

187 McKeough et al., *Intellectual Property in Australia*, above n 2, 2004, 118–23; B. Creighton and A. Stewart, *Labour law: an introduction* (4th ed, Federation Press, 2005), ¶ 12.03–12.07; *Hivac Ltd v Park Royal Scientific Instruments Ltd* [1946] Ch 169, 174; *Faccenda Chicken Ltd v Fowler* [1987] Ch 117.

use the skills after leaving employment she will find it impossible to perform her job. There is accordingly a need to distinguish the employer's secrets that should be protected from the employee's knowledge that can be used in future employment.¹⁸⁸

The employer's ability to protect information from unauthorised disclosure or use will depend upon whether this is threatened during or after the term of employment. This is because the courts recognise the:

prima facie right of any person to use and to exploit for the purpose of earning his living all the skill, experience and knowledge that he has at his disposal, including skill, experience and knowledge which he has acquired in the course of previous periods of employment.¹⁸⁹

Unreasonable restrictions upon use of the skill, experience or knowledge in subsequent employment may constitute a restraint of trade.¹⁹⁰ Such a restraint may arise when an employer attempts to assert unqualified rights to control and take the benefit of information created or acquired during employment.

11.6.1 Duty of fidelity

During the term of employment, the jurisdictional basis for protecting information is not always clear but is usually framed in contract or as arising under the employee's duty of fidelity.¹⁹¹ It is unlikely to find actions based on the equitable action for breach of confidence because the duty of fidelity is more stringent and offers wider protection to the employer. Contractual obligations and duties of fidelity have different conceptual origins. Contractual obligations represent the express or implied intentions of the parties.¹⁹² Duties of fidelity are 'descriptive of circumstances in which equity will regard conduct of a particular kind as unconscionable and consequently attracting equitable remedies'.¹⁹³ It may be that this is best understood as 'the re-expression of equitable obligations in terms of implied contracts'.¹⁹⁴

This duty encompasses obligations of confidence. The confidence arises 'out of the mere fact of employment, the confidence being shortly this, that the

188 *Faccenda Chicken Ltd v Fowler* [1987] Ch 117; *Herbert Morris Ltd v Saxelby* [1916] 1 AC 688, 714 (Lord Shaw of Dunfermline). Some of the main cases include: *Printers & Finishers Ltd v Holloway* [1965] RPC 239; *Lancashire Fires Ltd v SA Lyons & Co Ltd* [1996] FSR 629; *Ocular Sciences Ltd v Aspect Vision Care Ltd* [1997] RPC 289; *FSS Travel and Leisure Systems Ltd v Johnson* [1999] FSR 505; *Hivac Ltd v Park Royal Scientific Instruments Ltd* [1946] 1 Ch 169; *Lansing Linde Ltd v Kerr* [1991] 1 WLR 251; *Ansell Rubber Co Pty Ltd v Allied Rubber Industries Pty Ltd* [1967] VR 37; *Wright v Gasweld Pty Ltd* (1991) 22 NSWLR 317.

189 *Faccenda Chicken Ltd v Fowler* [1987] Ch 117, 128 (Neill LJ).

190 The classic formulation of restraint of trade is in *Nordenfelt v Maxim Nordenfelt Guns and Ammunition Co* [1894] AC 535, 565 (Lord Macnaghten). See also *Electrolux Ltd v Hudson* [1977] FSR 312; *A Schroeder Music Publishing Co Ltd v Macauley* [1974] 1 WLR 1308, 1315 (Lord Diplock).

191 Dean, *The law of trade secrets*, above n 1; Creighton and Stewart, *Labour law*, above n 187, ¶ 13.59–13.62; A. Stewart, 'Confidentiality and the Employment Relationship' (1988) 1 *Australian J Labour L* 1; A. Stewart, 'Confidential Information and Departing Employees: The Employer's Options' [1989] 11 *EIPR* 88; A. Stewart, 'Drafting and Enforcing Post-Employment Restraints' (1997) 10 *Australian J of Labour L* 181.

192 *United States Surgical Corporation v Hospital Products International Pty Ltd* [1982] 2 NSWLR 766, 799 (McLelland J); aff'd (1984) 156 CLR 41.

193 *Concut Pty Ltd v Worrell* (2000) 176 ALR 693, 700–1.

194 *Ibid*; Finn, *Fiduciary Obligations*, above n 18, 267; Gurry, *Breach of Confidence*, above n 1, 177–9.

servant shall not use, except for the purpose of service, the opportunities which that service gives him of gaining information'.¹⁹⁵ The employee must not 'take advantage to his own profit of what he has learned confidentially in the service of his employer',¹⁹⁶ the employment having provided the opportunities for gaining information.¹⁹⁷

The duty of fidelity enables the employer to restrain disclosure of information and knowledge that is acquired during the course of employment, irrespective of whether it is 'confidential' in the strict sense required for an action under the equitable doctrine of breach of confidence.¹⁹⁸ Accordingly, it offers protection for a wide range of information and knowledge, including that which may be considered as 'part of the employee's stock of general knowledge, skill and experience'.¹⁹⁹

11.6.2 Contract

The obligations of fidelity arising from the relationship that subsists between an employer and its employees exist alongside any express or implied terms in the employment contract.²⁰⁰ The scope of the implied term seems to be measured by the employee's duty of fidelity to the employer that prevents disclosure of a broad range of information acquired during employment.²⁰¹

If there is an express term in the contract of employment, this will be interpreted and applied. However, if it is found to be unenforceable for some reason, such as being void for restraint of trade, the employer can fall back on the equitable doctrine for breach of confidence, the duty of fidelity or an implied contractual term.²⁰²

11.6.3 Equitable action for breach of confidence

An employee's unauthorised disclosure of information during employment may be a breach of the equitable obligation for breach of confidence if the information has the necessary quality of confidence. However, the dependence upon proof that the information possesses a high level of confidentiality makes this a less attractive cause of action when an employer can rely upon the more expansive duties of fidelity or implied contractual terms of employment.

195 *Merryweather v Moore* [1892] 2 Ch 518, 524.

196 *Prebble v Reeves* [1910] VLR 88, 108.

197 *Merryweather v Moore* [1982] 2 Ch 518.

198 Dean, *The law of trade secrets*, above n 1, ¶ 4.70–4.140; *Wright v Gasweld Pty Ltd* (1991) 22 NSWLR 317; *Faccenda Chicken Ltd v Fowler* [1987] Ch 117; see also *Roger Bullivant Ltd v Ellis* [1987] 13 FSR 172; *Riteway Express Pty Ltd v Clayton* (1987) 10 NSWLR 238, 240.

199 *Ansell Rubber Co Pty Ltd v Allied Rubber Industries Pty Ltd* [1967] VR 37, 42.

200 *Lancashire Fires Ltd v S A Lyons & Co Ltd* [1996] FSR 629, 648 (they are engrafted on the employment contract); *Ormonoid Roofing and Asphalts Ltd v Bitumenoids Ltd* (1930) 31 SR (NSW) 347; *Robb v Green* [1895] 2 QB 315; *Vokes Ltd v Heather* (1945) 62 RPC 135, 141–2.

201 See Creighton and Stewart, *Labour law*, above n 187, ¶ 12.03–12.07; Dean, *The law of trade secrets*, above n 1, ch 4 & 5; A. Stewart, 'Ownership of Property in the Context of Employment' (1992) 5 *Australian J of Labour L*; *Merryweather v Moore* [1892] 2 Ch 518, 522.

202 *Triplex Safety Glass Co Ltd v Scorch* [1938] Ch 211, 217.

11.7 Duty of former employee after employment ceases

When employment ends, the employer's ability to restrain use or disclosure of his secrets becomes more limited. In these circumstances, the obligation of an employee to preserve secrecy of information properly gained in the course of employment will depend upon a variety of factors including the nature of the information,²⁰³ the existence of any express covenants and the circumstances in which the information is removed by the employee for use.²⁰⁴ Actions to protect secret information are still framed in contract or under the equitable action for breach of confidence but only under the duty of fidelity in strictly limited circumstances.

11.7.1 Duty of fidelity

The duty of fidelity (or good faith) arising out of a contract of employment ceases upon its termination.²⁰⁵ There is an exception to this principle. If the information was deliberately acquired or memorised during the period of employment, the employer can restrain its unauthorised use or disclosure (both during and after employment) on the basis that an employee should not use his employer's time to further his own interests.²⁰⁶

The limited application of the duty of fidelity does not leave employers without rights. They may rely upon express contractual terms where these exist, implied contractual terms or upon the duty of confidentiality which remains binding even after employment ends, although in a somewhat diminished form.

11.7.2 Contract

If the employer wishes to control disclosure of information after employment ceases, it can use an express term in the contract of employment. However, any express terms in a contract are unenforceable if they involve a restraint of trade against the former employee.²⁰⁷

203 *Faccenda Chicken Ltd v Fowler* [1987] Ch 117; *Balston Ltd v Headline Filters Ltd* [1990] FSR 385; *Wright v Gasweld Pty Ltd* (1991) 22 NSWLR 317; Dean, *The law of trade secrets*, above n 1, 186–203; Creighton and Stewart, *Labour law*, above n 187, ¶ 13.73, 13.75; Stewart, 'Confidential Information', above n 191, 92–4.

204 *Faccenda Chicken Ltd v Fowler* [1987] Ch 117, 137–8; *Printers & Finishers Ltd v Holloway* [1965] RPC 239, 255; *Roger Bullivant Ltd v Ellis* [1987] 13 FSR 172; Dean, *The law of trade secrets*, above n 1, 198–203.

205 Creighton and Stewart, *Labour law*, above n 187, ¶ 13.73; Dean, *The law of trade secrets*, above n 1; S. Ricketson, *The Law of Intellectual Property: Copyright, Designs and Confidential Information* (2nd ed, 1999); A. Brooks, 'Fidelity' in the Post-Industrial Age: Developments in Case Law on Employee Disclosure of Confidential Information' (2002) 28(1) *Mon ULR* 126.

206 *Wessex Dairies Ltd v Smith* [1935] 2 KB 80, 84; Dean, *The law of trade secrets*, above n 1.

207 *Nordenfelt v Maxim Nordenfelt Guns and Ammunition Co* [1894] AC 535; J. D. Heydon, *The Restraint of Trade Doctrine* (2nd ed, Sydney: Butterworths, 1999).

In *Herbert Morris Limited v Saxelby*,²⁰⁸ a case involving an attempt by an employer to prevent a former employee disclosing and using information gained in the course of his employment, Lord Atkinson considered the extent to which it was permissible to impose a covenant in restraint of trade against a former employee. The classic formula that has come to be adopted by subsequent courts was stated as follows:

He [the employer] is undoubtedly entitled to have his interest in his trade secrets protected, such as secret processes of manufacture which may be of vast value. And that protection may be secured by restraining the employee from divulging these secrets or putting them to his own use. He is also entitled not to have his old customers by solicitation or such other means enticed away from him. But freedom from all competition *per se* apart from both these things, however lucrative it might be to him, he is not entitled to be protected against. He must be prepared to encounter that even at the hands of a former employee.²⁰⁹

Thus, for a covenant in restraint of trade to be reasonable, the employer must prove that: (a) the covenant protects some legitimate interest of the employer; and (b) the covenant extends no further than is strictly necessary to protect the employer's legitimate interest.²¹⁰

In the *Herbert Morris* case, two legitimate interests of an employer were recognised as suitable for protection by restrictive covenants, one of which was trade secrets.²¹¹ According to one commentator, 'either the term "trade secrets" should be given a broad meaning or what constitutes a legitimate interest for the purpose of a restrictive covenant should be taken to cover "trade secrets or other confidential information"'.²¹² The preferable approach is to equate 'trade secrets' with the term 'confidential information' in the sense that this possesses the necessary element of secrecy that is required for the equitable action for breach of confidence.

11.7.3 Equitable action for breach of confidence

An employer may be able to rely upon the equitable doctrine of breach of confidence to restrain the unauthorised disclosure of secrets by a former employee.²¹³ This duty of confidentiality is separate from the duty of fidelity. The action protects an employer's secret information but its range is limited by the rights of an

208 [1916] 1 AC 688.

209 *Ibid* 702.

210 *Maggbury Pty Ltd v Hafele Australia Pty Ltd* (2001) 210 CLR 181; *Peters (WA) Ltd v Petersville Ltd* (2001) 205 CLR 126.

211 *Lindner v Murdock's Garage* (1950) 83 CLR 628, 633–5, 645, 649–50, 653–4; *Herbert Morris Ltd v Saxelby* [1916] 1 AC 688, 702 (Lord Atkinson), 710 (Lord Parker of Waddington); *Printers & Finishers Ltd v Holloway* [1965] RPC 239, 256; *Commercial Plastics Ltd v Vincent* [1964] 3 WLR 820 (CA); *FSS Travel and Leisure Systems Ltd v Johnson* [1999] FSR 505. As to the role of restrictive covenants see Heydon, *The Restraint of Trade Doctrine*, above n 207, ch 10; Stewart, 'Drafting and Enforcing', above n 191; Stewart, 'Confidential Information', above n 191.

212 Stewart, 'Drafting and Enforcing', above n 191, 192.

213 *Faccenda Chicken Ltd v Fowler* [1987] Ch 117; *Roger Bullivant Ltd v Ellis* [1987] 13 FSR 172; *Wright v Gasweld Pty Ltd* (1991) 22 NSWLR 317; *Scruples Imports Pty Ltd v Crabtree & Evelyn Pty Ltd* (1983) 1 IPR 315, 328; *Také v BSM Marketing* [2006] EWHC 1085.

individual to use in subsequent employment all knowledge and skill that has been acquired in previous employment.²¹⁴ Some of this knowledge or ‘know how’ may objectively meet the criterion of relative secrecy that an action in breach of confidence would normally protect, but is excluded from protection because attempts to restrain its use would amount to a restraint of trade.²¹⁵

The application of this doctrine in post-employment situations was considered in the UK in the decision of *Faccenda Chicken Ltd v Fowler*.²¹⁶ In the decision at first instance, Goulding J identified three classes of information that an employee may access and the principles that apply to each class:²¹⁷

1. Not confidential at all – This would include trivial information or information that is easily accessible from public sources so that the law and reasonable people would regard it as not confidential at all. An employee can reveal information of this nature during or after employment.
2. Know-how – This is information, which may be confidential but once learned, becomes part of the stock of knowledge and skill applied in the course of the employer’s business. It would amount to a breach of the duty of fidelity to reveal this information during employment, but its use cannot be restrained after employment ceases because of the competing policy interests that permit employees to continue using their skills.²¹⁸ The only way an employer can protect this class of information is to use a reasonable restrictive covenant that restrains the employee from competing with him for a period of time within a particular distance.²¹⁹
3. Trade secrets – these were described by Goulding J as being so confidential that they cannot be used for the benefit of anyone other than the employer. Essentially, this is information that is confidential and within the reach of the equitable action of breach of confidence but which is not part of an employee’s subjective knowledge.²²⁰ An employer can use this action to protect such ‘trade secrets’ after termination of employment.

The Court of Appeal in *Faccenda Chicken Ltd v Fowler* confirmed the principle that only trade secrets can be protected after the determination of employment. They outlined a number of factors that apply in the employment context to determine whether any particular item of information would fall within the scope of the implied term in an employment contract that prevents its use or disclosure by the employee after employment ceases.²²¹ These are similar to the criteria used to identify when business information possesses the necessary quality of confidence

214 *Faccenda Chicken Ltd v Fowler* [1987] Ch 117; *Herbert Morris Ltd v Saxelby* [1916] 1 AC 688, 714 (Lord Shaw of Dunfermline).

215 These issues are discussed in Stewart, ‘Confidentiality and the Employment Relationship’, above n 191.

216 [1985] FSR 105 (ChD) (Goulding J); [1987] Ch 117.

217 [1985] FSR 105, 114–16.

218 *Wessex Dairies Ltd v Smith* [1935] 2 KB 80, 89; *United Indigo Chemical Co Ltd v Robinson* (1931) 49 RPC 178, 187; *E Worsley & Co Ltd v Cooper* [1939] 1 All ER 290.

219 *Printers & Finishers Ltd v Holloway* [1965] RPC 239, 253; *Wright v Gasweld Pty Ltd* (1991) 22 NSWLR 317; cf *Faccenda Chicken Ltd v Fowler* [1987] Ch 117, 137 (Neill LJ).

220 *Ansell Rubber Co Pty Ltd v Allied Rubber Industries Pty Ltd* [1967] VR 37; *Lansing Linde Ltd v Kerr* [1991] 1 WLR 251, 260, 270; *Printers & Finishers Ltd v Holloway* [1965] RPC 239; *Balston Ltd v Headline Filters Ltd* [1990] FSR 385; *Wright v Gasweld Pty Ltd* (1991) 22 NSWLR 317; *Saltman Engineering Co Ltd v Campbell Engineering Co Ltd* (1948) 65 RPC 203; *Coco v A N Clark (Engineers) Ltd* [1969] RPC 41.

221 *Faccenda Chicken Ltd v Fowler* [1987] Ch 117, 137–8 (Neill J).

for the purposes of the breach of confidence action to apply.²²² These include that the obligation of confidentiality was impressed upon the employee²²³ and that information was jealously guarded,²²⁴ the nature of the employment, and the ease with which the information could be isolated from other information the employee was free to use or disclose.²²⁵ Other factors include the expenditure of skill and effort to acquire the information,²²⁶ and industry usages and practices that support the assertion of confidentiality.²²⁷ Information that meets these criteria is information ‘that should fairly be regarded as a separate part of the employee’s stock of knowledge . . . which a man of ordinary intelligence and honesty would regard as the property of the former employer’.²²⁸

11.8 Defences: public interest in disclosure

11.8.1 Background

A person may be restrained from using or disclosing the confidential information of another without the owner’s consent, irrespective of how they acquire possession of the information.²²⁹ However, rights to restrain unauthorised use or disclosure are not absolute.²³⁰ Although public policy protects the maintenance of confidences, a variety of grounds exist on which a remedy may be refused. Apart from the existence of statutory exemptions from infringement or justifications for disclosure such as under legal compulsion or to assist with the administration of justice,²³¹ courts might exercise their discretion in equity to deny a remedy on grounds that one or more of the traditional equitable defences such as unclean hands, unconscionability and illegality are present.²³² These are not examined in this book. Furthermore, there is an accepted principle that no

222 *Ansell Rubber Co Pty Ltd v Allied Rubber Industries Pty Ltd* [1967] VR 37; *Mense & Ampere Electrical Manufacturing Co Pty Ltd v Milenkovic* [1973] VR 784; *Thomas Marshall (Exports) Ltd v Guinle* [1979] Ch 227.

223 See, for example: *Lancashire Fires Ltd v S A Lyons & Co Ltd* [1996] FSR 629, 673–4; *Cray Valley Limited v Deltech Europe Limited* [2003] EWHC 728; Gurry, *Breach of Confidence*, above n 1; *United Sterling Corporation Ltd v Felton and Mannion* [1974] RPC 162, 172; *Wright v Gasweld Pty Ltd* (1991) 22 NSWLR 317, 334 (Kirby P); *Faccenda Chicken Ltd v Fowler* [1987] Ch 117, 137–8.

224 *Ansell Rubber Co Pty Ltd v Allied Rubber Industries Pty Ltd* [1967] VR 37, 50; *E Worsley & Co Ltd v Cooper* [1939] 1 All ER 290, 307; *Wright v Gasweld Pty Ltd* (1991) 22 NSWLR 317, 334.

225 *Ansell Rubber Co Pty Ltd v Allied Rubber Industries Pty Ltd* [1967] VR 37, 49; *Faccenda Chicken Ltd v Fowler* [1987] Ch 117, 137–8; *A T Poeton (Gloucester Plating) Ltd v Michael Ikem Horton* [2001] FSR 14; *FSS Travel and Leisure Systems Ltd v Johnson* [1999] FSR 505.

226 *Wright v Gasweld Pty Ltd* (1991) 22 NSWLR 317, 334; *Interfirm Comparison (Australia) Pty Ltd v Law Society of NSW* [1975] 2 NSWLR 104, 117; *Wheatley v Bell* [1982] 2 NSWLR 544, 546.

227 *Thomas Marshall (Exports) Ltd v Guinle* [1979] Ch 227, 248; *Wright v Gasweld Pty Ltd* (1991) 22 NSWLR 317, 334.

228 *Ansell Rubber Co Pty Ltd v Allied Rubber Industries Pty Ltd* [1967] VR 37, 40; *Printers & Finishers Ltd v Holloway* [1965] RPC 239.

229 *Sullivan v Sclanders* (2000) 77 SASR 419, 424.

230 For the range of available defences, see: Meagher et al., *Meagher, Gummow & Lehane’s Equity*, above n 1, ¶ 41–115.

231 See: McKeough et al., *Intellectual Property in Australia*, above n 2, ¶ 4.22 (disclosure under legal compulsion); *NRMA v Geeson* (2001) 40 ACSR 1; *Richards v Kadian* (2005) 64 NSWLR 204, 216; *A v Hayden (No 2)* (1984) 156 CLR 532 (obligation will not be enforced when it interferes with the administration of justice).

232 *Corrs Pavey Whiting & Byrne v Collector of Customs (Vic)* (1987) 14 FCR 434; Meagher et al., *Meagher, Gummow & Lehane’s Equity*, above n 1.

confidence exists in the disclosure of iniquity.²³³ Such a principle effectively prevents the action of breach of confidence arising because the required quality of confidence is missing from the information for which protection is sought.²³⁴ Therefore, this is strictly not a defence to the action.²³⁵ This iniquity principle first arose in *Gartside v Outram*²³⁶ in the context of deciding the scope of an implied obligation of good faith in an employment contract. It was held that an employee could not be required to maintain confidential the fraudulent operations of the employer. The case expressed 'iniquity' in terms of 'crimes and other serious misdoings' and courts continue to define the scope of these terms according to the facts of the case before them. The principal development in this area has occurred in the UK, where courts have developed the early iniquity principle into a well-recognised public interest defence²³⁷ that 'relates to the truth being disclosed where disgraceful or criminal conduct is involved or disclosure is vital in the public interest'.²³⁸ At its widest, the essential requirement of the defence is that 'the disclosure is justified in the public interest'²³⁹ and involves 'a question of balancing the public interest in maintaining the confidence against the public interest in knowing the truth':²⁴⁰ a concept of 'public interest' with no further definition.²⁴¹

11.8.2 Nature of the defence in Australia

The present state of any defence in Australia that provides the public interest as a justification for breach of confidence is unclear.²⁴² One sense in which such a defence might be understood was expressed by Campbell J in *AG Australia Holdings Ltd v Burton*²⁴³ in the following passage:

By a 'public interest defence' I mean a defence whereby it is the task of the individual trial judge to decide whether, in the circumstances of the individual case before him or her, the public interest is better served by enforcing, or not enforcing, an obligation of confidence.²⁴⁴

233 *Gartside v Outram* (1857) 26 LJ Ch 113.

234 *Corrs Pavey Whiting & Byrne v Collector of Customs (Vic)* (1987) 14 FCR 434, 456.

235 *Corrs Pavey Whiting & Byrne v Collector of Customs (Vic)* (1987) 14 FCR 434.

236 *Gartside v Outram* (1857) 26 LJ Ch 113.

237 *Attorney-General v Guardian Newspapers Ltd (No 2)* [1988] 3 All ER 545; *Beloff v Pressdram Ltd* [1973] 1 All ER 241, 260; *Initial Services Ltd v Putterill* [1968] 1 QB 396; *Woodward v Hutchins* [1977] 2 All ER 751; *Lion Laboratories Ltd v Evans* [1985] QB 526, 550 (Griffiths CJ); *Fraser v Evans* [1969] 1 QB 349; *Hubbard v Vosper* [1972] 2 QB 84; *British Steel Corp v Granada Television Ltd* [1981] AC 1096. See: L. Bently & B. Sherman *Intellectual Property Law* (2nd ed, Oxford: Oxford University Press, 2004), 1040–5; Meagher et al., *Meagher, Gummow & Lehane's Equity*, above n 1, ¶ 41–115. UK courts must take account of the *European Convention on Human Rights*, Rome (4 Nov 1950) and its Five Protocols: e.g., *HRH Prince of Wales v Associated Newspapers Ltd* [2006] EWHC 522.

238 *Sullivan v Sclanders* (2000) 77 SASR 419, 425.

239 *Initial Services Ltd v Putterill* [1968] 1 QB 396, 405.

240 *Woodward v Hutchins* [1977] 2 All ER 751.

241 *Castrol Australia Pty Ltd v Em Tech Associates Ltd* (1980) 33 ALR 31, 55.

242 *AG Holdings v Burton* (2002) 58 NSWLR 464, 513; for commentary on this doctrine see: T. Glover, 'Scope of Public Interest Defence in Actions for Breach of Confidence' (1999) 6 *JCULR* 109; T. Voon, 'Breach of confidence by Government, Smith Kline and the TRIPs agreement – Public Interest to the rescue' (1998) 9 *AIPJ* 66.

243 (2002) 58 NSWLR 464.

244 *Ibid* 513.

The application of the public interest defence in the sense described above, namely as requiring some broad balancing of interests, has received some limited support among members of the Australia judiciary, being variously described as a ‘balance of competing interests’,²⁴⁵ ‘some impropriety which is of such a nature that it ought, in the public interest, be exposed’,²⁴⁶ and, in the context of the press exposing confidences, something that is of ‘serious concern and benefit to the public’.²⁴⁷ However, it seems that Australian courts have rejected any broad balancing approach to a public interest defence that merely requires that public interest in the publication outweigh the public interest in confidentiality.²⁴⁸ Such defences have been described as ‘picturesque and somewhat imprecise’²⁴⁹ and ‘as an invitation to judicial idiosyncrasy’.²⁵⁰

The more favoured sense in which the public interest defence is used is narrower and is limited to the scope of the iniquity rule that derives from *Gartside v Outram*. This iniquity principle has been discussed in terms of being a narrow public interest defence²⁵¹ that does not give an unduly wide meaning to the word ‘iniquity’ in Wood V-C’s dictum in *Gartside v Outram*.²⁵² Two cases involving actions with the Trade Practices Commission (TPC) as it then was²⁵³ discussed the public interest defence to breach of confidence in this sense. In *Castrol Australia Pty Ltd v Em Tech Associates Ltd*, Rath J preferred the concept of public policy in the preservation of confidence to any expanded concept of public interest, and considered that the public interest in the truth being told was insufficient justification for an unauthorised disclosure.²⁵⁴ He approved the doctrine as it was described in *Beloff v Pressdram Ltd*, namely:

The defence of public interest clearly covers . . . disclosure, which as Lord Denning MR emphasized must be disclosure justified in the public interest, of matters carried out or contemplated, in breach of the country’s security, or in breach of law, including statutory duty, fraud, or otherwise destructive of the country or its people, including matters medically dangerous to the public; and doubtless other misdeeds of similar gravity. . . . Such public interest, as now recognized by the law, does not extend beyond misdeeds of a serious nature and importance to the country and thus, in my view, clearly recognizable as such.²⁵⁵

245 *David Syme & Co Ltd v General Motors-Holden’s Ltd* [1984] 2 NSWLR 294, 309 (Samuels JA).

246 *Westpac Banking Corporation v John Fairfax Group Pty Ltd* (1991) 19 IPR 513, 525 (Powell J).

247 *Attorney-General (UK) v Heinemann Publishers Australia Pty Ltd* (1987) 10 NSWLR 86, 167 (Kirby P). As to the special circumstances in this area, see: *Theophanous v Herald & Weekly Times Ltd* (1994) 182 CLR 104; *Stephens v West Australian Newspapers Ltd* (1994) 124 ALR 80. S. Walker, ‘The impact of the High Court’s Free Speech Cases on Defamation Law’ (1995) 17 *Sydney Law Review* 43.

248 E.g., *Lion Laboratories Ltd v Evans* [1985] QB 526; *Woodward v Hutchins* [1977] 2 All ER 751; *Bacich v Australian Broadcasting Corporation* (1992) 29 NSWLR 1, 16; *Sullivan v Sclanders* (2000) 77 SASR 419, 427.

249 *Corrs Pavey Whiting & Byrne v Collector of Customs (Vic)* (1987) 14 FCR 434, 451.

250 *Smith Kline & French Laboratories (Australia) Ltd v Secretary, Department of Community Services and Health* (1990) 22 FCR 73, 111.

251 *David Syme & Co Ltd v General Motors-Holden’s Ltd* [1984] 2 NSWLR 294, 305–306 (Hutley A-P); P. Finn, ‘Confidentiality and the “Public Interest”’ (1984) 58 *ALJ* 497, 505–8; Gurry, ‘Breach of Confidence’, above n 15, ch 6, 124–30.

252 *Gartside v Outram* (1857) 26 LJ Ch 113; *Castrol Australia Pty Ltd v Em Tech Associates Ltd* (1980) 33 ALR 31, 53.

253 The former Australian Competition and Consumer Commission (ACCC).

254 *Castrol Australia Pty Ltd v Em Tech Associates Ltd* (1980) 33 ALR 31.

255 *Beloff v Pressdram Ltd* [1973] 1 All ER 241, 260; *Castrol Australia Pty Ltd v Em Tech Associates Ltd* (1980) 33 ALR 31; *Allied Mills Industries Pty Ltd v Trade Practices Commission (No 1)* (1981) 55 FLR 125.

In the second case involving the TPC, and after analysis of the various authorities, Sheppard J in *Allied Mills Industries Pty Ltd v Trade Practices Commission (No 1)*²⁵⁶ concluded that ‘the public interest in the disclosure (to the appropriate authority or perhaps the press) of iniquity will always outweigh the public interest in the preservation of private and confidential information’. In this case, Sheppard J concluded that a breach of the provisions of pt IV of the *Trade Practices Act 1974* was an iniquity for the purposes of this defence. He limited the circumstances for refusal of relief to cases where there is some prima facie evidence of the commission of the breach by a person against whom proceedings are to be issued.²⁵⁷ It may be that the concept of iniquity extends to the tort of negligence.²⁵⁸

As mentioned above, there is some debate as to whether this application of the iniquity rule results in a true defence or merely relates to the ‘content of any such obligation in its inception’²⁵⁹ that prevents the duty of confidence arising through the lack of the necessary quality of confidence.²⁶⁰ The latter view was expressed by Gummow J when he was in the Federal Court in *Corrs Pavey Whiting and Byrne v Collector of Customs (Vic)*, in his following statement of the appropriate principle:

information will lack the necessary attribute of confidence if the subject matter is the existence or real likelihood of the existence of an iniquity in the sense of a crime, civil wrong or serious misdeed of public importance, and the confidence is relied upon to prevent disclosure to a third party with a real and direct interest in redressing such crime, wrong or misdeed.²⁶¹

A decision of the full court of the South Australian Supreme Court in *Sullivan v Sclanders* has accepted this statement of principle as expressing Australian law with respect to the defences to a civil action in breach of confidence.²⁶²

11.8.3 Disclosure must be to proper authorities

This narrow exposition of the defence looks to both the wrongful nature of the information as well as the reason for the proposed disclosure in breach.²⁶³ Hence, it is likely that Australian courts would defend the disclosure only if it is to the ‘proper authorities’²⁶⁴ or to those who have a real and direct interest in addressing the problem.²⁶⁵

256 *Allied Mills Industries Pty Ltd v Trade Practices Commission (No 1)* (1981) 55 FLR 125.

257 *Ibid* 146.

258 *AG Holdings v Burton* (2002) 58 NSWLR 464, 518.

259 *Smith Kline & French Laboratories (Australia) Ltd v Secretary, Department of Community Services and Health* (1990) 22 FCR 73, 110.

260 *Corrs Pavey Whiting & Byrne v Collector of Customs (Vic)* (1987) 14 FCR 434.

261 *Ibid* 456; *Smith Kline & French Laboratories (Australia) Ltd v Secretary, Department of Community Services and Health* (1990) 22 FCR 73, 111; *Bacich v Australian Broadcasting Corporation* (1992) 29 NSWLR 1, 16.

262 *Sullivan v Sclanders* (2000) 77 SASR 419, 419.

263 *Corrs Pavey Whiting & Byrne v Collector of Customs (Vic)* (1987) 14 FCR 434.

264 *Allied Mills Industries Pty Ltd v Trade Practices Commission (No 1)* (1981) 55 FLR 125, 141 (Sheppard J).

265 *Attorney-General (UK) v Heinemann Publishers Australia Pty Ltd* (1987) 8 NSWLR 341, 381; *Initial Services Ltd v Putterill* [1968] 1 QB 396, 405–6.

11.9 Remedies

11.9.1 General

As a general principle, a court should not intervene ‘unless it is satisfied that there is no risk of disclosure. The risk must be a real one, and not merely fanciful or theoretical’.²⁶⁶ When breach of confidence is established, a court has the usual array of remedies available.²⁶⁷ Monetary remedies are available in the form of damages or an account of profits. It may be that the remedies include the imposition of a constructive trust.²⁶⁸ An injunction is the most important remedy for apprehended or continuing breaches.²⁶⁹ As an injunction should be no wider than is necessary for the protection of the rights,²⁷⁰ it should identify with some precision the confidential information to which it relates.²⁷¹ It may also be limited in time according to the ‘springboard’ advantage that has been obtained.

11.9.2 The springboard principle

The expressions ‘headstart’ or ‘springboard’ are used to describe the advantage gained by persons who have misused confidential information before it enters the public domain. The cases in which this doctrine is applied deal with circumstances where a person has gained an advantage which can be measured by reference to the advantage which has followed the misuse of the information. The first explicit mention of the ‘springboard’ principle occurs in *Terrapin Ltd v Builders’ Supply Co (Hayes) Ltd*, when Roxburgh J stated:

... the essence of this branch of the law ... is that a person who has obtained information in confidence is not allowed to use it as a springboard for activities detrimental to the person who made the confidential communication, and springboard it remains even when all the features have been published or can be ascertained by actual inspection by any member of the public. ... It is, in my view, inherent in the principle upon which the *Saltman* case rests that the possessor of such information must be placed under a special disability in the field of competition in order to ensure that he does not get an unfair start ...²⁷²

It is necessary to exercise caution about applying this passage literally. Commenting on it in *British Franco Electric Pty Ltd v Dowling Plastics Pty Ltd*, Wootten J expressed the view that:

This passage contemplates not that a person who has received information in confidence will be enjoined for ever from using it, notwithstanding that it has become public. It contemplates rather the moulding of remedies to place him under special disability

266 *Rapid Metal Developments (Australia) Pty Ltd v Anderson Formrite Pty Ltd* [2005] WASC 255.

267 See ch 17.

268 *LAC Minerals v International Corona Resources* (1989) 69 OR (2d) 287.

269 M. Gronow, ‘Injunctions in Breach of Confidence Proceedings’ (1995) 6 *AIPJ* 246.

270 *Fletcher v Foodlink Ltd* (1995) 60 FCR 262, 264–6.

271 *Thomas Marshall (Exports) Ltd v Guinle* [1979] Ch 227; Gurry, *Breach of Confidence*, above n 1, 409.

272 *Terrapin Ltd v Builders Supply Co (Hayes) Ltd* [1967] RPC 375, 391–2.

to ensure that he does not get an unfair start, in other words, the imposition of some compensating handicap.²⁷³

Terrapin was concerned with the confidant who would have the benefit of a head start over others in the market only because there would be some delay involved for others to discover the secret information from what was in the market place. It was clear that the secret information was not exposed by the product and other materials put into the market place.²⁷⁴ If the doctrine prevents a party from getting a head start by avoiding 'special labours in respect of the product in order to discover its secret',²⁷⁵ there would be no need for a handicap when the details are immediately available from the public domain. In some cases, an injunction will be the appropriate remedy, the handicap being gauged according to the time that others might be expected to take to reverse engineer the product or research publicly available information to uncover this secret information. In others, a remedy in damages only may be more appropriate.²⁷⁶ This might be because the head start gained is minor,²⁷⁷ or because it is unreasonable to prohibit use when the confidant has mingled his own confidential information with that of the confider.²⁷⁸ The essence of the doctrine is to prevent the use of information to gain an unfair advantage in the market place.²⁷⁹

Equity may exercise its discretion not to grant relief or, in particular, an injunction. Reasons could include laches,²⁸⁰ acquiescence and 'unclean hands'.

11.9.3 Damages

The main pecuniary remedy for breach of confidence is damages, the other being an account of profits.²⁸¹ Damages are available where the breach is one of a contractual obligation of confidence. They can also be claimed in tort where the defendant is a third party who has induced the breach of confidence. Where liability arises under the equitable doctrine, damages are available either alone or in addition to an injunction.²⁸² The value of the information that a defendant takes depends upon its nature.²⁸³ A variety of means exists for the calculation of damages;²⁸⁴ this may be by reference to the loss of profits which would have been

273 *British Franco Electric Pty Ltd v Dowling Plastics Pty Ltd* [1981] 1 NSWLR 448, 451 (Wootten J).

274 *Terrapin Ltd v Builders Supply Co (Hayes) Ltd* [1967] RPC 375.

275 *Mars UK Ltd v Teknowledge Ltd* (1999) 46 IPR 248, 256.

276 *Seager v Copydex Ltd* [1967] 2 All ER 415; *Coco v A N Clark (Engineers) Ltd* [1969] RPC 41; *Cray Valley Limited v Deltech Europe Limited* [2003] EWHC 728.

277 *Cray Valley Limited v Deltech Europe Limited* [2003] EWHC 728.

278 *Coco v A N Clark (Engineers) Ltd* [1969] RPC 41, 48–9; *Seager v Copydex Ltd* [1967] 2 All ER 415, 417; *EPI Environmental Technologies Inc v Symphony Plastic Technologies plc* [2005] 1 WLR 3456; McKeough et al., *Intellectual Property in Australia*, above n 2, ¶ 4.24; Gurry, *Breach of Confidence*, above n 1.

279 Dean, *The law of trade secrets*, above n 1, 319–21; Meagher et al., *Meagher, Gummow & Lehane's Equity*, above n 1, ¶ 41–075.

280 *Trevorrow v State of South Australia (No 4)* (2006) 94 SASR 64, 83.

281 Dean, *The law of trade secrets*, above n 1, 322–37.

282 *Talbot v General Television Corporation Pty Ltd* [1980] VR 224, 241. *Supreme Court Act 1958* (Vic), s 62(3).

283 *Seager v Copydex Ltd (No 2)* [1969] 2 All ER 718, 719.

284 *Talbot v General Television Corporation Pty Ltd* [1980] VR 224, 235; *Darvall McCutcheon (a firm) v HK Frost Holdings Pty Ltd (in liq)* (2002) 4 VR 570, 588.

derived but for the defendant's breach,²⁸⁵ by reference to the cost of a consultant who could provide the same information,²⁸⁶ or with reference to any licence fee that would be negotiated in a commercial transaction.²⁸⁷ As stated by the Victorian Court of Appeal in *Darvall McCutcheon (a firm) v HK Frost Holdings Pty Ltd (in liq)* (2002):

The aim in every case is to put the plaintiff, so far as monetary compensation can do so, in the position it would have been but for the breach of confidence by the defendant.²⁸⁸

In doing this, the court will adopt the most appropriate method of measuring the plaintiff's loss.²⁸⁹ The fact that it may be difficult to assess damages in any situation does not relieve the court of its obligation to do so.²⁹⁰ It might also be possible to award exemplary damages in breach of confidence actions.²⁹¹

11.10 Relationship between confidential information and patents

At some point, a patentable invention will have existed as confidential information because absolute novelty is required for its protection under a patent. However, once the specification is made available to the public, the information enters the public domain.²⁹² It is not possible to obtain a patent for an invention that has been secretly used by the inventor.²⁹³ Therefore, a person cannot keep something secret and use it in trade and then apply for a patent. A choice must be made between a patent or reliance upon the methods that are available to protect confidential information, including contract, physical barriers and the doctrine for breach of confidence. However, it must be noted that a person who has used an invention in secret may have rights to continue that use despite the later grant of a patent for that invention to another person.²⁹⁴

The principal differences between seeking a patent or choosing to rely upon the protection that the breach of confidence action offers for secret information relate to the type of information that is protected, the term of protection, and

285 *Dowson & Mason Ltd v Potter* [1986] 1 WLR 1419.

286 *Seager v Copydex Ltd (No 2)* [1969] 2 All ER 718, 719.

287 *Interfirm Comparison (Australia) Pty Ltd v Law Society of NSW* [1975] 2 NSWLR 104; *Seager v Copydex Ltd* [1967] 2 All ER 415; *Gorne v Scales* [2006] EWCA Civ 311 CA; *Seager v Copydex Ltd (No 2)* [1969] 2 All ER 718, 719.

288 *Darvall McCutcheon (a firm) v HK Frost Holdings Pty Ltd (in liq)* (2002) 4 VR 570, 589; J. Stuckey-Clarke, "Damages for Breach of Purely Equitable Rights: The Breach of Confidence Example" in P. D. Finn (ed), *Essays on Damages* (1992), 69; P. M. McDermott, *Equitable Damages* (Sydney: Butterworths, 1994), 165.

289 E.g., *Ithaca Ice Works Pty Ltd v Queensland Ice Supplies Pty Ltd* [2002] QSC 222.

290 *Darvall McCutcheon (a firm) v HK Frost Holdings Pty Ltd (in liq)* (2002) 4 VR 570, 589.

291 *Aquaculture Corporation v New Zealand Green Mussel Co Ltd* [1990] 3 NZLR 299.

292 E.g., *Franchi v Franchi* [1967] RPC 149; *O'Mustad v Alcock and Dosen* [1963] 3 All ER 416.

293 *Patents Act 1990* (Cth) s 18(1)(d).

294 *Patents Act 1990* (Cth) s 119. A. L. Monotti, 'Balancing the rights of the patentee and prior user of an invention: the Australian experience' (1997) 19(7) *EIPR* 351.

the nature of that protection. First, a patent provides a limited monopoly for twenty years (standard patent) or eight years (innovation patent) and is granted on condition that the invention must be made available to the public. In contrast, an action for breach of confidence is dependent upon the maintenance of the secrecy and confidentiality of the information. If the information can be kept secret, there is the possibility for perpetual protection of information.

Secondly, a patent is available only for inventions that are novel and not obvious. They must involve either an inventive step (standard patents) or an innovative step (innovation patents).²⁹⁵ Therefore, a lot of secret information may not be suitable for patenting. The existence of the protection for confidential information does not depend upon novelty or invention, but on its confidential nature; it must be relatively secret and must be reasonably discrete and ascertainable. A very wide range of material can be protected with no need to meet any technical requirements. There is no requirement for it to be in a material form, so even ideas conveyed orally are capable of protection. Apart from some *de minimis* principle – courts will not protect trivial ‘tittle tattle’²⁹⁶ – the breadth for protection is expansive.

Thirdly, upon grant of the patent, the protection is absolute and not dependent on secrecy. It protects against those who independently discover the invention. In contrast, the equitable action does not protect information unless it has the necessary quality of confidence. Hence, there is always a risk that the monopoly will end when others engage in industrial espionage or discover the secret by independent means. It may also be difficult to maintain secrecy because there is no prohibition on reverse engineering anything that is available in the market place.

11.11 Relationship between confidential information and copyright

When confidential information is expressed in a material form such as a document, two forms of intellectual property rights are created – rights in copyright in the form in which the information is expressed and rights to restrain unauthorised disclosure of the information itself in breach of confidence. When an author creates secret information and sets this out in a document or other material form, the author can exercise all the exclusive rights under copyright and can also take action for any unauthorised breach of confidence. These rights are exercised by the employer if the creation of the information and the copyright work is in pursuance of employment duties, and no agreement exists to the contrary.

²⁹⁵ *Patents Act 1990* (Cth) s 18(1)(b)(ii), 18(1A)(b)(ii).

²⁹⁶ *Coco v AN Clark (Engineers) Ltd* [1969] RPC 41, 48.

11.12 International dimensions

The most significant substantive obligations with respect to the protection of confidential information are embodied in s 7, art 39 of the *TRIPS Agreement* (1994) and art 10 of the *Paris Convention*. Article 39(1) of *TRIPS* provides that members must afford certain levels of protection for particular classes of undisclosed information in order to ensure 'effective protection against unfair competition is provided in art 10bis of the *Paris Convention 1967*'.²⁹⁷ Article 10bis provides that any act of competition contrary to honest practices in industrial or commercial matters constitutes an act of unfair competition.

The first class of undisclosed information protected under art 39(2) is secret information that has commercial value because it is secret and has been subject to reasonable steps taken by the person lawfully in control to keep it secret. The concept of secrecy is used in the sense that it is not 'generally known among or readily accessible to persons within the circles that normally deal with the kind of information in question'.²⁹⁸ The second class of information protected under art 39(3) involves undisclosed test or other data, that is originated with considerable effort and is required to be submitted to government or government agencies as a condition for obtaining approval for the marketing of pharmaceutical or agricultural products that utilise new chemical entities.

297 *TRIPS* s 7, art 39(1).

298 *TRIPS* s 7, art 39(2).

Patents for inventions: introduction

12.1 What is a patent for invention?

A patent is granted by the Crown and confers private property rights in the form of a monopoly for the invention of products, methods and processes in all fields of technology. The invention could relate to all manner of things including pharmaceutical products and processes, engineering products and processes, medical and therapeutic devices, micro-organisms and computer technology. These things all have in common some human intervention with nature to bring about some physical change. A patent grants exclusive rights to the patentee in relation to the invention in return for public disclosure of the invention.

Patents are available for two tiers of inventions: standard patents and innovation patents. Neither patent will be granted for something that is already known. The invention must be novel, in the sense that its details must not have been published or made publicly available through use anywhere in the world. The invention must also be useful if it is to have the protection of a patent.¹ Different levels of an advance over what is known apply to standard and innovation patents. The standard patent must not be obvious – it must involve an inventive step – whereas an innovation patent requires a substantial contribution to the working of the invention.

Novelty and inventive or innovative step require a comparison with specified documents and acts throughout the world. This base for comparison is referred to as a 'prior art base'. The monopoly is granted for a restricted period with the public free to utilise and perform the invention at the end of that period.

¹ *Patents Act 1990* (Cth) s 18.

During the term of the patent² the patentee can exclude others from exercising the rights granted. Those exclusive rights are the same for inventions that possess significant inventive merit, for those that possess only a scintilla of inventiveness and for those that possess an innovative step.

An important feature of the patent system is that the mere fact that a patent application satisfies the Commissioner of Patents and results in a patent grant does not guarantee its validity.³ A granted patent can be revoked on a variety of grounds, including obviousness and lack of novelty.⁴ The requirements for validity of both standard and innovation patents are discussed in chapter 13. Issues that relate to ownership and exploitation of rights in a patent are discussed in chapter 14 and both what constitutes infringement of a patent and the requirements for revocation of a patent are discussed in chapter 15.

This chapter provides an overview of the nature of patents for inventions, including some brief discussion of their origins and the rationales for their existence. It explains some fundamental concepts that later chapters expand upon and outlines the procedures for obtaining the grant of a patent.

12.2 Origins of patent protection

The statutory concept of a patentable invention appeared originally in s 6 of the *Statute of Monopolies* 21 Jac 1, c 3:

Provided also . . . that any declaration . . . shall not extend to any letters-patent and grants of privilege . . . of the sole working or making of any manner of new manufacture . . . 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 use so as also they be not contrary to the law, nor mischievous to the state, by raising prices of commodities at home, or hurt of trade, or generally inconvenient.

The purpose of this section was ‘to allow the use of the prerogative to encourage national development in a field which already, in 1623, was seen to be excitingly unpredictable’.⁵ The context for limiting monopolies was that of trade, the common law having suspicions of such monopolies.⁶ Up until the seventeenth century in England, patents were granted by the Crown in exercise of its prerogative to grant privileges. This system of monopoly grants was lucrative for the Crown. These privileges were granted in an ‘open letter’ – letters patent – which came to be known as a patent. The grant of some patents was used without objection as an

² *Patents Act 1990* (Cth) s 67 (standard patent) and s 68 (innovation patent).

³ *Patents Act 1990* (Cth) s 20(1).

⁴ *Patents Act 1990* (Cth) s 138(3).

⁵ *NRDC v Commissioner of Patents* (1959) 102 CLR 252, 271. For the history of patents, see: H. I. Dutton, *The patent system and inventive activity during the Industrial Revolution, 1750–1852* (Manchester: Manchester University Press, 1984); S. Shulman, *Owning the Future* (Boston: Houghton Mifflin, 1999).

⁶ *Attorney-General of the Commonwealth of Australia v The Adelaide Steamship Company Limited* [1913] AC 781, 793; *Grant v Commissioner of Patents* (2005) 67 IPR 1.

instrument of industrial or economic policy to encourage invention and investment in invention.⁷ In the late sixteenth and early seventeenth centuries, Queen Elizabeth I granted monopoly rights for the purpose of conducting trade in a foreign country or area. For example, she granted patents to merchant venturers such as the East India Company in return for royalty payments.⁸

The Crown also granted privileges indiscriminately by way of general monopolies in various industries. These grants were controversial in that they were used merely as a convenient way to raise revenue, rather than as part of an industrial policy. No element of innovation was required, neither in terms of bringing something new into the country nor in terms of inventing something new. Wide powers were given to monopolists to enforce their rights.⁹ Often monopolies were granted in relation to commodities that were already being used and in the public domain, thereby harming existing trade of such commodities. For example, a grant to X to sell playing cards would be detrimental to Y and Z who were already selling playing cards,¹⁰ not to mention the population who derived considerable pleasure from this pursuit. The common law was hostile to monopolies but had no power over them without Crown approval. Outrage was expressed in 1601 in the Parliamentary Debate on Monopolies (Queen Elizabeth I's last parliament) at the nature of monopolies granted for things such as 'currants, iron, powder, cards, ox shin-bones, train oil', where there was no element of innovation. Another grant related to 'all the wild swans betwixt London Bridge and Oxford'.¹¹ Finally, under pressure in 1601, Elizabeth I issued a proclamation in parliament against the principal monopolies complained of and gave the common law courts the power to determine the validity of those that remained.¹²

In 1602, the case of *Darcy v Allin*¹³ was decided. The case, which came to be known as the 'Case of Monopolies', concerned a patent for the sole right to manufacture and import playing cards. It was argued that the Queen had a prerogative in matters of pleasure and recreation and that the grant had been given as a means of controlling the numbers of playing cards in circulation and the time spent by apprentices and servants playing cards. Arguments in support of the monopoly related to the type of merchandise – 'things of vanity' – and 'the occasion of loss of time and the decrease of the substance of many, the loss of the service and work of servants, causes of want, which is the mother of woe and destruction, and therefore it belongs to the Queen'. The court declared the grant invalid, saying that such a grant could deprive people of their livelihood. The Queen was not to suppress the making of cards in England, no more than the making of 'dice, bowls, hawks' hoods, bells, lures, dog-couples'.¹⁴

7 K. Boehm with A. Silberston, *The British Patent System 1: Administration* (Cambridge University Press, 1967), 2.

8 *Darcy v Allin* (1602) 11 Co Rep 84b; 77 ER 1260.

9 G. R. Elton, *England under the Tudors* (Methuen, 1955), 463.

10 *Darcy v Allin* (1602) 11 Co Rep 84b; 77 ER 1260.

11 *Ibid* 1262.

12 Boehm, *The British Patent System 1*, above n 7, 16.

13 *Darcy v Allin* (1602) 11 Co Rep 84b; 77 ER 1260.

14 *Ibid* 1264.

In the process of deciding the case, the court stated the common law of monopolies comprehensively, that common law being that monopolies are prohibited other than those for patents for invention. The principal reasons for this prohibition on monopolies were economic – that monopolies raise prices, debase quality, cause unemployment by reducing output and are not for the benefit of public but the benefit of the patentee.

Despite the comprehensive statement of the common law and the later declaration in James I's *Book of Bounty 1610* of common law hostility to monopolies other than patents for invention, abuse continued and the prerogative courts continued to enforce monopolies granted.¹⁵ Finally, after vigorous anti-monopoly debate, the *Statute of Monopolies* was enacted and became the first statutory basis in England for the protection of patents for inventions. It provided for the grant of a patent for a period of fourteen years. In return for the monopoly, the patentee would teach the art to two sets of apprentices.¹⁶ According to Coke,¹⁷ s 6 was merely declaratory of the law before the enactment of the *Statute of Monopolies*.¹⁸

The patent system in England continued to develop over the next 200 years or so, undergoing periods of cumbersome administration and expensive procedures.¹⁹ The need for reform became particularly evident in the nineteenth century and led to the enactment of the *Patents, Designs and Trade Marks Act 1883* (46 & 47 Vict c 57), which provides the foundations of the modern patent system.²⁰

12.3 Development of patent law in Australia

Prior to Federation in 1901, each Australian colony had its own *Patents Act* which was based on the *Patents, Designs and Trade Marks Act 1883* (46 & 47 Vict c 57). These Acts continued in force until the Commonwealth parliament enacted the *Patents Act 1903* (Cth) pursuant to its legislative powers under s 51(xviii) of the Constitution. The 1903 Act was repealed by the *Patents Act 1952* (Cth), which was in turn repealed by s 230 *Patents Act 1990* (Cth). The *Patents Act 1990* (Cth) came into operation on 1 May 1991 and the *Statutory Rules 1991* No 71 commenced at the same time.

Many of the provisions in the *Patents Act 1990* (Cth) are drawn in substance from the *Patents Act 1952* (Cth) which was based upon the *Patents Act 1949* (UK).²¹ However, the UK legislation changed considerably in 1977 when the *Patents Act 1977* (UK) was enacted to comply with the 1973 *European Patent Convention (EPC)*.²² This need for UK law to be consistent with the *EPC* and

¹⁵ Boehm, *The British Patent System 1*, above n 7, 15–16.

¹⁶ E. Coke, *Institutes of the Law of England*, Part III (1845), at 184–5.

¹⁷ *Ibid.*

¹⁸ Boehm, *The British Patent System 1*, above n 7, 17.

¹⁹ As to the evolution of the patent specification over this period see Ch 13 at 13.14.1.

²⁰ Boehm, *The British Patent System 1*, above n 7, 18–30.

²¹ For the historical development of patents see: S. Ricketson, *The Law of Intellectual Property* (Sydney: Law Book Company, 1984), ch 46, and the sources cited in that text, including: A. A. Gomme, *Patents of Invention: Origin and Growth of the Patent System in Britain* (London: Longmans, Green & Co, 1946); H. G. Fox, *Monopolies and Patents: A Study of the History and Future of the Patent Monopoly* (Toronto: University of Toronto Press, 1947).

²² L. Bently and B. Sherman, *Intellectual Property Law* (Oxford: Oxford University Press, 2001), 315–16.

to comply with later Directives of the European Community²³ has resulted in considerable differences between the *Patents Act 1990* (Cth) and the *Patents Act 1977* (UK).

12.4 Rationales of patent protection

Over the years, scholars have identified a number of rationales for patent protection that are more or less relevant according to the times in which they are contextualised.²⁴ The natural property rights theory, for example, has little application to the contemporary system. On the other hand, rationales that are expressed in terms of prevention of ‘free riding’ on inventions and ideas,²⁵ providing a reward for services useful to society, incentive to disclose secrets, incentive to invent, and incentive to invest in technology remain relevant theories to support a contemporary patent system.

A review of the patent system in 1984 by the Industrial Property Advisory Committee (IPAC) concluded:²⁶

The policy approach to review and change should seek to optimise the net benefits arising from the operation of the patent system in the national interest to the extent possible consistent with international conventions, having regard to the particular circumstances of the Australian economy. We should seek to modify the Australian patent laws, adjusting the length, strength and breadth of patent rights so as to maximise the social benefits and to minimise the social costs to Australians.

More specifically, this implies seeking:

- To gain increased benefits for Australians by fostering indigenous innovation, and utilising the international patent system in developing export markets to improve Australia’s international competitive position;
- To reduce unnecessary social costs including those resulting from undesirable anti-competitive conduct involving patents; and
- To improve the efficiency of the administration of the patent system with consequent reduction of direct costs.

The government adopted this policy approach to the design of the patent system under the *Patents Act 1990* (Cth).²⁷ In particular, the Minister for Science and Technology, Hon Simon Crean, explained in his second reading speech that the ‘essence of the patent system is to encourage entrepreneurs to develop and commercialise new technology’.²⁸

23 L. Bently and B. Sherman, *Intellectual Property Law* (2nd ed, Oxford: Oxford University Press, 2004), 330–44.

24 Some of these are discussed in Ricketson, *The Law of Intellectual Property*, above n 21, 868–71.

25 Intellectual Property and Competition Review Committee, *Review of Intellectual Property Legislation Under the Competition Principles Agreement* (2000), 25.

26 Industrial Property Advisory Committee, *Patents, Innovation and Competition in Australia* (1984); Government response: statement by the Minister for Science, *Official Journal of Patents, Trade Marks and Designs* (1986) 56(47) 1462.

27 Hon S. Crean, Minister for Science and Technology, Second Reading Speech, *House of Representatives Debates*, 10 October 1990, 2565.

28 *Ibid.*

12.5 Types of patent

12.5.1 Standard and innovation patents

The *Patents Act 1990* (Cth) provides protection for two types of patents for invention: the standard patent and the innovation patent. A number of differences apply to standard and innovation patents, which are discussed in the relevant succeeding chapters. For the purposes of this chapter, the essential difference relates to the absence of any substantive form of examination prior to grant for an innovation patent. The application procedures for both standard and innovation patents are described below.

12.5.2 Patents of addition

In addition to standard and innovation patents, a patent of addition may be applied for in relation to a standard patent.²⁹ This is available to protect improvements to and modifications of a patent that has been granted or applied for and enables the assembly of clusters of patents to provide strong protection for the inventive concept.

12.5.3 Selection patents

An invention which selects a group of members or one member from a previously known class, and finds new uses and qualities previously unknown is called a selection patent. This is not a statutory class of patents but refers to a particular type of invention that may be the subject of a patent application or grant.³⁰ A selection patent appears most often in the chemical field but is not restricted in that operation.³¹ The selection, or sub-class, is united by a common feature that has beneficial properties that distinguish it from the class from which it was selected. Three conditions must be fulfilled to be a valid selection patent.

First, a selection patent to be valid must be based on some substantial advantage to be secured by the use of the selected members. (The phrase will be understood to include the case of a substantial disadvantage to be thereby avoided.) Secondly, the whole of the selected members must possess the advantage in question. Thirdly, the selection must be in respect of a quality or a special character which can fairly be said to be peculiar to the selected group.³²

These conditions have been approved and followed on 'countless occasions'.³³ They were formulated in the context of a chemical patent so care must be taken

²⁹ *Patents Act 1990* (Cth) ch 7.

³⁰ For special principles that apply to selection patents see 'Novelty by way of selection', ch 13, 13.6.12.

³¹ *Hallen Co v Brabantia (UK) Ltd* [1991] RPC 195.

³² *I G Farbenindustrie AG's Patents* (1930) 47 RPC 289, 322–3 (Maugham J); *Imperial Chemical Industries Pty Ltd v Commissioner of Patents* (2004) 63 IPR 476; *Hallen Co v Brabantia (UK) Ltd* [1991] RPC 195, 217.

³³ *Chiron Corporation v Murex Diagnostics Ltd* [1996] RPC 535.

when applying them to a mechanical patent.³⁴ In the case of chemical selection patents, all members of the broad class do not need to have been made as long as their formulae and common properties are ascertained.³⁵

12.5.4 Combination patents

A ‘combination patent’ is one in which the elements or integers in the claim interact with each other to produce a new result or product which constitutes the invention. All the integers in the combination may be old or some may be new: the essence of the combination patent is the result of the interaction.³⁶ The term is one that courts have developed to describe a particular type of invention that may be the subject of a patent application or grant.

12.6 Types of application

Apart from national applications for standard and innovation patents, which are explained below, three other types of applications should be mentioned here. They are Convention applications, PCT applications and divisional applications.

12.6.1 Convention applications

The *Paris Convention for the Protection of Industrial Property 1883*³⁷ (*Paris Convention*) applies to industrial property generally, including trade marks and designs as well as patents. Its fundamental principle is that it requires member states to accord national treatment in respect of those forms of intellectual property rights.³⁸ It provides a means of access into national patent systems for foreign patentees. If the applicant makes the first application for a patent in a country that is a party to the *Paris Convention*³⁹ (‘the basic application’), the applicant has 12 months from that day in which to make the Convention application (‘the priority period’).⁴⁰ Once a Convention application is lodged within this priority period, it is prosecuted as if it were a national application.⁴¹ The priority period gained under the *Paris Convention* complements the streamlined filing procedures under the *Patent Co-operation Treaty 1970 (PCT)*.

³⁴ *Hallen Co v Brabantia (UK) Ltd* [1991] RPC 195, 217.

³⁵ *Ibid.*

³⁶ *Minnesota Mining & Manufacturing Co v Beiersdorf (Australia) Ltd* (1980) 144 CLR 253; *Nicaro Holdings Pty Ltd v Martin Engineering Co* (1990) 16 IPR 545, 553.

³⁷ *Paris Convention for the Protection of Industrial Property*, opened for signature 20 Mar 1883, WIPO (revised Brussels 1900, Washington 1911, The Hague 1925, London 1934, Lisbon 1958, Stockholm 1967, amended 1979); 169 Contracting members (15 April 2006).

³⁸ *Paris Convention 1883* art 2.

³⁹ *Patents Act 1990* (Cth) s 94; *Patents Regulations 1991* (Cth) reg 8.5(1), sch 4.

⁴⁰ *Patents Regulations 1991* (Cth) reg 8.5(2); *Paris Convention 1883* art 4.

⁴¹ *Patents Act 1990* (Cth) s 95; *Patents Regulations 1991* (Cth) regs 8.5–8.7.

12.6.2 PCT applications

The *PCT* established an International Patent Cooperation Union ‘for cooperation in the filing, searching, and examination, of applications for the protection of inventions, and for rendering special technical services’.⁴² The granting of the patents remains the responsibility for each national office in the countries in which the patentee seeks protection and commences when the international application enters its ‘national phase’. This national application process is described below in the procedure for obtaining an Australian patent.

There are two Chapters in the *PCT*. Chapter I provides that any national or resident of a *PCT* contracting state can seek patent protection in any number of selected *PCT* contracting states by filing one international application.⁴³ The application may be filed in Australia with the Australian Patent Office which will act as the *PCT* ‘receiving office’.⁴⁴ Provided that the application satisfies the minimum requirements in the *PCT*, this single application acts as a national patent application in each designated state,⁴⁵ and is regarded as equivalent to a regular national filing within the meaning of the *Paris Convention*.⁴⁶ Its international filing date is considered to be the date of actual filing in each designated State.⁴⁷ The international filing date becomes the priority date⁴⁸ unless an earlier priority date can be claimed on the basis of a prior patent application – national or *PCT* – for the same invention.⁴⁹

Each international patent application is subjected to an ‘international search’ by an International Searching Authority to discover relevant prior art.⁵⁰ Both the application and the search report are sent to the relevant designated national offices.⁵¹

Unless the applicant requests an earlier publication of the international application, it is promptly published with the international search report after eighteen months from its priority date.⁵² This publication occurs before the application enters the national phase in each designated state and therefore before it is examined and accepted. After international publication, any third party can request copies of documents contained in the international file,⁵³ and thereby have the benefit of this published material to help them formulate their opinion about the patentability of the claimed invention. The application will remain

42 *Patent Co-operation Treaty*, opened for signature Washington 19 June 1970 (amended on 2 Oct 1979, modified on 3 Feb 1984 and on 3 Oct 2001), (entered into force generally 24 Jan 1978 (except Chapter II: 29 Mar 1978), entry into force for Australia: 31 Mar 1980). The Treaty came into effect on 1 June 1978; 132 contracting members (27 July 2006).

43 *PCT*, arts 3, 9.

44 *PCT*, art 10.

45 *PCT*, art 11(3); *Patents Act 1990* (Cth) s 88.

46 *PCT*, art 11(4).

47 *PCT*, art 11(3); *Patents Act 1990* (Cth) s 88(4).

48 See 12.11 & 12.12 below for the significance of priority dates.

49 *PCT*, arts 8, 2(xi).

50 *PCT*, arts 15, 16.

51 *PCT*, art 20.

52 *PCT*, art 21.

53 *PCT*, art 30(2)(a)(i).

unpublished and inaccessible to third parties if the application is withdrawn before international publication.⁵⁴

The effect of this international publication is the same as the effect of compulsory national publication of unexamined national applications under the national law of each designated state.⁵⁵ Under the *Patents Act 1990* (Cth), this gives the applicant the same rights as he or she would have possessed if the patent had been granted on the day when the specification became open to public inspection.⁵⁶

Chapter II of the Treaty provides the applicant with the opportunity to delay the entry into the national phase by asking for a preliminary examination on the basis of the international search report. The objective of this examination is to provide a preliminary and non-binding opinion on whether the claimed invention appears to be novel, to involve an inventive step and to be industrially applicable.⁵⁷

12.6.3 Divisional applications

It is possible to make a divisional application⁵⁸ with respect to both standard and innovation patents prior to grant,⁵⁹ and with respect to innovation patents after grant.⁶⁰ Such an application⁶¹ is used where more than one invention was contained in the complete application.

12.7 Procedure for obtaining a standard patent

12.7.1 The application

Any person, including a body of persons whether incorporated or not, can apply for a patent.⁶² Two or more persons can make a joint application.⁶³ The application may be provisional or complete.⁶⁴ However, after filing a complete application and before it has been accepted or made open to public inspection, the applicant can request the Commissioner to treat it as a provisional application.⁶⁵

The application is taken to be made on its filing date.⁶⁶ The date of first filing⁶⁷ of the specification establishes the priority date for the claims in that

⁵⁴ *PCT*, art 30.

⁵⁵ *PCT*, art 29.

⁵⁶ *Patents Act 1990* (Cth) s 57.

⁵⁷ *PCT*, art 33.

⁵⁸ *Patents Act 1990* (Cth) ch 6A; *Patents Regulations 1991* (Cth) ch 6A.

⁵⁹ *Patents Act 1990* (Cth) s 79B.

⁶⁰ *Patents Act 1990* (Cth) s 79 C.

⁶¹ The application is made under *Patents Act 1990* (Cth) s 29.

⁶² *Patents Act 1990* (Cth) ss 15, 29(1).

⁶³ *Patents Act 1990* (Cth) s 31.

⁶⁴ *Patents Act 1990* (Cth) s 29(2–4).

⁶⁵ *Patents Act 1990* (Cth) s 37.

⁶⁶ *Patents Act 1990* (Cth) s 30; *Patents Regulations 1991* (Cth) reg 3.5.

⁶⁷ *Patents Act 1990* (Cth) s 30; *Patents Regulations 1991* (Cth) reg 3.12.

specification. It is common practice to file a provisional application to establish that date. In this event, the applicant has twelve months from its filing date to make one or more complete applications associated with the provisional application.⁶⁸ The provisional application will lapse if a complete application is not filed in this period.⁶⁹ It is possible to refile the application as a provisional, and thereby accept a later priority date, or abandon it altogether. The priority date is significant for a number of reasons, one of which is that later publication or use of the invention will not invalidate a patent application.⁷⁰

The date of filing the complete specification establishes the date of the patent.⁷¹ It is from this date that the term of the patent runs. In the case of a standard patent, the term is twenty years from the date of the patent,⁷² whereas the term for an innovation patent is eight years.⁷³

The requirements for the content of both provisional and complete specifications are set out in ss 40 and 41⁷⁴ and Chapter 3 of the *Patents Regulations 1991* (Cth). These requirements are discussed in more detail in chapter 13, but some brief summary assists the present discussion. A provisional specification must describe the invention.⁷⁵ After filing, the applicant gets a receipt, but nothing else happens until a complete specification is filed. The substantive and procedural requirements are more onerous for a complete specification. The function of the complete specification is to describe the invention and delineate the monopoly claimed. Validity will often turn on the way in which the patent attorney⁷⁶ has drafted the specification.⁷⁷ Section 40 requires that it must describe the invention fully, including the best method known to the applicant of performing the invention, and must end with claims defining the invention which must be clear, succinct and fairly based on the matter described in the specification. The claims must relate to one invention only. The claims set out the ambit of the patent, and are the point of reference for determining whether the patent has been infringed.

A grant can be made to ‘the nominated person’, who must be the inventor or a person who gains rights from the inventor. This could be a person entitled to an assignment or grant of the patent, a person who derives title from the inventor or the legal representative of the relevant person.⁷⁸

12.7.2 Pre-examination

The typical steps in getting and maintaining a standard patent are set out in a flow chart in s 4 of the *Patents Act 1990* (Cth). Following the application, the

68 *Patents Act 1990* (Cth) s 38; *Patents Regulations 1991* (Cth) reg 3.10; *Paris Convention 1883*, art 4.

69 *Patents Act 1990* (Cth) s 142(1).

70 *Patents Act 1990* (Cth) s 23. See discussion of the priority date below at 12.11 and 12.12.

71 *Patents Act 1990* (Cth) s 65.

72 *Patents Act 1990* (Cth) s 67.

73 *Patents Act 1990* (Cth) s 68.

74 *Patents Act 1990* (Cth) s 41 (micro-organisms).

75 *Patents Act 1990* (Cth) s 40(1); *Patents Regulations 1991* (Cth) reg 3.2.

76 *Patents Act 1990* (Cth) s 202.

77 See ch 15, 15.2, 13.14.3 for the principles of construction of specifications.

78 *Patents Act 1990* (Cth) ss 15, 29(1). See ch 14.

prescribed details are published in the Official Journal.⁷⁹ In the case of a complete application, the subject matter is classified using the International Patent Classification and abstracts are prepared for search material. There are three ways in which examination may proceed: the applicant may seek examination,⁸⁰ the Commissioner may direct the applicant to ask for examination,⁸¹ or, after the specification is open to public inspection, any person may require the Commissioner to direct the applicant to ask for examination.⁸² When the direction is given to the applicant in either of these circumstances, the applicant must seek examination within six months of the direction being given.⁸³ The application lapses if there is no examination requested or directed,⁸⁴ unless it is an application in respect of which the applicant requests deferral of examination under s 46.⁸⁵

The Patent Office publishes all complete specifications for standard patents eighteen months after the priority date. At this stage the specification becomes open for public inspection or 'OPI'.⁸⁶ The significance of this date is that infringement is possible after this date, but no proceedings can be commenced until the patent is granted.⁸⁷

12.7.3 Examination

The examination of a standard patent requires the Commissioner to carry out the examination in accordance with the regulations and to report on the following matters:⁸⁸

- Whether the content of specification complies with s 40(1);
- Whether, to the best of his or her knowledge, the invention is a 'manner of manufacture within the meaning of s 6 *Statute of Monopolies*';⁸⁹
- Whether the invention is both new and inventive;⁹⁰ and
- Whether the invention satisfies such other matters as are prescribed in reg 3.18(2), including matters relating to entitlement to the grant.

Success with the examination of a standard patent does not ensure its validity.⁹¹ The assessment of novelty and inventive step must not take into account any information within the prior art base that is made publicly available only through the doing of an act.⁹² However, this information can be used in both opposition and revocation proceedings.⁹³ The applicant is required to inform

⁷⁹ *Patents Act 1990* (Cth) s 53; *Patents Regulations 1991* (Cth) reg 4.1.

⁸⁰ *Patents Act 1990* (Cth) s 44(1); *Patents Regulations 1991* (Cth) reg 3.15(1).

⁸¹ *Patents Act 1990* (Cth) s 44(2).

⁸² *Patents Act 1990* (Cth) s 44(3).

⁸³ *Patents Regulations 1991* (Cth) regs 3.16(2), 3.17(1).

⁸⁴ *Patents Act 1990* (Cth) s 142, s 44.

⁸⁵ *Patents Regulations 1991* (Cth) regs 3.20, 3.21.

⁸⁶ *Patents Act 1990* (Cth) ss 54–5; *Patents Regulations 1991* (Cth) regs 4.2–4.3.

⁸⁷ *Patents Act 1990* (Cth) s 57.

⁸⁸ *Patents Act 1990* (Cth) s 45(1–2).

⁸⁹ *Patents Act 1990* (Cth) s 18(1)(a).

⁹⁰ *Patents Act 1990* (Cth) s 18(1)(b).

⁹¹ *Patents Act 1990* (Cth) s 20(1).

⁹² *Patents Act 1990* (Cth) s 45(1A).

⁹³ *Patents Act 1990* (Cth) ss 59, 138.

the Commissioner of the results of certain prescribed searches to assist with this examination.⁹⁴ The *Patents Act 1990* (Cth) provides a process for amending the patent request and specification in response to objections raised in the course of examination.⁹⁵

12.7.4 Acceptance and publication

From the OPI date to immediately before acceptance, anyone can notify the Commissioner that the invention is not a patentable invention because it is not novel or lacks an inventive step.⁹⁶ The Commissioner must accept the patent request and the specification if two conditions are satisfied. First, the Commissioner must be *satisfied* that the invention is novel and involves an inventive step.⁹⁷ This represents a more stringent test than that which applied before 1 April 2002⁹⁸ when the Commissioner was required to give the patentee the benefit of the doubt when assessing the invention against all criteria, including those of novelty and inventive step.⁹⁹ Secondly, the Commissioner must *consider* that there is no other lawful ground of objection. Hence, the ‘benefit of any doubt’ test continues to apply to the other matters that the Commissioner considers under this sub-section.¹⁰⁰

If there is no obligation to accept under s 49(1), the Commissioner may refuse to accept the application, but is not compelled to do so.¹⁰¹ Furthermore, the Commissioner has discretion to refuse to accept the patent request and the specification or to grant the patent in the three circumstances set out in s 50. The first is where the use of the invention would be contrary to law.¹⁰² The second is where a claim in the specification includes the name of a person as the name, or part of the name, of the claimed invention. The third concerns a claimed invention that is a substance that is capable of being used as food or medicine (whether for human beings or animals and whether for internal or external use) and is a mere mixture of known ingredients or a process for producing such a substance by mere admixture. This express provision in s 50 appears to be unnecessary as neither the claim for the product nor the claim for any process would satisfy any of the criteria for validity.¹⁰³

Once accepted, the application is advertised in the *Australian Official Journal of Patents, Trade Marks & Designs*¹⁰⁴ and various documents associated with the application become OPI if this has not already occurred.¹⁰⁵

94 *Patents Act 1990* (Cth) s 45(3), (4), (5); see IP Australia Position Paper, *Issues Relating to Subsection 45(3) of the Patents Act 1990* (March 2006).

95 *Patents Act 1990* (Cth) ss 104, 107.

96 *Patents Act 1990* (Cth) s 27(1); *Patents Regulations 1991* (Cth) reg 2.5.

97 *Patents Act 1990* (Cth) s 49(1).

98 *Patents Amendment Act 2001* (Cth) sch 1 pt 2(15) which repealed the former s 49.

99 *Imperial Chemicals Industries Pty Ltd v Commissioner of Patents* (2004) 63 IPR 476, 486, ¶ 50–3.

100 See Explanatory Memorandum to the *Patents Amendment Act 2001* (Cth) item 15.

101 *Patents Act 1990* (Cth) s 49(2).

102 See ch 13, ¶ 13.13.3.

103 See ch 13.

104 *Patents Act 1990* (Cth) s 49(5).

105 *Patents Act 1990* (Cth) s 49(6)(b).

12.7.5 Opposition

The advertisement of acceptance makes the public aware of what has been accepted by the Patent Office. Members of the public are entitled within three months of the advertisement to oppose the grant.¹⁰⁶ The grounds for opposition in s 59 are:

- 59(a) that the nominated person is either:
 - i. not entitled to a grant of a patent for the invention; or
 - ii. entitled to a grant of a patent for the invention but only in conjunction with some other person;
- 59(b) that the invention is not a patentable invention;
- 59(c) that the specification filed in respect of the complete application does not comply with sub-ss 40(2) or (3).

The ground in s 59(b) that the invention is not a patentable invention includes all the aspects of validity that are listed in s 18(1) and (2). Two of these aspects – that the invention is useful and has not been secretly used by the patentee before the priority date – only became available grounds for opposition when the *US Free Trade Agreement Implementation Act 2004* (Cth) (*USFTA*) commenced on 16 August 2004. The amendments made by the *USFTA* apply in relation to each patent application for a standard patent that is made after 16 August 2004, and to each patent application made before that date but for which a patent had not been granted.

The Commissioner decides the opposition and can take into account any of the above grounds for opposition, irrespective of whether the opponent relies upon them. Either party can appeal the decision to the Federal Court.¹⁰⁷ There is the possibility for re-examination if the application is opposed.¹⁰⁸

12.7.6 Re-examination

The Act contains discretion for the Commissioner to instigate the re-examination of an accepted application and a granted patent.¹⁰⁹ No third party has the right to ask for re-examination prior to grant. According to IPAustralia, the discretion will be exercised only if an adverse re-examination report will issue.¹¹⁰ This may be because some new prior art is brought to the attention of the Commissioner by a member of the public.¹¹¹ Granted patents must be re-examined if the patentee or another person requests the Commissioner to do so,¹¹² unless proceedings in relation to a patent are pending.¹¹³ The request must identify the documents upon

106 *Patents Act 1990* (Cth) s 59; *Patents Regulations 1991* (Cth) ch 5.

107 *Patents Act 1990* (Cth) s 60(4).

108 *Patents Act 1990* (Cth) s 97; *Patents Regulations 1991* (Cth) reg 9.1.

109 *Patents Act 1990* (Cth) s 97.

110 Australian Patent Office, *Patent Manual of Practice & Procedures* (APO Manual), ¶ 2.22.1.

111 *Patents Act 1990* (Cth) s 27(1).

112 *Patents Act 1990* (Cth) s 97(2).

113 *Patents Act 1990* (Cth) s 97(4).

which an assertion of invalidity is based.¹¹⁴ The Commissioner must re-examine a patent upon direction of a court.¹¹⁵

The only grounds available for re-examination are novelty and inventive step.¹¹⁶ As is the position with examination, the prior art base does not include information made publicly available only through the doing of an act.¹¹⁷ An adverse re-examination report may result in a refusal to grant the patent in the case of a patent application or revocation of a granted patent.¹¹⁸

12.7.7 Grant

The patent is granted by sealing a standard patent in the approved form.¹¹⁹ It is possible for two or more applications for patents for identical or substantially identical inventions to have the same priority date. In this event, neither application will form part of the prior art base for the other for the purposes of assessment of novelty and inventive step. Nor does the grant of one invalidate the other. Hence, the *Patents Act 1990* (Cth) contemplates the possible grant of two independent patents for the one invention, but only where there are different inventors.¹²⁰

12.8 Processing an application for an innovation patent

An innovation patent application does not undergo substantive examination. Instead, after the applicant files the patent request and complete specification, the Commissioner undertakes a formalities check in respect of the application.¹²¹ If satisfied with the results, the Commissioner must accept the patent request and complete specification.¹²² Following its acceptance, the Commissioner must grant the innovation patent by sealing an innovation patent in the approved form. A notice is then published in the *Official Journal* stating that the patent is granted and OPI.¹²³ From the day when the complete specification for the patent becomes OPI to immediately before the Commissioner decides to certify the patent, it is possible for anyone to notify the Commissioner that the invention is not a patentable invention because it is not novel or lacks an innovative step.¹²⁴

An innovation patent is examined only after grant, either because the Commissioner so decides or because the patentee or some other person asks for

114 For re-examination of standard and innovation patents see *Patents Regulations 1991* (Cth) ch 9.

115 *Patents Act 1990* (Cth) s 97(3).

116 *Patents Act 1990* (Cth) s 98(1).

117 *Patents Act 1990* (Cth) s 98(2).

118 *Patents Act 1990* (Cth) ss 100A, 101. See: *APO Manual*, above n 110, ¶ 2.22.

119 *Patents Act 1990* (Cth) s 61.

120 *Patents Act 1990* (Cth) s 64; sch 1 Dictionary: 'prior art base'. *Re Smithkline Beecham plc* (2000) 50 IPR 169; *Sartas No 1 Pty Ltd v Koukourou & Partners Pty Ltd* (1994) 30 IPR 479.

121 *Patents Act 1990* (Cth) s 52(1); *Patents Regulations 1991* (Cth) reg 3.2B.

122 *Patents Act 1990* (Cth) s 52(2).

123 *Patents Act 1990* (Cth) s 62.

124 *Patents Act 1990* (Cth) s 27(1); *Patents Regulations 1991* (Cth) regs 2.6, 9A.5.

examination.¹²⁵ After a successful examination, the Commissioner issues a certificate of examination, publishes a notice in the *Official Journal* and registers the issue of that certificate.¹²⁶ A patentee may commence infringement proceedings when the patent is certified.¹²⁷

In examining the patent, the Commissioner must determine whether the patent is invalid and should be revoked on any of the grounds listed in s 101B. Among those listed are the grounds relating to validity, namely:

1. the specification fails to comply with s 40 requirements;
2. the invention as claimed is not a manner of manufacture within the meaning of s 6 of the *Statute of Monopolies*;¹²⁸
3. the invention is not novel and involves no innovative step;¹²⁹
4. the invention is not patentable because it is for a human being or the biological processes for its generation;¹³⁰
5. the invention is not patentable because it is for a plant or animal or the biological processes for the generation of plants or animals;¹³¹
6. use of the invention would be contrary to law.¹³²

The assessment of novelty and innovative step must not take into account any information within the prior art base that is made publicly available only through the doing of an act.¹³³ However, that information is taken into account if the validity of the patent is subsequently attacked in revocation proceedings.¹³⁴ The patentee must disclose the results of searches carried out by or on behalf of a foreign patent office to the Commissioner in the same way as was discussed above in the context of standard patents.¹³⁵

The Commissioner must certify the patent if three conditions are satisfied. First, the Commissioner must be *satisfied* that the invention is novel and involves an innovative step. Secondly, the Commissioner must *consider* that there is no other lawful ground for revocation. Third, the patent must not have ceased for any of the reasons set out in s 143A.¹³⁶ The Commissioner is required to revoke the patent if any ground for revocation is made out.¹³⁷

Certified patents may be re-examined under Part 2 of Chapter 9A or opposed under Part 3 of that Chapter. The grounds for re-examination are lack of novelty and innovative step.¹³⁸ The grounds for opposition are different from those that

125 *Patents Act 1990* (Cth) s 101A.

126 *Patents Act 1990* (Cth) s 101E.

127 *Patents Act 1990* (Cth) s 120(1A).

128 *Patents Act 1990* (Cth) s 18(1A)(a).

129 *Patents Act 1990* (Cth) s 18(1A)(b).

130 *Patents Act 1990* (Cth) s 18(2).

131 *Patents Act 1990* (Cth) s 18(3).

132 *Patents Act 1990* (Cth) s 101B(2). See ch 13, at 13.13.3.

133 *Patents Act 1990* (Cth) s 101B(3).

134 *Patents Act 1990* (Cth) ss 7, 138 and Dictionary.

135 *Patents Act 1990* (Cth) s 101D.

136 *Patents Act 1990* (Cth) s 101E.

137 *Patents Act 1990* (Cth) s 101F.

138 *Patents Act 1990* (Cth) s 101G(3).

apply for oppositions to standard patents, in that utility and secret use are not included.¹³⁹

12.9 Patent term

The term of a standard patent granted on or after 1 July 1995 is twenty years from the date of the patent.¹⁴⁰ Prior to this date, patents were granted for a term of sixteen years. Those that were still in force on 1 July 1995 gained the benefit of the extension from sixteen to twenty years.¹⁴¹ The term of an innovation patent is eight years from the date of the patent.¹⁴² In both cases, the date of the patent is the date of filing the complete specification.¹⁴³

12.10 Extension of term of standard patents for pharmaceuticals

12.10.1 The application

If the requirements set out in s 70¹⁴⁴ are satisfied, a patentee can apply for one extension of term of a standard patent relating to pharmaceutical substances *per se*¹⁴⁵ that are in substance disclosed in the complete specification and in substance fall within the scope of the claim or claims of that specification. It is not enough that the substance appears in a claim in combination with other elements, such as the combination of a new nasal spray in a container that is fitted with a nozzle¹⁴⁶ or as part of the description of a method of treatment that is the subject of a claim.¹⁴⁷ Section 70 confines extensions to patents that claim invention of the substance itself.¹⁴⁸ A pharmaceutical substance that forms part of a method or process claim is not entitled to extension rights¹⁴⁹ unless the pharmaceutical substance is produced by a process that involves the use of recombinant DNA technology.¹⁵⁰ The policy for this distinction appears to relate to parliament's desire to encourage research and development in inventive substances and recombinant DNA techniques.¹⁵¹

139 *Patents Act 1990* (Cth) s 101M.

140 *Patents Act 1990* (Cth) s 67. Term extended by *Patents (World Trade Organization Amendments) Act 1994* (Cth) pt 1, s 4.

141 *Patents (World Trade Organization Amendments) Act 1994* (Cth) pt 1 ss 3, 7.

142 *Patents Act 1990* (Cth) s 68. Transitional provisions: *Patents Amendment (Innovation Patents) Act 2000* (Cth) sch 2, pt 1.

143 *Patents Act 1990* (Cth) s 65.

144 *Intellectual Property Laws Amendment Act 1998* (Cth) sch 1 (commenced 27 January 1999).

145 The words 'per se' are significant. They were not present in the original provisions in the *Patents Act 1990* (Cth) that were repealed by the *Patents (World Trade Organization Amendment) Act 1994* (Cth).

146 *Boehringer Ingelheim International GmbH v Commissioner of Patents* (2001) 112 FCR 595.

147 *Prejay Holdings Ltd v Commissioner of Patents* (2003) 57 IPR 424, 429, 430.

148 *Ibid* 429; *Boehringer Ingelheim International GmbH v Commissioner of Patents* (2001) 112 FCR 595, 605.

149 *Patents Act 1990* (Cth) s 70(2)(a); *Prejay Holdings Ltd v Commissioner of Patents* (2003) 57 IPR 424.

150 *Patents Act 1990* (Cth) s 70(2)(b).

151 *Boehringer Ingelheim International GmbH v Commissioner of Patents* (2001) 112 FCR 595, 599.

The term ‘in substance disclosed’ appears in various contexts in the patent system¹⁵² and has been viewed by the Federal Court as similar to the ‘real and reasonably clear disclosure’ test of fair basing.¹⁵³ In considering ‘in substance disclosure’ in the specification, regard is given to the form that the specification takes and what is said in that specification.¹⁵⁴ As with the construction of a specification for purposes of fair basis,¹⁵⁵ issues of ‘inventiveness’ or ‘meritoriousness’ or ‘inventive step’ are irrelevant.¹⁵⁶

In addition to the above requirements, and subject to the patent having not been previously extended,¹⁵⁷ the patentee must satisfy two further conditions in relation to at least one of the pharmaceutical substances that satisfies the above requirements. First, goods containing or consisting of the substance must be included in the Australian Register of Therapeutic Goods.¹⁵⁸ Section 70(3)(a) does not stipulate any quantity of the substance to be present in the registered good. Hence, this provision is satisfied even though the substance may be present in only minute quantities.¹⁵⁹ Secondly, there must be at least five years between the date of the patent and the first regulatory approval date for the substance.¹⁶⁰

The first regulatory approval date is defined in s 70(5) and is either the date of the commencement of the first inclusion in the Australian Register of Therapeutic Goods of goods that contain or consist of the substance, or if pre *Therapeutic Goods Act* marketing approval has been given, the date of the first approval in relation to the substance.¹⁶¹

The application must be made within six months after the later of the following dates:

1. grant of patent; and
2. commencement of the first inclusion in the Australian Register of Therapeutic Goods of goods that contain or consist of pharmaceutical substances referred to in s 70(3).¹⁶²

12.10.2 Calculation of the term of extension

The extension of term is the period commencing on the date of the patent and ending on the earliest first regulatory approval date reduced by five years (but not below zero). The maximum extension period is five years.¹⁶³ Therefore, if the

152 *Re Pfizer, Inc* (2004) 62 IPR 627, 630.

153 *Gambro Pty Ltd v Fresenius Medical Care South East Asia Pty Ltd* (2000) 49 IPR 321; *RGC Mineral Sands Pty Ltd v Wimmera Industrial Minerals Pty Ltd* (1998) 89 FCR 458; *ICI Chemicals & Polymers Ltd v Lubrizol Corporation Inc* (2000) 106 FCR 214.

154 *Pfizer Inc v Commissioner of Patents* (2005) 141 FCR 413, 420–1.

155 See Ch 13, 13.14.3.

156 *Pfizer Inc v Commissioner of Patents* (2005) 141 FCR 413, 420; *Lockwood Security Products Pty Ltd v Doric Products Pty Ltd* (2004) 217 CLR 274.

157 *Patents Act 1990* (Cth) s 70(4).

158 *Patents Act 1990* (Cth) s 70(3)(a). The ARTG is established under the *Therapeutic Goods Act 1989* (Cth), Chapter 9; *Pfizer Corporation v Commissioner of Patents (No 2)* (2006) 69 IPR 525.

159 *Merck & Co Inc v Arrow Pharmaceuticals Ltd* (2003) 59 IPR 226, 232.

160 *Patents Act 1990* (Cth) s 70(3)(b), (5), (6).

161 *Patents Act 1990* (Cth) s 70(5), (6).

162 *Patents Act 1990* (Cth) s 71(2). It is also provided for within six months of the commencement of s 71(2), namely 27 Jan 1999.

163 *Patents Act 1990* (Cth) s 77(2).

date of the standard patent is 1 June 2002¹⁶⁴ and the first regulatory approval date is 1st June 2008, the extension of term is one year.

12.11 Requirement of claims to have a priority date

A complete specification must describe the invention fully and end with a claim or claims that define the invention.¹⁶⁵ Each claim is required to have a priority date,¹⁶⁶ to establish a date which is used for a variety of purposes set out in the *Patents Act 1990* (Cth) and Regulations. The priority date of a claim is the date of filing the specification in which the invention claimed is first disclosed or such date that is otherwise determined by the *Patents Regulations 1991* (Cth).¹⁶⁷ It is possible that claims in the same specification may have different priority dates.¹⁶⁸ For instance, an amendment to a specification may claim new matter.¹⁶⁹ Another instance is where two or more provisional specifications are filed at different times in respect of the same complete application. The *Patents Regulations 1991* (Cth) provide particulars for identifying the priority documents in cases of complete, Convention and *PCT* applications.¹⁷⁰

12.11.1 Complete applications

In the case of complete applications for both standard and innovation patents, namely an application that is accompanied by a complete specification,¹⁷¹ a provisional application that is associated with the complete application is a priority document.¹⁷² This association requires that the complete application was made within twelve months from the filing date of the provisional application.¹⁷³

12.11.2 Convention applications

In the case of a Convention application,¹⁷⁴ the priority documents for a claim in the Convention application are the basic application,¹⁷⁵ a specification or other document filed in respect of and at the same time as the basic application,¹⁷⁶ or a specification related to the basic application and filed after the date on which it was made.¹⁷⁷

164 This is usually the date of filing the complete specification: *Patents Act 1990* (Cth) s 65.

165 *Patents Act 1990* (Cth) s 40(2).

166 *Patents Act 1990* (Cth) s 43(1); *Patents Regulations 1991* (Cth) regs 3.12–3.14.

167 *Patents Act 1990* (Cth) ss 43(2), 30; *Patents Regulations 1991* (Cth) reg 3.5, 3.5A.

168 *Patents Act 1990* (Cth) s 43(3).

169 *Patents Act 1990* (Cth) s 114(1); *Patents Regulations 1991* (Cth) reg 3.14.

170 *Patents Act 1990* (Cth) ch 8, pts 1 (PCT applications), 2 (Convention applications); *Patents Regulations 1991* (Cth) reg 3.12(2)(b–c).

171 *Patents Act 1990* (Cth) s 29(4).

172 *Patents Regulations 1991* (Cth) reg 3.12(2)(a).

173 *Patents Act 1990* (Cth) s 38(1); *Patents Regulations 1991* (Cth) reg 3.10.

174 See 12.6.1.

175 *Patents Regulations 1991* (Cth) reg 3.12(2)(b)(i).

176 *Patents Regulations 1991* (Cth) reg 3.12(2)(b)(ii).

177 *Patents Regulations 1991* (Cth) reg 3.12(2)(b)(iii).

12.11.3 *PCT* applications

A *PCT* application is treated as a complete application for a standard patent.¹⁷⁸ Under art 8 of the *PCT*, an international application for protection of an invention may claim priority of one or more earlier applications filed in a country that is party to the *Paris Convention*. Hence, an initial filing in a Convention country may be able to claim priority for a subsequent Convention application in Australia or a subsequent international filing under the *PCT*.

12.11.4 Fair basing of claim on priority document

A claim in a complete specification can take the benefit of the earlier priority date of a provisional specification or other priority document if ‘the claim is fairly based on matter disclosed’ in the relevant priority document.¹⁷⁹ According to the Full Court in *Leonardis v Sartas No 1 Pty Ltd*,¹⁸⁰ the omission of a definite article ‘the’ before ‘matter disclosed’ in the regulation seems ‘deliberate and appropriate’. Otherwise, the priority function requires a claim to be fairly based on *all* the matter disclosed in a provisional application.¹⁸¹ The priority document must contain a ‘real and reasonably clear disclosure’ of the invention to provide fair basis for the claim.¹⁸² When this occurs, the claim ‘does not travel beyond that disclosure’.¹⁸³

A provisional application may provide fair basis for several complete applications.¹⁸⁴ Two or more provisional applications ‘may be taken together’ for the purpose of examining the fair basis of claims, such as where the second provisional contains language that links it to the first provisional application.¹⁸⁵ Similarly, one provisional application may provide a priority document for more than one complete specification.¹⁸⁶ A claim may be fairly based upon matter disclosed in a provisional specification, even though other inventions are also disclosed in that specification.¹⁸⁷

There has been a tendency for some judges to approach fair basing through the application of a set of tests developed in the UK and known as the ‘*Mond Nickel* rules’.¹⁸⁸ These rules set out three questions. First, has the claimed invention been broadly described in the provisional specification? If the answer to this question is ‘yes’, a second question asks whether the provisional specification contains anything which is inconsistent with the claimed invention. An affirmative answer

178 *Patents Act 1990* (Cth) s 88(1); see 12.6.2.

179 *Patents Regulations 1991* (Cth) reg 3.12(1)(b).

180 (1996) 67 FCR 126.

181 *Ibid* 139.

182 *Ibid* 143; *Rehm Pty Ltd v Websters Security Systems (International) Pty Ltd* (1988) 11 IPR 289, 304; see also *Anaesthetic Supplies Pty Ltd v Rescare Ltd* (1994) 50 FCR 1, 20; *Tate v Haskins* (1935) 53 CLR 594, 606.

183 *Olin Corporation v Super Cartridge Co Pty Ltd* (1977) 180 CLR 236, 240; *Leonardis v Sartas No 1 Pty Ltd* (1996) 67 FCR 126, 143.

184 *Leonardis v Sartas No 1 Pty Ltd* (1996) 67 FCR 126, 139.

185 *Ibid* 138.

186 *Ibid* 140.

187 *Ibid* 143–4; *Societe des Usines Chimiques Rhone-Poulenc v Commission of Patents* (1958) 100 CLR 5, 28–9 (Fullagar J).

188 *In the Matter of the Mond Nickel Company Ltd's Application for a Patent* [1956] RPC 189, 194.

to this question means that it is unlikely to find fair basis. If the answer is ‘no’, the third question asks whether the claim includes ‘as a characteristic of the invention a feature as to which the provisional specification is wholly silent’. Again, an affirmative answer would suggest there is no fair basis. The status of these rules in Australia is not clear. The Full Federal Court in *CCOM Pty Ltd v Jiejing Pty Ltd* felt that this was an ‘all too significant passage’ which would encourage an over-meticulous analysis.¹⁸⁹ However, the rules were referred to in the later decision of *Leonardis v Sartas No 1 Pty Ltd* to support their conclusion that other material may be disclosed in a provisional specification, but that it will destroy the fair basing of the claim only if it is ‘inconsistent with the alleged invention as claimed’.¹⁹⁰

In making the comparison between the claim and a priority document, it is incorrect to apply an ‘over-meticulous verbal analysis’ or to seek to isolate essential integers in the priority document and see if they correspond with the claim.¹⁹¹ There is no connotation of any idea of equity in the word ‘fair’. ‘What is required to be fair is not the applicant’s claim to priority but the basis which one document affords for a claim in the other.’¹⁹² There is another context in which the concept of ‘fair basis’ is used in patent law, namely to ensure that a claim is no wider than is warranted by the disclosure in the body of the specification. This is discussed in chapter 13.¹⁹³

12.12 The role of priority dates

The priority date of a claim performs a number of important functions to assist in the assessment of the validity of a patent, the main ones being:

1. It is only information in the prior art base as it existed before the priority date of the claim that can be compared with the claim to assess novelty, inventive or innovative step.¹⁹⁴
2. Only common general knowledge in the patent area before the priority date of the claim is relevant for the purposes of assessing inventive or innovative step.¹⁹⁵
3. It is before the priority date of the relevant claim that one considers whether a skilled person could be reasonably expected to have ascertained, understood and regarded as relevant or combined information for the purposes of an inquiry into inventive step.¹⁹⁶

189 *CCOM Pty Ltd v Jiejing Pty Ltd* (1994) 51 FCR 260, 280.

190 *Leonardis v Sartas No 1 Pty Ltd* (1996) 67 FCR 126, 144.

191 *CCOM Pty Ltd v Jiejing Pty Ltd* (1994) 51 FCR 260, 281; *Societe des Usines Chimiques Rhone-Poulenc v Commission of Patents* (1958) 100 CLR 5, 11.

192 *Leonardis v Sartas No 1 Pty Ltd* (1996) 67 FCR 126, 140; *Stauffer Chemical Co's Application* [1977] RPC 33, 52 (Buckley LJ).

193 *Patents Act 1990* (Cth) s 40(3); *CCOM Pty Ltd v Jiejing Pty Ltd* (1994) 51 FCR 260, 276. See ch 13 at 13.14.10.

194 *Patents Act 1990* (Cth) ss 18(1)(b), 18(1A)(b), 45(1)(c), 101B, 48(1)(b), 98(1), 101G(3).

195 *Patents Act 1990* (Cth) ss 7(2), 7(4).

196 *Patents Act 1990* (Cth) ss 7(2), 7(3).

4. It is implied that it is before the priority date of the relevant claim that one considers whether a skilled person would treat two or more related documents or two or more related acts as a single source of information for the purposes of an inquiry into innovative step.¹⁹⁷
5. It is only secret use of the invention before the priority date of the claim that is relevant to the validity of the patent.¹⁹⁸
6. To define a period within which certain public disclosures are disregarded for the purpose of deciding whether an invention is novel or involves an inventive step.¹⁹⁹
7. To define the time after which the publication or use of the invention claimed in any claim will no longer invalidate that claim.²⁰⁰

Some other uses of the priority date include:

1. Grant of another patent which claims the same invention in a claim of the same or later priority date.²⁰¹
2. To prevent the grant of multiple patents for the same invention made by the same inventor where the claims in the specifications have the same priority date.²⁰²
3. Where, for a variety of reasons, *Patents Act 1990* (Cth) provides that a grant of a standard or innovation patent may have the benefit of the priority date of an earlier claim.²⁰³
4. To establish a time by which notice must be published of patent specifications being open for public inspection.²⁰⁴
5. To establish infringement exemptions for a prior user of a patented invention.²⁰⁵
6. To define times within which certain administrative actions are to be taken.²⁰⁶

12.13 Withdrawal and lapsing of applications and ceasing of patents

An application for a patent can be withdrawn at any time except during the period prescribed in reg 13.1.²⁰⁷ A provisional application lapses at the end of the period

197 *Patents Act 1990* (Cth) ss 7(4), 7(5).

198 *Patents Act 1990* (Cth) ss 18(1)(d), 18(1A)(d).

199 *Patents Act 1990* (Cth) s 24(1)(b); *Patents Regulations 1991* (Cth) reg 2.2(2)(d) (reasonable trial); *Patents Act 1990* (Cth) s 25; *Patents Regulations 1991* (Cth) reg 2.4 (patents of addition).

200 *Patents Act 1990* (Cth) s 23(a).

201 *Patents Act 1990* (Cth) s 23(b).

202 *Patents Act 1990* (Cth) ss 64(2), 101B(6).

203 *Patents Act 1990* (Cth) ss 33–6.

204 *Patents Act 1990* (Cth) s 54(3); *Patents Regulations 1991* (Cth) reg 4.2(3). See also *Patents Act 1990* (Cth) s 92(2); *Patents Regulations 1991* (Cth) reg 8.3 (*PCT* applications).

205 *Patents Act 1990* (Cth) s 119.

206 E.g. *Patents Act 1990* (Cth) s 89(3); *Patents Regulations 1991* (Cth) reg 8.1(4) (translations of *PCT* applications).

207 *Patents Act 1990* (Cth) s 141(1).

of twelve months from the filing date of the provisional application.²⁰⁸ A number of situations will result in the lapse of a standard patent.²⁰⁹ These relate to failure to have the patent examined for a variety of reasons, failure to pay continuation fees, non-compliance with directions of the Commissioner to make amendments to the specification under s 107, and non-acceptance of the patent request and specification. There is also provision for a standard patent to cease if renewal fees are not paid or prescribed documents are not filed within the prescribed period.²¹⁰ In the case of an innovation patent, it will cease in any of the circumstances listed in s 143A. These include failure to pay fees and to comply with directions.

12.14 International aspects

An overview of the specific norms that apply to an application for a patent in more than one country, and in particular the application procedures that apply under the *PCT*, are discussed above. Other key features of the principal treaties and conventions are set out in the following discussion of the *Paris Convention for the Protection of Industrial Property 1883* ('*Paris Convention*'), the *Agreement on Trade Related Aspects of Intellectual Property* ('*TRIPS*', (1994)), the *Budapest Treaty on the International Recognition of the Deposit of Micro-organisms for the purposes of Patent Procedure 1977* ('*Budapest Treaty*'), the *European Patent Convention* (1973) and the *Australia–USA Free Trade Agreement 2004* ('*AUSFTA*').

12.14.1 *Paris Convention for the Protection of Industrial Property 1883*

The *Paris Convention* was the first major international treaty designed to assist people to obtain protection for intellectual property rights in more than one country. It contains three categories of substantive provisions: national treatment, right of priority and some general rules. The principle of national treatment enables nationals in any country of the Union to enjoy in all other Union countries the same protection for their industrial property as those countries grant to their own nationals. The right of priority, in the case of patents,²¹¹ enables a means of access into national patent systems for foreign patentees without loss of the priority date given to their first filing. The application procedure was described briefly above (at 12.6.1).

The common rules relate to a variety of matters, the more important being the following:

- All patents applied for in the various countries of the Union are independent of each other.²¹²

208 *Patents Regulations 1991* (Cth) reg 3.10.

209 *Patents Act 1990* (Cth) s 142.

210 *Patents Act 1990* (Cth) ss 143, 143B; *Patents Regulations 1991* (Cth) reg 13.6.

211 Also utility models where these exist, marks and designs.

212 art 4bis.

- The inventor has the right to be mentioned as such in the patent.²¹³
- The grant of a patent shall not be refused and a patent shall not be invalidated on the ground that the sale of the patented product or of a product obtained by means of a patented process is subject to restrictions or limitations resulting from the domestic law.²¹⁴
- The Convention provides for members to grant compulsory licences.²¹⁵

The *Paris Convention* contains no provisions that prescribe standards for patentability, term of patent or subject matter that may be excluded from patentability. Substantive provisions of this nature, and others, are found in *TRIPS*.

12.14.2 *TRIPS* (1994)

The *Patents (World Trade Organization Amendments) Act 1994* (Cth) enacted amendments to the *Patents Act 1990* (Cth) in order to bring Australian law into line with the standards and principles prescribed for patents in *TRIPS*. In addition to a general obligation to comply with the substantive provisions in the *Paris Convention*, the main features of *TRIPS* relevant to patents are:

- Most-favoured-nation clause. A party who gives any advantage to the nationals of another country must extend it immediately and unconditionally to the nationals of all other parties (art 4).
- Patents must be available for products and processes in all fields of technology, provided they are new, involve an inventive step and are capable of industrial application. Patents must be available, and rights enjoyable, without discrimination as to various matters including the field of technology (art 27(1)).
- There is limited scope for exclusion of inventions from patentability to prevent their commercial exploitation within the territory where it would have certain specified adverse consequences such as serious prejudice to the environment (art 27(2)).
- Members also have discretion to exclude other inventions from patentability such as medical methods of humans and animals, and plants and animals other than micro-organisms (art 27(3)).
- An obligation to protect plant varieties, either by patents or an effective *sui generis* scheme such as those provided in the *UPOV Convention* (art 27(3)).
- Exclusive rights for the owner are prescribed. In the case of process patents, the rights must extend to the products directly obtained by the process (art 28).
- Applicants must sufficiently describe their invention and include the best method for carrying it out (art 29).

213 art 4ter.

214 art 4quater.

215 art 5.

- Limited exceptions may be provided to the rights conferred (art 30).
- Limitations on compulsory licensing or governmental use of patents without the authorisation of the patent owner (art 31).
- A minimum term of twenty years calculated from the filing date of the complete application (art 33).
- Burden of proof for process patents is imposed on the defendant in an infringement action (art 34).

12.14.3 The *Budapest Treaty* 1977

Australia acceded to the *Budapest Treaty* on 7 July 1987, having made this possible through amendments introduced into the *Patents Act 1952* (Cth) by the *Patents Amendment Act 1984* (Cth) and *Patents Regulations (Amendment) 1987* No 78 (Cth). The Treaty establishes a system where it is necessary to deposit a sample with a prescribed International Depository Institution (IDI) of inventions that are micro-organisms that cannot be described adequately in the words of the complete specification.²¹⁶ The provisions apply also where an invention involves the use, modification or cultivation of a micro-organism which is not reasonably available to a person skilled in the relevant art.²¹⁷ According to WIPO, 'the whole point of depositing a microorganism for patent purposes is to make it available to entitled parties according to the requirements of patent law'.²¹⁸

12.14.4 *European Patent Convention* (1973)

The *Convention on the Grant of European Patents of 5 October 1973*, known as the *European Patent Convention (EPC)*, entered into force on 7 October 1977. The *EPC* is a multilateral treaty that created the European Patent Organisation (EPO) whose central administration is based in Munich. The *EPC* established a system of law for the grant of patents that would be common for all contracting states.²¹⁹ Part 11 of the *EPC* provides the substantive provisions with which Contracting States must comply.

The *EPC* provides a single application procedure. The EPO undertakes the complete process of search and examination and grants a European patent to a successful applicant. The *EPC* contains provision for opposition to grant of a patent²²⁰ and appeals against decisions.²²¹ This is not a single patent, but a bundle of national patents for each of the Contracting States designated by the applicant. In each of those designated Contracting States, the European patent has the effect of and is subject to the same conditions as a national patent granted

216 *Patents Act 1990* (Cth) ss 40(2)(a), 41, 42; *Patents Act 1952* (Cth) s 40(1)(a), (3)–(7).

217 This does not necessarily require that the micro-organism is reasonably available in the patent area. *Patents Act 1990* (Cth) s 41(3).

218 WIPO, Guide to the Deposit of Microorganisms under the Budapest Treaty <www.wipo.int/treaties/en/registration/budapest/guide/index.html> at 24 August 2007.

219 There were thirty-one Contracting States as at 1 January 2006. Australia is not a member of the *EPC*.

220 *EPC*, pt V.

221 *EPC*, pt VI.

by that state.²²² Hence, issues of validity and enforcement are dealt with in the local courts of each respective state.²²³ Maintenance of the patent registration is also a matter for the local patent offices.

The single application procedure is an alternative to single filings in each country in which protection is sought. There is a certain amount of risk associated with this process, in that failure to be granted a European patent results in no patent grant in any of the designated Contracting States. The official languages of the EPO are English, French and German. European patent applications must be filed in one of these languages.²²⁴ The multiplicity of languages in Contracting States can result in significant translation costs.²²⁵

Proposals to create a unitary Community Patent²²⁶ remain unsuccessful, largely due to language issues. Efforts continue to resolve the impasse with the launch of a new public consultation on the Community Patent by DG Internal Market on 16 January 2006.

12.14.5 *Patent Law Treaty (2000)*

The *Patent Law Treaty (PLT)*,²²⁷ concluded on 1 June 2000 in Geneva and effective from 28 April 2005, harmonises formal procedures such as the requirements to obtain a filing date for a patent application, the form and content of a patent application, and representation. After the adoption of the *PLT*, WIPO's Standing Committee on the Law of Patents (SCP) commenced work on the harmonisation of patent law in a *Substantive Patent Law Treaty (SPLT)*. However, work stalled in 2005 after the 11th session of the SCP failed to reach agreement on a variety of issues. WIPO has reinvigorated the establishment of a *SPLT* by holding an Open Forum in Geneva in March 2006.²²⁸

12.14.6 *Australia–USA Free Trade Agreement 2004*

The *Australian USA Free Trade Agreement (AUSFTA)* entered into force on 1 January 2005. Chapter 17 of the *AUSFTA* deals with intellectual property rights, including patents. The Agreement provides further limitations on the substantive provisions of patent law than exist in *TRIPS*. The parliament enacted the *US Free Trade Agreement Implementation Act 2004* (Cth)²²⁹ to comply with the agreement. In particular, amendments were made to the grounds for opposition and revocation of a patent as well as for amendments to patent requests or complete patent specifications.²³⁰

222 EPC, arts 2 & 64.

223 EPC, art 64.

224 EPC, art 14.

225 EPC, arts 14, 65.

226 Council regulation on the Community patent [COM(2000) 412 final].

227 As at 1 June 2006, there are fourteen contracting parties. Australia is not a contracting party to the *PLT*.

228 Working documents and presentations are available at the WIPO website: <www.wipo.int/patent/law/en/harmonization.htm> at 24 August 2007.

229 Act No 120 of 2004, commenced 16 August 2004.

230 Amendments were made to ss 59(b), (d), and ss 104(3), 138(3)(c).

12.15 Transitional provisions

Chapter 23 of the *Patents Act 1990* (Cth) includes provisions to cover the transition from the *Patents Act 1952* (Cth) to the *Patents Act 1990* (Cth). Section 233 applies to patents granted under the *Patents Act 1952* (Cth). The effect of s 233(1) is to treat pre-1990 patents as though they are granted under the *Patents Act 1990* (Cth). However, there are some differences in their treatment. First, there is no provision for re-examination of such patents.²³¹ Secondly, a 1952 patentee is not to be worse off than she/he would have been if the *Patents Act 1952* (Cth) had continued to operate. However, she may enjoy any benefits if the *Patents Act 1990* (Cth) treats a former element of a ground of revocation as being no longer necessary.²³² This means that novelty and inventive step are tested against the prior art base under the *Patents Act 1952* (Cth). Other transitional provisions apply to applications under the Act²³³ and other applications and proceedings.²³⁴

12.16 Transitional provisions: innovation patents

The *Patents Amendment (Innovation Patents) Act 2000* (Cth), which commenced on 24 May 2001, includes provisions to cover the transition from the petty patent system to the innovation patent system.²³⁵ This provides that the old law continues to apply, as if these amendments and repeals had not been made, to petty patents:

- (a) in force immediately before the commencing date;
- (b) the term of which has expired before the commencing date;
- (c) applications for petty patents made, but not decided upon by the Commissioner, before the commencing date; and
- (d) granted on or after the commencing date on applications made prior to that date.

Pending legal proceedings in respect of rights under the repealed litigation were continued by s 8 of the *Acts Interpretation Act 1901* (Cth).

231 *Patents Act 1990* (Cth) s 233(3).

232 *NV Philips Gloeilampenfabrieken v Mirabella International Pty Ltd* (1992) 26 IPR 513, 527–8.

233 *Patents Act 1990* (Cth) s 234. *Innovative Agricultural Products Pty Ltd v Cranshaw* (1996) 35 IPR 643.

234 *Patents Act 1990* (Cth) s 235.

235 s 3 and sch 2.

Patents for inventions: validity

13.1 Statutory requirements

The concept of a patentable invention appeared originally in s 6 of the *Statute of Monopolies 1623*¹ and was expressed in terms of any ‘manner of new manufacture’. The purpose of this section was ‘to allow the use of the prerogative to encourage national development in a field which already, in 1623, was seen to be excitingly unpredictable’.²

There has never been a statutory definition of the phrase ‘manner of manufacture’. Over the centuries, judicial interpretation of s 6 gradually fleshed out the requirements of a ‘patentable invention’ which is now defined in sch 1 of the *Patents Act 1990* (Cth) as meaning ‘an invention of the kind mentioned in section 18’. As to the meaning of ‘invention’, Schedule 1 provides that the word ‘invention’ (without any definite or indefinite article before it) means ‘any manner of new manufacture the subject of letters patent and grant of privilege within s 6 of the *Statute of Monopolies*, and includes an alleged invention’.³ The word ‘alleged’ relates to the word ‘new’.⁴ The term ‘new’ in s 6 was a broad and undefined concept that has subsequently been construed by the courts to encompass the separate notions of novelty and inventiveness. The use of the word ‘new’ in the context of the phrase ‘manner of new manufacture’ in the 1990 Act is not to be equated with what we now refer to as ‘novelty’.

¹ See 12.2 for the text of this section.

² *NRDC v Commissioner of Patents* (1959) 102 CLR 252, 271.

³ This definition is subject to any contrary intention appearing in the Act.

⁴ *NV Philips Gloeilampenfabrieken v Mirabella International Pty Ltd* (1995) 183 CLR 655, 663–4.

Assuming that there is an ‘invention’,⁵ it is patentable for the purposes of a standard patent if the invention, so far as claimed in any claim, satisfies the remaining requirements set out in s 18(1), namely:

- (a) is a manner of manufacture within the meaning of section 6 of the *Statute of Monopolies*; and
- (b) when compared with the prior art base as it existed before the priority date of that claim:
 - (i) is novel; and
 - (ii) involves an inventive step; and
- (c) is useful; and
- (d) was not secretly used in the patent area before the priority date of that claim by, or on behalf of, or with the authority of, the patentee or nominated person or the patentee’s or nominated person’s predecessor in title to the invention.

The criteria for validity of an innovation patent in s 18(1A) are identical with the exception that it must be shown to involve an innovative step.

13.2 A two-tier system

Prior to 1979, the *Patents Act 1952* (Cth) provided protection for standard patents only. In 1979, in line with international developments, Australia introduced a second-tier form of patent protection known as the petty patent.⁶ It was designed to provide protection for small-scale innovations with a short commercial life, such as appliances and accessories. The substantive requirements of patent law were applicable with both standard and petty patents assessed for novelty and inventive step against the same relevant prior art base. However, there were some important differences in the two regimes. The petty patent specification was limited to a single claim⁷ and petty patents were granted a shorter monopoly term to reflect the nature of the inventions for which they would be suitable. The term was limited to a maximum of six years with an initial period of twelve months and the option for a five-year extension.⁸

The *Patents Act 1990* (Cth) continued to provide a legislative scheme for the protection of standard and petty patents. The differences in the term of protection remained unaltered, sixteen and six years respectively,⁹ but a petty patent was now able to have an independent claim and not more than two dependent claims defining the invention.¹⁰ With the exception of procedural differences, and the expansion of the prior art base against which the novelty of a standard patent was assessed,¹¹ the essential characteristics of a patentable invention for the purposes of the Act remained identical for both standard and petty patents. Importantly,

⁵ See below at 13.3.

⁶ S. L. Moritz and A. F. Christie, ‘Second-Tier Patent Systems: The Australian Experience’ [2006] *EIPR* 230.

⁷ *Patents Act 1952* (Cth) s40 (1A)(b).

⁸ *Patents Act 1952* (Cth) s 68 (standard patent sixteen years) and s 68A (petty patent six years).

⁹ *Patents Act 1990* (Cth) No 83 of 1990, ss 67 & 68.

¹⁰ *Patents Act 1990* (Cth) No 83 of 1990, s 40(2)(b) and (c).

¹¹ See 13.6.4. below.

the invention had to reach the same level of inventiveness and was available for the same forms of subject matter.

A review of the petty patent system by the Advisory Council on Intellectual Property (ACIP)¹² recommended its repeal and replacement with a new scheme for innovation patents. This scheme was to provide a second tier of protection for inventions that did not meet the criteria for an inventive step. It was introduced into the Act by the *Patents Amendment (Innovation Patents) Act 2000* (Cth). The scheme commenced on 24 May 2001. Its advantages were seen to include protection for a lower standard of invention that could be obtained with minimal delay. Among the amending provisions, the *Patents Amendment (Innovation Patents) Act 2000* (Cth) inserted a new s 18(1A) to set out the requirements for validity of an innovation patent. These were identical to the standard patent requirements, except that the innovation patent required an innovative step in place of an inventive step.

The *Patents Amendment (Innovation Patents) Act 2000* (Cth) introduced a number of other substantive changes, including differentiation in the subject matter for an innovation patent by providing that plants and animals, and the biological processes for the generation of plants and animals, are not patentable inventions.¹³ In addition, an innovation patent could now have protection for up to eight years and for up to five independent claims. The principal administrative change was to provide registration of an innovation patent after a formalities check and without substantive examination. Certification of the innovation patent could be sought after grant if, for example, the patentee wished to bring an infringement action. The *Patents Amendment (Innovation Patents) Act 2000* (Cth) brought the prior art base for innovation patents into line with that which applied for standard patents, so that the novelty test was identical, but provided entirely different comparisons for the purposes of testing innovative and inventive step.

13.3 The concept of invention

The term ‘invention’ appears in various provisions of the *Patents Act 1990* (Cth) but is not necessarily used uniformly throughout the Act.¹⁴ It is used in s 18(1) and 18(1A) in a sense that means the subject matter of the claim. This meaning is not the same as the inventive step taken by the inventor.¹⁵ In contrast, its use in s 40 is in the sense of ‘the embodiment which is described, and around which the claims are drawn’.¹⁶ The essence of invention is that it involves some human intervention. As Lord Hoffman stated in *Kirin-Amgen Inc v Hoechst Marion Roussel*

¹² ACIP, *Review of the Petty Patent System* (Canberra, 1995).

¹³ *Patents Act 1990* (Cth) s 18(3).

¹⁴ *Kimberley-Clark Australia Pty Ltd v Arico Trading International Pty Ltd* (2001) 207 CLR 1, 13–14.

¹⁵ *Lockwood Security Products Pty Ltd v Doric Products Pty Ltd* (2005) 226 ALR 70, 112, 196.

¹⁶ *AMP Inc v Utilux Pty Ltd* (1971) 45 ALJR 123, 127 (McTiernan J); *Kimberley-Clark Australia Pty Ltd v Arico Trading International Pty Ltd* (2001) 207 CLR 1, 14–15.

Ltd,¹⁷ ‘an invention is a practical product or process, not information about the natural world’.

13.4 Manner of manufacture

13.4.1 Time at which manner of manufacture is raised

The first of the requirements for patentability is that the invention, so far as claimed in any claim, must be a ‘manner of manufacture within the meaning of s 6 of the *Statute of Monopolies*’.¹⁸ This requirement is the same for both standard and innovation patents. In the case of a standard patent, compliance with this requirement is considered at examination,¹⁹ and its absence is a ground for opposition²⁰ and revocation.²¹ An innovation patent is granted after a formalities check.²² Compliance with the requirement that the invention is a manner of manufacture is considered at examination, which occurs after grant,²³ opposition²⁴ and revocation.²⁵

13.4.2 Background to the meaning of ‘manner of manufacture’

From the time of the *Statute of Monopolies*, the concept of ‘manner of manufacture’ was always understood to be flexible, although it was not until 1842 that processes were confirmed as patentable subject matter.²⁶ Although initially thought to apply only to products, it was settled by 1842 that ‘manufacture’ comprehended both a process and a product.²⁷ However, the development of patent law over the following decades resulted in a lack of clarity for the patentability of processes. In 1942, Lord Morton proposed guidelines in *Application by GEC* for finding a process to be patentable to deal with these concerns.²⁸ These guidelines required the process to lead to the production, preservation from deterioration, restoration or improvement of some vendible product to which the process is applied. Lord Morton expressly disclaimed any intention that this proposition should become a rule that is applicable in all cases. However, despite the disclaimer, subsequent courts tended to apply these guidelines (‘Morton’s Rules’) as a formula or definition which, over time, came to have the potential to limit the scope of patentable subject matter. The ‘rules’ were applied inconsistently.

17 [2005] RPC 169, 196.

18 *Patents Act 1990* (Cth) s 18(1)(a).

19 *Patents Act 1990* (Cth) s 45(1)(b), s 101B(2)(b).

20 *Patents Act 1990* (Cth) s 59(b), s 101M(b).

21 *Patents Act 1990* (Cth) s 138(3)(b).

22 *Patents Act 1990* (Cth) ss 52, 62.

23 *Patents Act 1990* (Cth) s 101B.

24 *Patents Act 1990* (Cth) s 101M.

25 *Patents Act 1990* (Cth) s 138(3)(b).

26 *Crane v Price* (1842) 1 WPC 393; 4 M & G 580; 134 ER 239, 248, 249.

27 *Ibid.*

28 (1942) 60 RPC 1.

Some courts required a tangible product to be involved.²⁹ Others construed the concept of a 'vendible product' more flexibly to deal with advances in science.³⁰ The limits on patentability were unclear.

This lack of clarity concerning the limits on patentable processes was exacerbated by lack of any other underlying rationales that could provide a principled justification for defining other limits on patentable subject matter in general. Faced with the unpredictability of advances in human ingenuity, courts had been developing progressively a mix of unpatentable classes of inventions that ranged across three broad areas.³¹

The first excluded classes of inventions of this nature included intellectual information of all kinds including plans and business schemes, instructions, presentations of information, plans and schemes, as well as intellectual conceptions such as discoveries, mathematical formulae or algorithms, and principles of nature. This type of subject matter was never considered to be patentable, but the reasons were not always clear.

A second group of excluded inventions that fell within a variety of more specific classes of subject matter were also regarded as unpatentable. Methods of medical treatment for humans, horticultural and agricultural methods,³² computer programs, business methods and living matter were regarded as unpatentable, but there was no principled basis for their exclusion. Methods of medical treatment were rejected on ethical grounds and not because the method disclosed no manner of manufacture. In contrast, computer programs were rejected upon theories that these types of invention were in the realm of the fine arts or merely recited mathematical algorithms.³³ As for business schemes and methods, these were seen also as within the fine arts rather than the useful arts, being intellectual information in the nature of sequences of instructions for solving a problem. In some cases, the ground of general inconvenience was used to support a decision.³⁴ Living matter, such as plants, animals and inventions in the area of biotechnology was also regarded as unpatentable.

A third class of material that was regarded as unpatentable was referred to as 'collocations' and 'mere new uses of known materials'. However, the reason for their exclusion is not related to the meaning of manner of manufacture but is best explained on the basis of lack of inventive step. Something is described as a mere collocation when the combination of its separate parts produces nothing 'new' in that it is obvious.³⁵ For a combination of separate parts to be patentable,

29 *Standard Oil Development Co* (1951) 68 RPC 114; *Re Application by Bovingdon* (1946) 64 RPC 20.

30 *Re Application by Cementation Co Ltd* (1945) 62 RPC 151; *Re Application by Rantzen* (1946) 64 RPC 63; *Re Application by Elton & Leda Chemicals Ltd* [1957] RPC 267.

31 See S. Ricketson, *The Law of Intellectual Property* (Sydney: Law Book Company, 1984), ¶ 48.27–48.54 for discussion of earlier authorities.

32 *Re Rau Gesellschafts' Application* (1935) 52 RPC 362.

33 An algorithm is a procedure for solving a given type of mathematical problem. *IBM Corporation v Commissioner of Patents* (1991) 33 FCR 218, 220.

34 *Rolls-Royce Ltd's Application* [1963] RPC 251 (schemes); *Telefon A/B L M Ericsson's Application* [1975] FSR 49, 56–7 (computer program).

35 *Advanced Building Systems Pty Ltd v Ramset Fasteners (Aust) Pty Ltd* (1998) 194 CLR 171, 182; *Welch Perrin & Co Pty Ltd v Worrel* (1961) 106 CLR 588; *Wm Wrigley Jr Company v Cadbury Schweppes Pty Ltd* (2005) 66 IPR 298, 315 (collocation).

it must be for an invention which involves a combination of a number of separate parts or integers which combine with each other in a way that produces a new result or product that is not obvious.³⁶ Similarly, it is the absence of inventiveness which distinguishes a patentable method from a method that is nothing but ‘the use of a known material in the manufacture of known articles for the purpose of which its known properties make that material suitable’.³⁷ The discussion of these classes of subject matter belongs in the context of s 18(1)(a) and what is known as the threshold concept of newness.

13.4.3 *NRDC v Commissioner of Patents: meaning of ‘manner of manufacture’*

This combination of judicially created classes of unpatentable subject matter and the use of ‘Morton’s Rules’ to constrain the development of patent law in its application to process and method inventions provides the backdrop for the 1959 ‘landmark’ decision of the High Court in *National Research Development Corporation v Commissioner of Patents*³⁸ (*NRDC*). The time was ripe for the court to draw together the body of legal precedent into a single principled approach.

The invention under consideration was for a process that used a known chemical for a purpose for which it was not known to be useful – namely eradicating weeds from crop areas. The process fell outside a literal interpretation of ‘Morton’s Rules’ as it did not produce, preserve, restore or improve some physical thing. The High Court found the invention to be a manner of manufacture. They stated that any attempt to precisely define ‘manufacture’ with an exact verbal formula was bound to fail. They made it clear that the inquiry relates to the ‘breadth of the concept which the law has developed by its consideration of the text and purpose of the *Statute of Monopolies*’. According to the court:

The right question is: ‘Is this a proper subject of letters patent according to the principles which have been developed for the application of section 6 of the Statute of Monopolies?’³⁹

The court identified the principles that had developed up to 1959 in broad terms to guide subsequent courts who have the responsibility to continue to develop and mould the notion of what is proper subject matter for a patent. In this context, they approved the use of ‘Morton’s Rules’ as guidelines only as to what is proper subject matter, but reinterpreted the concept of a ‘vendible product’ in light of the past development of the law as ‘laying proper emphasis upon the trading or industrial character of the processes intended to be comprehended by the Acts’.⁴⁰ They stated:

³⁶ *Minnesota Mining & Manufacturing Co v Beiersdorf (Aust) Ltd* (1980) 144 CLR 253, 266; *Advanced Building Systems Pty Ltd v Ramset Fasteners (Aust) Pty Ltd* (1998) 194 CLR 171, 182.

³⁷ *Commissioner of Patents v Microcell Ltd* (1959) 102 CLR 232, 251. See: *Patents Act 1990* (Cth) s 18(1); *NV Philips Gloeilampenfabrieken v Mirabella International Pty Ltd* (1995) 183 CLR 655; and 13.10 below.

³⁸ (1959) 102 CLR 252.

³⁹ *Ibid* 269.

⁴⁰ *Ibid*; *Re Lenard’s Application* (1954) 71 RPC 190, 192 (Lloyd-Jacob J).

The point is that a process, to fall within the limits of patentability which the context of the *Statute of Monopolies* has supplied, must be one that offers some advantage which is material, in the sense that the process belongs to a useful art as distinct from a fine art . . . – that its value to the country is in the field of economic endeavour.⁴¹

This concept of a ‘field of economic endeavour’ describes the field of the invention and does not ask for any assessment of economic benefits or utility.⁴² The court explained that a product, in relation to a process, is ‘only something in which the new and useful effect may be observed’; the “something” need not be a “thing” in the sense of an article; it may be any physical phenomenon in which the effect, be it creation or merely alteration, may be observed’.⁴³ As for the distinction between fine and useful arts that is expressed in the above passage, this is both difficult and unresolved.⁴⁴

The agricultural process under consideration was found to be a manner of manufacture because its effect:

exhibits the two essential qualities upon which ‘product’ and ‘vendible’ seem designed to insist. It is a ‘product’ because it consists in an artificially created state of affairs, discernible by observing over a period the growth of weeds and crops respectively on sown land on which the method has been put into practice. And the significance of the product is economic; for it provides a remarkable advantage, indeed to the lay mind a sensational advantage, for one of the most elemental activities by which man has served his material needs, the cultivation of the soil for the production of its fruits.⁴⁵

However, it is important to note that this passage concerns the application of the principles to the facts of the case and should not be mistaken for a principle that courts should rigidly follow.

13.4.4 Application of NRDC principles to remove classes of unpatentable inventions: 1959–2006

In its 1984 review of the *Patents Act 1952* (Cth),⁴⁶ the Industrial Property Advisory Committee (‘IPAC’) concluded that it would be difficult to draft a definition that would adequately reflect the body of law that had progressively fleshed out the concept of a manner of manufacture. The legislature accepted this view and retained the reference to ‘manner of manufacture’ in the new *Patents Act 1990* (Cth). Both the *Patents Act 1990* (Cth) and the *Budapest Treaty on the International Recognition of the Deposit of Micro-organisms 1977* (the ‘*Budapest Treaty*’) made it clear that micro-organisms and processes involving the use of micro-organisms are now patentable subject matter.⁴⁷ Otherwise, and with some minor statutory

⁴¹ *NRDC v Commissioner of Patents* (1959) 102 CLR 252, 275.

⁴² Cf *Grant v Commissioner of Patents* (2006) 154 FCR 62, 72, where this is equated with economic utility.

⁴³ *NRDC v Commissioner of Patents* (1959) 102 CLR 252, 276; see *Grant v Commissioner of Patents* (2006) 154 FCR 62.

⁴⁴ *Grant v Commissioner of Patents* (2005) 67 IPR 1, 5. For guidance see Australian Patent Office, *Patent Manual of Practice & Procedures*, ¶ 2.9.2.4. (APO Manual).

⁴⁵ *NRDC v Commissioner of Patents* (1959) 102 CLR 252, 277.

⁴⁶ Industrial Property Advisory Committee, *Patents, Innovation and Competition in Australia* (1984).

⁴⁷ *Patents Act 1990* (Cth) ss 6, 41, 42.

exceptions, such as human beings and the biological processes for their generation,⁴⁸ the responsibility to define the scope of this concept of manner of manufacture continued to reside with the judiciary. However, the courts saw, and continue to see, themselves as constrained in imposing non-statutory limitations on patentable subject matter, for two reasons. The first is the expansive way in which the High Court in *NRDC*⁴⁹ defined manner of manufacture. The second reason is the failure of the legislature in 1990 to codify, as unpatentable, classes of subject matter that were still thought at the time of its enactment to be unpatentable. These included methods of medical treatment for humans, schemes and plans, discoveries and mathematical formulae, genetic materials, plants and animals.

The lack of express statutory exceptions combined with the breadth of the *NRDC* judgment has enabled courts to remove the fetters that may otherwise prevent new developments from being patentable. The result has been a piecemeal erosion of formerly perceived classes of excluded subject matter. *NRDC* itself rejected the former exclusion of patents for horticultural and agricultural methods. Subsequent decisions declared patents valid for computer programs⁵⁰ and methods of medical treatment for humans⁵¹ with the result that a number of the formerly excluded classes of subject matter are now regarded as patentable. Patents are granted for computer programs,⁵² computer implemented systems used in business,⁵³ living plants,⁵⁴ animals, genetic materials and recombinant DNA techniques.⁵⁵ In the rapidly advancing area of biotechnology, the Patent Office and Australian courts have adopted a similar approach to that of the US Supreme Court in *Diamond v Chakrabarty*.⁵⁶ That court cleared the way for future patenting of plants, animals and inventions in the area of biotechnology when it ruled that live human-made genetically engineered bacteria capable of breaking down multiple components of crude oil is patentable subject matter. The majority stated that the 'relevant distinction was not between living and inanimate things, but between products of nature, whether living or not, and human-made inventions'.⁵⁷ Although there is continuing debate as to whether some of this subject matter should be patentable,⁵⁸ the more usual grounds for

48 *Patents Act 1990* (Cth) ss 18(2), 50.

49 *NRDC v Commissioner of Patents* (1959) 102 CLR 252.

50 *IBM Corporation v Commissioner of Patents* (1991) 33 FCR 218; *CCOM Pty Ltd v Jiejing Pty Ltd* (1994) 51 FCR 260.

51 *Anaesthetic Supplies Pty Ltd v Rescare Ltd* (1994) 50 FCR 1; *Bristol-Myers Squibb Co v F H Faulding & Co Ltd* (2000) 97 FCR 524.

52 *IBM Corporation v Commissioner of Patents* (1991) 33 FCR 218; *Data Access Corp v Powerflex Services Ltd* (1999) 166 ALR 228; *CCOM Pty Ltd v Jiejing Pty Ltd* (1994) 51 FCR 260, 291–3; see A. Christie and S. Syme 'Patents for Algorithms in Australia' (1998) 20 *Sydney Law Rev* 517.

53 *Welcome Real-Time SA v Catuity Inc* (2001) 113 FCR 110.

54 N. Byrne, *Legal Protection of Plants in Australia under Patent and Plant Variety Rights Legislation*, Report to Australian Patent Office and Australian Plant Variety Rights Office (November 1990).

55 See, e.g., *Kirin-Amgen Inc v Board of Regents of University of Washington* (1995) 33 IPR 557.

56 (1980) 447 US 303.

57 *Ibid* 313.

58 ALRC, *Genes and Ingenuity: Gene Patenting and Human Health* (Report 99, 2004), ch 6, 114–247; *Directive 98/44/EC of the European Parliament and of the Council of 6 July 1998 on the legal protection of biotechnological inventions* OJ L 213, 30/07/1998 P 0013 – 0021; M. Forsyth 'Biotechnology, patents and public policy: a proposal for reform in Australia' (2000) 11(4) *AIPJ* 202; D. Nicol, 'On the Legality of Gene Patents' (2005) 29(3) *MULR* 809.

attack are those of novelty and inventive step.⁵⁹ The approach of the Australian Patent Office is that genetic materials and technologies are treated as inventions for which patent protection is available, provided the legislative requirements are satisfied and provided that the material has been isolated from its natural environment, or has been synthetically or recombinantly produced.⁶⁰ Naturally occurring materials are not patentable because there is no human intervention.

The way in which *NRDC* has been used to expand the scope of patentable subject matter is best explained using the examples of methods of medical treatment and computer programs.

13.4.5 Methods of medical treatment for humans

A method of medical treatment for the human body is patentable.⁶¹ Prior to *NRDC*, the traditional view was that methods of surgery and processes for treating the human body were not patentable. There was no clear rationale for exclusion of this subject matter. Some thought it was based in ethics or ‘generally inconvenient’, others in the belief that the medical profession practises an art which is not directly commercial and that it is in the public interest for medical developments to become freely available as soon as possible. The traditional view arose from a couple of early cases. The first, *C & W’s Application*,⁶² rejected a process of removing lead from bodies. The second, *Maeder v Bush*,⁶³ doubted that a method of treating human hair growing on the head could be patentable subject matter, but did not resolve the issue. However, these cases were decided at the time when courts applied Lord Morton’s vendible product test, so the lack of a tangible vendible product may have influenced their decisions. Although the court in *NRDC* seemingly endorsed the exclusion upon the basis that such processes are essentially uneconomic, the application of its broad principles in two subsequent decisions of the Full Federal Court has now removed any general exclusion for methods of medical treatment of humans as a class of inventions.⁶⁴ These decisions applied a broad *ratio* from *NRDC*, namely that if the process results in ‘a new and useful effect’ so that the new result is ‘an artificially created state of affairs’ providing economic utility, it may be considered a ‘manner of new manufacture’ within s 6 of the *Statute of Monopolies*.⁶⁵

The first case, *Anaesthetic Supplies Pty Ltd v Rescare Ltd*⁶⁶ involved a patent for a device and its use in treating sleep apnoea, a syndrome associated

⁵⁹ E.g., *Biogen Inc v Medeva plc* [1997] RPC 1; *Bresagen Ltd v Austin Research Institute* (2004) 60 IPR 174.

⁶⁰ IP Australia, *Australian Patents for Biological Inventions*, <www.ipaustralia.gov.au/pdfs/patents/specific/biotech.pdf> at 2 July 2006.

⁶¹ *Anaesthetic Supplies Pty Ltd v Rescare Ltd* (1994) 50 FCR 1; *Bristol-Myers Squibb Co v FH Faulding & Co Ltd* (2000) 97 FCR 524; *Merck & Co Inc v Arrow Pharmaceuticals Ltd* (2006) 154 FCR 31 (*obiter*).

⁶² (1914) 31 RPC 235.

⁶³ (1938) 59 CLR 684.

⁶⁴ For discussion of methods of medical treatment in general see e.g.: J. Pila, ‘Methods of Medical Treatment within Australian and United Kingdom Patents Law’ (2001) 24(2) *UNSW Law J* 420; P. Loughlan, ‘Of Patents and Patients: New Monopolies in Medical Methods’ (1995) 6 *AIPJ* 5.

⁶⁵ See 13.4.3. and 13.4.4.

⁶⁶ *Anaesthetic Supplies Pty Ltd v Rescare Ltd* (1994) 50 FCR 1.

with an extreme form of snoring in which the sufferer chokes on his or her tongue and soft palate repeatedly while asleep. The device comprised a nose mask and tubing, and the treatment comprised continuous positive airways pressure applied via the mask. At first instance, Gummow J⁶⁷ concluded that the process claims for methods of human treatment were patentable subject matter. He noted the absence of any express exclusions in s 18 and dismissed arguments that such methods were 'generally inconvenient'. This concept derives from the language of s 6 of the *Statute of Monopolies* that is incorporated by reference in the *Patents Act 1990* (Cth) through the definition of 'invention'.⁶⁸ A majority of Lockhart and Wilcox JJ approved his decision in the appeal to the Full Federal Court. Lockhart J could see no logic for the past broad exclusion of this class of subject matter, particularly if the object of the patent system were to provide incentives for research and to provide rewards for research. Both Lockhart and Wilcox JJ were influenced by the absence of any express statutory exclusion of this or any other class of subject matter from the scope of a manner of manufacture. Both rejected the 'generally inconvenient' arguments. Only Sheppard J rejected this subject matter as patentable on the grounds that it would be generally inconvenient. He was influenced by the body of international thinking which regarded it as undesirable to grant patents for methods of treatment of diseases and other abnormalities in human beings.⁶⁹

The second case, *Bristol-Myers Squibb Co v F H Faulding & Co Ltd*, involved a method of administering a drug used in cancer treatment. At first instance,⁷⁰ Heerey J regarded the majority observations in *Anaesthetic Supplies Pty Ltd v Rescare Ltd* on methods of medical treatment as *obiter* and proceeded to agree with and adopt the observations of Sheppard J as to general inconvenience.⁷¹ This decision was overturned by the Full Federal Court⁷² who rejected the proposition that methods of medical treatments of humans, as a class of subject matter, were unpatentable. They also rejected the application of 'generally inconvenient' on the facts of the case. It is important to note that they did not reject the possibility of the application of 'generally inconvenience' in the context of methods of medical treatment, but expressed doubt that it could ever be successful. The reasoning of Black CJ and Lehane J relied upon two matters. First, they could not rationally explain why a product for treating the human body could be patentable whereas a method of treatment would be denied.⁷³ This is particularly the case where the claim is for an invention for the administration of the product. Secondly, they were strongly influenced by the failure of parliament to exclude methods of medical treatment from patentability when it enacted the *Patents Act 1990* (Cth). The third judge, Finkelstein J, also held that medical treatment and surgical

67 *Rescare Ltd v Anaesthetic Supplies Pty Ltd* (1992) 25 IPR 119, 151.

68 See 13.5.

69 TRIPS art 27.3(a); *European Patent Convention* 1973 art 52(4).

70 *Bristol-Myers Squibb Co v F H Faulding & Co Ltd* (1998) 41 IPR 467.

71 *Ibid* 481.

72 *Bristol-Myers Squibb Co v F H Faulding & Co Ltd* (2000) 97 FCR 524.

73 *Ibid*, 530; *Wellcome Foundation Ltd v Commissioner of Patents* [1979] 2 NZLR 591, 620 (Davison CJ); *Rescare Ltd v Anaesthetic Supplies Pty Ltd* (1992) 25 IPR 119, 150.

processes are patentable under the legislation. He decided that public policy matters of such complexity must be resolved by parliament. Thus, he refused to exercise any judicial discretion in this area to find a patentable medical treatment process to be 'generally inconvenient'.⁷⁴

In conclusion, at present, exclusion of a particular invention remains possible only if it fails to satisfy the concept of manner of manufacture within the meaning of *NRDC* or, having satisfied that concept, is found to be generally inconvenient. Although certain members of the judiciary are reluctant to make policy decisions in this area of invention,⁷⁵ general inconvenience remains an available ground for exclusion.

It is possible for an express exclusion to be introduced into the *Patents Act 1990* (Cth). Article 27(3)(a) of the *TRIPS Agreement* (1994) permits members to exclude 'diagnostic, therapeutic and surgical methods for the treatment of humans or animals' from patentability. The need for such an express exclusion was considered in 2004 by the Australian Law Reform Commission (ALRC) in the context of patents on genetic materials and technologies. In its report *Genes and Ingenuity: Gene Patenting and Human Health*,⁷⁶ the ALRC concluded that the introduction of an express exclusion for methods of medical treatment of humans in the specific area of genetic materials and technologies would have 'adverse effects on investment in biotechnology, medical research and innovation in healthcare and may not be consistent with Australia's obligations under the *TRIPS Agreement*' that require technological neutrality. The ALRC also rejected an approach that would introduce some form of medical treatment defence of the type introduced into US patent law in 1996.⁷⁷

13.4.6 Computer programs

Prior to *NRDC*, computer programs were regarded as unpatentable on the basis that they fell within the prohibition on patentability of schemes, plans, directions for performing a mental act and other types of intellectual information. The application of the *NRDC* principles in *IBM Corporation v Commissioner of Patents (IBM)*⁷⁸ resulted in the abandonment of this prohibition in the context of a method of producing and displaying an image of a curve on computer graphics displays.⁷⁹ Burchett J concluded that there is no conceptual difference between the use of an algorithm to achieve a particular purpose, namely the image of the curve, and the use of the compounds in *NRDC*. The application of the mathematics used in *IBM* achieved the improved curve image that was a commercially useful effect in the field of computer graphics. In contrast, a claim that merely recites a mathematical formula, or scientific principle or phenomenon of

⁷⁴ *Bristol-Myers Squibb Co v F H Faulding & Co Ltd* (2000) 97 FCR 524, 569.

⁷⁵ See 13.5.

⁷⁶ ALRC, above n 58, ch 7 ¶ 7.41.

⁷⁷ *Ibid* ch 7, ¶ 7.42 and ch 21 ¶ 21.44; 35 USC § 287(c).

⁷⁸ (1991) 33 FCR 218.

⁷⁹ As to computer programs see Christie and Syme, 'Patents for Algorithms in Australia', above n 52, 517.

nature, and seeks patent protection for that formula in the abstract will not be accorded the protection of the patent laws.⁸⁰ It is the application of the formula to achieve an end or to a method of producing that end which renders it a manner of manufacture.

A later decision of the Full Federal Court in *CCOM Pty Ltd v Jiejing Pty Ltd*⁸¹ confirmed the patentability of computer programs in the context of a method for assembling text on a computer in the Chinese language. Since then, the High Court has supported the role of patents for computer programs when it commented in *Data Access Corp v Powerflex Services Ltd*⁸² that ‘the definition of a computer program seems to have more in common with the subject matter of a patent than a copyright’. A more recent decision in *Welcome Real-Time SA v Catuity Inc*⁸³ confirmed as patentable subject matter a method for using a smart chip card, the memory space on that card, various computer programs, readers and printers to operate a loyalty scheme for customers.

13.4.7 The application of NRDC principles post-2006

It is now clear that the fact that an invention falls within a particular class of invention, such as a method of medical treatment, a computer program or a business method or system⁸⁴ does not prevent it being properly the subject of letters patent. Classes of subject matter no longer define what may or may not be a manner of manufacture. The exclusion of a class would require statutory amendment after proper consideration.⁸⁵ The patentability of specific subject matter must be determined by reference to the legislation and to the NRDC principles as these principles are identified and construed at the time. The principal difficulty that remains is the appropriate principles to apply. Until mid-2006, courts applied NRDC as requiring an artificially created state of affairs with economic utility.⁸⁶ However, it soon became clear that this interpretation of NRDC would enable anything to satisfy the meaning of a manner of manufacture provided that it involved a practical application of an idea, mathematical algorithm or a discovery. For example, it was difficult to find some principled basis to continue to reject inventions that involved the application of legal or financial principles to produce business, commercial and financial schemes that included no physical component. As they would result in an artificially created state of affairs in an area of economic utility, decision makers have found creative solutions to limit the scope of this concept. These included the following:

80 *IBM Corporation v Commissioner of Patents* (1991) 33 FCR 218, 226; *Diamond, Commissioner of Patents and Trade Marks v Diehr and Lutton* (1981) 450 US 175.

81 (1994) 51 FCR 260.

82 (1999) 166 ALR 228.

83 (2001) 113 FCR 110.

84 *Ibid* 137; *Grant v Commissioner of Patents* (2006) 154 FCR 62.

85 See, e.g., ACIP, *Report on a Review of the Patenting of Business Systems* (2003).

86 *CCOM Pty Ltd v Jiejing Pty Ltd* (1994) 51 FCR 260.

- (a) Placing a requirement for the ‘application or use of science or technology in a material manner’.⁸⁷
- (b) Excluding inventions that involved the application of the law from the scope of an artificially created state of affairs.⁸⁸
- (c) Balancing social cost against social benefits.⁸⁹

There has been unanimity amongst the decision makers that there must be some restrictions on what is properly patentable, but no consensus on the proper approach to define those limits.⁹⁰ The Full Federal Court in *Grant v Commissioner of Patents* has taken a different approach to those listed above.⁹¹ It has held that a manner of manufacture requires the presence of ‘a physical effect in the sense of a concrete effect or phenomenon or manifestation or transformation’.⁹² Hence, the patentability will depend upon the operation and effect of the invention.⁹³ At the same time, they rejected the requirement that an invention must be within the area of science and technology and the proposition that courts can, or should, balance social costs against social benefits. The necessary physical effect or physical consequence when computer programs are involved could be the application of the program to produce a practical and useful result: to produce an improved curve image on a computer screen;⁹⁴ the use of a data processing system using a mathematical algorithm to implement an investment scheme;⁹⁵ and the use of the computer system for a customer loyalty scheme to write new information into a computer file and to print a coupon.⁹⁶ This requirement for a physically observable effect – an artificially created state of affairs – does not require a physically observable end result in the sense of a tangible product, but is satisfied by the operation of the method in a physical device.⁹⁷

A wide construction of the *ratio* in *NRDC* that looks only for an artificially created state of affairs with economic utility will result in few restrictions on patentability. A narrower construction that requires an artificially created state of affairs to involve some physical effect in the sense of a concrete effect or phenomenon or manifestation or transformation offers greater scope to exclude contentious subject matter, such as business, legal and financial schemes and plans.⁹⁸ This may be important, given that most judges at Federal Court level have been reticent to use policy grounds to restrict the patentability of contentious subject

87 *Re Peter Szabo and Associates Pty Ltd* (2005) 66 IPR 370, 382.

88 *Grant v Commissioner of Patents* (2004) 63 IPR 143.

89 *Grant v Commissioner of Patents* (2005) 67 IPR 1, 5.

90 E.g., *Grant v Commissioner of Patents* (2006) 154 FCR 62.

91 For a detailed analysis of this litigation, see: A. L. Monotti, ‘The scope of “manner of manufacture” under the *Patents Act 1990* (Cth) after *Grant v Commissioner of Patents*’ (2006) 34(3) *Federal Law Rev* 462.

92 *Grant v Commissioner of Patents* (2006) 154 FCR 62, 71.

93 *Ibid* ¶ 33.

94 *IBM Corporation v Commissioner of Patents* (1991) 33 FCR 218, 224.

95 *State St Bank & Trust Co v Signature Financial Group* 149 F 3d 1368 (US Ct of Apps (Fed Cir), 1998), approved in *Welcome Real-Time SA v Catuity Inc* (2001) 113 FCR 110.

96 *Welcome Real-Time SA v Catuity Inc* (2001) 113 FCR 110, 137.

97 *Grant v Commissioner of Patents* (2006) 154 FCR 62, 70.

98 *Grant v Commissioner of Patents* (2006) 154 FCR 62.

matter.⁹⁹ Although individual judges have balanced social costs and benefits¹⁰⁰ or assessed the general inconvenience of an invention¹⁰¹ to deny an invention the status of a manner of manufacture, this is rare. As far as exclusion of classes of subject matter from patentability on grounds of public policy is concerned, it is clear that this will occur only through a High Court decision or legislative action.

13.4.8 Discoveries and other unpatentable subject matter

A prerequisite for the grant of a patent is that there is an invention. The High Court in *NRDC* distinguished a discovery from an invention ‘either because the discovery is of some piece of abstract information without any suggestion of a practical application of it to a useful end, or because its application lies outside the realm of “manufacture”’.¹⁰² The difficulty lies in the lack of precision in drawing this distinction.¹⁰³ It also lies in the open ended nature of the concept of ‘manufacture’, which the court said was incapable of definition.¹⁰⁴ The theoretical distinction between a discovery and an invention is that an invention involves some practical application of or mode of carrying into effect the discovery, theory or idea that satisfies the *NRDC* principles.¹⁰⁵

Other intellectual concepts that continue to be regarded as outside the scope of an invention include a mathematical algorithm, formula, calculation, directions for use or some other form of intellectual information¹⁰⁶ such as scientific principles and principles of nature. The difficulty with such terms is that they are ‘vague and malleable terms infected with too much ambiguity and equivocation’.¹⁰⁷ *NRDC* drew a distinction between inventions that belong to a useful art (patentable) as distinct from a fine art (not patentable).¹⁰⁸ The distinction is not easy to find, although ‘useful art’ probably still translates into an area of economic endeavour that is qualified by the requirement that it has an ‘industrial, commercial or trading character’.¹⁰⁹ It is possible that the practice of law is outside the concept of a useful art. Although the interpretation and application of law is within an area of economic importance, the court in *Grant* found that this lacks any industrial or commercial or trading character.¹¹⁰

The distinction between an unpatentable discovery and an invention is particularly difficult in the area of biotechnology. In *Kirin-Amgen Inc v Board of Regents*

99 *Anaesthetic Supplies Pty Ltd v Rescare Ltd* (1994) 50 FCR 1; *Bristol-Myers Squibb Co v F H Faulding & Co Ltd* (2000) 97 FCR 524; *Welcome Real-Time SA v Catuity Inc* (2001) 113 FCR 110.

100 *Grant v Commissioner of Patents* (2005) 67 IPR 1.

101 *Anaesthetic Supplies Pty Ltd v Rescare Ltd* (1994) 50 FCR 1 (Sheppard J); *Bristol-Myers Squibb Co v F H Faulding & Co Ltd* (1998) 41 IPR 467.

102 *NRDC v Commissioner of Patents* (1959) 102 CLR 252, 264.

103 *Ibid.*

104 *Ibid* 269–70.

105 *Ibid* 263; *Lane Fox v Kensington and Knightsbridge Electric Lighting Co* (1892) 9 RPC 413, 416; *Hickton's Patent Syndicate v Patents & Machine Improvements Co Ltd* (1909) 26 RPC 339.

106 *Grant v Commissioner of Patents* (2006) 154 FCR 62, 70.

107 *NRDC v Commissioner of Patents* (1959) 102 CLR 252, 264; *Funk Bros Seed Co v Kalo Inoculant Co* (1948) 333 US 127 [92 Law Ed 588].

108 *NRDC v Commissioner of Patents* (1959) 102 CLR 252, 275.

109 *Ibid*; *Grant v Commissioner of Patents* (2006) 154 FCR 62, 71.

110 *Grant v Commissioner of Patents* (2006) 154 FCR 62, 71.

of *University of Washington*,¹¹¹ the distinction was explained in the context of an invention which relied upon the discovery of the DNA sequence encoding erythropoietin. The Deputy Commissioner of Patents expressed the distinction as follows:

In my view, a claim directed to a naturally occurring DNA characterized by specifying the DNA coding for a portion of that molecule would likely be claiming no more than a discovery *per se* and not be a manner of manufacture.¹¹²

Claims to naturally occurring entities are not patentable. In contrast, claims to 'purified and isolated' sequences may be a manner of manufacture because they claim 'an artificially created state of affairs'.

There is no difficulty in finding a manner of manufacture when the application of a discovery results in some observable effect, such as the weed-free soil in *NRDC* or a new or restored tangible product. However, there is a new dimension to the concept of discovery. The distinction between a discovery and a manner of manufacture is not just the practical application of the discovery to a useful end. It is now evident that the application must produce some physical effect in the sense described in *Grant v Commissioner of Patents* to result in a manner of manufacture. This has been referred to as a 'useful physical result in relation to a material or tangible entity'.¹¹³ For example, the court held that new kinds of legal transactions and other advice, schemes and arguments that are produced in the course of the practice of law may warrant the description of discoveries¹¹⁴ although they clearly involve some practical application of ideas.

13.5 Generally inconvenient

Section 6 of the *Statute of Monopolies* excludes from patentability any inventions that would be contrary to law or mischievous to the state by being generally inconvenient. The 'contrary to law' exclusion is expressly provided in s 50(1)(a) and is discussed below. The courts have considered the concept of 'generally inconvenient' in relation to a narrow range of inventions, including a method of operating an aircraft,¹¹⁵ but the principal discussion in recent times has arisen in the context of methods of medical treatment for humans.¹¹⁶ In *Anaesthetic Supplies Pty Ltd v Rescare Ltd*,¹¹⁷ the Full Federal Court majority rejected an argument that an invention for a method of medical treatment that involved the application of continuous airways pressure to the nasal passages using a face mask to treat obstructive sleep apnoea, is 'generally inconvenient'. Lockhart J considered

¹¹¹ (1995) 33 IPR 557.

¹¹² *Kirin-Amgen Inc v Board of Regents of University of Washington* (1996) 33 IPR 557, 569.

¹¹³ *CCOM Pty Ltd v Jiejing Pty Ltd* (1994) 51 FCR 260, 291.

¹¹⁴ *Grant v Commissioner of Patents* (2006) 154 FCR 62, 71.

¹¹⁵ *Rolls-Royce Ltd's Application* [1963] RPC 251.

¹¹⁶ See above at 13.4.5.

¹¹⁷ (1994) 50 FCR 1.

that there is no distinction in principle between a product for treating the human body (which is patentable) and a method of treating the human body.¹¹⁸ However, he did not reject the existence of the exception under the Act. Wilcox J appeared to significantly reduce its possible application by stating that the court should not resort to matters of ethics and social policy to ‘engraft onto a recently enacted statute an exception that parliament has chosen not to adopt’. In dissent, Sheppard J considered that the method of treating obstructive sleep apnoea was generally inconvenient. He stated:

that the court should not contemplate the grant of letters patent which would give to one medical practitioner, or perhaps a group of medical practitioners, a monopoly over, for example, a surgical procedure which might be greatly beneficial to mankind. Its denial might mean the death or unnecessary suffering of countless people. I cannot think that this is really what the medical profession as a whole would seek to achieve. Its whole history is a denial of the proposition.¹¹⁹

In *Bristol-Myers Squibb Co v F H Faulding & Co Ltd*, Heerey J followed this approach when he applied the generally inconvenient exception in the context of a method of administering the drug taxol in the treatment of cancer.¹²⁰ However, all appeal judges rejected its application. Black CJ and Lehane J followed the majority view in *Rescare* for two reasons. First, they saw it as an insurmountable problem, from a public policy point of view, to draw a logical distinction between allowing patentability of a product for treating the human body, but denying patentability for a method of treating the human body. Secondly, they were influenced by the fact that there was no express exclusion included in the *Patents Act 1990*, even though patents were being granted for methods of medical treatment at the time.¹²¹ While expressing some empathy with the need for a possible special area such as ‘an entirely novel and simple procedure, capable of saving many lives by its application as first aid’, the lack of a logical distinction with patenting products to treat medical ailments remained what appeared to be an insurmountable hurdle. Nevertheless, they did not reject the existence of the exception under the Act. Finkelstein J also rejected the application of the ‘generally inconvenient’ exception to methods of medical treatment, but on the ground that matters of such complex public policy should be resolved by parliament.¹²² Arguments based upon general inconvenience have been similarly unsuccessful in the context of a patent for a process for operating smart cards in connection with traders’ loyalty programs.¹²³

Following this reluctance of the judiciary to reject the patentability of a variety of inventions on grounds of general inconvenience, the Patent Office manual instructs its examiners to refrain from taking this objection to a patent

118 Ibid 18.

119 Ibid 40.

120 (1998) 41 IPR 467, 479–80.

121 *Bristol-Myers Squibb Co v F H Faulding & Co Ltd* (2000) 97 FCR 524, 528–30.

122 Ibid 569.

123 *Welcome Real-Time SA v Catuity Inc* (2001) 113 FCR 110, 138.

application.¹²⁴ It seems that the courts recognise that they retain discretion to reject inventions that are generally inconvenient, but are unwilling to exercise that discretion in matters of complex policy. This reluctance to become involved in balancing public and private interests is also evident in the context of deciding whether an invention satisfies the criteria for a manner of manufacture.¹²⁵

13.6 Novelty

13.6.1 Introduction

Novelty is a basic requirement of the patent system, because it would be unjust to allow a monopoly over something that is already known and possibly in use. Novelty is a separate inquiry from that which considers whether the invention involves an inventive or innovative step over the relevant prior art.¹²⁶

The crucial concept involved in the term ‘novelty’ is whether the entire invention has already been made public through prior publication or prior use.¹²⁷ Such public disclosure is often referred to as an ‘anticipation’ of the invention that subsequently becomes the subject of a patent application. Anticipation can occur in a variety of ways. It may be information in a prior publication anywhere in the world, such as a newspaper article, patent specification or advertisement. The publication includes photographs¹²⁸ and illustrations. It may be information made publicly available through doing an act anywhere in the world, such as a public demonstration or other use where the invention is made publicly available. It makes no difference if there is lack of knowledge of the prior public use or prior public disclosure, or if there is considerable ingenuity in the creation of the invention.

Novelty is derived from s 6 of the *Statute of Monopolies*, namely that the invention be a ‘manner of new manufacture’. Before the two types of newness – novelty and inventive step – were separated, first in the *Patents Act 1952* (Cth) and then in the *Patents Act 1990* (Cth), the distinction was not clearly drawn. Consequently, early cases decided under the *Patents Act 1903* (Cth) in particular often merge the concepts of novelty (prior disclosure) and inventive step (not obvious).¹²⁹ Under the *Patents Act 1952* (Cth), lack of novelty was a ground for examination,¹³⁰ opposition¹³¹ and revocation.¹³² Obviousness or lack of invention became a statutory

124 APO, *Manual* ¶ 2.9.3.

125 *Grant v Commissioner of Patents* (2006) 154 FCR 62, 72.

126 *Patents Act 1990* (Cth) ss 18(1)(b)(ii), 18(1A)(b)(ii).

127 *Patents Act 1990* (Cth) ss 18(1)(b)(i), 18(1A)(b)(i); *Humpherson v Syer* (1887) 4 RPC 407.

128 *C Van der Lely NV v Bamfords Ltd* [1963] RPC 61, 71–2; *Ramset Fasteners (Aust) Pty Ltd v Advanced Building Systems Pty Ltd* (1999) 44 IPR 481.

129 *RD Werner & Co Inc v Bailey Aluminium Products Pty Ltd* (1989) 25 FCR 565, 572, 575–6; *Gum v Stevens* (1923) 33 CLR 267 (Isaacs J).

130 *Patents Act 1952* (Cth) s 48(3)(b), (d), (e).

131 *Patents Act 1952* (Cth) s 59(1)(c–e), (h).

132 *Patents Act 1952* s 100(1)(f–g).

ground for objection in both opposition¹³³ and revocation proceedings,¹³⁴ but this was not available at examination stage. Hence, care is required in reading cases involving the patentability of an invention under the *Patents Act 1952* (Cth), as they may also merge these concepts.¹³⁵ The concepts of novelty and inventive or innovative step are clearly separated for all purposes under the *Patents Act 1990* (Cth).

13.6.2 Time at which novelty is raised

Under the *Patents Act 1990* (Cth), the issue of novelty can be raised with respect to standard patents¹³⁶ at examination stage,¹³⁷ in opposition proceedings,¹³⁸ and is a ground for revocation of a patent.¹³⁹ At examination,¹⁴⁰ modified examination¹⁴¹ and re-examination,¹⁴² the Commissioner must not have regard to anything made publicly available only through doing an act. The rationale for this limitation is that there is no opportunity for an examiner to obtain information from anyone other than the applicant. However, the public has an opportunity to notify the Commissioner that it is not novel after an application for a standard patent becomes open to public inspection under s 27(1). The Commissioner may use this evidence to refuse to accept a patent.¹⁴³ In the case of an innovation patent,¹⁴⁴ novelty is a ground for revocation after examination,¹⁴⁵ re-examination¹⁴⁶ or upon an application for revocation under s 138.

13.6.3 Statutory requirements

The statutory requirements for novelty are the same for both standard and innovation patents. They are set out in s 18(1)(b)(i) (standard patent) and s 18(1A)(b)(i) (innovation patent), s 7(1) and sch 1 of the *Patents Act 1990* (Cth). Section 18 provides that the invention, so far as claimed in any claim, must be novel when it is compared with the prior art base as it existed before the priority date of the claim.¹⁴⁷ A person can publish or use the invention after the priority date of the claim without affecting its validity.¹⁴⁸

133 *Patents Act 1952* (Cth) s 59(1)(g).

134 *Patents Act 1952* (Cth) s 100(1)(e).

135 *RD Werner & Co Inc v Bailey Aluminium Products Pty Ltd* (1989) 25 FCR 565 (Gummow J).

136 *Patents Act 1990* (Cth) s 62, sch 1.

137 *Patents Act 1990* (Cth) ss 45(1)(c)(i), 48(1)(b)(i), 98(1)(a).

138 *Patents Act 1990* (Cth) s 59(b).

139 *Patents Act 1990* (Cth) s 138(3)(b).

140 *Patents Act 1990* (Cth) s 45(1A).

141 *Patents Act 1990* (Cth) s 48(1A).

142 *Patents Act 1990* (Cth) s 98(2).

143 *Patents Act 1990* (Cth) s 49(1).

144 *Patents Act 1990* (Cth) s 62, sch 1.

145 *Patents Act 1990* (Cth) ss 101B(2)(b), 101B(3).

146 *Patents Act 1990* (Cth) s 101G(3)(a).

147 *Patents Act 1990* (Cth) s 43.

148 *Patents Act 1990* (Cth) s 23.

The novelty inquiry relates to each individual claim in the specification,¹⁴⁹ as each claim defines a particular form of the invention for which a patent is sought.¹⁵⁰ Each claim of a specification has a priority date which is the date of filing the specification¹⁵¹ or such other date as is determined under the regulations.¹⁵²

The procedure for a novelty inquiry is:

1. Determine relevant prior art.
2. Interpret claims at their priority date – what are their essential integers? This is a matter of law and function of the court. It is the same method as applies for infringement.
3. Construe the relevant prior art. This is also a matter of law and function of the court. It is construed at the date of its publication, but having regard to relevant surrounding circumstances and without regard to subsequent events.
4. Assess lack of novelty through the eyes of the skilled addressee at the priority date of the claim under consideration.¹⁵³

Questions of interpretation and construction are considered in chapter 15.

13.6.4 Prior art base

13.6.4.1 *Patents Act 1952* (Cth)

The prior art base for novelty under the *Patents Act 1952* (Cth) was confined to documents and acts that were published in Australia. The same prior art base applied for both standard¹⁵⁴ and petty patents.¹⁵⁵ A concept of ‘prior claiming’ applied under the *Patents Act 1952* (Cth), namely where a comparison was possible with a valid claim of earlier priority date contained in the complete specification of a standard patent or in the petty patent specification of a petty patent.¹⁵⁶ The prior claims had to contain a distinct claim to the subject matter of the later claim. It was not enough to simply disclose the invention.

13.6.4.2 *Patents Act 1990* (Cth) – 23 May 2001

The prior art base for both a standard and a petty patent comprised information made publicly available through doing an act anywhere in the patent area and information in a document, being a document publicly available anywhere in the patent area. However, the prior art base for a standard patent was extended to include information in a document made publicly available outside the patent area.¹⁵⁷ The reference to documents included patent specifications, the

149 s 40(2).

150 s 40(2)(b–c).

151 s 43(2).

152 *Patents Regulations 1991* (Cth) regs 3.12, 3.13, 3.14. See ch 12, at [12.11](#) and [12.12](#).

153 *ICI Chemicals & Polymers Ltd v Lubrizol Corporation Inc* (2000) 106 FCR 214.

154 *Patents Act 1952* (Cth) s 59(1)(d–e), (h).

155 *Patents Act 1952* (Cth) s 49A(11)(c–d), (e).

156 *Patents Act 1952* (Cth) ss 59(1)(c–d) (opposition), 100(1)(f).

157 *Patents Act 1990* (Cth) sch 1 (definition of ‘prior art base’).

information in which was publicly available before the priority date. However, it is possible that a specification in respect of a complete application may have an earlier filing date but be unpublished at the priority date of the relevant claim. A complete application is not required to become open for public inspection until eighteen months have elapsed from its filing date or the date of making its earliest priority document.¹⁵⁸ Hence, such specifications would not come within the prior art base of publicly available documents at the priority date. However, if that information is ignored, it would be possible for a patent to issue that is not new because it is the same as an invention that was in the pipeline, but unpublished, at its filing date. The *Patents Act 1990* (Cth) provides a ‘whole of contents’ approach to this type of information, which is a question of anticipation, rather than prior claiming,¹⁵⁹ and is described below.

The prior art base for documents and acts has been extended by two amending Acts.

13.6.4.3 24 May 2001 – 31 March 2002

The *Patents Amendment (Innovation Patents) Act 2000* (Cth) No 140 amended the prior art base for both standard and innovation patents to information in a document that is publicly available anywhere in the world and information made publicly available through doing an act in the patent area. Therefore, the documentary prior art was expanded while the local limitation for acts was retained.

13.6.4.4 1 April 2002 to present

The *Patents Amendment Act 2001* (Cth) No 160 of 2001 extended the prior art base for both standard and innovation patents to a worldwide comparison for both documents and acts. The present prior art base comprises two types of public disclosures that occur before the priority date of the relevant claim:

- information in documents that are publicly available anywhere in the world; and
- information made publicly available through doing an act anywhere in the world.

A document has the meaning given to it in s 25 of the *Acts Interpretation Act 1901* (Cth), and includes:

- (a) any paper or other material on which there is writing;
- (b) any paper or other material on which there are marks, figures, symbols or perforations having a meaning for persons qualified to interpret them; and
- (c) any article or material from which sounds, images or writings are capable of being reproduced with or without the aid of any other article or device.

The ‘whole of contents’ approach to information contained in a published specification filed in respect of a complete application has remained unchanged

¹⁵⁸ *Patents Act 1990* (Cth) s 54(3)(b); *Patents Regulations 1991* (Cth) reg 4.2(3).

¹⁵⁹ *Old Digger Pty Ltd v Azuko Pty Ltd* (2000) 51 IPR 43, 66–8.

since the enactment of the *Patents Act 1990* (Cth). Such information forms part of the prior art base (see Dictionary, sch 1, definition of ‘prior art base’):

(b)(ii)

- (A) if the information is, or were to be, the subject of a claim of the specification, the claim has, or would have, a priority date earlier than that of the claim under consideration; and
- (B) the specification was published after the priority date of the claim under consideration; and
- (C) the information was contained in the specification on its filing date and when it was published.

Paragraph (b)(ii)(A) is construed by following these steps:¹⁶⁰

- Is the information in the document the subject of an actual claim? If so, would the claim take priority over the claims under consideration?
- If the information is not the subject of an actual claim, could the information be the subject of a claim? If so, would that notional claim take priority over the claims under consideration?

Hence, although the disclosure need not be within the claims of the published specification,¹⁶¹ the information would have to be capable of forming the subject of a notional claim.¹⁶² An essential requirement is that the information must be present at both filing and publication. Any information that is introduced after the priority date of the claim under consideration would not be within the prior art base against which the comparison is made.

13.6.5 Method for comparison with information in prior art base

When the priority date and the prior art base are determined, the final inquiry involves a comparison between the claim under consideration and information within the prior art base to see whether any of the prior art information ‘anticipates’ the whole of the invention that is defined in the claim under consideration. Section 7(1) provides how to perform this comparison with the prior art base. An invention is taken to be novel when compared with the prior art base unless it is not novel in light of any one of several kinds of information, each of which must be considered separately. Each type of information is described as ‘prior art information’. This term is defined in sch 1 as information that is part of the prior art base in relation to deciding whether an invention is or is not novel.

The comparison is with information that is disclosed in a single source, within the prior art base, as described as follows:

160 *E I Dupont de Nemours & Co v Imperial Chemical Industries plc* (2005) 66 IPR 462, 482.

161 *Old Digger Pty Ltd v Azuko Pty Ltd* (2000) 51 IPR 43, 66.

162 *E I Dupont de Nemours & Co v Imperial Chemical Industries plc* (2005) 66 IPR 462, 482–3.

- prior art information made publicly available in a single document or through doing a single act;
- prior art information made publicly available in 2 or more related documents, or through doing 2 or more related acts, if the relationship between the documents or acts is such that a person skilled in the relevant art¹⁶³ would treat them as a single source of that information;
- prior art information contained in a single specification of the kind mentioned in subparagraph (b)(ii) of the definition of prior art base in sch 1.

13.6.6 Time at which to construe and read documentary disclosures

It is necessary to construe the claim at its priority date.¹⁶⁴ The court is to place itself ‘in the position of some person acquainted with the surrounding circumstances as to the state of [the] art and manufacture at the time’.¹⁶⁵ This is the hypothetical, non-inventive ‘skilled addressee’ or person ‘skilled in the relevant art’, who works in the art or science connected with the invention. This skilled person is relevant for a variety of other purposes in patent law.¹⁶⁶ It is the person to whom the patent is addressed and who must construe it and the person who will judge whether a patent involves an inventive step.¹⁶⁷ It may be a single person or a composite being or team, whose combined skills are to be employed where the complexity of the invention demands the skills in more than one art.¹⁶⁸ This skilled person would be assumed to have whatever language is necessary to read and understand the document¹⁶⁹ and to possess the best available equipment.

A documentary disclosure that forms part of the prior art base is construed by a court at the date of its publication,¹⁷⁰ but with reference to what it would disclose to the skilled addressee.¹⁷¹ However, it is not clear whether the date at which the skilled person is to consider the document for the purpose of judging novelty is the date of its publication or the priority date of the claim in question that is under challenge. The classic authority that is cited is *General Tire & Rubber Co v Firestone Tyre & Rubber Co Ltd*:

To determine whether a patentee’s claim has been anticipated by an earlier publication it is necessary to compare the earlier publication with the patentee’s claim. The earlier publication must . . . be interpreted as at the date of its publication, having regard

163 Para 1 of the *Patents Amendment Act 2001* (Cth) removed a limitation to the relevant art ‘in the patent area’.

164 See ch 15 at 15.2.

165 *Kimberley-Clark Australia Pty Ltd v Arico Trading International Pty Ltd* (2001) 207 CLR 1, 16.

166 A. Brown, ‘The Role of the Skilled Addressee’ (2004) 59 *Intellectual Property Forum* 42–6.

167 *Root Quality Pty Ltd v Root Control Technologies Pty Ltd* (2000) 49 IPR 225, 241; see 13.8.2.

168 See 13.8.2 below. *General Tire & Rubber Co v Firestone Tyre & Rubber Co Ltd* [1972] RPC 457, 485; *Leonardis v Sartas No 1 Pty Ltd* (1996) 67 FCR 126, 146.

169 *C Van der Lely NV v Bamfords Ltd* [1963] RPC 61, 71–2.

170 *General Tire & Rubber Co v Firestone Tyre & Rubber Co Ltd* [1972] RPC 457, 485; *JMVB Enterprises Pty Ltd v Camoflag Pty Ltd* (2005) 67 IPR 68, 80.

171 *ICI Chemicals & Polymers Ltd v Lubrizol Corporation Inc* (2000) 106 FCR 214, 228.

to the relevant surrounding circumstances which then existed, and without regard to subsequent events. The patentee's claim must similarly be construed as at its own date of publication having regard to the circumstances then existing. . . . The earlier publication and the patentee's claim must each be construed as they would be at the respective relevant dates by a reader skilled in the relevant art to which they relate having regard to the state of knowledge in such art at the relevant date.¹⁷²

It seems clear from this passage that the relevant date is the date of publication. Nevertheless, the Full Federal Court in *ICI Chemicals & Polymers Ltd v Lubrizol Corporation Inc*¹⁷³ appears to favour the view that, under Australian law, the skilled addressee is taken to consider the earlier publication at the priority date of the claim in question.

Whether or not a claim lacks novelty involves two principal inquiries. The first is to identify the particulars of publicly available documents or acts or earlier specifications which are alleged to destroy novelty of the patent application. This inquiry requires consideration of what is meant by 'publicly available'. The second is to determine whether any of that prior art information anticipates the invention.

13.6.7 Publicly available

The party that alleges lack of novelty bears the onus of proof that the prior art is 'publicly available' before the priority date of the claim under consideration.¹⁷⁴ If publication is in issue, it is a question of fact to be decided by reference to the civil standard of proof.¹⁷⁵ The disclosure must be full and meaningful.¹⁷⁶ It must make publicly available all the essential features of the invention,¹⁷⁷ so that the notional skilled addressee can at once perceive and understand and be able to practically apply the discovery without the necessity of making further experiments.¹⁷⁸ Later cases qualify the term 'experiments' in this context to mean with a view to discovering something not disclosed.¹⁷⁹

It is not enough for a physical embodiment or a written description of the invention to be disclosed. That disclosure must make publicly available all the essential features of the invention.¹⁸⁰ An invention is not publicly available when the disclosure arises in circumstances that impose an obligation of confidence on the recipient of the information.¹⁸¹

172 [1972] RPC 457, 485.

173 (2000) 106 FCR 214, 228.

174 *JMVB Enterprises Pty Ltd v Camoflag Pty Ltd* (2005) 67 IPR 68, 80.

175 *Ibid* 80. As to opposition proceedings, see *Seiller's Application* [1970] RPC 103; *Re Dunlop Holdings Ltd's Application* [1979] RPC 523.

176 *Hill v Evans* (1862) 4 De GF & J 288, 301 (Lord Westbury); *JMVB Enterprises Pty Ltd v Camoflag Pty Ltd* (2005) 67 IPR 68, 80.

177 *Stanway Oyster Cylinders Pty Ltd v Marks* (1996) 66 FCR 577, 581.

178 *Hill v Evans* (1862) 4 De GF & J 288, 300.

179 *Nicaró Holdings Pty Ltd v Martin Engineering Co* (1990) 16 IPR 545, 549 (Gummow J); *C Van der Lely NV v Bamfords Ltd* [1963] RPC 61, 71–72; *RD Werner & Co Inc v Bailey Aluminium Products Pty Ltd* (1989) 25 FCR 565, 592 (Gummow J).

180 *Stanway Oyster Cylinders Pty Ltd v Marks* (1996) 66 FCR 577, 581.

181 *Griffin v Isaacs* (1938) 1B IPR 619, 621.

A line of authority developed under earlier legislation to determine when a documentary disclosure would destroy the novelty of an invention. Although novelty was not defined with reference to the phrase ‘publicly available’ under the *Patents Act 1952* (Cth), the Federal Court has applied this established line of authority to the *Patents Act 1990* (Cth).¹⁸² This authority established that the requisite degree of publication is met if there is communication to any one member of the public in a manner which left that person free, in law and equity, to make use of that information.¹⁸³ It is immaterial whether the information becomes known to many or a few people.¹⁸⁴ A description in an obscure publication is sufficient and it does not matter if no-one actually reads the information.¹⁸⁵ Members of the public will include persons who purchase subscriptions to magazines, who are on mailing lists and who buy newspapers over the counter.¹⁸⁶ They will also include persons who are selected by the publisher for commercial reasons, but would exclude the publisher’s agent in another country.¹⁸⁷ Information that is made available on a website would make this information available to the public,¹⁸⁸ as will information in published patent specifications, irrespective of the language in which they exist.¹⁸⁹

When disclosure occurs through doing single or related acts, the concept of publicly available requires clear evidence that the location of the act or use was open to members of the public.¹⁹⁰ This may be on a private property.¹⁹¹ As to the nature of the acts performed, it seems probable that the word ‘act’ in s 7 and in the definition of ‘prior art base’ encompasses the concept of ‘prior use’ which was relevant in the context of an inquiry as to inventiveness under the *Patents Act 1952* (Cth).¹⁹² Acts will involve the use¹⁹³ or demonstration¹⁹⁴ of a device, product or process that embodies the invention in a way that discloses all the essential features of the invention. Disclosure may occur through distribution of samples,¹⁹⁵

182 *Merck & Co Inc v Arrow Pharmaceuticals Ltd* (2006) 154 FCR 31, 58–9; *Arrow Pharmaceuticals Ltd v Merck & Co Inc* (2004) 63 IPR 85, 120–1; *Sunbeam Corporation v Morphy-Richards (Aust) Pty Ltd* (1961) 180 CLR 98, 111.

183 *Humpherson v Syer* (1887) 4 RPC 407; *Stanway Oyster Cylinders Pty Ltd v Marks* (1996) 66 FCR 577, 581; *Merck & Co Inc v Arrow Pharmaceuticals Ltd* (2006) 154 FCR 31, 58.

184 *Fomento Industrial SA v Mentmore Manufacturing Co Ltd* [1956] RPC 87, 99; *Humpherson v Syer* (1887) 4 RPC 407, 413.

185 *Sunbeam Corporation v Morphy-Richards (Aust) Pty Ltd* (1961) 180 CLR 98, 111–12 (Windeyer J).

186 *Arrow Pharmaceuticals Ltd v Merck & Co Inc* (2004) 63 IPR 85, 121.

187 *Ibid.*

188 *Ibid* 121.

189 *Dennison Manufacturing Co v Monarch Marking Systems Inc* (1983) 1 IPR 431.

190 *Costa v GR & IE Daking Pty Ltd* (1994) 29 IPR 241, 248.

191 *Ibid* 250.

192 *Patents Act 1952* (Cth) s 100(1)(e) (was known or used in Australia). *Dyno Nobel Asia Pacific Ltd v Orica Australia Pty Ltd* (1999) 99 FCR 151, 212–13.

193 E.g., *Stanway Oyster Cylinders Pty Ltd v Marks* (1996) 66 FCR 577; *Azuko Pty Ltd v Old Digger Pty Ltd* (2001) 52 IPR 75; *Great Western Corporation Pty Ltd v Grove Hill Pty Ltd* [2001] FCA 423; *Acme Bedstead Co Ltd v Newlands Brothers Ltd* (1937) 58 CLR 689.

194 *Griffin v Isaacs* (1938) 1B IPR 619, 623; *Innovative Agricultural Products Pty Ltd v Cranshaw* (1996) 35 IPR 643.

195 *Fomento Industrial SA v Mentmore Manufacturing Co Ltd* [1956] RPC 87.

manufacture of devices and products,¹⁹⁶ and sales¹⁹⁷ or offers to sell the invention. It follows from the discussion above concerning documentary disclosures that the use of a device that is an embodiment of an earlier patent will anticipate the later invention only if the specification itself amounts to anticipation.¹⁹⁸ A disclosure is possible in conversations and no less stringent test applies to oral disclosures.¹⁹⁹

The relevant act must make the information ‘publicly available’. The mere public use or circulation of a product that embodies the invention may not necessarily do this. It seems that the act must disclose the essential integers of the invention through provision of the information or because it can be gleaned from inspection of the invention.²⁰⁰ This satisfies the requirement for the notional skilled addressee to at once perceive and understand and be able to practically apply the discovery without the necessity of making further experiments.²⁰¹ It is not enough to tell a person the ‘broad generalities’²⁰² of the invention if this fails to disclose or make it possible for the person to glean the essential integers. In the case of the composition or internal structure of a product, it may be sufficient disclosure if it is possible for the skilled person to ‘discover it and reproduce it without undue burden’.²⁰³ It may be sufficient if the hypothetical skilled person could use available techniques to analyse samples of a product and glean the necessary information,²⁰⁴ or for a person to have the unrestrained opportunity to reverse engineer a product to ascertain the information that will render an invention not novel. The demonstration of a video graphics system without supply of the program or oral disclosure of the program would not be sufficient.²⁰⁵

On the other hand, it seems there will be no sufficient disclosure if a product is sold in circumstances that render it impossible for any member of the public to ascertain all the essential features of the invention. This could occur when a car is driven on a public road without stopping to allow a member of the public to lift the bonnet and inspect the engine.²⁰⁶ It could also occur in the kind of circumstances that existed in *Bristol-Myers Co v Beecham Group Ltd*,²⁰⁷ a case that was concerned with whether the prior use by the patentee was a ground for refusing the patent application. The facts involved the unintentional manufacture

196 *Melbourne v Terry Fluid Controls Pty Ltd* (1993) 26 IPR 292; *R v Patents Appeal Tribunal; Ex parte Swift & Co* [1962] 1 All ER 610; *Bristol-Myers Co v Beecham Group Ltd* [1974] AC 646.

197 *R v Patents Appeal Tribunal; Ex parte Swift & Co* [1962] 1 All ER 610; *Bristol-Myers Co v Beecham Group Ltd* [1974] AC 646; *Re Wheatley's Application* (1984) 2 IPR 450 (acceptance of an order to purchase).

198 *Old Digger Pty Ltd v Azuko Pty Ltd* (2000) 51 IPR 43.

199 *British American Tobacco (Investments) Ltd v Philip Morris Ltd* (1999) 47 IPR 351, 355.

200 *Stanway Oyster Cylinders Pty Ltd v Marks* (1996) 66 FCR 577, 581; *Jupiters Ltd v Neurizon Ltd* (2005) 65 IPR 86, 115; *Cullen v Welsbach Light Co of Australasia Ltd* (1907) 4 CLR 990, 990–1003 (Griffith CJ), 1008 (Barton J).

201 *Hill v Evans* (1862) 4 De GF & J 288, 300.

202 *Costa v GR & IE Daking Pty Ltd* (1994) 29 IPR 241, 248.

203 *Jupiters Ltd v Neurizon Ltd* (2005) 65 IPR 86, 114; *Merrell Dow Pharmaceuticals Inc v HN Norton & Co Ltd* (1995) 33 IPR 1, 11.

204 *PLG Research Ltd v Ardon International Ltd* [1993] FSR 197, 226–7; *Jupiters Ltd v Neurizon Ltd* (2005) 65 IPR 86, 114; *Lux Traffic Controls Ltd v Pike Signals Ltd* [1993] RPC 107.

205 *Quantel Ltd v Spaceward Microsystems Ltd* [1990] RPC 83, 126; *Jupiters Ltd v Neurizon Ltd* (2005) 65 IPR 86, 114.

206 *Boyce v Morris Motors Ltd* (1927) 44 RPC 105, 149.

207 [1974] AC 646.

of ampicillin trihydrate which was blended with other forms of ampicillin, and the sale of capsules made from the blend. No-one knew that the batch contained the trihydrate form. No-one could have extracted it from the batch. A majority in the House of Lords found this to have constituted a prior use of the invention, intention to use being irrelevant. However, this would not amount to anticipation under the *Patents Act 1990* (Cth) because the essential integers of the invention are not made publicly available. No-one is given the relevant information. Nor could they glean it from the product that was sold.

13.6.8 Test for an ‘anticipation’

The generally applied test for anticipation or lack of novelty is the reverse infringement test that was articulated in *Meyers Taylor Pty Ltd v Vicarr Industries Ltd* by Aickin J:

The basic test for anticipation or want of novelty is the same as that for infringement and generally one can properly ask oneself whether the alleged anticipation would, if the patent were valid, constitute an infringement.²⁰⁸

Hence, all essential integers must be disclosed clearly and plainly.²⁰⁹ Those essential integers are identified and interpreted by construing the claim in question according to the accepted principles.²¹⁰ There is scope for anticipation despite some variations in the claim and the prior art,²¹¹ but only if the claim as properly construed shows the variation to be an inessential integer.²¹² In the case of a combination patent, the disclosure must be of how the interaction of the combined integers produces the new result which constitutes the invention.²¹³

It seems that the reverse infringement test is only generally applicable²¹⁴ and that the test cannot be applied literally for a paper anticipation.²¹⁵ As Black CJ and Lehane J explained in *Bristol-Myers Squibb Co v FH Faulding & Co Ltd*:²¹⁶

The hypothetical infringement arises not because of its publication but because someone hypothetically does, or makes, what it describes or suggests.

Unlike a product or process that embodies the invention, it is necessary to construe a paper anticipation to see whether it reveals all the essential integers of

208 (1977) 137 CLR 228, 235. See also: *General Tire & Rubber Co v Firestone Tyre & Rubber Co Ltd* [1972] RPC 457, 485; *Bristol-Myers Squibb Co v F H Faulding & Co Ltd* (2000) 97 FCR 524, 548.

209 *Minnesota Mining & Manufacturing Co v Beiersdorf (Australia) Ltd* (1980) 144 CLR 253, 298; *Ramset Fasteners (Aust) Pty Ltd v Advanced Building Systems Pty Ltd* (1999) 44 IPR 481.

210 *Catnic Components Ltd v Hill & Smith Ltd* [1982] RPC 183. See ch 15 at 15.2.

211 *Nicaró Holdings Pty Ltd v Martin Engineering Co* (1990) 16 IPR 545; *RD Werner & Co Inc v Bailey Aluminium Products Pty Ltd* (1989) 25 FCR 565; *Griffin v Isaacs* (1938) 1B IPR 619.

212 *Ramset Fasteners (Aust) Pty Ltd v Advanced Building Systems Pty Ltd* (1999) 44 IPR 481, 492; *Grove Hill Pty Ltd v Great Western Corporation Pty Ltd* (2002) 55 IPR 257, 322.

213 *Nicaró Holdings Pty Ltd v Martin Engineering Co* (1990) 16 IPR 545, 553.

214 *Ibid* 560; *Hexal Australia Pty Ltd v Roche Therapeutics Inc* (2005) 66 IPR 325; *JMVB Enterprises Pty Ltd v Camoflag Pty Ltd* (2005) 67 IPR 68, 79.

215 *Pfizer Overseas Pharmaceuticals v Eli Lilly & Co* (2005) 68 IPR 1, 67.

216 (2000) 97 FCR 524, 546.

the invention. This process is one in which there is ground for debate.²¹⁷ However, not only must the essential integers be revealed but they must be revealed through directions, suggestions or recommendations that will result, if the skilled reader follows them, in the claimed invention.²¹⁸ There will be no anticipation if it is possible to follow the directions and produce a non-infringing product or process.

Therefore, not every disclosure is a disclosure for novelty purposes.²¹⁹ Any specific details necessary for the practical working and utility of the invention must be found substantially in the prior art document.²²⁰ However, this does not mean that a disclosure of all the essential elements of the invention will fail to anticipate an invention because it includes the words ‘needs to be tested’. In the context of a pharmaceutical patent, for example, such a proposition could mean that no publication can amount to an anticipation of the invention unless clinical trials have been conducted. The Full Federal Court in *Merck & Co Inc v Arrow Pharmaceuticals Ltd* has expressly rejected support for such a proposition.²²¹

13.6.9 Prohibition on ‘mosaics’

A prior publication must disclose the whole invention to constitute anticipation. Hence, as a general principle, it is not permissible to make a mosaic for the purposes of a novelty assessment.²²²

The rationale for this prohibition resides in access to a world-wide prior art base that includes all the records of past failure and the ease of finding anything with the benefit of hindsight.²²³ The concept of a prohibited mosaic is different from allowing the claim to be read through the eyes of the skilled person who is possessed of the collective effect of various publications, known as the common general knowledge in the art in Australia.

However, s 7(1)(b) provides some limited scope for considering the combination of two or more pieces of prior art information as a single source. It permits two or more related documents or two or more related acts to be considered as a single source of information when the relationship between them is such that a person skilled in the relevant art would treat them as a single source of information. It is not possible to combine a document with an act to obtain a single source of information for novelty assessment.

As the common law allowed limited situations where two or more documents could be considered as a single source of information for the purposes of a novelty assessment, it offers some guidance as to the meaning of ‘related’ documents

217 *Nicaro Holdings Pty Ltd v Martin Engineering Co* (1990) 16 IPR 545, 560 (Gummow J); *Bristol-Myers Squibb Co v F H Faulding & Co Ltd* (2000) 97 FCR 524, 546.

218 *Bristol Myers Squibb Co v F H Faulding & Co Ltd* (2000) 97 FCR 524, 548; *Hill v Evans* (1862) 4 De GF & J 288, 301–2.

219 *Imperial Chemicals Industries Pty Ltd v Commissioner of Patents* (2004) 63 IPR 476.

220 *Hill v Evans* (1862) 4 De GF & J 288, 302.

221 *Merck & Co Inc v Arrow Pharmaceuticals Ltd* (2006) 154 FCR 31, 60.

222 *Minnesota Mining & Manufacturing Co v Beiersdorf (Australia) Ltd* (1980) 144 CLR 253, 292–3; *Nicaro Holdings Pty Ltd v Martin Engineering Co* (1990) 16 IPR 545, 549 (Lockhart J), 558, 565–73 (Gummow J).

223 *British Ore Concentration Syndicate Ltd v Minerals Separation Ltd* (1909) 26 RPC 124, 147 (Fletcher-Moulton LJ); *Acme Bedstead Co Ltd v Newlands Brothers Ltd* (1937) 58 CLR 689, 703–4 (Starke J).

and 'single source' in s 7(1)(b) of the *Patents Act 1990* (Cth) At common law, some connection was necessary between two or more documents, but the degree was a question of fact in each case. The assessment would depend upon the nature of the art in which the skilled addressee is to be treated as versed at the priority date.²²⁴ At one end of a continuum the connection will be clear, as when a patentee makes it clear in the specification that he or she relied upon particular named patents.²²⁵ In this case, the documents clearly form one consistent whole. At the other end of the continuum is a description of the prior publication for the purpose of directing or teaching the reader away from it, dismissing it or as disclosing something outmoded or defective.²²⁶ A mere identification of prior art in a schedule of a specification is probably also insufficient, such as an entry under a heading 'References cited'.²²⁷ Something more may be necessary, such as making it clear that the incorporation by reference 'unequivocally and plainly demonstrates that the draftsman has adopted the cross-referencing system solely as a shorthand means of incorporating a writing disclosing the invention'.²²⁸

There is no authority on where two or more related acts may form a consistent whole. An example may be a demonstration of a machine and an oral explanation of how it works.

13.6.10 Publicly available information disregarded: disclosure with consent

Section 24 provides that the person making the decision must disregard certain types of information made publicly available through any publication or use of the invention, provided that a patent application for the invention is made within the relevant prescribed period. Section 24(1)(a) is concerned with publication or use by or with the consent of the nominated person or patentee, or the predecessor in title of the nominated person or patentee. Section 24(1)(b) is concerned with non-consensual publication or use.

The following circumstances are prescribed in reg 2.2 of the *Patents Regulations 1991* (Cth) for the purposes of s 24(1)(a).

13.6.10.1 General grace period

A twelve-month grace period for patents was introduced on 1 April 2002 as a *Backing Australia's Ability*²²⁹ initiative. The principal reason for its introduction was to provide protection against 'inadvertent disclosures'.²³⁰ It applies to information made publicly available through a publication or use of the invention

224 *Nicaró Holdings Pty Ltd v Martin Engineering Co* (1990) 16 IPR 545, 570 (Gummow J); *Sharp & Dohme Inc v Boots Pure Drug Co Ltd* (1927) 44 RPC 367.

225 *Nicaró Holdings Pty Ltd v Martin Engineering Co* (1990) 16 IPR 545, 571 (Gummow J); *Sharp & Dohme Inc v Boots Pure Drug Co Ltd* (1927) 44 RPC 367.

226 *Nicaró Holdings Pty Ltd v Martin Engineering Co* (1990) 16 IPR 545, 571–2 (Gummow J).

227 *Ibid* 572.

228 *Ibid* 549 (Lockhart J).

229 Australian Government Initiative, *Backing Australia's Ability – An Innovation Action Plan for the Future* (2001).

230 A. L. Monotti, 'The Impact of the New Grace Period under Australian Patent Law on Universities' [2002] 24(10) *EIPR* 475.

on or after 1 April 2002,²³¹ and within twelve months before the filing date of the complete application.²³² Hence, the maximum period after the public disclosure in which to file the complete application is twelve months.

The general grace period overlaps with all the specific activities that are discussed below, but the filing requirements differ. For example, if the invention is worked in public for the purposes of reasonable trial,²³³ the applicant has twelve months in which to file the provisional specification²³⁴ and another twelve months in which to file the complete application.²³⁵ The general grace period would give twelve months in which to file the complete application.

The government completed a review of the grace period in August 2005 in line with its commitment at the time of its introduction.²³⁶ Its recommendations were that no changes to the grace period provisions were required at that stage.

13.6.10.2 Showing, use and publication at recognised exhibition

The publication or use of the invention at a recognised exhibition and the publication of the invention during the exhibition at which the invention is shown or used are two separate prescribed circumstances for the purposes of s 24.²³⁷ A recognised exhibition is an official or officially recognised international exhibition within the meaning of art 11 of the *Paris Convention*²³⁸ or art 1 of the *Convention Relating to International Exhibitions*.²³⁹ It may also be an international exhibition recognised by the Commissioner by a notice published in the *Official Journal* before the beginning of the exhibition.

13.6.10.3 Publication before learned society

Papers that are written by the inventor and read before a learned society²⁴⁰ or published with the inventor's consent by or on behalf of a learned society²⁴¹ are prescribed circumstances for s 24. They may be published anywhere in the world. An oral disclosure without contemporaneous or subsequent publication of any written paper by or on behalf of the society would not have the benefit of this exemption, although such a disclosure may benefit from the general grace period in reg 2.2(1A). A broad meaning of 'read' is likely so that it would include an oral explanation of the contents of the written paper with reference to that paper.²⁴² Conference papers, posters, and PowerPoint presentations would be included within the meaning of written paper, as s 25 of the *Acts Interpretation Act 1901*

231 *Patents Regulations 1991* (Cth) reg 2.2(1A).

232 *Patents Regulations 1991* (Cth) reg 2.3(1A).

233 *Patents Regulations 1991* (Cth) reg 2.2(2)(d).

234 *Patents Regulations 1991* (Cth) reg 2.

235 *Patents Act 1990* (Cth) s 38(1).

236 IP Australia, *Review of the Patent Grace Period* (August 2005).

237 *Patents Regulations 1991* (Cth) reg 2.2(2)(a), (b).

238 *Paris Convention for the Protection of Industrial Property 1883*, revised Brussels 1900, Washington 1911, The Hague 1925, London 1934, Lisbon 1958, Stockholm 1967 and amended 1979; 169 contracting members (15 April 2006).

239 *Convention Relating to International Exhibitions* (Paris, 22 November 1928), amending Protocols, Paris 1948 and 1966). (Entry into force in Australia 27 October 1973.)

240 *Patents Regulations 1991* (Cth) reg 2.2(2)(c)(1).

241 *Patents Regulations 1991* (Cth) reg 2.2(2)(c)(ii).

242 *Ralph M Parson's Co (Beavon's) Application* [1978] FSR 226.

(Cth) defines ‘writing’ to include any mode of representing or reproducing words, figures, drawings or symbols in a visible form.

There is no definition of ‘learned society’, but a decision of the UK Patent Office (now called the UK Intellectual Property Office) in *Ralph M Parsons Co (Beavon’s) Application* provides guidance as to the potential scope of the description ‘learned’.

It would be impossible, indeed impertinent, to attempt to define a threshold of learning and it may follow that the epithet ‘learned’ is apt to be applied to any properly constituted society made up of persons seeking to promote and organise the study of specific subjects by the provision of a forum for discussion and a means of contact for those of a common interest.²⁴³

However, failure to publish records of its proceedings was regarded as a contradiction for a learned society. The UK Patent Office also regarded with suspicion factors such as exclusion of academics from membership and involvement in commercial exploitation.²⁴⁴ The publication of any such paper must be by, or on behalf of, the learned society. This would not include the situation where journalists obtain a copy of the paper with permission of the inventor and publish the information independently of and without authorisation of the society.²⁴⁵

The period within which to file a patent application, provisional or complete, is six months after the first reading or publication.²⁴⁶ Therefore, an academic may wish to present a paper at a conference, but fail to file a provisional patent application in advance. He or she would have 6 months from the presentation in which to file a patent application, either provisional or complete, to gain protection in Australia.²⁴⁷ If the application is made as a basic application²⁴⁸ in a Convention country within that six-month period, an Australian filing must be made within twelve months of making the basic application to gain the protection of s 24.²⁴⁹

13.6.10.4 Working the invention in public for purposes of reasonable trial

The validity of a claim for an invention is not affected by working the invention in public within the period of twelve months before its priority date if:

1. The working is for the purposes of reasonable trial; and
2. Because of the nature of the invention, it is reasonably necessary for the working to be in public.²⁵⁰

This provision effectively codifies the common law as it had developed under the earlier legislation.²⁵¹ The judgment in *Longworth v Emerton*²⁵² provides some

243 Ibid 231.

244 Ibid 232.

245 Ibid.

246 *Patents Regulations 1991* (Cth) reg 2.3(1)(b)(ii).

247 The general grace period in reg 2.2(1A) may also apply, but a *complete application* must be filed within twelve months.

248 *Patents Act 1990* (Cth) ss 94–6, sch 1.

249 *Patents Regulations 1991* (Cth) reg 2.3(1)(b)(i).

250 *Patents Regulations 1991* (Cth) reg 2.2(2)(d).

251 *Patents Act 1903* (Cth) s 124 (exhibited or tested either publicly or privately): *Longworth v Emerton* (1951) 83 CLR 539; *Patents Act 1952* (Cth) s 100(3)(a) (for the purpose of reasonable trial or experiment only).

252 (1951) 83 CLR 539.

examples of inventions whose nature may require working in public for trial purposes. The first is the invention that must be transported to another location for testing, in the course of which some public exposure is unavoidable. This occurred in *Re Newall and Elliot*.²⁵³ The plaintiff obtained a contract to lay cable in the Black Sea. He had been unable to test his invention for a device for use in laying submarine telegraph cables on land. His decision to test its operation in the Black Sea involved unavoidable disclosure to the public, both in the course of transportation and in operation.²⁵⁴ The court found this was not a prior public use that would destroy the novelty of the invention.

A second example is the trial of an anchor, a thing not easily made the subject of secret testing.²⁵⁵ A third example is assorted farm machinery.²⁵⁶ Not only must the invention be one that necessarily requires public testing, but the working must be for purposes of reasonable trial. One view is this means it must be reasonably necessary in order to bring the invention to a suitable condition for a patent application.²⁵⁷ This requires some deliberate intention to use the invention with a view to making definite improvements, experiments of a specific character or developing the actual invention. It is not enough to have some vague sense of not being quite satisfied that the qualities of the machine had been fully tested, or uncertainty as to whether some further improvements might be effected to make it more efficient. Hence, wide and unguarded use of the invention with no specific purpose for testing or experiment will fail the test.²⁵⁸ In contrast, working a prototype of a machine that was not known to work and for a period during which numerous changes are made may be a trial or experimental use.²⁵⁹

The degree of public working that is reasonably necessary will be a question of fact in each case. For example, features of the dimension, strength or rigidity of the components of a gymnastics system to be installed in a school may require a longer period to test than features of assembly and dismantling.²⁶⁰

The period within which to file a patent application, provisional or complete, is 12 months from the start of the first public working of the invention.²⁶¹

13.6.11 Publicly available information that is disregarded: non-consensual disclosure

The person making the decision on novelty must disregard information made publicly available without the consent of the nominated person or patentee by a person who derived the information from the nominated person or patentee or from a predecessor in title of either.²⁶² Therefore, if the inventor X tells his friend

253 (1858) 4 CB (NS) 269; 140 ER 1087.

254 *Ibid.*

255 *Honiball v Bloomer* (1854) 10 Exch 538.

256 *Longworth v Emerton* (1951) 83 CLR 539.

257 *Ibid* 550–1.

258 *Ibid* 550; *Cave-Brown-Cave's Application for a Patent* [1958] RPC 429.

259 *Costa v GR & IE Daking Pty Ltd* (1994) 29 IPR 241, 250.

260 *Cave-Brown-Cave's Application for a Patent* [1958] RPC 429.

261 *Patents Regulations 1991* (Cth) reg 2.3(1)(c).

262 *Patents Act 1990* (Cth) s 24(1)(b).

Y about the invention, Y's public disclosure of the information before the priority date and without X's permission will be disregarded. An assignee of X's rights in the invention also has the benefit of this section. Giving a paper to journalists at a conference will imply consent to publication.²⁶³

However, the prior publication is disregarded only if a patent application, provisional or complete,²⁶⁴ is made within twelve months from the day when the information became publicly available.²⁶⁵ Therefore, filing the complete application can be delayed for up to two years after the public disclosure.²⁶⁶

Other information to be disregarded in deciding whether an invention is novel is that which is given by or with the consent of the patentee, his nominated, or predecessor in title²⁶⁷ to:

- (i) the Commonwealth, State or Territory, or an authority of any of these;
- (ii) a person authorised by the Commonwealth, State or Territory to investigate the invention.²⁶⁸ Anything done for the purpose of such an investigation of the invention is also to be disregarded.²⁶⁹

13.6.12 Novelty by way of selection

One form of inventive activity is to trawl through a previously known class of products that have been described in general terms as possessing certain common features. The research is conducted in order to discover a sub-class of members of that known class that possesses some special advantage for a particular purpose that could not have been predicted before the discovery was made.²⁷⁰ It is this discovery, which includes the identification of the characteristics of the sub-class, which satisfies the inventive step requirement for patentability.²⁷¹ However, there would be little incentive to conduct research of this nature if the general public disclosure of the sub-class could destroy the novelty of any invention. A body of law for what are known as 'selection patents' has developed to deal with this problem.

The policy underlying selection patents allows others to exercise inventive research using the information contained in those general disclosures. This situation is commonly involved with chemical patents, but is not restricted to this type of subject matter. Selection issues could arise in mechanical and electrical inventions.²⁷²

263 *Ralph M Parsons Co (Beavon's) Application* [1978] FSR 226.

264 *Patents Act 1990* (Cth) s 29(2), sch 1; *NSI Dental Pty Ltd v University of Melbourne* (2006) 69 IPR 542, 564.

265 *Patents Regulations 1991* (Cth) reg 2.3(2).

266 *Patents Act 1990* (Cth) s 38(1); *Patents Regulations 1991* (Cth) reg 3.10.

267 *Patents Act 1990* (Cth) s 24(2).

268 *Patents Act 1990* (Cth) s 24(2)(a).

269 *Patents Act 1990* (Cth) s 24(2)(b).

270 *I G Farbenindustrie AG's Patents* (1930) 47 RPC 289, 322–3 (Maugham J).

271 *Re Institut Francais du Petrole des Carburants et Lubricants' Application* [1972] FSR 147, 154 (Whitford J). This could not be predicted before the discovery was made. *I G Farbenindustrie AG's Patents* (1930) 47 RPC 289, 322–3 (Maugham J); *Pfizer Inc v Commissioner of Patents* (2005) 141 FCR 413, 416.

272 *Sumitomo Electric Industries Ltd v Metal Manufacturers Ltd* (1993) AIPC 91–000 citing *Clyde Nail Co Ltd v Russell* (1916) 33 RPC 291; *Bosch's Application* (1909) 26 RPC 710.

Selection patents proceed on the basis that there has been a disclosure in general terms of a broad description or claim covering a large number of, for example, chemical compounds.²⁷³ This disclosure will usually arise in the context of a prior specification. The selection test applies only to the portion of the claim that falls within the prior disclosure.

The following principles apply in comparing the claimed invention against this prior art information to determine whether the patent involves a selection and whether the sub-class of a prior disclosed class possesses novelty.

- the selection must be based upon some substantial advantage gained or disadvantage avoided;
- all the selected members must possess the advantage in question;
- the selection must be in respect of something peculiar to the selected group;
- the specification must describe that advantage;
- the selection must not be a mere choice of presented alternatives; and
- the prior publication of the wider class does not refer to that advantage.²⁷⁴

Underlying these principles is the necessity for the prior disclosure to be a disclosure of a class, rather than a disclosure of the individual members of that class as distinct entities. The monopoly is granted to the inventor in return for the public disclosure of the special advantages that the selected members of the class possess.

This approach to novelty in the context of a selection patent is consistent with the broad principle that merely pointing the way to an invention is insufficient disclosure. Disclosure of the selected members without clearly indicating the advantages later discovered for the class is construed as merely putting the future patentee on the road to discovery. Therefore, the invention is novel when the particular advantages could not be predicted following the prior art and when the prior art does not clearly indicate the use of the particular members selected to result in the advantages later discovered.

A selection patent will not be necessarily invalidated if it is later found that there are other members or compounds that also possess the advantage shared by the defined sub-class. This is a question of degree and both the efforts of the patentee to find all the members of the group and the numbers of members that are overlooked in the course of that research are relevant factors.²⁷⁵ Some selection patents will involve material that is selected from patents that have expired. Other inventions will arise while the earlier patent remains in force. In such a case, a licence will be required if the exercise of the exclusive rights under the selection patent would otherwise infringe the exclusive rights of the earlier patentee.

273 *Pfizer Inc v Commissioner of Patents* (2005) 141 FCR 413, 416.

274 *IG Farbenindustrie AG's Patents* (1930) 47 RPC 289; *El Du Pont de Nemours (Witsiepe's) Application* [1982] FSR 303, 310; *Hallen Co v Brabantia (UK) Ltd* [1991] RPC 195, 217; *Sumitomo Electric Industries Ltd v Metal Manufacturers Ltd* (1993) AIPC 91-000, 39,430.

275 *IG Farbenindustrie AG's Patents* (1930) 47 RPC 289, 323; *University of Georgia Research Foundation Inc v Biochem Pharma Inc* (2000) 51 IPR 222, 242.

13.6.13 Relationship with inventive step and innovative step

Novelty and inventive or innovative step are separate and independent requirements for the validity of a patent.²⁷⁶ All the grounds of invalidity are, and must be kept, conceptually distinct.²⁷⁷ Novelty, or newness, is concerned with establishing that no-one has made the invention publicly available anywhere in the world before the priority date of the claim. It is not concerned with whether the invention later claimed represents an inventive or innovative development. Novelty may be destroyed by a prior publication regardless of whether that publication became part of the fund of common general knowledge. In contrast, inventive or innovative step is concerned with establishing an advance on a particular, and more limited, prior art base of knowledge.²⁷⁸ This prior art base was limited to common general knowledge in Australia under the *Patents Act 1952* (Cth), but was expanded under the *Patents Act 1990* (Cth) to include other information made publicly available in documents or through acts. In many instances the same prior art will be available for assessment both of novelty and inventive step, but this is not necessarily the case. The general principle is that obviousness is not relevant to a novelty inquiry and vice versa.

The presence of an inventive step does not necessarily mean that the invention is novel. A prior document may disclose all the essential integers of the invention but not form part of the prior art base for assessment of obviousness. However, where that document is within the prior art base for both novelty and inventive step, a conclusion that something involves an inventive step would necessarily mean that the prior art document does not disclose all essential integers.

13.7 Inventive and innovative step: principles

13.7.1 Introduction

The identification of inventive and innovative step is a different question from the determination of whether the invention has been disclosed by prior publication or use. Novelty is concerned with prior disclosure of the essential integers of the invention. Inventive and innovative step are concerned with finding some advance of the appropriate degree over the relevant prior art information. In the case of a standard patent, an inventive step is required. An innovation patent requires an innovative step. The requirement for invention and innovation is a legal one, but the assessment of this requirement involves an objective comparison of the invention claimed as against the existing prior art that comes within the relevant prior art base. The objectivity is provided through the perception of the notional skilled person in the relevant art. The level of the advance that is required

276 *RD Werner & Co Inc v Bailey Aluminium Products Pty Ltd* (1989) 25 FCR 565; *Advanced Building Systems Pty Ltd v Ramset Fasteners (Aust) Pty Ltd* (1998) 194 CLR 171; *Sunbeam Corporation v Morphy-Richards (Aust) Pty Ltd* (1961) 180 CLR 98, 111.

277 *Lockwood Security Products Pty Ltd v Doric Products Pty Ltd* (2004) 217 CLR 274, 290–1.

278 *Patents Act 1990* (Cth) s 7(2–5).

is directly related to the breadth of prior art that is available for consideration. The common law provides guidance for the way this is measured.

Under the *Patents Act 1952* (Cth), patents were available for both standard and petty patents.²⁷⁹ The standard of inventiveness was the same for both and was assessed against a prior art base being ‘what was known or used in Australia on or before the priority date of that claim’.²⁸⁰ The High Court explained this test in terms of:

whether the invention would have been obvious to a non-inventive worker in the field, equipped with the common general knowledge in that particular field as at the priority date, without regard to documents in existence but not part of such common general knowledge.²⁸¹

Therefore, prior publications could not be taken into account if they did not form part of the common general knowledge in Australia. As the High Court noted in *Aktiebolaget Hassle v Alphapharm Pty Ltd*²⁸² ‘common knowledge . . . is the correlative of subject-matter or inventiveness, and available knowledge the correlative of lack of novelty’.

The *Patents Act 1990* (Cth) also provided protection for both standard and petty patents. Subsequently, the *Patents Amendment (Innovation Patents) Act 2000* (Cth) replaced the petty patent with the innovation patent from 24 May 2001. The intention was to provide a second tier of protection for inventions that did not meet the criteria for an inventive step.²⁸³

13.7.2 Time at which inventive or innovative step is raised

Under the *Patents Act 1990* (Cth), the issue of inventiveness can be raised with respect to standard patents²⁸⁴ at the examination stage,²⁸⁵ in opposition proceedings²⁸⁶ and is a ground for revocation of a patent.²⁸⁷ At examination,²⁸⁸ modified examination²⁸⁹ and re-examination,²⁹⁰ the Commissioner must not have regard to anything made publicly available only through doing an act. The rationale for this limitation is that there is no opportunity for an examiner to obtain information from anyone other than the applicant. However, the public has an opportunity to notify the Commissioner that it does not involve an inventive step,

279 Critical cases under the *Patents Act 1952* (Cth): *Aktiebolaget Hassle v Alphapharm Pty Ltd* (2002) 212 CLR 411; *Aktiebolaget Hassle v Alphapharm Pty Ltd* (2000) 51 IPR 375; *ICI Chemicals & Polymers Ltd v Lubrizol Corporation Inc* (2000) 106 FCR 214.

280 *Patents Act 1952* (Cth) s 100(1)(e) (was obvious and did not involve an inventive step having regard to what was known or used in Australia on or before the priority date of that claim).

281 *Wellcome Foundation Ltd v V R Laboratories (Aust) Pty Ltd* (1981) 148 CLR 262, 270; *Minnesota Mining & Manufacturing Co v Beiersdorf (Aust) Ltd* (1980) 144 CLR 253, 293–5.

282 (2002) 212 CLR 411, 430.

283 IPAC, *Patents, Innovation and Competition in Australia, Review of the Petty Patent System* (Canberra, October 1995).

284 *Patents Act 1990* (Cth) s 61, sch 1.

285 *Patents Act 1990* (Cth) ss 45(1)(c)(i), 48(1)(b)(i) (modified examination), 98(1)(a) (re-examination).

286 *Patents Act 1990* (Cth) s 59(b).

287 *Patents Act 1990* (Cth) s 138(3)(b).

288 *Patents Act 1990* (Cth) s 45(1A).

289 *Patents Act 1990* (Cth) s 48(1A).

290 *Patents Act 1990* (Cth) s 98(2).

after an application for a standard patent becomes open to public inspection.²⁹¹ The Commissioner may use this evidence to refuse to accept a patent.²⁹²

In the case of an innovation patent,²⁹³ lack of an innovative step is a ground for revocation after examination,²⁹⁴ re-examination²⁹⁵ or upon an application for revocation under s 138.

13.7.3 Statutory requirements: overview

The statutory requirements for lack of inventive step for a standard patent are set out in ss 18(1)(b)(ii), 7(2), (3) and sch 1 of the *Patents Act 1990* (Cth). Lack of innovative step requirements are set out in ss 18(1A)(b)(ii), 7(4), (5) and sch 1.

Section 18 provides that the invention, so far as claimed in any claim, must involve an inventive or innovative step when it is compared with the prior art base as it existed before the priority date of the claim.²⁹⁶ The inquiry relates to each individual claim in the specification,²⁹⁷ as each claim defines a particular form of the invention for which a patent is sought.²⁹⁸ Each claim of a specification has a priority date which is the date of filing the specification²⁹⁹ or such other date as determined under the regulations.³⁰⁰ The correct approach in assessing obviousness is to identify the inventive concept in the invention as claimed³⁰¹ and then to identify the person or persons who could be said to be the skilled but non-inventive person in the field.³⁰²

The lack of inventive or innovative step is assessed through the eyes of a skilled addressee at the priority date of the claim under consideration.³⁰³ The procedure for such an inquiry, in the context of each individual claim, is:

- Identify what is said to be inventive or innovative about the claimed invention. This may exist in any stage of the process of invention or in a combination of all stages.³⁰⁴
- Determine the relevant art with which the invention is concerned for the purpose of identifying the skilled person or team.
- Determine the common general knowledge in the relevant field as at the priority date.
- Determine relevant prior art that existed before the priority date of the claim to which reference is possible.
- Identify the difference, if any, between the claimed invention and the state of the art.

291 *Patents Act 1990* (Cth) s 27(1).

292 *Patents Act 1990* (Cth) s 49(1).

293 *Patents Act 1990* (Cth) s 62, sch 1.

294 *Patents Act 1990* (Cth) ss 101B(2)(b), 101B(3).

295 *Patents Act 1990* (Cth) s 101G(3)(b).

296 *Patents Act 1990* (Cth) s 43.

297 *Patents Act 1990* (Cth) s 40(2).

298 *Patents Act 1990* (Cth) s 40(2)(b), (c).

299 *Patents Act 1990* (Cth) s 43(2).

300 *Patents Regulations 1991* (Cth) regs 3.12, 3.13, 3.14. See 12.11 & 12.12.

301 *Lockwood Security Products Pty Ltd v Doric Products Pty Ltd* (2007) 235 ALR 202, 219–221.

302 *Gambro Pty Ltd v Fresenius Medical Care South East Asia Pty Ltd* (2004) 61 IPR 442, 506.

303 *ICI Chemicals & Polymers Ltd v Lubrizol Corporation Inc* (2000) 106 FCR 214.

304 *Lockwood Security Products Pty Ltd v Doric Products Pty Ltd* (2007) 235 ALR 202, 219.

- In the case of a standard patent, decide (as a question of fact) whether these differences are ‘plain’ or ‘very plain’ or involve some degree of inventiveness.
- In the case of an innovation patent, decide (as a question of fact) whether the differences amount to a substantial contribution to the working of the invention.³⁰⁵

Interpretation and construction of claims and prior art are essential to this process. The principles that apply are considered in chapter 15. The following text looks first at the relevant prior art against which the invention is tested for both a standard and innovation patent. Secondly, it considers the various elements involved in making the assessment.

13.7.4 Inventive step: relevant information for purposes of comparison

13.7.4.1 1 April 2002 to present

Section 7(2) provides the objective criteria to establish the presence of an inventive step. The onus for establishing lack of inventive step rests on the party that challenges validity.³⁰⁶ Section 7(2) requires the Commissioner or a court to assume the existence of an inventive step in the absence of evidence that establishes lack of inventive step.³⁰⁷ An invention is taken to involve an inventive step when compared to the prior art base³⁰⁸ unless it is obvious to a person skilled in the relevant art in light of the common general knowledge as it existed in the patent area³⁰⁹ before the priority date of the claim considered either separately³¹⁰ or together with certain types of prior art information. The *Patents Act 1990* (Cth) was amended by Act 160 of 2001, *Patents Amendment Act 2001* (Cth) to extend the prior art base for acts to anywhere in or out of the patent area and to replace the former s 7(3) with the following types of information:

- (a) any single piece of prior art information (information that is part of the prior art base in relation to deciding whether an invention does or does not involve an inventive step)³¹¹ that a skilled person could before the priority date of the claim be reasonably expected to have ascertained, understood and regarded as relevant. This additional information could be in a document³¹² that is publicly available anywhere in the world or that is made publicly available through doing an act anywhere in the world. This would

305 See *NutraSweet Australia Pty Ltd v Ajinomoto Co Inc* (2005) 224 ALR 200, 207; *Windsurfing International Inc v Tabur Marine (Great Britain) Ltd* [1985] RPC 59; *Gambro Pty Ltd v Fresenius Medical Care South East Asia Pty Ltd* (2004) 61 IPR 442.

306 *Firebelt Pty Ltd v Brambles Australia Ltd* (2002) 188 ALR 280, 287.

307 *Emperor Sports Pty Ltd v Commissioner of Patents* (2005) 146 FCR 159, 179; *Firebelt Pty Ltd v Brambles Australia Ltd* (2002) 188 ALR 280, 289; *Tidy Tea Ltd v Unilever Australia Ltd* (1995) 32 IPR 405, 414; cf *Mather v Lockwood Australia Pty Ltd* (2001) FCA 1814 ¶¶91–97; *Dyno Nobel Asia Pacific Ltd v Orica Australia Pty Ltd* (1999) 99 FCR 151, 203–5 (Dowsett J).

308 *Patents Act 1990* (Cth) sch 1.

309 *Patents Act 1990* (Cth) sch 1.

310 This is the test that applied under the *Patents Act 1952* (Cth).

311 *Patents Act 1990* (Cth) sch 1.

312 *Acts Interpretation Act 1901* (Cth) s 25(1), ch 3.

allow the common general knowledge to be combined with any such single document or act; or

- (b) a combination of any two or more pieces of prior art information that a skilled person could before the priority date of the claim be reasonably expected to have ascertained, understood, regarded as relevant and combined. This would allow the combination of documents with the common general knowledge, acts with the common general knowledge or documents and acts with the common general knowledge. The concept of requiring a 'single source', which applied prior to 1 April 2002 (see below), was replaced with this concept of combination. The change provides a more expansive scope for combining information for the purposes of comparison than applies for both novelty and innovative step.³¹³

13.7.4.2 Summary of position from 1 April 2002

Prior art information is limited to that which a skilled person could, before the priority date of the claim, be reasonably expected to have ascertained, understood, regarded as relevant and combined. Any combination of acts and documents is possible, provided this would be reasonable to do. Therefore, there is a limitation on the acts and documents that can be considered but there is greater scope for combining them. This prior art base contrasts with that which exists in the US, UK and EC countries, all of which presume what is called 'an omniscient person skilled in the relevant art' when assessing obviousness.

13.7.4.3 30 April 1991 to 31 March 2002

The assessment could be made in light of the common general knowledge alone,³¹⁴ or together with either of the kinds of information mentioned in the former s 7(3), each of which must be considered separately. The description of those kinds of information is single acts or documents anywhere in the world or combinations of related documents or of related acts where the skilled person would treat them as a single source. However, each of those kinds of information was subject to the further qualification that the skilled person could, before the priority date of the relevant claim, be reasonably expected to have ascertained, understood and regarded them as relevant to work in the relevant art in the patent area.

13.7.5 Innovative step: determination of relevant information for purposes of comparison

Section 7(4) provides the objective criteria to establish the presence of an innovative step, which requires an advance that is greater than simply being

313 For the construction of s 7 see *Tidy Tea Ltd v Unilever Australia Ltd* (1995) 32 IPR 405, 414; *Firebelt Pty Ltd v Brambles Australia Ltd* (2002) 188 ALR 280, 289.

314 *Patents Act 1990* (Cth) s 7(2).

‘new’.³¹⁵ By analogy with the position that pertains to inventive step,³¹⁶ the onus for establishing lack of innovative step would rest on the party that challenges validity.

An invention is taken to involve an innovative step when compared to the prior art base³¹⁷ unless it would, to a person skilled in the relevant art in light of the common general knowledge as it existed in the patent area³¹⁸ before the priority date of the claim, only vary from the kinds of information following in ways that make no substantial contribution to the working of the invention.³¹⁹ There is no requirement that the invention claimed in the innovation patent is non-obvious. The intention expressed in the Explanatory Memorandum to the *Patents Amendment (Innovation Patents) Act 2000* (Cth) is that the test ‘will require an inventive contribution lower than that required to meet the inventive step threshold set for standard patents’. The prior art base is the same as that which is used to determine inventive step for standard patents. However, the method of assessment is different. In the case of an innovation patent, the common general knowledge can be combined with:³²⁰

- prior art information made publicly available in a single document or through doing a single act; or
- prior art information made publicly available in two or more related documents, or through doing two or more related acts, if the relationship between the documents or acts is such that a person skilled in the relevant art³²¹ would treat them as a single source of that information. It is not possible to treat a document and act as a single source of information. It is likely that the meaning of single source is the same as applies in the context of novelty in s 7(1).

Unlike the assessment for purposes of an inventive step, there is no requirement that the skilled person would be reasonably expected to have ascertained, understood or regarded the information as relevant. Another distinction with assessment of an inventive step is that the comparison must be made with a specific piece or pieces of prior art information in light of the common general knowledge. A comparison with the common general knowledge alone is not enough.

13.7.5.1 Summary

Any single piece of prior art information can be considered, but combinations are limited to two or more documents or two or more acts that would be treated as a single source. Therefore, while there is no limitation upon acts or documents

315 Revised Explanatory Memorandum, *Patents Amendment (Innovation Patents) Act 2000* (Cth).

316 *Firebelt Pty Ltd v Brambles Australia Ltd* (2002) 188 ALR 280, 287.

317 *Patents Act 1990* (Cth) sch 1.

318 *Patents Act 1990* (Cth) sch 1.

319 See below at 13.9.

320 *Patents Act 1990* (Cth) s 7(5–6).

321 Under the earlier legislation, the reference was to ‘the person skilled in the relevant art in the patent area’. Paragraph 6 of the *Patents Amendment Act 2001* (Cth) limitation to ‘patent area’.

that can be considered, there is a limitation on the extent to which they can be combined.

13.7.5.2 Conclusion

Technically, the standard of the advance over the prior art is lower for an innovative step. An inventive step requires a scintilla of inventiveness.³²² Innovative step requires a variation that makes a substantial contribution to the working of the invention. Although a ‘substantial’ contribution is required, there is no requirement that it be non-obvious. However, the different prior art base against which a comparison can be made may result in a higher standard for innovative step in some circumstances. This is best demonstrated by using hypothetical examples.

- (a) A document X published in Greece makes the invention both obvious and lacking in innovative step. Document X is not part of the common general knowledge in Australia. In addition, the hypothetical skilled person would not be reasonably expected to have ascertained, understood or regarded it as relevant for assessment of an inventive step. Hence, because document X cannot be considered, there is an inventive step. In contrast, there is no limitation on publicly available documents that can be considered for innovative step. Therefore, document X can be used for comparison, with the consequence that the invention does not satisfy the purportedly lower standard of an innovative step.
- (b) Two documents refer to each other in such a way that they would disclose the invention and would be treated as a single source of the information. However, if they are not within the common general knowledge and would not be regarded as relevant or be combined for the purposes of assessment of inventive step, they cannot be used to render the invention obvious. In contrast, assessment of innovative step would treat them as a single source (no requirement that they be ascertained) and thereby render the invention as having no innovative step.

These examples demonstrate that, in some cases, you can get a standard patent although you would be unable to get an innovation patent. This is not because the standard of ‘substantial contribution to the working of the invention’ is a higher standard than ‘inventive step’. Rather, it arises because prior art may not form part of the prior art base for the assessment of inventive step.

13.7.6 Summary of differences

The above discussion identifies a number of differences between the prior art information and how it can be located and combined for the purposes of assessment for inventive and innovative step. These differences are summarised as follows:

³²² See, e.g., *Meyers Taylor Pty Ltd v Vicarr Industries Ltd* (1977) 137 CLR 228; *Aktiebolaget Hassle v Alphapharm Pty Ltd* (2002) 212 CLR 411.

1. Relationship between common general knowledge and other information.
 - (a) Inventive step: common general knowledge can be considered alone or combined with other information.
 - (b) Innovative step: common general knowledge cannot be considered alone. It must be combined with other information.
2. Source of prior art information.
 - (a) Inventive step: only documents and acts that the skilled person would be reasonably expected to have found, understood and regarded as relevant can be considered.
 - (b) Innovative step: all information in publicly available documents or made publicly available through doing an act can be considered.
3. Combination of documents and acts.
 - (a) Inventive step: two or more pieces of prior art information in 2(a) above, whether this is documents or acts, can be combined if the skilled person could be reasonably expected to do so. Hence, documents and acts can be combined with each other.
 - (b) Innovative step: any related documents and related acts in 2(b) above can be combined if the skilled person would view them as a single source. However, no combination of acts and documents is permitted.

13.8 Inventive step: elements in the assessment

The test in ss 7(2) and (3) of the Act requires that the invention is *obvious* to a person skilled in the relevant art in light of the *common general knowledge* as it existed in the patent area before the priority date of the relevant claim, whether this is considered separately or together with the information in s 7(3) that the skilled person could be reasonably *expected to have ascertained, understood or regarded as relevant*. This is a question of fact and of degree.³²³ Each of the highlighted concepts in the preceding passage is developed and discussed in the following sections.

13.8.1 Obvious: very plain

The test for inventive step is that it must not be 'obvious'. This means 'plain' or 'very plain'.³²⁴ It is not correct to ask whether the hypothetical skilled addressee might, after conducting a search, find the elements that make up the patent.³²⁵

It is the invention as claimed that must be non-obvious. Therefore, in the case of combination patents, the issue to be determined is whether the combination of

323 *Aktiebolaget Hassle v Alphapharm Pty Ltd* (2002) 212 CLR 411, 443 ¶ 79 (Gleeson CJ, Gaudron, Gummow and Hayne JJ).

324 *Aktiebolaget Hassle v Alphapharm Pty Ltd* (2002) 212 CLR 411, 427 ¶ 34 (Gleeson CJ, Gaudron, Gummow and Hayne JJ), 444 ¶ 85 (McHugh J), 463 ¶ 144 (Kirby J) 477 ¶ 190 (Callinan J); *Lockwood Security Products Pty Ltd v Doric Products Pty Ltd* (2007) 235 ALR 202, 215–216.

325 *Minnesota Mining & Manufacturing Co v Beiersdorf (Australia) Ltd* (1980) 144 CLR 253, 293 (Aickin J).

the integers was at the relevant time obvious, not whether each integer regarded in isolation is obvious.³²⁶ An alternative and current way to express this concept is whether it is obvious to select this combination of integers from the myriad of publications that form part of the relevant prior art base.³²⁷

13.8.2 Person skilled in the relevant art

The court is required to consider what the hypothetical skilled person or research group would have done in hypothetical circumstances.³²⁸ The skilled person is one who has a practical interest in the subject matter of the invention,³²⁹ is non-inventive and is skilled in the relevant art.³³⁰ This standard is of ‘the person of ordinary skill in the art’.³³¹ This may be a single person or a composite being or team, whose combined skills are to be employed where the complexity of the invention demands the skills and information in more than one art.³³² The skilled addressee will be a team where it is normal in the field for a team to work together.³³³ Members of the team may possess and apply different skills and knowledge in their approach to the problem in question.³³⁴

The hypothetical team may also use the skills of outsiders. Testing involves considering the obviousness of any particular contribution to the ultimate success by reference individually to the hypothetical members of the team, attributing to each the appropriate skills.³³⁵ This individual or team may be credited with possessing the best available equipment.³³⁶ In the case of research into pharmaceutical products, a PhD qualification would be an entry requirement to be part of the hypothetical team.³³⁷

The test is applied through the objective standard of the hypothetical skilled person. Therefore, although there may be evidence that an actual person was actually unsuccessful in trying the particular invention, the court may consider this to be atypical of the class.³³⁸ The court must postulate what the ‘hypothetical

326 *Fresenius Medical Care Australia Pty Ltd v Gambro Pty Ltd* (2005) 67 IPR 230, 254; *Lockwood Security Products Pty Ltd v Doric Products Pty Ltd* (2004) 217 CLR 274, 300–1.

327 *Elconnex Pty Ltd v Gerard Industries Pty Ltd* (1992) 25 IPR 173, 181–7; *Wellcome Foundation Ltd v V R Laboratories (Aust) Pty Ltd* (1981) 148 CLR 262, 284–5.

328 *Wellcome Foundation Ltd v V R Laboratories (Aust) Pty Ltd* (1981) 148 CLR 262, 270; *Elconnex Pty Ltd v Gerard Industries Pty Ltd* (1991) 32 FCR 491, 507; *E I Dupont de Nemours & Co v Imperial Chemical Industries plc* (2002) 54 IPR 304, 331–2.

329 *Catnic Components Ltd v Hill & Smith Ltd* [1982] RPC 183, 242 (per Lord Diplock); *NutraSweet Australia Pty Ltd v Ajinomoto Co Inc* (2005) 224 ALR 200, 206; *Minnesota Mining & Manufacturing Co v Tyco Electronics Pty Ltd* (2002) 56 IPR 248, 257.

330 *Elconnex Pty Ltd v Gerard Industries Pty Ltd* (1992) 25 IPR 173, 178.

331 *Williams Advanced Materials Inc v Target Technology Company LLC* (2004) 63 IPR 645, 663; *PhotoCure ASA v Queen's University at Kingston* (2005) 64 IPR 314, 328.

332 *Elconnex Pty Ltd v Gerard Industries Pty Ltd* (1992) 25 IPR 173, 178; *Wellcome Foundation Ltd v V R Laboratories (Aust) Pty Ltd* (1981) 148 CLR 262, 270 (Aickin J).

333 *General Tire & Rubber Co v Firestone Tyre & Rubber Co Ltd* [1972] RPC 457, 485; *ICI Chemicals & Polymers Ltd v Lubrizol Corporation Inc* (2000) 106 FCR 214, 234–5.

334 *NutraSweet Australia Pty Ltd v Ajinomoto Co Inc* (2005) 224 ALR 200, 206.

335 E.g., *General Tire & Rubber Co v Firestone Tyre & Rubber Co Ltd* [1972] RPC 457, 485; *Leonardis v Sartas No 1 Pty Ltd* (1996) 67 FCR 126, 146; *ICI Chemicals & Polymers Ltd v Lubrizol Corporation Inc* (2000) 106 FCR 214, 234–5.

336 *Genentech Inc v Wellcome Foundation Ltd* [1989] RPC 147, 278 (Mustill LJ), 241 Dillon J.

337 *Pfizer Overseas Pharmaceuticals v Eli Lilly & Co* (2005) 68 IPR 1, 61.

338 *Johns-Manville Corporation's Patent* [1967] FSR 327, 334.

person' would have done in light of common general knowledge, not what an actual person was able to do or not do.

A hypothetical skilled person can be attributed with common general knowledge in Australia even if there is no actual skilled person undertaking research in the area of the invention in Australia.³³⁹ According to Finkelstein J in *NutraSweet Australia Pty Ltd v Ajinomoto Co Inc*, information in Australia, including information in widely circulated international textbooks and journals, which would ordinarily be referred to by a person interested in the area should be considered for these purposes.³⁴⁰ His Honour identified two further factors to support his conclusion that the lack of a relevantly skilled person in Australia did not prevent his consideration of what would have been the common general knowledge of the hypothetical skilled addressee. The first was the fact that people who worked in closely related areas had an interest and understanding of this information. The second was that a large part of the research that manufacturers of artificial sweeteners conduct is performed on a global scale and is performed by scientists recruited from countries including Australia.³⁴¹

13.8.3 Common general knowledge

The concept of common general knowledge arose from the language in the *Patents Act 1952* (Cth) of 'what was known or used in Australia on or before the priority date of that claim'.³⁴² The classic formulation of what common general knowledge means is that of Aickin J in *Minnesota Mining & Manufacturing Co v Beiersdorf (Australia) Ltd*.³⁴³

The notion of common general knowledge itself involves the use of that which is known or used by those in the relevant trade. It forms the background knowledge and experience which is available to all in the trade in considering the making of new products, or the making of improvements in old, and it must be treated as being used by an individual as a general body of knowledge.

Common general knowledge is distinct from mere public knowledge.³⁴⁴ When a claimed invention was assessed for inventiveness under the *Patents Act 1952*, it was necessary to show that each piece of prior art to be considered was part of the common general knowledge. As was discussed above, the *Patents Act 1990* rejected this narrow approach and permits the common general knowledge to be combined with other prior art information that does not form part of the common general knowledge.³⁴⁵

339 *Gambro Pty Ltd v Fresenius Medical Care South East Asia Pty Ltd* (2004) 61 IPR 442; *NutraSweet Australia Pty Ltd v Ajinomoto Co Inc* (2005) 224 ALR 200, 207.

340 *NutraSweet Australia Pty Ltd v Ajinomoto Co Inc* (2005) 224 ALR 200, 207.

341 *Ibid.*

342 *Patents Act 1952* (Cth) s 100(1)(e) (was obvious and did not involve an inventive step having regard to what was known or used in Australia on or before the priority date of that claim).

343 (1980) 144 CLR 253, 292.

344 *WR Grace v Asahi Kasei* (1993) 25 IPR 481, 492.

345 See 13.7.4. & 13.7.5; *Patents Act 1952* (Cth) s 7(3), (4), (5).

The common general knowledge not only includes the information that the skilled person would retain in their mind, but also any information that the person knows of, and to which she/he might refer as a matter of course or habitually consult.³⁴⁶ To become part of the common general knowledge in the relevant field, a publication must also have been ‘assimilated into the consciousness of the skilled worker’.³⁴⁷ It does not include information that the skilled person would find through a routine literature search.³⁴⁸ The ready access to a publication in a library does not mean that it is part of the common general knowledge.³⁴⁹ After the decision in *Bristol-Myers Squibb Co v FH Faulding & Co Ltd*,³⁵⁰ the court would ordinarily proceed on the basis that the knowledge described in the body of the specification is part of the common general knowledge before the priority date.³⁵¹ However, the High Court in *Lockwood Security Products Pty Ltd v Doric Products Pty Ltd* has now clarified that any admissions in a specification on common general knowledge, while relevant, must be assessed as to their probative force like all other evidence.³⁵² In areas of research that have a significant international character and global nature, it is possible for international experts from outside Australia to give evidence as to the state of the common general knowledge within Australia.³⁵³

13.8.4 Information a skilled person would be expected to ascertain, understand and regard as relevant

It is not enough that a piece of prior art information is publicly available at the priority date of the claimed invention. It is necessary to establish that the person skilled in the art could reasonably be expected to have ascertained, understood and regarded the information as relevant.³⁵⁴ This does not mean that someone must be shown to have actually ascertained this prior art.³⁵⁵ It simply means that it has been discovered or found out. Therefore, in the case of an invention for a lock, it is not necessary for the locks to be purchased and taken apart to be ‘ascertained’. Further, having ascertained the relevant information, ‘understood’ means that the skilled person would have ‘comprehended’ or ‘appreciated its meaning or import’.³⁵⁶ The concept of ‘relevant to work in the relevant art’ is one

346 *ICI Chemicals & Polymers Ltd v Lubrizol Corporation Inc* (2000) 106 FCR 214, 250; *Aktiebolaget Hassle v Alphapharm Pty Ltd* (2000) 51 IPR 375, 391; *PhotoCure ASA v Queen’s University at Kingston* (2005) 64 IPR 314, 325.

347 *Aktiebolaget Hassle v Alphapharm Pty Ltd* (2002) 212 CLR 411, 435–6; *JMVB Enterprises Pty Ltd v Camoflag Pty Ltd* (2005) 67 IPR 68, 85.

348 *Aktiebolaget Hassle v Alphapharm Pty Ltd* (2002) 212 CLR 411, 426, 430, 434.

349 *Aktiebolaget Hassle v Alphapharm Pty Ltd* (1999) 44 IPR 593, 625 (Lehane J); *PhotoCure ASA v Queen’s University at Kingston* (2005) 64 IPR 314, 325.

350 (2000) 97 FCR 524.

351 *Ibid* 536.

352 (2007) 235 ALR 202, 230.

353 *Pfizer Overseas Pharmaceuticals v Eli Lilly & Co* (2005) 68 IPR 1, 63.

354 Legislative history is discussed in *Firebelt Pty Ltd v Brambles Australia Ltd* (2002) 188 ALR 280, 287–9; *Lockwood Security Products Pty Ltd v Doric Products Pty Ltd* (2007) 235 ALR 202, 239.

355 *JMVB Enterprises Pty Ltd v Camoflag Pty Ltd* (2005) 67 IPR 68, 88–9; *Commissioner of Patents v Emperor Sports Pty Ltd* (2006) 149 FCR 386, 393.

356 *Lockwood Security Products Pty Ltd v Doric Products Pty Ltd* (2007) 235 ALR 202, 236.

that must be restricted to the particular problem or need in respect of which the invention constitutes an advance.³⁵⁷

At least in high technology areas, a court will assume, without requiring evidence, that the skilled person is familiar with the major professional or academic journals and would be reasonably expected to consult them.³⁵⁸ In areas such as pharmaceutical research, s/he would be expected to carry out literature searches using electronic databases.³⁵⁹ A skilled person cannot be expected to ascertain something unless he/she could reasonably be expected to know where to look.³⁶⁰ For example, in the case of an invention for a device for use in Rugby League and Australian Rules football where the skilled person is identified to be a coach, referee, umpire or administrator in either of those sports, there could be no expectation that such a person would be reasonably expected to conduct a search at the US Patent Office.³⁶¹

Published patents will constitute information to be taken into account when it is accepted that a patent literature search would have been undertaken by the hypothetical skilled team in the area.³⁶² It will not matter that the patent literature is not consulted by all workers in the art. In an area of intense patent activity, it is reasonable to conclude that the skilled person could reasonably be expected to consult the patent literature.³⁶³ The test in s 7(3) is not limited to what would be ascertained in the course of a skilled person's ordinary work but applies also where the person is undertaking a particular project.³⁶⁴

13.8.5 Standard required: scintilla of inventiveness

Only a small amount of inventiveness needs to be shown. This is usually referred to as a 'scintilla of inventiveness'.³⁶⁵ It may be something stumbled on by accident.³⁶⁶ Nevertheless, the standard requires something that is not obvious, in contrast to the test for an innovative step that refers to the contribution that the advance makes to the working of the invention.

13.8.6 Process to identify inventive step

The application of the statutory test for inventive step must follow the identification of the inventive concept or inventive idea that justifies the monopoly.

357 Ibid ¶ 152.

358 Ibid.

359 *Pfizer Overseas Pharmaceuticals v Eli Lilly & Co* (2005) 68 IPR 1, 59.

360 *Commissioner of Patents v Emperor Sports Pty Ltd* (2006) 149 FCR 386, 393.

361 Ibid 394; *JMVB Enterprises Pty Ltd v Camoflag Pty Ltd* (2006) 70 IPR 77, 91.

362 *NutraSweet Australia Pty Ltd v Ajinomoto Co Inc* (2005) 224 ALR 200, 210; *JMVB Enterprises Pty Ltd v Camoflag Pty Ltd* (2006) 70 IPR 77, 91.

363 *Monsanto Co v Syngenta Participations AG* (2005) AIPC 92–128, 39426; *Stack v Brisbane City Council* (1999) 47 IPR 525, 565.

364 *NSI Dental Pty Ltd v University of Melbourne* (2006) 69 IPR 542, 578.

365 E.g., *Meyers Taylor Pty Ltd v Vicarr Industries Ltd* (1977) 137 CLR 228, 249; *Aktiebolaget Hassle v Alphapharm Pty Ltd* (2002) 212 CLR 411, 431.

366 *Wellcome Foundation Ltd v V R Laboratories (Aust) Pty Ltd* (1981) 148 CLR 262, 286.

Sometimes, it will assist to frame this in the context of the problem which it required invention to overcome and to use a ‘problem and solution’ approach.³⁶⁷ However, it may not be always appropriate to adopt this approach and it will be necessary to exercise care in the application of this test to avoid raising the threshold of inventiveness in any particular case beyond the small amount of ingenuity that is required to support an invention in Australia.³⁶⁸

The High Court in *Aktiebolaget Hassle v Alphapharm Pty Ltd*³⁶⁹ clarified that the correct test for assessing inventive step in the context of a pharmaceutical invention that involved a number of steps in the research process is that which Aickin J adopted in *Wellcome Foundation Ltd v VR Laboratories (Aust) Pty Ltd*:³⁷⁰

Would the notional research group at the relevant date, in all the circumstances, which include a knowledge of all the relevant prior art and of the facts . . . directly be led as a matter of course to try [the solution proposed by the patent application] . . . in the expectation that it might well produce a useful [result] . . . ?³⁷¹

13.8.7 Expert evidence ‘tainted by hindsight’

Evidence by ‘experts’ on the question of obviousness it is not always likely to be helpful.³⁷² The court is required to consider what the hypothetical skilled person or research group would have done in hypothetical circumstances.³⁷³ This is an objective test, and the court is to give relatively little weight to evidence from expert witnesses who have been provided with the patent and other prior art documents in advance.³⁷⁴ In such cases, the evidence is likely to be ‘tainted by hindsight’. This is particularly problematic where the conception of the idea involves the use of well-known principles.

13.8.8 Secondary indicia to assist assessment of obviousness

A number of factors can contribute to a conclusion that there was an inventive step, but not one is decisive alone or together with the others. They are evidentiary only, are admissible and relevant, but are not conclusive. Australian courts should be ‘slow to ignore secondary evidence or to rely on its own assumed technical expertise to reach conclusions contrary to such evidence’.³⁷⁵ They must be viewed

367 *Lockwood Security Products Pty Ltd v Doric Products Pty Ltd* (2007) 235 ALR 202, 221.

368 *Ibid.*

369 (2002) 212 CLR 411, 477 (Gleeson CJ, Gaudron, Gummow and Hayne JJ).

370 (1981) 148 CLR 262, 286, ¶ 53; following the approach of Graham J in *Olin Mathieson Chemical Corporation v Biorex Laboratories Ltd* [1970] RPC 157.

371 *Wellcome Foundation Ltd v VR Laboratories (Aust) Pty Ltd* (1981) 148 CLR 262, 267; *Aktiebolaget Hassle v Alphapharm Pty Ltd* (2002) 212 CLR 411, 433; *JMVB Enterprises Pty Ltd v Camoflag Pty Ltd* (2005) 67 IPR 68, 85, ¶ 88; *E I Dupont de Nemours & Co v Imperial Chemical Industries plc* (2005) 66 IPR 462, 492, ¶ 128.

372 *Firebelt Pty Ltd v Brambles Australia Ltd* (2002) 188 ALR 280, 292.

373 *E I Dupont de Nemours & Co v Imperial Chemical Industries plc* (2005) 66 IPR 462, 494.

374 *Minnesota Mining & Manufacturing Co v Tyco Electronics Pty Ltd* (2002) 56 IPR 248, 258; see also *JMVB Enterprises Pty Ltd v Camoflag Pty Ltd* (2005) 67 IPR 86, 88.

375 *Lockwood Security Products Pty Ltd v Doric Products Pty Ltd* (2007) 235 ALR 202, 233; *Firebelt Pty Ltd v Brambles Australia Ltd* (2002) 188 ALR 280.

in a context of the business and the market in which the patentee trades.³⁷⁶ For example, a competitor who acts in flagrant disregard of a patent is likely to view the patent as invalid. In contrast, lack of patent challenges and requests for licences indicates that a patent has been evaluated by interested parties and deemed to be valid.³⁷⁷

These factors do not replace the test that requires inventiveness to be assessed against the background of common knowledge together with any other relevant prior art. They help courts to resist slipping into hindsight analysis and may be most useful in 'a close case when something is required to tip the scales'.³⁷⁸ The first principal factor that may be useful in any given case concerns the existence of a long felt want and its successful solution. A quick imitation of the product by competitors may reveal an underlying 'long felt want' for the invention³⁷⁹ as well as an inference that it is not obvious.³⁸⁰ On the other hand, imitation may be merely to ensure the range of competitive products is matched,³⁸¹ or it may suggest a view that the patent is invalid. Imitation is more likely to have a neutral impact,³⁸² and is thus a weak indicator of non-obviousness if it is viewed on its own. Particular caution should be exercised when copying occurs in another country.³⁸³

Evidence of failed attempts to solve a well-known problem or to satisfy a long felt want may be a powerful indication that the invention is not obvious. The assumption is that problems in the prior art would not persist if the solution were obvious.³⁸⁴ The required evidence to establish a 'long felt want' is:

(a) the existence of the problem and its duration; (b) the nature of the efforts to solve the problem; and (c) the actual successful solution by the patentee.³⁸⁵

The mere fact that something hasn't been previously produced does not mean it involves an inventive step or is non-obvious.³⁸⁶ There may have been economic, market or other reasons to explain a lack of investment in its development and production.

The second influential factor in the assessment of inventive step is the commercial success of an invention that meets a known need. Commercial success is often an adjunct to long felt want. As with long felt want, such commercial success is merely a factor to be taken into account and is not decisive,³⁸⁷ principally

376 *Gambro Pty Ltd v Fresenius Medical Care South East Asia Pty Ltd* (2004) 61 IPR 442, 529.

377 *Conor Medsystems Inc v The University of British Columbia* (2005) 223 ALR 74, 76.

378 *Ibid* 75.

379 *Elconnex Pty Ltd v Gerard Industries Pty Ltd* (1992) 25 IPR 173, 181 (Sheppard, Lockhart JJ); *Firebelt Pty Ltd v Brambles Australia Ltd* (2002) 188 ALR 280, 292.

380 *Conor Medsystems Inc v The University of British Columbia* (2005) 223 ALR 74, 76; *F Hoffman-La Roche AG v Chiron Corporation* (2000) 47 IPR 516.

381 *Elconnex Pty Ltd v Gerard Industries Pty Ltd* (1992) 25 IPR 173, 181 (Wilcox J).

382 *Ibid* 183 (Lockhart J).

383 *Conor Medsystems Inc v The University of British Columbia* (2005) 223 ALR 74, 76–7.

384 *Ibid* 75–6.

385 *Ibid* 76.

386 *Elconnex Pty Ltd v Gerard Industries Pty Ltd* (1992) 25 IPR 173, 182–3 (Wilcox J).

387 *Minnesota Mining & Manufacturing Co v Beiersdorf (Australia) Ltd* (1980) 144 CLR 253, 298; *Sartas No 1 Pty Ltd v Koukourou & Partners Pty Ltd* (1994) 30 IPR 479, 511.

because it can be explained on grounds other than inventiveness,³⁸⁸ such as mass advertising.³⁸⁹

13.8.9 Objection to reliance upon hindsight

To test an invention with the benefit of hindsight involves the consideration of the invention as claimed and then looking back. This presents many dangers to the fair and proper assessment of whether an inventive step was present at the priority date of the relevant claim. Something may appear to be obvious with the solution in hand but non-obvious in its ignorance. The courts have consistently criticised any approach that allows the benefit of hindsight.³⁹⁰ The potential for misuse is highlighted when the inventive step is not in the solution of a known problem, but in the conception of the problem itself.³⁹¹ Once the problem is perceived, the solution may be found with straightforward experiments.³⁹² The danger of misusing hindsight is also acute where the invention lies in the combination of known integers.³⁹³ It is not appropriate, with the benefit of hindsight, to merely line up the previously known elements of the claim and assess whether the invention might have been arrived at by taking a series of obvious steps.

13.9 Innovative step: assessment

An invention will not involve an innovative step when it varies from the information in the prior art base only in ways that make no substantial contribution to the working of the invention. The level of an advance over the prior art that the Act requires to establish an innovative step follows the recommendation of the ACIP *Review of the Petty Patent System*³⁹⁴ in 1995 and is a modified form of an expanded novelty test that had been formulated in *Griffin v Isaacs*,³⁹⁵ a decision under s 56(e) of the *Patents Act 1903* (Cth). The concept of substantial contribution is untested,³⁹⁶ but the legislative intention is clear that the innovation patent system was to provide a lower level of inventive height for entry.³⁹⁷ The Patent Office *Patent Manual of Practice & Procedures* provides some guidance as to what would not amount to a ‘substantial contribution to the working of the invention’.

388 *Elconnex Pty Ltd v Gerard Industries Pty Ltd* (1992) 25 IPR 173, 182–3.

389 *Conor Medsystems Inc v The University of British Columbia* (2005) 223 ALR 74, 76.

390 *Aktiebolaget Hassle v Alphapharm Pty Ltd* (2002) 212 CLR 411, 423–4; *Commonwealth Industrial Gases Ltd v MWA Holdings Pty Ltd* (1970) 180 CLR 160, 163–4; *Meyers Taylor Pty Ltd v Vicarr Industries Ltd* (1977) 137 CLR 228, 242–3.

391 *Hickton's Patent Syndicate v Patents & Machine Improvements Co Ltd* (1909) 26 RPC 339, 347.

392 *Wellcome Foundation Ltd v V R Laboratories (Aust) Pty Ltd* (1981) 148 CLR 262, 280–1; *Meyers Taylor Pty Ltd v Vicarr Industries Ltd* (1977) 137 CLR 228, 241–2 (Aickin J); *Aktiebolaget Hassle v Alphapharm Pty Ltd* (2002) 212 CLR 411, 423–4.

393 *Gambro Pty Ltd v Fresenius Medical Care South East Asia Pty Ltd* (2004) 61 IPR 442, 508.

394 IPAC, *Review of the Petty Patent System*, above n 283.

395 *Griffin v Isaacs* (1938) 1B IPR 619, 624.

396 *INC Corp v The Smith Family, MCK Pacific and Foss Manufacturing* (2006) AIPC 92–183.

397 IPAC, *Review of the Petty Patent System*, above n 283, recommendation 2, and Government response; *Patents Amendment (Innovation Patents) Act 2000* (Cth), Explanatory Memorandum.

First, this is clearly impossible when the variation between the invention and the prior art results from an inessential feature in a claim. Secondly, it would not arise where the invention may differ from the prior art but operate in the same way.³⁹⁸

13.10 Threshold quality of ‘inventiveness’

13.10.1 The test

The *Statute of Monopolies* protects monopolies for a ‘manner of new manufacture’, which phrase is synonymous with a patentable invention. We have seen above that s 18 of the *Patents Act 1990* (Cth) specifies the various criteria for patentability. Section 18(1)(a) requires that it must be a ‘manner of manufacture’. There is no express reference to any requirement for ‘newness’ in this sub-section. Section 18(1)(b) sets out explicit aspects of this broad concept of ‘newness’ as novelty and inventive step.

In *NV Philips Gloeilampenfabrieken v Mirabella International Pty Ltd*,³⁹⁹ a case involving proceedings for infringement and revocation of a granted patent, the High Court considered that the opening words that appeared in s 18(1) at the time – ‘a patentable invention is an invention that . . .’ – introduce a threshold quality of ‘newness’ in the nature of inventiveness that is to be considered as a separate and additional inquiry to the formal investigation of inventive step as set out in s 18(1)(b).⁴⁰⁰

Relying upon the earlier authority of *Commissioner of Patents v Microcell Ltd (Microcell)*,⁴⁰¹ a case involving an application for a patent rather than its revocation, the majority in *Philips* reasoned that the words ‘a patentable invention is an invention that . . .’ introduce this threshold quality of inventiveness into s 18(1). This occurs through the definition of the word ‘invention’ in sch 1 of the *Patents Act 1990* (Cth) which includes an ‘alleged invention’, a phrase which has been interpreted to mean an ‘allegedly new invention’. Therefore, the court concluded with reference to traditional patent principle⁴⁰² that if a patentable invention must first be an ‘invention’ as defined in the Dictionary in sch 1 of the *Patents Act 1990* (Cth), it must be ‘new’ or alleged to be ‘new’. A mere assertion of newness will not satisfy this threshold requirement if the specification itself discloses an absence of inventiveness.⁴⁰³ Such a disclosure will occur where it is apparent on the face of the specification that the claim relates to ‘the use of a known material in the manufacture of known articles for the purpose of which its known properties make that material suitable’.⁴⁰⁴ In such a case, there is no

398 APO, *Manual* ¶ 2.31.4.5.4 (Innovative Step, and cited cases).

399 (1995) 183 CLR 655.

400 *Ibid.*

401 (1959) 102 CLR 232.

402 *Ibid* 663–4; *NRDC v Commissioner of Patents* (1959) 102 CLR 252, 262.

403 *NV Philips Gloeilampenfabrieken v Mirabella International Pty Ltd* (1995) 183 CLR 655, 663.

404 This can be shortened to the ‘mere new use of a known product’: *Commissioner of Patents v Microcell Ltd* (1959) 102 CLR 232, 251 (1903 Act).

patentable invention because there is clearly nothing inventive.⁴⁰⁵ There will be an invention if the new use consists of taking advantage of a previously unknown or unsuspected property of the substance.⁴⁰⁶ The High Court did not intend this threshold requirement would correspond with or ‘render otiose’ the more specific requirements of novelty and inventive step in s 18(1)(b). It simply means that one needs go no further to examine those separate aspects of newness if the invention fails the threshold test.⁴⁰⁷

In their dissenting judgment, Dawson and McHugh JJ considered that s 18 does not purport to define an invention, but describes the various qualities that a patentable invention must possess. Their reasoning was as follows. All aspects of newness that are encapsulated in the word ‘new’ in the definition of invention in the Dictionary – ‘any manner of *new* manufacture . . .’ – appear explicitly and exhaustively in the separate qualities of novelty and inventive step in s 18(1)(b). Hence, there is no additional requirement that the invention be ‘new’ in any other more general sense.⁴⁰⁸

Although the High Court majority also suggested that the words in s 18(1)(a) – ‘manner of manufacture’ – incorporate some concept of ‘newness’,⁴⁰⁹ these observations were *obiter* and have been discounted in subsequent decisions.⁴¹⁰ Hence, *Philips* is authority only for their construction of the introductory words in s 18(1).

13.10.2 Assessment of the threshold quality of ‘inventiveness’

The threshold issue is whether an invention appears on the face of the specification.⁴¹¹ The High Court provides no guidelines for how to determine this in practice. Whereas novelty and inventive step are determined with reference to a clearly defined body of knowledge that is established with reference to the relevant prior art base, this is not true for this threshold quality of inventiveness in the opening words of s 18(1). The majority spoke of ‘the specification, when properly construed and understood’.⁴¹² This process of construction allows a

405 *NV Philips Gloeilampenfabrieken v Mirabella International Pty Ltd* (1995) 183 CLR 655, 663–4; *Advanced Building Systems Pty Ltd v Ramset Fasteners (Aust) Pty Ltd* (1998) 194 CLR 171, 191.

406 *NRDC v Commissioner of Patents* (1959) 102 CLR 252, 262; *Merck & Co Inc v Arrow Pharmaceuticals Ltd* (2006) 154 FCR 31, 52.

407 *NV Philips Gloeilampenfabrieken v Mirabella International Pty Ltd* (1995) 183 CLR 655, 663–4; *Advanced Building Systems Pty Ltd v Ramset Fasteners (Aust) Pty Ltd* (1998) 194 CLR 171, 191. The effect of the decision was to affirm the earlier decision of the full court: *NV Philips Gloeilampenfabrieken v Mirabella International Pty Ltd* (1993) 44 FCR 239; see *Bristol-Myers Squibb Co v F H Faulding & Co Ltd* (2000) 97 FCR 524, 532.

408 *NV Philips Gloeilampenfabrieken v Mirabella International Pty Ltd* (1995) 183 CLR 655, 669–70.

409 This was the basis for the majority decision in the Full Federal Court in *NV Philips Gloeilampenfabrieken v Mirabella International Pty Ltd* (1993) 44 FCR 239, 262–3 (Lockhart J, Northrop J concurring).

410 *Advanced Building Systems Pty Ltd v Ramset Fasteners (Aust) Pty Ltd* (1998) 194 CLR 171; *Bristol-Myers Squibb Co v F H Faulding & Co Ltd* (2000) 97 FCR 524. See also: M. Padbury, ‘Inventiveness apart from Novelty and Inventive Step – The High Court’s Decisions on Manner of manufacture in Philips and Ramset’ (1998) 9 *AIPJ* 161; D. Brennan and A. Christie, ‘Patent Claims for Analogous Use and the Threshold Requirement of Inventiveness’ (1997) *Federal Law Rev* 237.

411 *NV Philips Gloeilampenfabrieken v Mirabella International Pty Ltd* (1995) 183 CLR 655, 664; *Merck & Co Inc v Arrow Pharmaceuticals Ltd* (2006) 154 FCR 31, 38.

412 *NV Philips Gloeilampenfabrieken v Mirabella International Pty Ltd* (1995) 183 CLR 655, 662. For construction of claims see ch 15.

court to read as part of the specification any specifications that are incorporated by reference.⁴¹³

A fundamental principle of construction is that the complete specification is not to be read in the abstract, but is to be construed in the light of the common general knowledge and the art before the priority date.⁴¹⁴ Hence, it is not just a matter of interpreting the words of the specification,⁴¹⁵ but of also identifying the common general knowledge for this purpose. This term is understood to include the information that the skilled person would retain in their mind,⁴¹⁶ as well as any information that the person knows of, and to which they might refer as a matter of course or habitually consult.⁴¹⁷ Not everything that is set out in a specification would necessarily form part of the common general knowledge of the relevant skilled person.

Nevertheless, the Full Federal Court in *Bristol-Myers Squibb Co v F H Faulding & Co Ltd* held the view that:

Philips stands for the proposition (as a matter of construction of the 1990 Act) that if, on the basis of what was known, as revealed on the face of the specification, the invention claimed was obvious or did not involve an inventive step – that is, would be obvious to the hypothetical non-inventive and unimaginative skilled worker in the field (*Minnesota* at 260 per Barwick CJ) – then the threshold requirement of inventiveness is not met.⁴¹⁸

They elaborated on the concept of what the specification reveals as 'known'.

If a patent application, lodged in Australia, refers to information derived from a number of prior publications referred to in the specification or, generally, to matters which are known, in our view the Court – or the Commissioner – would ordinarily proceed upon the basis that the knowledge thus described is, in the language of section 7(2) of the 1990 Act, part of 'the common general knowledge as it existed in the patent area'. In other words, what is disclosed in such terms may be taken as an admission to that effect.⁴¹⁹

Therefore, the court used the reference to what is known as revealed on the face of the specification to expand the body of knowledge to include also any further information that is referred to in the specification, irrespective of whether this would have fallen within the traditional concept of common general knowledge as defined above.⁴²⁰ However, even if courts continue to apply this approach, it is now clear that any admissions in a specification on common

413 *Merck & Co Inc v Arrow Pharmaceuticals Ltd* (2006) 154 FCR 31, 45, 51.

414 *Kimberley-Clark Australia Pty Ltd v Arico Trading International Pty Ltd* (2001) 207 CLR 1, 16; *Samuel Taylor Pty Ltd v SA Brush Co Ltd* (1950) 83 CLR 617, 624–5; *Welch Perrin & Co Pty Ltd v Worrel* (1961) 106 CLR 588, 610; *Sunbeam Corporation v Morphy-Richards (Aust) Pty Ltd* (1961) 180 CLR 98, 102. See Ch 15 at 15.2.

415 *Dyno Nobel Asia Pacific Ltd v Orica Australia Pty Ltd* (1999) 99 FCR 151, 155.

416 *Minnesota Mining & Manufacturing Co v Beiersdorf (Australia) Ltd* (1980) 144 CLR 253 (Aickin J).

417 *ICI Chemicals & Polymers Ltd v Lubrizol Corporation Inc* (2000) 106 FCR 214, 232; *ICI Chemicals & Polymers Ltd v Lubrizol Corporation Inc* (1999) 45 IPR 577, 599, 600; *Aktiebolaget Hassle v Alphapharm Pty Ltd* (2000) 51 IPR 375, 391; *PhotoCure ASA v Queen's University at Kingston* (2005) 64 IPR 314, 325.

418 *Bristol-Myers Squibb Co v F H Faulding & Co Ltd* (2000) 97 FCR 524, 536 (Black CJ, Lehane J).

419 *Ibid.*

420 *Merck & Co Inc v Arrow Pharmaceuticals Ltd* (2006) 154 FCR 31, 52.

general knowledge, while relevant, must be assessed as to their probative force like all other evidence.⁴²¹

The threshold is not satisfied if the body of prior knowledge disclosed by the specification is insufficient to deprive what is claimed of the quality of inventiveness. In such a case, the patentability of the invention proceeds with reference to the sub-sections in s 18. In the case of lack of inventive step, the assessment is with reference to the body of knowledge described in s 7(2) and (3).⁴²² This threshold test application must avoid incursion into these specific sections of the *Patents Act*.⁴²³

13.10.3 The future of threshold requirement of ‘inventiveness’

The threshold requirement of inventiveness has practical significance where the lack of inventiveness is so apparent that it is unnecessary to adduce evidence of a prior art base.⁴²⁴ This may arise where there is a clear collocation of separate parts⁴²⁵ which, on the face of the specification, provide ‘no synergy, or working interrelationship, suggested between the two integers’.⁴²⁶

It could occur also in the following circumstances:

1. If the assessment of threshold inventiveness permitted consideration of prior art that is excluded from the prior art base for assessment of inventive step. When obviousness is pleaded under the *Patents Act 1990* (Cth), so that the court has the benefit of considering information under s 7(3), it would be rarely appropriate for a court to resort instead to the threshold test to find lack of inventiveness on the face of the specification.⁴²⁷ However, technically it may arise where the face of the specification directs the skilled person to information that is not within the common general knowledge as that term is understood and would not be information that the skilled person would locate under s 7(3). This may be significant if lack of novelty provides no ground of invalidity because there is no prior art information that discloses all the essential integers of the invention.⁴²⁸
2. If there is no attack on the patent on the ground of obviousness, it can be used to cover the same ground as obviousness using the different, and possibly more confined, prior art base for comparative purposes.

Apart from the above, its application will always overlap with the test for obviousness under s 18(1)(b)(ii), so the principal practical application for the threshold test is likely to be one of expediency to avoid costs and delays associated

421 *Lockwood Security Products Pty Ltd v Doric Product Pty Ltd* (2007) 235 ALR 202, 230.

422 *Bristol-Myers Squibb Co v FH Faulding & Co Ltd* (2000) 97 FCR 524, 536. Section 7 was amended by the *Patents Amendment Act 2001*.

423 *Merck & Co Inc v Arrow Pharmaceuticals Ltd* (2006) 154 FCR 31, 52; *Bristol-Myers Squibb Co v FH Faulding & Co Ltd* (2000) 97 FCR 524, 536.

424 *Arrow Pharmaceuticals Ltd v Merck & Co Inc* (2004) 63 IPR 85, 114.

425 *Welch Perrin & Co Pty Ltd v Worrel* (1961) 106 CLR 588, 611; *Ramset Fasteners (Aust) Pty Ltd v Advanced Building Systems Pty Ltd* (1996) 66 FCR 151, 168.

426 *Wm Wrigley Jr Company v Cadbury Schweppes Pty Ltd* (2005) 66 IPR 298, 315; *Sabaf SpA v MFI Furniture Centres Pty Ltd* [2005] RPC 10.

427 *Bristol-Myers Squibb Co v FH Faulding & Co Ltd* (2000) 97 FCR 524, 541.

428 *Patents Act 1990* (Cth) s 7(2), (3). See 13.7.

with proving a lack of inventive step. Although the opening words of s 18(1) are similar to those in s 18(1A), there is no reason to expect that they would be given the same interpretation when the context is that of an innovation patent that requires no inventiveness.

Does the concept still exist? There are three reasons why future courts may find that the threshold test in s 18(1) should no longer apply. First, the High Court has recently commented in *Lockwood Security Products Pty Ltd v Doric Products Pty Ltd* in the context of an inquiry into inventive step and admissions in a specification, that the *Microcell* decision (which was fundamental to the reasoning in *NV Philips Gloeilampenfabrieken v Mirabella International Pty Ltd*) had not always been properly understood. They stated that ‘it does not involve a separate ground of invalidity or a discrete “threshold” test’.⁴²⁹ Secondly, the *Patents Amendment (Innovation Patents) Act 2000* (Cth) altered the introductory words in s 18(1) to read ‘... an invention is a patentable invention for the purposes of a standard patent if the invention, so far as claimed in any claim’.⁴³⁰ The date of commencement was after the Full Federal Court decision in *Bristol-Myers Squibb*. It is arguable that s 18(1) no longer requires a patentable invention to be an ‘invention’. Instead, it is likely that the rearrangement of the words from ‘a patentable invention is an invention that . . .’ to ‘. . . an invention is a patentable invention for the purpose of a standard patent if the invention . . .’ strengthens the argument that s 18 describes a patentable invention and does so by requiring a manner of manufacture to exhibit certain qualities that are listed in the subparagraphs of s 18(1).⁴³¹ This construction would remove the threshold concept of newness from the opening words in s 18(1). However, it is to be noted that the Full Federal Court accepted the application of the threshold test in the context of this revised wording in *Merck & Co Inc v Arrow Pharmaceuticals Ltd*⁴³² without reference to, or consideration of, its impact upon the prior authority.

Finally, it is likely that the concept may no longer apply if the basis for its existence rests upon the construction of s 18(1)(a) and on the implication of a concept of ‘newness’ into that sub-section.⁴³³

13.11 Utility

13.11.1 General

Utility is a ground of opposition⁴³⁴ and revocation⁴³⁵ but not for examination. There may be some overlapping between the concepts of utility and that of

⁴²⁹ *Lockwood Security Products Pty Ltd v Doric Products Pty Ltd* (2007) 235 ALR 202, 229.

⁴³⁰ Date of commencement 24 May 2001.

⁴³¹ This was the view of the minority of Dawson and McHugh JJ in *NV Philips Gloeilampenfabrieken v Mirabella International Pty Ltd* (1995) 183 CLR 655, 670; see *Advanced Building Systems Pty Ltd v Ramset Fasteners (Aust) Pty Ltd* (1998) 194 CLR 171, 191–3; *Bristol-Myers Squibb Co v F H Faulding & Co Ltd* (2000) 97 FCR 524.

⁴³² (2006) 154 FCR 31.

⁴³³ *Advanced Building Systems Pty Ltd v Ramset Fasteners (Aust) Pty Ltd* (1998) 194 CLR 171, 191–2, discrediting the majority reasoning in *NV Philips Gloeilampenfabrieken v Mirabella International Pty Ltd* (1993) 44 FCR 239, 262–3 which was approved in *obiter* in *NV Philips Gloeilampenfabrieken v Mirabella International Pty Ltd* (1995) 183 CLR 655, 666.

⁴³⁴ *Patents Act 1990* (Cth) s 59(b).

⁴³⁵ *Patents Act 1990* (Cth) s 138(3)(b).

sufficiency of description of the invention.⁴³⁶ Therefore, the Commissioner may take utility indirectly into account at examination if the specification does not comply with the requirements of s 40. The ability to consider utility at opposition was only introduced on 16 August 2004 by the *US Free Trade Agreement Implementation Act 2004* (Cth).⁴³⁷ The current s 59 applies to all applications for a standard patent made after this date and all applications made before this date, but for which a patent has not been granted by 16 August 2004. Section 18(1)(c) does not require the invention to remain useful at all times during the life of the patent.⁴³⁸

13.11.2 Meaning of ‘useful’

An invention, so far as claimed in any claim, must be useful to be patentable.⁴³⁹ The ground of inutility is not concerned with the question of whether the invention to be used by following the directions in the patent would be commercially viable.⁴⁴⁰ The basic principle is that the invention is useful if it does what the patentee intended and attains a useful result.⁴⁴¹ It is useful if it achieves the promised useful result.⁴⁴² The required standard has also been expressed as a useful choice to the public, this being ‘all the meritorious utility requisite to support a Patent’.⁴⁴³ In order to ascertain the intention of the patentee, the whole specification is construed at the priority date.⁴⁴⁴ The fact that there may be better ways of performing the invention is irrelevant if the invention is useful for the intended purpose.⁴⁴⁵

Courts may reassess this level of utility in light of the prescribed level of utility with which Australia must comply under the *Australia–USA Free Trade Agreement 2004 (AUSFTA)*: namely, a ‘specific, substantial, and credible utility’.⁴⁴⁶ In that Agreement, ‘useful’ is stated to be synonymous with ‘capable of industrial application’.⁴⁴⁷

The ground of inutility may be established by showing that the invention does not produce any useful result at all.⁴⁴⁸ This will arise because the claim omits a necessary feature or features of the invention that cannot be supplied by the

436 *Rescare Ltd v Anaesthetic Supplies Pty Ltd* (1992) 25 IPR 119, 142.

437 sch 8, item 1.

438 *Alphapharm Pty Ltd v Merck & Co Inc* [2006] FCA 1227, ¶ 28, 29.

439 *Patents Act 1990* (Cth) s 18(1)(c).

440 *Rescare Ltd v Anaesthetic Supplies Pty Ltd* (1992) 25 IPR 119, 143; *Decor Corporation Pty Ltd v Dart Industries Inc* (1988) 13 IPR 385, 394; *Grant v Commissioner of Patents* (2006) 154 FCR 62, 72.

441 *Fawcett v Homan* (1896) 13 RPC 398, 405 (Lindley LJ); *Rehm Pty Ltd v Websters Security Systems (International) Pty Ltd* (1988) 11 IPR 289, 305; *Decor Corporation Pty Ltd v Dart Industries Inc* (1988) 13 IPR 385, 394 (Lockhart J).

442 *Rescare Ltd v Anaesthetics Supplies Pty Ltd* (1992) 25 IPR 119, 142; *Re Alsop's Patent* (1907) 24 RPC 733; *Pracdes Pty Ltd v Stanilite Electronics Pty Ltd* (1995) 35 IPR 259, 273 (Windeyer J).

443 *British Liquid Air Co Ltd v British Oxygen Company Ltd* (1908) 25 RPC 577, 607 (Fletcher Moulton LJ); *Martin Engineering Co v Trison Holdings Pty Ltd* (1989) 14 IPR 330, 337.

444 *Rehm Pty Ltd v Websters Security Systems (International) Pty Ltd* (1988) 11 IPR 289, 305.

445 *Ibid* 306.

446 *Australia-USA Free Trade Agreement 2004* art 17.9.13.

447 *Ibid* art 17.9.1.

448 *Patent Gesellschaft AG v Saudi Livestock Transport and Trading Co* (1996) 33 IPR 426, 458.

skilled addressee.⁴⁴⁹ It can also be established by showing that both useful and useless devices and processes fall within the claim and that the language of the claim positively ‘points to some useless construction’.⁴⁵⁰ The claim cannot be saved by showing that no skilled person would ever try to use that method.⁴⁵¹ However, the court should be reluctant to place a construction upon a claim so as to include embodiments which would appear useless to the qualified reader,⁴⁵² when they can be construed to give the claim a more limited meaning.⁴⁵³ It is inappropriate to purposely adopt a form of the invention as would obviously malfunction.⁴⁵⁴

It is not necessary that the promise be fulfilled in every instance of its use for utility to be present. Hence, in the case of an invention for a face mask designed to be used in the treatment of sleep apnoea, it was enough for the claimed invention to be of practical utility in the treatment of substantial numbers of persons who are ‘patients’ within the meaning of the claim.⁴⁵⁵ The fact that the mask would not work on some patients did not render the invention useless. There is a distinction here between the embodiment of the invention that works in most instances and an embodiment of an invention that will never work.

13.12 Secret use

13.12.1 General

A final requirement for patent validity in s 18 is that there was no secret use of the invention in the patent area before the priority date of the claim by, or with the authority of, a patentee or nominated person or his or her predecessor in title (the patentee).⁴⁵⁶ Secret use by anyone else is irrelevant when considering the patentability of an invention under the *Patents Act 1990* (Cth). However, such use may be relevant to establish rights of prior user under s 119. This contrasts with the position under the *Patents Act 1952* (Cth), where secret use of an invention by anyone in Australia before the priority date was a ground for revocation of the patent.⁴⁵⁷

449 *Welch Perrin & Co Pty Ltd v Worrel* (1961) 106 CLR 588, 602; *Washex Machinery Corp v Roy Burton & Co Pty Ltd* (1974) 49 ALJR 12, 18–19; *Rescare Ltd v Anaesthetic Supplies Pty Ltd* (1992) 25 IPR 119, 143.

450 *Cincinnati Grinders (Inc) v BSA Tools Ltd* (1931) 48 RPC 33, 73; T. A. Blanco White, *Patents for Inventions and the Protection of Industrial Designs* (4th ed, London: Stevens, 1974), ¶ 4–408; *Rehm Pty Ltd v Websters Security Systems (International) Pty Ltd* (1988) 11 IPR 289, 298.

451 *Minerals Separation North America Corporation v Noranda Mines Ltd* (1952) 69 RPC 81, 95 (Lord Reid); *Coopers Animal Health Australia Ltd v Western Stock Distributors Pty Ltd* (1986) 6 IPR 545, 572–3 (Wilcox J); *Norton and Gregory Ltd v Jacob* (1937) 54 RPC 271, 276–7 (Lord Greene MR).

452 *Rescare Ltd v Anaesthetic Supplies Pty Ltd* (1992) 25 IPR 119, 143.

453 *Rehm Pty Ltd v Websters Security Systems (International) Pty Ltd* (1988) 11 IPR 289, 307–8; *Welch Perrin & Co Pty Ltd v Worrel* (1961) 106 CLR 588, 601–2; *Nesbit Evans Group Australia Pty Ltd v Impro Ltd* (1997) 39 IPR 56, 96–7.

454 *Washex Machinery Corp v Roy Burton & Co Pty Ltd* (1974) 49 ALJR 12, 18–19; *Martin Engineering Co v Trison Holdings Pty Ltd* (1989) 14 IPR 330, 338.

455 *Rescare Ltd v Anaesthetic Supplies Pty Ltd* (1992) 25 IPR 119, 143; *Nesbit Evans Group Australia Pty Ltd v Impro Ltd* (1997) 39 IPR 56, 96 (Lingren J).

456 *Patents Act 1990* (Cth) ss 18(1)(d), 18(1A)(d).

457 *Patents Act 1952* (Cth) s 100(1)(k).

Secret use is a ground of opposition⁴⁵⁸ and revocation⁴⁵⁹ but not for examination. As with utility, the ability to consider prior secret use at opposition was only introduced on 16 August 2004 by the *US Free Trade Agreement Implementation Act 2004* (Cth).⁴⁶⁰ The current s 59 applies to all applications for a standard patent made after this date and all applications made before this date, but for which a patent has not been granted by 16 August 2004.

13.12.2 Rationale

The rationale underlying the availability of secret use by the patentee as a ground of revocation is to prevent the patentee from gaining a de facto extension of the monopoly period without public disclosure of the invention.⁴⁶¹ It seems that a de facto extension arises in this context only if there has been some commercial use of the invention before the priority date.⁴⁶² Some authority suggests that the use must result in commercial benefit.⁴⁶³ However, the commercial character of an act is not the deciding factor when investigating the existence of secret use, as not all acts that have a commercial aspect necessarily involve a de facto extension of the term.⁴⁶⁴

The prohibition on commercial secret use before the priority date is consistent with the interface between patents and protection of trade secrets. The patentee is forced to choose between patent protection and trade secret protection where they exploit the invention commercially. If the patentee chooses to work the invention in secret for purposes of trade or commerce, he or she cannot subsequently then apply for patent protection to gain a longer monopoly period in which to exploit the invention.

13.12.3 The relationship with novelty

An invention is no longer novel when it is made publicly available before the priority date.⁴⁶⁵ This may arise from a public use of the invention. Secret use is necessarily concerned with disclosures that cannot affect the novelty of the invention because they are secret. It is likely that ‘secret use’ and ‘public use’ are mutually exclusive.⁴⁶⁶ However, public use does not necessarily amount to a destruction of novelty. For that to occur, the essential integers of the invention must be disclosed to any one member of the public in a manner which leaves that

458 *Patents Act 1990* (Cth) s 59(b).

459 *Patents Act 1990* (Cth) s 138(3)(b).

460 sch 8 item 1.

461 *Grove Hill Pty Ltd v Great Western Corporation Pty Ltd* (2002) 55 IPR 257, 313; *Azuko Pty Ltd v Old Digger Pty Ltd* (2001) 52 IPR 75, 134–5; *Morgan v Seaward* (1837) 2 M & W 544, 559, 150 ER 874, 880 (Parke B); *Bristol-Myers Co v Beecham Group Ltd* [1974] AC 646, 680–1 (Lord Diplock).

462 *Re Wheatley's Application* (1984) 2 IPR 450, 453 (Lawton LJ).

463 *Azuko Pty Ltd v Old Digger Pty Ltd* (2001) 52 IPR 75, 133–4; *Bristol-Myers Co v Beecham Group Ltd* [1974] AC 646, 680–81 (Lord Diplock); *Morgan v Seaward* (1837) 2 M & W 544, 559, 150 ER 874, 880 (Parke B).

464 *Azuko Pty Ltd v Old Digger Pty Ltd* (2001) 52 IPR 75, 134–35; *Patents Act 1990* (Cth) s 9.

465 *Patents Act 1990* (Cth) ss 7(1), 18(1)(b)(i), 18(1A)(b)(i).

466 *Grove Hill Pty Ltd v Great Western Corporation Pty Ltd* (2002) 55 IPR 257, 313.

person free, in law and equity, to make use of that information.⁴⁶⁷ Mere use of an invention in public may not make the invention publicly available. Therefore, whereas secret use requires ‘use’ as opposed to disclosure, destruction of novelty through use requires a disclosure that makes publicly available all the essential features of the invention.⁴⁶⁸

13.12.4 The meaning of ‘secret’

It seems that there must be deliberate concealment of the use of the invention to satisfy the requirement that the use is ‘secret’.⁴⁶⁹ The imposition of an obligation of confidence on third parties, either expressly or by implication, is a guide as to whether a use is ‘secret’.⁴⁷⁰ Employees of the patentee are assumed to be bound by confidence if they are involved in a secret use.⁴⁷¹ An accidental or inadvertent use of the invention in circumstances where the use was not publicly available will not be ‘secret’ as an intention to conceal is required.⁴⁷²

13.12.5 The meaning of ‘use’

If no commercial dealing has been finalised prior to the priority date, such as where a prototype is demonstrated in confidence without accepting an order for supply, the disclosure of the invention under circumstances of confidence will not amount to a secret use.⁴⁷³ The meaning given to ‘use’ of the invention in this context is not co-extensive with the meaning of to ‘exploit’ the invention.⁴⁷⁴ It is only one aspect of the definition of exploit and therefore has a narrower meaning.⁴⁷⁵ At the same time, it is not exclusive of the various aspects of that definition. There may be some overlap among the different types of exploitation, such as where a sale of goods made according to the patent might be seen also as commercial use of the goods. Nevertheless, the distinctions cannot be ignored.⁴⁷⁶ The Federal Court⁴⁷⁷ majority in *Azuko Pty Ltd v Old Digger Pty Ltd* expressed the following practical test to determine whether there has been the required type of ‘use’:

467 *Humpherson v Syer* (1887) 4 RPC 407; *Stanway Oyster Cylinders Pty Ltd v Marks* (1996) 66 FCR 577, 581; *JMVB Enterprises Pty Ltd v Camoflag Pty Ltd* (2005) 67 IPR 68, 80.

468 *Stanway Oyster Cylinders Pty Ltd v Marks* (1996) 66 FCR 577, 581–2. See 13.6.7.

469 *Bristol-Myers Co v Beecham Group Ltd* [1974] AC 646, 702; *Re Wheatley’s Application* (1984) 2 IPR 450, 455 (Dillon LJ).

470 *Re Wheatley’s Application* (1984) 2 IPR 450.

471 *Azuko Pty Ltd v Old Digger Pty Ltd* (2001) 52 IPR 75, 133; *Melbourne v Terry Fluid Controls Pty Ltd* (1993) 26 IPR 292, 302.

472 *Bristol-Myers Co v Beecham Group Ltd* [1974] AC 646, 702.

473 *Azuko Pty Ltd v Old Digger Pty Ltd* (2001) 52 IPR 75, 133 (Gyles J).

474 *Azuko Pty Ltd v Old Digger Pty Ltd* (2001) 52 IPR 75; *Grove Hill Pty Ltd v Great Western Corporation Pty Ltd* (2002) 55 IPR 257.

475 *Grove Hill Pty Ltd v Great Western Corporation Pty Ltd* (2002) 55 IPR 257, 313; *Azuko Pty Ltd v Old Digger Pty Ltd* (2001) 52 IPR 75, 136. For a critique of this decision, see: A. L. Monotti, ‘To make an article for ultimate sale: the secret use provision in the Patents Act 1990 (Cth)’ [2005] 27(12) *EIPR* 446.

476 *Azuko Pty Ltd v Old Digger Pty Ltd* (2001) 52 IPR 75, 136.

477 *Ibid* 134.

has what occurred amounted to a *de facto* extension of the patent term? The answer to this will usually depend upon whether the patentee reaped commercial benefit from what was done before the priority date.⁴⁷⁸

According to the majority, if the invention is a process or method, use of the process to make goods for sale would extend the patent if done before the priority date. However, if the invention is a product, the majority held that manufacture of the product would not involve any *de facto* extension of the term of a patent claiming the product has this effect, even if manufacture was for the purpose of sale.⁴⁷⁹ Rather, it would be necessary, in their view, to secretly use the product made according to the patent as part of a manufacturing process to make other goods⁴⁸⁰ or to use that product as part of an assembly engaged in a commercial activity.⁴⁸¹ An example is use of a device made according to a product claim as part of a drill rig engaged in commercial drilling.⁴⁸² Other ‘uses’ of the tangible products that would satisfy this concept of secret ‘use’ would include dealing commercially in the products of the invention before the priority date⁴⁸³ through leasing, sale or agreement for sale.⁴⁸⁴ This would include acceptance of an order for the manufacture of the product.⁴⁸⁵

The receipt of an unsolicited order from a person who had been involved in testing a prototype would not amount to secret use as this would not involve the patentee in any activity at all.⁴⁸⁶ Other acts that would not constitute a secret use are the manufacture *simpliciter* with a sale at cost to a person who is intended to, and becomes, the assignee of the patent,⁴⁸⁷ and secret use for philanthropy or a hobby.⁴⁸⁸

13.12.6 Use for reasonable trial or experiment only

The Act does not define secret use. However, we gain some guidance from the list of acts in s 9 that are taken not to be secret use of the invention.⁴⁸⁹ The first is use of the invention by the patentee for the purpose of reasonable trial or experiment only.⁴⁹⁰ This exception is essential as virtually all inventions will have been secretly used for experimental or trial purposes.⁴⁹¹ The terms ‘reasonable trial or experiment’ are not defined but have been held to include trial

478 *Ibid.*

479 *Ibid* 133–34.

480 An example of how this may arise is in the context of infringement. See *Pinefair Pty Ltd v Bedford Industries Rehabilitation Association Inc* (1998) 87 FCR 458.

481 *Azuko Pty Ltd v Old Digger Pty Ltd* (2001) 52 IPR 75, 134.

482 *Ibid.*

483 *Re Wheatley's Application* (1984) 2 IPR 450, 453, (Lawton LJ).

484 *Azuko Pty Ltd v Old Digger Pty Ltd* (2001) 52 IPR 75, 136; *Re Wheatley's Application* (1984) 2 IPR 450, 454 (Oliver LJ), 455 (Dillon LJ).

485 *Re Wheatley's Application* (1984) 2 IPR 450, 452 (Lawton LJ).

486 *Azuko Pty Ltd v Old Digger Pty Ltd* (2001) 52 IPR 75, 133.

487 *Ibid.*

488 *Ibid* 122.

489 *Patents Act 1990* (Cth) s 9.

490 *Patents Act 1990* (Cth) s 9(a).

491 *Grove Hill Pty Ltd v Great Western Corporation Pty Ltd* (2002) 55 IPR 257, 316.

and evaluation to learn whether a product needs improvement or to learn how it may be improved.⁴⁹² They would also include experimental use in the course of discovering, perfecting and trying out the invention so as to test its suitability for commercial use.⁴⁹³ Acts may fall within this exception as long as the ‘true purpose’ of the use is for trial or experiment and the trial or experiment is reasonable. It does not matter that there is also a collateral commercial advantage to the inventor, such as the production of a commercial crop.⁴⁹⁴ In assessing what is reasonable, it is necessary to take into account the nature of the invention, the tasks for which it is designed and the conditions under which it is to be used. Thus, field trials of an agricultural row cultivator in connection with the cultivation of commercial crops on the patentee’s property for a period of just over one year were said to amount to reasonable trial.⁴⁹⁵

It is likely that the manufacture of products in a condition ready for commercial sale may not be considered a matter of trial and experiment.⁴⁹⁶ It is also likely that the manufacture of products to see if production is commercially viable, is not the kind of trial and experiment of which s 9(a) speaks. It will be a matter of fact in each case⁴⁹⁷ as to when trial and experiment ceases and commercial production commences, but it seems that the ‘commercial quality’ of the products and their readiness ‘to work’ are factors that indicate the experiment has concluded. According to Heerey J in *Azuko Pty Ltd v Old Digger Pty Ltd*:

The provision is limited to trial or experiment to see how the product of an invention performs and whether any improvements are needed, as distinct from commercial or marketing assessments.⁴⁹⁸

13.12.7 Use occurring solely in a confidential disclosure

The second act in s 9 that is taken not to be secret use of the invention is use by the patentee occurring *solely* in the course of a confidential disclosure of the invention by the patentee.⁴⁹⁹ In the absence of a definition of ‘confidential disclosure’, this would occur if confidentiality is imposed by contract or satisfies the requirements for the equitable doctrine of breach of confidence.⁵⁰⁰ Confidentiality may be implied from the circumstances surrounding the disclosure.⁵⁰¹ The sub-section does not exclude from its operation confidential disclosures that are for the purpose of trade or commerce. Hence, the demonstration of a product in confidence before the priority date with the object of bringing about a sale

492 *Melbourne v Terry Fluid Controls Pty Ltd* (1993) 26 IPR 292, 302 (Jenkinson J).

493 *Bristol-Myers Co v Beecham Group Ltd* [1974] AC 646, 680–1 (Lord Diplock).

494 *Grove Hill Pty Ltd v Great Western Corporation Pty Ltd* (2002) 55 IPR 257, 317.

495 *Ibid* 318.

496 *Azuko Pty Ltd v Old Digger Pty Ltd* (2001) 52 IPR 75, 122.

497 See, e.g., *Harrison v Project & Design Co (Redcar) Ltd (No 1)* [1978] FSR 81.

498 (2001) 52 IPR 75, 123.

499 *Patents Act 1990* (Cth) s 9(b).

500 See ch 11.

501 *Melbourne v Terry Fluid Controls Pty Ltd* (1993) 26 IPR 292, 302.

would fall within this exception. Similarly, the demonstration of the invention to a patent attorney or potential purchaser or investor would fall within this exception.⁵⁰² It would seem that the subsequent unconditional acceptance of an order to purchase the product would no longer have the benefit of this exemption.⁵⁰³

In *Azuko Pty Ltd v Old Digger Pty Ltd*, von Doussa J exempted the manufacture of drill hammers used in the mining industry from secret use on the basis that this was a confidential use ‘which did not involve disclosure of the invention to anyone other than the employees’ engaged in the manufacture.⁵⁰⁴ However, Heerey J rejected this approach on appeal, by way of *obiter*, for two reasons. First, he considered that the words ‘solely in the course of a confidential disclosure’ suggested a confidential disclosure of the invention in the course of which the invention was ‘used’. He described a use that would satisfy this sub-section as a demonstration of the invention to a patent attorney or potential purchaser or investor. In contrast, although the manufacture of the drill hammers for the purposes of sale would have involved a disclosure of the invention in confidence to employees to carry out the manufacture, the disclosure would not have involved the use of the invention. Rather, the disclosure of the information enabled the later ‘use’ of the invention. Secondly, and in any event, Heerey J pointed out that such use in manufacture was not *solely* in the course of a confidential disclosure because it was also for the purposes of sale.⁵⁰⁵

13.12.8 Patentee use for any purpose other than trade or commerce

The third act that is taken not to be secret use of the invention is use by the patentee for any purpose other than the purpose of trade or commerce.⁵⁰⁶ The terms ‘trade or commerce’ are not defined in the Act but would be expected to have their ordinary meaning,⁵⁰⁷ qualified by the preceding words ‘for any purpose *other than the purpose of trade or commerce*’.

Some assistance in interpreting the phrase ‘for any purpose *other than the purpose of trade or commerce*’ comes from the following statement of the High Court in *Concrete Constructions (NSW) Pty Ltd v Nelson*,⁵⁰⁸ made in the context of the phrase ‘*in trade or commerce*’ that appears in s 52 of the *Trade Practices Act 1974* (Cth):

... the words ‘in trade or commerce’ refer to ‘the central conception’ of trade or commerce and not to the ‘immense field of activities’ in which corporations may engage in the course of, or for the purposes of, carrying on some overall trading or commercial business.⁵⁰⁹

502 *Azuko Pty Ltd v Old Digger Pty Ltd* (2001) 52 IPR 75, 123.

503 *Re Wheatley's Application* (1984) 2 IPR 450.

504 *Azuko Pty Ltd v Old Digger Pty Ltd* (2001) 52 IPR 75, 116.

505 *Ibid* 123.

506 *Patents Act 1990* (Cth) s 9(c). This would seem to exclude from secret use the type of circumstances that arose in *Harrison v Project & Design Co (Redcar) Ltd (No 1)* [1978] FSR 81.

507 *Bank of New South Wales v Commonwealth* (1948) 76 CLR 1.

508 *Concrete Constructions (NSW) Pty Ltd v Nelson* (1990) 169 CLR 594, 602–4.

509 *Ibid* 603–4.

The latter comment suggests that the phrase ‘for the purpose of trade or commerce’ in s 9(c) may have a broad scope and encompass an ‘immense field of activities’.

13.12.9 Use on behalf of the government

The fourth act that is taken not to be secret use of the invention is use of the invention by or on behalf of the Commonwealth, a State or a Territory where it was disclosed to that person by the patentee. The terms ‘Commonwealth’ and ‘State’ are undefined for the purposes of this section. This contrasts with Chapter 17 of the Act, where a reference to the Commonwealth or a State includes a reference to an authority of the Commonwealth or a State respectively.⁵¹⁰ ‘Territory’ is defined in the Schedule to mean ‘a Territory in which this Act applies or to which this Act extends’.

13.12.10 Onus of proof

In revocation proceedings, the party who seeks revocation on grounds of secret use by the patentee bears the onus to satisfy the court that there has been a disqualifying secret use, having regard to the combined operation of ss 9 and 18. Proof of use which may have been for the purpose of trial or experiment only would not have discharged the onus.⁵¹¹

13.13 Express exclusions from patentability

13.13.1 Human beings and biological processes for their generation

The *Patents Act 1990* (Cth) contains an exclusion from patentability for human beings and the biological processes for their generation for both standard and innovation patents.⁵¹² The Deputy Commissioner of Patents considered its scope in *Re Luminis Pty Ltd & Fertilitescentrum AB*⁵¹³ and concluded that:

1. A human being is distinct from a human life form.
2. There is no single point in the reproductive process when a human being comes into existence. Instead, its generation occurs over a substantial period of time. This is either because there is a general belief that the status of human being does in fact arise over a period of time or to reflect the divergent views on society, with none being more right than others.
3. Any entity that might reasonably claim the status of the human being is within the prohibition of ‘human beings’. Hence, this would include not

⁵¹⁰ *Patents Act 1990* (Cth) s 162. For the meaning of ‘authority of a State’ see *Stack & G S Technology Pty Ltd v Brisbane City Council* (1995) 59 FCR 71.

⁵¹¹ *Grove Hill Pty Ltd v Great Western Corporation Pty Ltd* (2002) 55 IPR 257, 315–16 (Dowsett J).

⁵¹² *Patents Act 1990* (Cth) ss 18(2) & (3).

⁵¹³ *Re Luminis Pty Ltd & Fertilitescentrum AB* (2004) 62 IPR 420; *Re Hwang* (2004) AIPC 92–031.

only a person that has been born, but also a fertilised ovum and all its subsequent manifestations.

4. The prohibition of 'biological processes' for the generation of human beings covers all biological processes applied from fertilisation to birth, as long as the process is one that directly relates to the generation of human beings. This would include processes of generating the entity that can first claim the status of human being, such as processes of fertilising an ovum, processes for cloning at the 4-cell stage by division, and processes for cloning by replacing nuclear DNA.

The decision was influenced by a number of matters, but particularly the undesirable consequences that would arise if s 18(2) required the identification of a particular stage in the reproductive process when a human being comes into existence. An interpretation of when a human being comes into existence is complicated by the many practical issues that are essentially ethical or moral in nature, with no clear scientific answer. Any decision that specified a particular point would not reflect the diversity of opinion and was therefore better avoided. In light of these ethical difficulties and in the absence of a clear policy, the Deputy Commissioner therefore concluded that there was nothing in the language that required a human being to come into existence at a particular point.

13.13.2 Plants and animals

In addition to the exclusion for human beings and the biological processes for their generation, the Act excludes plants and animals and the biological processes for their generation as subject matter for an innovation patent.⁵¹⁴ This exclusion does not apply if the invention is a microbiological process or a product of such a process.⁵¹⁵ The additional scope of the excluded subject matter arose for political rather than policy reasons.⁵¹⁶ In the light of relatively little public concern expressed over the innovation patent exclusion for animals and processes for their generation, a report of the Advisory Council on Intellectual Property, '*Should plant and animal subject matter be excluded from protection by the innovation patent?*', concluded that there was insufficient reason for change at this stage. This recommendation was accepted by the government. *AUSFTA* does not permit Australia to exclude plants and animals from patentability.⁵¹⁷

13.13.3 Contrary to law

Section 50(1)(a) permits the Commissioner to refuse to accept a patent request and specification relating to a standard patent or to grant a standard patent on the

⁵¹⁴ *Patents Act 1990* (Cth) s 18(3).

⁵¹⁵ *Patents Act 1990* (Cth) s 18(4).

⁵¹⁶ ACIP, *Should plant and animal subject matter be excluded from protection by the innovation patent?* (Nov, 2004).

⁵¹⁷ art 17.9.

grounds that its use would be contrary to law. This exclusion from patentability derives from s 6 of the *Statute of Monopolies*. The section is rarely invoked. Once a patent application is accepted, there is no express ground for opposition⁵¹⁸ or revocation⁵¹⁹ that the use of the invention would be contrary to law. However, in appropriate cases, it may be possible to revoke the patent on the ground that the patent was obtained by fraud, false suggestion or misrepresentation.⁵²⁰ An opportunity to oppose or seek revocation of the patent may also arise on the basis that the invention is ‘generally inconvenient’.⁵²¹ As an innovation patent is granted after a formalities check, an objection on the ground that its use is contrary to law would not be possible prior to grant.⁵²² However, use contrary to law is a ground for revocation of the patent.⁵²³ As to the meaning of the phrase ‘use of which would be contrary to law’, it seems that an invention that can be used for both lawful and unlawful purposes is not necessarily bad.⁵²⁴ It is likely to be necessary to consider whether the unlawful use is main purpose of the invention.

Factors to consider in deciding whether use of an invention is contrary to law may be the nature of the legislation which the invention would contravene, whether it is reasonable to expect that what is illegal now will remain illegal throughout the term of the patent, or whether such law would be of an ephemeral nature. For example, the *Prohibition of Human Cloning for Reproduction Act 2002* (Cth) makes it illegal to intentionally create a chimeric embryo. The Deputy Commissioner of Patents considered this legislation was not ephemeral and that a method to create an inter-species hybrid embryo should be refused under s 50(1)(a).⁵²⁵

13.13.4 Mere mixtures

Another express ground for refusal to accept a request and specification for a standard patent or to grant a standard patent is set out in s 50(1)(b). Discretion for refusal exists where the invention claimed is for a substance that is capable of being used as food or medicine and is a mere mixture of known ingredients, or a process for producing such a substance by mere admixture. These specific products must be more than mere collocations to be patentable: they must have some synergy or working interrelationship that results in something more than what might be expected from a mere mixture.⁵²⁶ The process of producing the substance by mere admixture is a specific instance of the operation of the concept that ‘the use of a known material in the manufacture of known articles for the

518 *Patents Act 1990* (Cth) s 59.

519 *Patents Act 1990* (Cth) s 138.

520 *Patents Act 1990* (Cth) s 138(3)(d).

521 *Patents Act 1990* (Cth) ss 59(b) & 138(3)(b).

522 *Patents Act 1990* (Cth) s 52 & s 62.

523 *Patents Act 1990* (Cth) s 101B(1), (2)(d) and s 101F.

524 *Pessers and Moody v Haydon & Co* (1909) 26 RPC 58; *Re Hwang* (2004) AIPC 92–031.

525 *Re Hwang* (2004) AIPC 92–031.

526 For an example of an invention found to be a collocation: *Wm Wrigley Jr Company v Cadbury Schweppes Pty Ltd* (2005) 66 IPR 298, 315. See APO, *Manual* ¶ 2.9.7 (food or medicines being mere admixtures).

purpose of which its known properties make that material suitable'.⁵²⁷ Therefore, the section permits the exclusion from patentability of these kinds of products or processes that demonstrate lack of inventiveness without having to establish lack of inventive step. A similar provision in s 101B(4) provides grounds for revocation of an innovation patent. These provisions overlap with the general threshold requirement for inventiveness which the High Court concluded is present in the opening words of s 18(1).⁵²⁸

13.13.5 International obligations

Members of *TRIPS* are required to make patents available for any inventions in all fields of technology.⁵²⁹ However, there are two areas in which they have scope to exclude inventions from patentability. The first area is defined by the impact of commercial exploitation upon the territory. It is not permitted to exclude inventions merely because the exploitation is prohibited by laws of the country. Inventions can be excluded from patentability where it is necessary to prevent the commercial exploitation in order to protect '*ordre public* or morality, including to protect human, animal or plant life or health or to avoid serious prejudice to the environment'.⁵³⁰ In such cases, legislation that regulates the exploitation would provide insufficient protection.

The second relates to medical treatments, plants and animals. Article 27(3) allows exclusions of inventions for diagnostic, therapeutic and surgical methods for the treatment of humans or animals and plants and animals other than micro-organisms, and essentially biological processes for the production of plants or animals other than non-biological and microbiological processes.

The more limited exclusions in art 17.9 of the *AUSFTA* result in '*TRIPS plus*' restrictions in this field. Australia must give the benefit of these to its nationals and to nationals of all members of *TRIPS*.⁵³¹

13.14 Internal requirements for patent specifications: s 40

13.14.1 Evolution of the specification and function of claims

The modern specification bears little resemblance to its earliest antecedents.⁵³² Prior to 1852, patents were granted upon a 'title'⁵³³ or meagre 'recital'⁵³⁴ only

⁵²⁷ *Commissioner of Patents v Microcell Ltd* (1959) 102 CLR 232, 251.

⁵²⁸ See 13.10.

⁵²⁹ *Canada: Patent Protection of Pharmaceutical Products: Complaint by the European Communities and their Member States*, 17 March 2000, WT/DS114/R.

⁵³⁰ *TRIPS* art 27(2).

⁵³¹ *TRIPS* art 3.

⁵³² See generally D. J. Brennan, 'The Evolution of English Patent Claims as Property Definers' [2005] 4 *Intellectual Property Quarterly* 361.

⁵³³ S. Thorley, R. Miller, G. Burkill and C. Birss, *Terrell on the Law of Patents* (15th ed, London: Sweet & Maxwell, 2000), ¶ 5.01.

⁵³⁴ R. Frost, *Treatise on the Law and Practice relating to Letters Patent for Inventions* (London: Stevens & Haynes, 1912) Vol 1, 170.

of the invention. This was inserted in the patent grant, and apart from any oral instructions given to individuals, was the only source of information as to the nature of the invention and how it worked.⁵³⁵

This was not very satisfactory for both the patentee and the public. Hence, as early as the reign of Queen Anne (1702–14), it became an obligation, within six months of the patent being granted on the title, to describe and ascertain the nature of the invention and the manner of its performance in a written document. If the patentee did not file this ‘specification’, the patent lapsed at the end of six months. This specification had to be consistent with the title and no wider, but the ‘title’ or ‘recital’ contained in the patent grant still formed the basis of the grant.⁵³⁶

A change in procedure to improve the information about the invention occurred in consequence of the *An Act for Amending the Law for Granting Patents for Inventions, 1852*.⁵³⁷ Upon application, applicants were now required to file a statement in writing called a provisional specification, in which they described the nature of the invention.⁵³⁸ The provisional specification occupied the position of the earlier description in the grant.⁵³⁹ However, there was no obligation to file a provisional specification independently; the application could be accompanied merely by a complete specification that contained this information. The advantage of filing an initial provisional specification was to give the applicant provisional protection for a six-month period in which to improve the means of carrying out the invention before filing the complete specification⁵⁴⁰ ‘particularly describing and ascertaining the nature of the said invention, and in what manner the same is to be performed’.⁵⁴¹ The patent was granted after a period of advertisement that allowed for oppositions to grant.

The purpose of the obligation to particularly describe the ‘nature of the invention’ was to alert the public to the scope of the invention so that they knew what was prohibited during the monopoly period. This obligation equates to the current claims in a complete specification. The description of ‘what manner the same shall be performed’ translates into the present sufficiency requirements in the modern specification. The public were to know how to perform the invention so that they could enjoy its benefits at the end of the patent term.⁵⁴²

Changes in subsequent legislation have refined the procedures. Under the *Patents Act 1883*,⁵⁴³ both provisional and complete specifications were required to be filed and examined and reported on by officers before grant.⁵⁴⁴ Also, applicants were required to insert claims to define the invention for which the monopoly is claimed.⁵⁴⁵ This basic structure remains in the present *Patents Act 1990* (Cth).

535 *British United Shoe Machinery Co Ltd v A Fussell & Sons Ltd* (1908) 25 RPC 631, 650.

536 *Ibid.*

537 *An Act for Amending the Law for Granting Patents for Inventions 1852*, 15 & 16 Vict, c 83 (Eng).

538 *An Act for Amending the Law for Granting Patents for Inventions 1852*, 15 & 16 Vict, c 83 (Eng) s VI.

539 *Tate v Haskins* (1935) 53 CLR 594, 608.

540 *Penn v Bibby* (1866) LR 2 Ch 127, 132; *Tate v Haskins* (1935) 53 CLR 594, 608.

541 *An Act for Amending the Law for Granting Patents for Inventions 1852*, 15 & 16 Vict, c 83 (Eng) s IX.

542 Frost, *Treatise on the Law and Practice relating to Letters Patent*, above n 534, Vol 1, 193.

543 *Patents Act 1883* 46 & 47 Vict, c 57 (Eng).

544 *Tate v Haskins* (1935) 53 CLR 594, 609.

545 *British United Shoe Machinery Co Ltd v A Fussell & Sons Ltd* (1908) 25 RPC 631, 651.

The body of the specification and the claims serve different purposes. The requirements for the body of the specification ensure that the public have the necessary directions to perform the invention after the patent expires.⁵⁴⁶ The claims, on the other hand, delineate the monopoly of the invention and are there to warn third parties of what is prohibited conduct during the term of the patent.⁵⁴⁷ Anything that is not specifically and definitely claimed is disclaimed.⁵⁴⁸

13.14.2 Statutory provisions for internal requirements for patent specifications

Section 40 says nothing about the nature of patentable subject matter but sets out the internal requirements for provisional and complete patent specifications.⁵⁴⁹ Section 40(1) provides that a provisional specification must describe the invention.⁵⁵⁰ Section 40(2) provides that the complete specification must:

- (a) describe the invention fully, including the best method known to the applicant of performing the invention;⁵⁵¹ and
- (b) where it relates to an application for a standard patent – end with a claim or claims defining the invention;⁵⁵² and
- (c) where it relates to an application for an innovation patent – end with at least one and no more than five claims defining the invention.⁵⁵³

Section 40(3) provides specific requirements for the claims. First, they must be clear and succinct. Secondly, they must be fairly based on the matter described in the specification.⁵⁵⁴ This includes both claims as filed and amended claims.⁵⁵⁵

Section 40(4) provides that the claim or claims must relate to one invention only.⁵⁵⁶ Special provisions in s 41 apply in relation to compliance with s 40(2)(a) where the invention is a micro-organism.⁵⁵⁷

13.14.3 Construction of specification for s 40 purposes

A patent specification is a public instrument that describes and defines monopoly rights and is not an instrument that operates *inter partes*.⁵⁵⁸ Hence, courts have

546 *Lockwood Security Products Pty Ltd v Doric Products Pty Ltd* (2004) 217 CLR 274, 290.

547 *Ibid* 290.

548 *Walker v Alemite Corporation* (1933) 49 CLR 643, 656 citing *Fellows v Thomas William Lench Ltd* (1917) 34 RPC 45, 55 (Lord Parker).

549 *Patents Act 1990* (Cth).

550 *Patents Act 1990* (Cth) s 40(1); *Patents Regulations 1991* (Cth) reg 3.2.

551 *Patents Act 1990* (Cth) s 40(2)(a).

552 *Patents Act 1990* (Cth) s 40(2)(b).

553 *Patents Act 1990* (Cth) s 40(2)(c). The words 'defining the invention' were added by sch 9 of the *Intellectual Property Laws Amendment Act 2006* (Cth) and apply to complete specifications relating to applications for innovation patents filed before, on or after 28 September 2006.

554 *Patents Act 1990* (Cth) s 40(3).

555 *Kyowa's Application (No 1)* [1968] RPC 101; *Root Quality Pty Ltd v Root Control Technologies Pty Ltd* (2000) 49 IPR 225, 251.

556 *Patents Act 1990* (Cth) s 40(4).

557 *Patents Act 1990* (Cth) s 41.

558 *Kimberley-Clark Australia Pty Ltd v Arico Trading International Pty Ltd* (2001) 207 CLR 1, 19; *Welch Perrin & Co Pty Ltd v Worrel* (1961) 106 CLR 588, 610.

developed general principles of construction of specifications to take this special nature of a patent into account.⁵⁵⁹ These principles apply in relation to each of the distinct grounds in s 40.⁵⁶⁰ However, some further general principles of construction of s 40 can be identified from the case law. First, the term ‘complete specification’ in s 40 includes both the claims and the matter that precedes them.⁵⁶¹ Secondly, the term ‘invention’ has been construed in the context of s 40(2) to mean ‘the embodiment which is described and around which the claims are drawn’.⁵⁶² This term also appears in all other subsections of s 40 other than s 40(3). While no case has considered its meaning in either s 40(1)⁵⁶³ or s 40(4), the context suggests that it should have a common meaning throughout the section.

13.14.4 Stages for consideration of s 40 requirements

The Commissioner must report on compliance with s 40 in the report on examination of a standard patent.⁵⁶⁴ While all the requirements of s 40 are considered at examination, only failure to comply with s 40(2) or (3) are grounds for opposition⁵⁶⁵ and for revocation of a patent.⁵⁶⁶ Hence, the requirement that the claims relate to one invention only is not considered after examination and acceptance of the request and specification. Fair basing of claims can also be considered when a complete specification is amended⁵⁶⁷ and for purposes of determining its priority date.⁵⁶⁸

13.14.5 The relationship of s 40 and other grounds of invalidity

It is possible for a patent to be successfully challenged on a s 40 point such as fair basis, even though all other grounds of invalidity, such as novelty, obviousness or full description of the invention, may fail. As a general principle, the court in *Lockwood Security Products Pty Ltd v Doric Products Pty Ltd*⁵⁶⁹ held that it is wrong to employ reasoning relevant to one ground of invalidity in considering another.⁵⁷⁰ However, this may not apply where the court considers the two aspects

559 See ch 15 at 15.2.

560 *Lockwood Security Products Pty Ltd v Doric Products Pty Ltd* (2004) 217 CLR 274, 292–3; *Welch Perrin & Co Pty Ltd v Worrel* (1961) 106 CLR 588, 610.

561 *Kimberley-Clark Australia Pty Ltd v Arico Trading International Pty Ltd* (2001) 207 CLR 1, 12.

562 *Ibid* 14–15; *Lockwood Security Products Pty Ltd v Doric Products Pty Ltd* (2004) 217 CLR 274, 293–4; the same meaning was applied to the equivalent section in the *Patents Act 1952* (Cth) s 40(1), by McTiernan J in *AMP Inc v Utilux Pty Ltd* (1971) 45 ALJR 123, 127.

563 The reference to s 40(1) by the High Court in *Lockwood Security Products Pty Ltd v Doric Products Pty Ltd* (2004) 217 CLR 274, 293–4, is an error, as McTiernan J in *AMP Inc v Utilux Pty Ltd* (1971) 45 ALJR 123 was dealing with s 40(1) of the *Patents Act 1952* (Cth), the counterpart of the s 40(2) in *Patents Act 1990* (Cth). The High Court in *Kimberley-Clark Australia Pty Ltd v Arico Trading International Pty Ltd* (2001) 207 CLR 1, 14–15, applied the same meaning to s 40(2) of the *Patents Act 1990* (Cth).

564 *Patents Act 1990* (Cth) s 45(1).

565 *Patents Act 1990* (Cth) s 59(c).

566 *Patents Act 1990* (Cth) s 138(3)(f).

567 *Patents Act 1990* (Cth) s 102(1).

568 *Patents Act 1990* (Cth) ss 43(2)(b), 43(5); *Patents Regulations 1991* (Cth) reg 3.12.

569 (2004) 217 CLR 274, 289.

570 *Ibid* 290.

of sufficiency of description that are contained in s 40(2)(a).⁵⁷¹ Certain matters of fact and construction may be relevant to more than one issue, but all the grounds of invalidity themselves are, and must be kept, conceptually distinct. Hence, s 18 issues, such as inventiveness, have no relevance in construing s 40 grounds of invalidity, each of which in itself is conceptually distinct from the other.⁵⁷²

13.14.6 Provisional specification must describe invention: s 40(1)

The provisional specification must describe generally and fairly the nature of the invention to protect an inventor until the time of filing the final specification.⁵⁷³ This is not intended to be a complete description of the invention, and does not require disclosure of the best method of performance of the invention. The system contemplates that some improvement and perfection of the invention may occur during the provisional period of protection and provides an opportunity to express the invention precisely in the complete specification.⁵⁷⁴

Filing the provisional specification provides a priority date for the matter that is described.⁵⁷⁵ A provisional specification may describe more than one invention⁵⁷⁶ whereas the complete specification is for one invention only. There is no requirement for the claims of the patent to appear in the provisional specification.⁵⁷⁷

13.14.7 Complete specification must provide sufficient description and best method of performance: s 40(2)

The complete specification must describe the invention fully, including the best method known to the applicant of performing the invention. It is the invention, and not the prior art, that is the focus of this requirement for a full explanation. It is not necessary for the specification to identify the inventive step or the advance in the art.⁵⁷⁸ In fact, this may be an impossible task.⁵⁷⁹ The persons with whom s 40(2) is concerned are the skilled addressees who need to know what the claimed invention is and how it might work, so that they can decide whether to seek a licence or wait until the expiry of the patent.⁵⁸⁰

571 *Pfizer Overseas Pharmaceuticals v Eli Lilly & Co* (2005) 68 IPR 1, 72–3.

572 *Lockwood Security Products Pty Ltd v Doric Products Pty Ltd* (2004) 217 CLR 274, 290–3.

573 *Patents Act 1990* (Cth) s 40(1).

574 *Anaesthetic Supplies Pty Ltd v Rescare Ltd* (1994) 50 FCR 1, 20 (Lockhart J, Wilcox J concurring) approving *Rehm Pty Ltd v Websters Security Systems (International) Pty Ltd* (1988) 11 IPR 289, 302–5.

575 *Patents Act 1990* (Cth) s 43(2); *Patents Regulations 1991* (Cth) reg 3.12(2). See ch 12 at [12.11](#).

576 *Coopers Animal Health Australia Ltd v Western Stock Distributors Pty Ltd* (1987) 15 FCR 382, 400 (Beaumont J).

577 *Sartas No 1 Pty Ltd v Koukourou & Partners Pty Ltd* (1994) 30 IPR 479, 496–7 (Gummow J).

578 *Lockwood Security Products Pty Ltd v Doric Products Pty Ltd* (2005) 226 ALR 70, 112–13; *Winner v Ammar Holdings Pty Ltd* (1993) 41 FCR 205, 217 (Davies J, Morling J concurring); *Grove Hill Pty Ltd v Great Western Corporation Pty Ltd* (2002) 55 IPR 257, 302 (Dowsett J).

579 *British United Shoe Machinery Co Ltd v A Fussell & Sons Ltd* (1908) 25 RPC 631, 652.

580 *Lockwood Security Products Pty Ltd v Doric Products Pty Ltd* (2005) 226 ALR 70, 112.

The first element in s 40(2)(a) is that the complete specification must describe the invention fully. This limb imports the requirement for sufficiency of description.⁵⁸¹ The High Court held in *Kimberley-Clark Australia Pty Ltd v Arico Trading International Pty Ltd*⁵⁸² that the assessment of sufficiency is made by reference to the terms of the patent as granted.⁵⁸³ This requires reference to the whole document, namely the body, any illustrations and the claims of the specification.⁵⁸⁴ The specification is construed according to well-settled principles and in light of the common general knowledge and the art before the priority date.⁵⁸⁵ In so doing, the court must place itself ‘in the position of some person acquainted with the surrounding circumstances as to the state of [the] art and manufacture at the time’.⁵⁸⁶ The issue of whether it is a ‘patentable invention’ is irrelevant to the application of s 40(2)(a).⁵⁸⁷

Questions of sufficiency of instruction are a pure question of fact to be determined generally by the evidence of addressees of the specification⁵⁸⁸ who will not necessarily equate to the skilled addressee for the purposes of obviousness. For example, the hypothetical skilled person for inventive step assessment of a patent for treatment of impotence in men was constituted by a research team that would include a pharmacologist, a chemist with experience in drug discovery and development (a medicinal chemist) and a medical practitioner experienced in the treatment of impotence.⁵⁸⁹ However, Heerey J considered that the medical practitioner might not be a member of the team for the purposes of assessing the sufficiency of description of the invention.⁵⁹⁰

The specification must disclose the method of carrying out the invention and not merely the result to be obtained.⁵⁹¹ A specification will describe the invention fully if the disclosure ‘will enable the addressee of the specification to produce something within each claim without new inventions or additions or prolonged study of matters presenting initial difficulty’.⁵⁹² The reference to ‘something’ has been explained by Branson J in *E I Dupont de Nemours & Co v Imperial Chemical Industries plc*⁵⁹³ to mean ‘something constituting an invention’. There is no requirement that this ‘something’ must be the best method known to the patentee

581 *Pfizer Overseas Pharmaceuticals v Eli Lilly & Co* (2005) 68 IPR 1, 69 (French, Lindgren JJ).

582 (2001) 207 CLR 1.

583 *Ibid* 7; *Pfizer Overseas Pharmaceuticals v Eli Lilly & Co* (2005) 68 IPR 1, 73.

584 *Kimberley-Clark Australia Pty Ltd v Arico Trading International Pty Ltd* (2001) 207 CLR 1, 12–13; *AMP Inc v Utilux Pty Ltd* (1971) 45 ALJR 123, 127 (McTiernan J); *Lockwood Security Products Pty Ltd v Doric Products Pty Ltd* (2004) 217 CLR 274, 292–3.

585 *Pfizer Overseas Pharmaceuticals v Eli Lilly & Co* (2005) 68 IPR 1, 70.

586 *Kimberley-Clark Australia Pty Ltd v Arico Trading International Pty Ltd* (2001) 207 CLR 1, 16. See ch 15 at 15.2.

587 *Lockwood Security Products Pty Ltd v Doric Products Pty Ltd* (2004) 217 CLR 294, 290, 302.

588 *NV Philips Gloeilampenfabrieken v Mirabella International Pty Ltd* (1993) 44 FCR 239, 260; *British Dynamite Co v Krebs* (1896) 13 RPC 190, 192.

589 *Eli Lilly & Co v Pfizer Overseas Pharmaceuticals* (2005) 64 IPR 506, 526.

590 *Ibid* 538.

591 *NV Philips Gloeilampenfabrieken v Mirabella International Pty Ltd* (1993) 44 FCR 239, 261; *No-Fume Ltd v Frank Pitchford & Co Ltd* (1935) 52 RPC 231.

592 *Lockwood Security Products Pty Ltd v Doric Products Pty Ltd* (2004) 217 CLR 274, 297; *Kimberley-Clark Australia Pty Ltd v Arico Trading International Pty Ltd* (2001) 207 CLR 1, 17.

593 (2002) 54 IPR 304, 334.

at the priority date for performing the invention.⁵⁹⁴ The skilled person is taken to be trying to make an invention work. If he realises that one method will work and the other will not, the description in the specification is not insufficient because it is broad enough to encompass both methods.⁵⁹⁵ When the invention involves the application of a new principle to achieve a new thing or result, all means by which the thing or result may be achieved can be claimed.⁵⁹⁶ However, there is no need to disclose all alternative means for making the invention.⁵⁹⁷

As the specification is addressed to the hypothetical skilled person who is acquainted with the common general knowledge and surrounding circumstances as to the state of the art and manufacture before the priority date, it is unnecessary to provide the 'wealth of detail'⁵⁹⁸ that may be necessary to instruct a reader who knew nothing of the prior art.⁵⁹⁹ A description will be sufficient even if there are omissions or errors, provided that the skilled person can rectify them without the exercise of any inventive faculty, prolonged research, inquiry or experiment.⁶⁰⁰ However, the patentee must not impose the burden of research and experiment upon skilled persons who wish to perform the invention.⁶⁰¹

The obligation under s 40(2)(a) also includes disclosure of the best method known to the applicant as at the date of filing the complete specification⁶⁰² as to how to carry out the invention.⁶⁰³ The rationale underlying this requirement lies in the obligation of good faith.⁶⁰⁴ The public is to be protected against a patentee gaining the benefit of a monopoly without providing the appropriate consideration through deliberate non-disclosure of something new or unpublished that would give the best results.⁶⁰⁵ However, a failure to disclose the best method known on that date can be overcome by later amendment of the specification.⁶⁰⁶ The obligation to provide the best method known to the applicant of performing the invention is necessarily determined subjectively by reference to the knowledge of the applicant. The disclosure itself is usually satisfied through the inclusion in the specification of one or more preferred embodiments of the invention. Where more than one method is disclosed, there is no need to identify

594 *Pfizer Overseas Pharmaceuticals v Eli Lilly & Co* (2005) 68 IPR 1, 73.

595 *Kirin-Amgen Inc v Hoechst Marion Roussel Ltd* [2005] RPC 169, 205; *British Thomson-Houston Co Ltd v Corona Lamp Works Ltd* (1922) 39 RPC 49, 89.

596 *Lockwood Security Products Pty Ltd v Doric Products Pty Ltd* (2004) 217 CLR 274, 297; *Shave v HV McKay Massey Harris Pty Ltd* (1935) 52 CLR 701, 709.

597 *Lockwood Security Products Pty Ltd v Doric Products Pty Ltd* (2004) 217 CLR 274, 297; *Kimberley-Clark Australia Pty Ltd v Arico Trading International Pty Ltd* (2001) 207 CLR 1.

598 *No-Fume Ltd v Frank Pitchford & Co Ltd* (1935) 52 RPC 231, 243 (Romer LJ).

599 *Kimberley-Clark Australia Pty Ltd v Arico Trading International Pty Ltd* (2001) 207 CLR 1, 16; *No-Fume Ltd v Frank Pitchford & Co Ltd* (1935) 52 RPC 231, 243 (Romer LJ).

600 *No-Fume Ltd v Frank Pitchford & Co Ltd* (1935) 52 RPC 231, 243 (Romer LJ); *Valensi v British Radio Corporation Ltd (No 1)* [1972] FSR 273, 310.

601 *Vidal Dyes Syndicate Ltd v Levinstein Ltd* (1912) 29 RPC 245.

602 *Pfizer Overseas Pharmaceuticals v Eli Lilly & Co* (2005) 68 IPR 1, 77–8; *Rescare Ltd v Anaesthetic Supplies Pty Ltd* (1992) 25 IPR 119, 134–5.

603 *Kimberley-Clark Australia Pty Ltd v Arico Trading International Pty Ltd* (2001) 207 CLR 1, 14–15.

604 *Firebelt Pty Ltd v Brambles Australia Ltd* (2000) 51 IPR 531, 543–4.

605 *Ibid* 544; *Kimberley-Clark Australia Pty Ltd v Arico Trading International Pty Ltd* (2001) 207 CLR 1, 16–17.

606 *Pfizer Overseas Pharmaceuticals v Eli Lilly & Co* (2005) 68 IPR 1, 78.

which method is the best method known to the patentee.⁶⁰⁷ The means used to convey the method will differ according to the technology involved but will often involve reference to drawings of specific mechanisms.⁶⁰⁸

Although the obligation to describe the invention fully arises on the filing of the specification, sufficiency of that description will not be determined until examination, opposition or in revocation proceedings. Hence, the specification that is construed for the purpose of assessment of sufficiency may be in the form in which it was filed, as amended in response to an examiner's report, or as finally granted.⁶⁰⁹

The same applies to the disclosure of the best method of performing the invention. There is a distinction between the date at which the best method must be identified (the date of filing) and the date by which the specification must include a full disclosure of it.⁶¹⁰ The regime for amendment of specifications may allow the best method disclosed at the filing date to be amended subsequently, and it is that amended specification that is construed for its adequacy of description.⁶¹¹ Therefore, it may be that failure to disclose the best method on filing, or to describe the invention fully, can be remedied by later amendment.

When it comes to construing the specification, there is a difference between the date at which to identify the relevant form of specification which is to be construed for assessment of sufficiency and the date at which that specification is construed.⁶¹² In the case of a granted patent, it seems that the correct approach should be to assess the specification in its form at the date of grant but to construe that specification at its priority date and in the light of the common general knowledge and the art before the priority date.⁶¹³ This would mean that the common general knowledge and prior art that the skilled addressee could take into account is that which existed before the priority date.⁶¹⁴ In contrast, the patentee's knowledge of the best method is determined subjectively at the filing date.

13.14.8 End with claims defining invention: s 40(2)(b), (c)

Where the application relates to a standard patent, the complete specification must end with a claim or claims defining the invention.⁶¹⁵ In the case of an

607 *Eli Lilly & Co v Pfizer Overseas Pharmaceuticals* (2005) 64 IPR 506, 542; *C Van der Lely NV v Ruston's Engineering Co Ltd* [1993] RPC 45, 56.

608 *Firebelt Pty Ltd v Brambles Australia Ltd* (2000) 51 IPR 531, 544.

609 *Patents Act 1990* (Cth) s 102; Dictionary definition of 'complete specification'; *Eli Lilly & Co v Pfizer Overseas Pharmaceuticals* (2005) 64 IPR 506, 538; *Pfizer Overseas Pharmaceuticals v Eli Lilly & Co* (2005) 68 IPR 1, 71, 73; *Kimberley-Clark Australia Pty Ltd v Arico Trading International Pty Ltd* (2001) 207 CLR 1.

610 *Pfizer Overseas Pharmaceuticals v Eli Lilly & Co* (2005) 68 IPR 1, 77.

611 *Ibid* 80.

612 A. L. Monotti, 'Sufficiency of description: At what time is adequacy to be considered?' (2005) 16 *AIPJ* 152, 153-7.

613 *Kimberley-Clark Australia Pty Ltd v Arico Trading International Pty Ltd* (2001) 207 CLR 1, 19.

614 *Cf Eli Lilly & Co v Pfizer Overseas Pharmaceuticals* (2005) 64 IPR 506, 538.

615 *Pharmacia Italia SPA v Mayne Pharma Pty Ltd* (2005) 66 IPR 84, 90.

innovation patent, it must end with at least one and no more than five claims that define the invention.⁶¹⁶

13.14.9 Claims must be clear and succinct: s 40(3)

Section 40(3) focuses upon the claims in the specification which define the scope of the invention, and requires them to be clear and succinct and fairly based on the matter described in the specification. Often referred to as the question of ambiguity, the requirement that claims are ‘clear and succinct’ means that they must ‘define clearly and with precision the monopoly claimed, so that others may know the exact boundaries of the area within which they will be trespassers’.⁶¹⁷ The claims will not be clear and succinct if any inherent uncertainty makes it difficult for the skilled addressee to be satisfied that any proposed actions could be performed without infringing the patent.⁶¹⁸ Hence, there will be ambiguity if a person can only determine whether he will infringe the patent by actual experiment with the completed article.⁶¹⁹ On the other hand, this does not mean that the need to experiment to determine the scope of the invention will inevitably render the claim void for ambiguity. This is a matter of degree.⁶²⁰ Lack of precise definition is not fatal to the validity of a claim, as long as it provides a workable standard suitable for the intended use.⁶²¹

An assessment of whether claims are clear and succinct is conducted after the claims are construed according to the well-known principles.⁶²² The court attempts to find a clear meaning that will afford protection for the invention that the patentee has in good faith invented, rather than find the patent void on a technicality.⁶²³ Invalidity will only arise if the claim is ‘incapable of resolution by a skilled addressee by the application of common sense and common knowledge’.⁶²⁴ Any ambiguity can be overcome by amendments, provided that they do not ‘claim matter not in substance disclosed in the specification as filed’.⁶²⁵

616 *Patents Act 1990* (Cth) s 40(2) (b–c). See 13.14.2.

617 *Martin v Scribal Pty Ltd* (1954) 92 CLR 17, 102–3 (Taylor J); *Electric & Musical Industries Ltd v Lissen Ltd* [1938] 4 All ER 221, 224; *No-Fume Ltd v Frank Pitchford & Co Ltd* (1935) 52 RPC 231.

618 *Glaverbel SA v British Coal Corporation* [1994] RPC 443, 495; *Orica Australia Pty Ltd v Dyno Nobel Inc* (2003) 57 IPR 545.

619 *No-Fume Ltd v Frank Pitchford & Co Ltd* (1935) 52 RPC 231, 37 (Luxmoore J); *Martin v Scribal Pty Ltd* (1954) 92 CLR 17, 59 (Dixon CJ).

620 *No-Fume Ltd v Frank Pitchford & Co Ltd* (1935) 52 RPC 231.

621 *Minnesota Mining & Manufacturing Co v Beiersdorf (Australia) Ltd* (1980) 144 CLR 253, 274; *Stanway Oyster Cylinders Pty Ltd v Marks* (1996) 66 FCR 577; *Flexible Steel Lacing Co v Beltreco Ltd* (2000) 49 IPR 331, 349.

622 *Kimberley-Clark Australia Pty Ltd v Arico Trading International Pty Ltd* (2001) 207 CLR 1, 12; *Welch Perrin & Co Pty Ltd v Worrel* (1961) 106 CLR 588, 610; *Interlego AG v Toltoys Pty Ltd* (1973) 130 CLR 461, 479. See ch 15 at 15.2.

623 *Elconnex Pty Ltd v Gerard Industries Pty Ltd* (1991) 32 FCR 491, 513–14; *Tye-Sil Corp Ltd v Diversified Products Corp* (1991) 20 IPR 574, 585; *Martin v Scribal Pty Ltd* (1954) 92 CLR 17, 102–3 (Taylor J).

624 *Innovative Agricultural Products Pty Ltd v Cranshaw* (1996) 35 IPR 643, 666; *PhotoCure ASA v Queen’s University at Kingston* (2005) 64 IPR 314, 347.

625 *Patents Act 1990* (Cth) s 102.

13.14.10 Claims must be fairly based: s 40(3)

The term ‘fairly based’ is used in s 40(3) to describe the relationship between the claims that define the invention and the matter described in the complete specification.⁶²⁶ The term is not concerned with ‘abstract fairness’ of the applicant’s conduct.⁶²⁷ If a particular result seems unfair, then it is for the legislature to make changes or for a remedy to be found under other heads of invalidity. Similarly, matters of whether the monopoly claimed would be ‘an undue reward for the disclosure’,⁶²⁸ ‘inventive step’, ‘merit’⁶²⁹ and ‘technical contribution to the art’⁶³⁰ are not relevant considerations.⁶³¹ In fact, there is no requirement to state what the inventive step is.⁶³² Although some pre-statutory decisions appeared to give support for consideration of such concepts, those decisions provide very limited assistance in the interpretation of express statutory provisions and must be treated with caution.⁶³³

Section 40(3) requires that claims be fairly based on ‘matter described in the specification’. The High Court in *Lockwood Security Products Pty Ltd v Doric Products Pty Ltd*⁶³⁴ considered that the context of s 40 suggests that these words implicitly refer to an ‘invention’ or an ‘alleged invention’, which term would bear the same meaning as applies to the other subsections in s 40: ‘the embodiment which is described, and around which the claims are drawn’.⁶³⁵ This is not just the preferred embodiment, but all matter that refers to an invention in the specification.⁶³⁶ The inquiry is into what the body of the specification read as a whole discloses as the invention.⁶³⁷ Common general knowledge may be relevant if it casts light on matters of construction, but otherwise only what is said about the invention in the specification itself is relevant for the purposes of this section.⁶³⁸ It is not merely verbal descriptions that are taken into account for this purpose. A claim may be fairly based upon matter contained in drawings that accompany the specification, even though there is no verbal description.⁶³⁹

The comparison is then made between the language in the claims and what is described in the specification to ascertain:

626 *Lockwood Security Products Pty Ltd v Doric Products Pty Ltd* (2004) 217 CLR 274, 293–4. See A. J. McBratney, ‘The Problem Child in Australian Patent law: “Fair” Basing’ (2001) *AIPJ* 21.

627 *Lockwood Security Products Pty Ltd v Doric Products Pty Ltd* (2004) 217 CLR 274, 309; *CCOM Pty Ltd v Jiejing Pty Ltd* (1994) 51 FCR 260, 272.

628 *Olin Corporation v Super Cartridge Co Pty Ltd* (1977) 180 CLR 236, 240.

629 Derived from *Mullard Radio Valve Co Ltd v Philco Radio & Television Corporation of Great Britain Ltd* (1936) 53 RPC 323, 347.

630 *Biogen Inc v Medeva plc* [1997] RPC 1.

631 *Lockwood Security Products Pty Ltd v Doric Products Pty Ltd* (2004) 217 CLR 274, 290–1, 293–4.

632 *Rose Holdings Pty Ltd v Carlton Shuttlecocks Ltd* (1957) 98 CLR 444, 449.

633 *Lockwood Security Products Pty Ltd v Doric Products Pty Ltd* (2004) 217 CLR 274, 294–6; *Olin Corporation v Super Cartridge Co Pty Ltd* (1977) 180 CLR 236, 240; *Kimberley-Clark Australia Pty Ltd v Arico Trading International Pty Ltd* (2001) 207 CLR 1, 11.

634 (2004) 217 CLR 274, 293–4.

635 *Ibid.*

636 *Lockwood Security Products Pty Ltd v Doric Products Pty Ltd* (2004) 217 CLR 274, 303–4.

637 *Ibid* 301–02, 310; *Welch Perrin & Co Pty Ltd v Worrel* (1961) 106 CLR 588, 612–13.

638 *Lockwood Security Products Pty Ltd v Doric Products Pty Ltd* (2004) 217 CLR 274, 302.

639 *Societe des Usines Chimiques Rhone-Poulenc v Commission of Patents* (1958) 100 CLR 5, 11 (Fullagar J); *CCOM Pty Ltd v Jiejing Pty Ltd* (1994) 51 FCR 260, 280; *Halsbury’s Laws of England*, 4th ed, vol 35, [450 fn 5]; *Leonardis v Sartas No 1 Pty Ltd* (1996) 67 FCR 126.

whether there is a real and reasonably clear disclosure in the body of the specification of what is then claimed, so that the alleged invention as claimed is broadly, that is to say in a general sense, described in the body of the specification.⁶⁴⁰

In making the comparison with the claims, the High Court confirmed that it is wrong to adopt an ‘over meticulous verbal analysis’.⁶⁴¹ The approach does not require correspondence of essential integers in both the claim and the specification. Rather, a claim is not fairly based if the invention claimed is wider or more extensive than that which is described in the specification.⁶⁴² It must not ‘travel beyond the matter disclosed in the specification’.⁶⁴³ The law allows claims to be drafted that are narrower than the subject matter described in the specification.⁶⁴⁴

13.14.11 Consistory clause and fair basing

It is common drafting practice to base the first and broadest claim on what is cast as a ‘consistory clause’ in the body of the specification.⁶⁴⁵ A consistory clause is a ‘general description of what the invention is said to consist’.⁶⁴⁶ It is not an essential part of the specification and is not required by the *Patents Act 1990* (Cth). Often there is minimal difference in the wording of the consistory clause and that of the first claim, and it is clear that this coincidence of language and mere assertion is insufficient disclosure on its own to satisfy s 40(3) requirements for fair basis. The inquiry is into what the body of the specification read as a whole discloses as the invention.

The High Court in *Lockwood Security Products Pty Ltd v Doric Products Pty Ltd* (2004) 217 CLR 274 has clarified that the consistory clause is to be considered, not in isolation, but with the rest of the specification. Hence, a claim that is based upon the consistory clause will be fairly based only if the specification, when read as a whole, corresponds with that consistory clause, and therefore with the claim. The claim will not be fairly based if other parts of the specification show that the invention has a narrower scope than is asserted in the consistory clause.⁶⁴⁷ In *Atlantis Corporation Pty Ltd v Schindler*,⁶⁴⁸ the specification when read as a whole described an invention that was limited to use as a sub-soil drainage system. The consistory clause and the claims had no such limitation as to use. Hence, the

640 *Lockwood Security Products Pty Ltd v Doric Products Pty Ltd* (2004) 217 CLR 274, 300–1; *Rehm Pty Ltd v Websters Security Systems (International) Pty Ltd* (1988) 11 IPR 289, 304.

641 *CCOM Pty Ltd v Jiejing Pty Ltd* (1994) 51 FCR 260, 281.

642 *Olin Corporation v Super Cartridge Co Pty Ltd* (1977) 180 CLR 236, 250–1; *Sami S Svendsen Incorporated v Independent Products Canada Ltd* (1968) 119 CLR 156, 165.

643 *Olin Corporation v Super Cartridge Co Pty Ltd* (1977) 180 CLR 236, 240. *Kimberley-Clark Australia Pty Ltd v Arico Trading International Pty Ltd* (2001) 207 CLR 1, 12.

644 *Shave v HV McKay Massey Harris Pty Ltd* (1935) 52 CLR 701, 709; *AMP Inc v Commissioner of Patents* (1974) 48 ALRJ 278, 281. See also *Grove Hill Pty Ltd v Great Western Corporation Pty Ltd* (2002) 55 IPR 257, 344.

645 *Welch Perrin & Co Pty Ltd v Worrel* (1961) 106 CLR 588, 612.

646 *Lockwood Security Products Pty Ltd v Doric Products Pty Ltd* (2004) 217 CLR 274, 282.

647 *Lockwood Security Products Pty Ltd v Doric Products Pty Ltd* (2004) 217 CLR 274, 310; *Atlantis Corporation Pty Ltd v Schindler* (1997) 39 IPR 29.

648 (1997) 39 IPR 29.

Full Court held that the claims travelled beyond and were not fairly based on the matter described in the specification.⁶⁴⁹

13.14.12 Comparison with fair basis assessment: priority dates

The term 'fairly based' is used to serve two different functions in the *Patents Act 1990* (Cth). The first is to ensure that a claim is no wider than is warranted by the disclosure in the body of the specification.⁶⁵⁰ The second is the priority function that was discussed in chapter 12. Despite the different functions that fair basis performs, the courts have applied similar considerations in similar language to express the tests for fair basis in both contexts.⁶⁵¹ Nevertheless, the application of the tests for the purposes of determining the relevant priority date for a claim cannot be completely analogous to the s 40(3) analysis because the nature of the disclosures or descriptions is different. The s 40(3) requirement for fair basis requires comparison between subject matter contained in the one complete specification. On the other hand, the priority date function of fair basis requires comparison between two documents that serve different purposes: a provisional and a complete specification. Section 40(1) requires that the provisional specification describes the invention⁶⁵² whereas s 40(2)(a) requires that the complete specification describe the invention fully including the best method of its performance. Therefore, the *Patents Act 1990* (Cth) contemplates that the description in the provisional is less sophisticated.⁶⁵³ The description in the provisional is not meant to be a complete description: rather it is a fair disclosure of the invention, though it is recognised that this may be in a rough state.⁶⁵⁴

13.14.13 Claims must relate to one invention only: s 40(4)

The requirement that a complete specification must relate to one invention only is considered at examination.⁶⁵⁵ It is not a ground of opposition, it cannot be the subject of re-examination and it is not available as a ground for revocation. Hence, if the fact that more than one invention is claimed in a specification is not detected at examination and prior to acceptance, it is possible that a patent may be granted where more than one invention is claimed.⁶⁵⁶ The likely consequence is that there will be construction difficulties because it may not be possible to find one general principle that applies to all claims.⁶⁵⁷

649 *Atlantis Corporation Pty Ltd v Schindler* (1997) 39 IPR 29, 50 (Wilcox, Lindgren JJ).

650 *Patents Act 1990* (Cth) s 40(3); *CCOM Pty Ltd v Jiejing Pty Ltd* (1994) 51 FCR 260, 276.

651 *CCOM Pty Ltd v Jiejing Pty Ltd* (1994) 51 FCR 260, 280–1; *Rehm Pty Ltd v Websters Security Systems (International) Pty Ltd* (1988) 11 IPR 289, 304. See ch 12 at 12.11.4.

652 *Patents Regulations 1991* (Cth) reg 3.12(1)(b).

653 *Anaesthetic Supplies Pty Ltd v Rescare Ltd* (1994) 50 FCR 1, 20.

654 *Ibid.*

655 *Patents Act 1990* (Cth) s 45(1)(a).

656 *Illinois Tool Works Incorporated v Autobars Company (Services) Ltd* [1972] FSR 67, 69.

657 *Ibid.*

13.15 Deposit requirements for micro-organisms

13.15.1 General provisions

As we saw above, a complete specification must describe the invention fully, including the best method known to the applicant of performing the invention.⁶⁵⁸ In the case of an invention that is a micro-organism, the description may be in words or by means of deposit of a sample. Examples of micro-organisms include bacteria, algae, viruses, DNA, genes and chromosomes.⁶⁵⁹ Australia acceded to the *Budapest Treaty on the International Recognition of the Deposit of Micro-organisms 1977* (the 'Budapest Treaty') on 7 July 1987, having made this possible through amendments introduced into the *Patents Act 1952* (Cth) by the *Patents Amendment Bill 1984* (Cth) and *Patents Regulations (Amendment) 1987* (Cth). The treaty establishes a system that requires the deposit with a prescribed International Depository Institution (IDI) of a sample of certain inventions that are micro-organisms.⁶⁶⁰ A sample is necessary when it is impossible to fully describe the invention in words and its preparation from the words is not repeatable.⁶⁶¹

The complete specification is taken to comply with s 40(2)(a) so far as it requires a description of the invention, if the deposit requirements are satisfied in relation to the micro-organism.⁶⁶² There is no requirement for the deposit to be made in Australia. In fact, although there is an IDI in Australia, most depositories are in other countries. The *Patents Act 1990* (Cth) also makes specific provision for the full description of an invention that involves the use, modification or cultivation of a micro-organism which is not reasonably available to a person skilled in the relevant art.⁶⁶³ If a person could not be reasonably expected to perform the invention without having a sample, it is necessary to comply with the deposit requirements in relation to this micro-organism.⁶⁶⁴ There is also provision for the deposit of the micro-organism if it was reasonably available at the date of filing the complete specification but subsequently ceases to be so available.⁶⁶⁵

Rule 11.3 of the *Budapest Treaty* deals with furnishing samples to persons legally entitled. In Australia, the circumstances in which a micro-organism sample can be obtained pursuant to certification from the Commissioner are set out in reg 3.25. One of these is where the person making the request has undertaken to use that micro-organism only for experimental purposes.⁶⁶⁶

658 *Patents Act 1990* (Cth) s 40(2)(a).

659 APO, *Manual*, ¶ 6.1.5 includes a list of examples of micro-organisms. This term is not defined in the *Patents Act 1990* (Cth) or the *Budapest Treaty*.

660 *Patents Act 1990* (Cth) ss 40(2)(a), 41, 42; *Patents Act 1952* (Cth) s 40(1)(a) (3–7).

661 APO, *Manual*, ¶ 6.3.1.1.

662 *Patents Act 1990* (Cth) ss 41(1), 6.

663 *Patents Act 1990* (Cth) s 41(3).

664 *Patents Act 1990* (Cth) ss 41(2), 6.

665 *Patents Act 1990* (Cth) s 42.

666 *Patents Regulations 1991* (Cth) reg 3.25(4)(c).

13.15.2 The meaning of ‘experimental purposes’

The scheme of the *Patents Amendment Act 1984* (Cth) and *Patents Regulations (Amendment) 1987* No 78 (Cth) introduced the requirement for samples to be furnished for use for experimental purposes. The reason for this express reference to ‘experimental purposes’ is evident from the following extract from the second reading speech in support of the Patents Amendment Bill 1984 (Cth):

The essence of this Bill is to complement the existing requirement of a full description by also requiring deposit, with a prescribed depository institution, of patent strains of micro-organisms which are not reasonably available. . . . As a result of the amendments, Australian industry will be guaranteed access to strains of all micro-organisms used in patent processes, just as access to information in written descriptions of inventions is guaranteed under the current law.⁶⁶⁷

As to the terms on which an applicant may gain access to the sample, a ‘fair balance’ was struck in the 1987 Regulations which included access to micro-organisms for experimental purposes.⁶⁶⁸ The Deputy Commissioner of Patents decided in *New York University v Nissin Molecular Biology Institute Inc*⁶⁶⁹ that ‘experimental purposes’ in reg 3.25(4)(c) should be construed analogously to those experimental uses of an invention that would not give rise to infringement of a patent.⁶⁷⁰ He also found that this term must refer to experimental purposes anywhere in the world.⁶⁷¹

667 The Hon Barry Jones, Minister for Science and Technology.

668 A. Monotti, ‘Limitations on the scope of a patentee’s exclusive rights in the context of third party experimental uses’ (2006) 29(2) *UNSW Law J* 63.

669 (1994) 29 IPR 173.

670 *Frearson v Loe* (1878) 9 Ch D 48; *New York University v Nissin Molecular Biology Institute Inc* (1994) 29 IPR 173, 178; *Monsanto Co v Stauffer Chemical Co (NZ) Ltd* [1984] FSR 559.

671 *New York University v Nissin Molecular Biology Institute Inc* (1994) 29 IPR 173, 180.

Patents for inventions: allocation of rights and ownership, the Register and dealings

The principal theme that emerges in all IP regimes is to vest ownership in the creator, but to vary this where creation is in the course of employment or pursuant to some other express contractual arrangement. The application process for obtaining the grant of a standard or innovation patent was described in chapter 12. In this chapter, we discuss a variety of matters that relate to the entitlement to apply and ownership, the allocation of rights, including the grant of interests in the Crown and compulsory licences, and the role of the Register.

14.1 Entitlement to apply

There may be a number of independent people or teams of people who are working on the same area of technology and who arrive at the same invention. All may satisfy the technical requirements that qualify them as ‘inventors’ who would be entitled to a grant of patent under s 15. However, priority for grant of a patent is given to the first of the inventors to complete the work and file for protection.¹ It is possible to have joint applications for a patent.²

There is no strict requirement of entitlement to apply, as was the position under both the *Patents Act 1903* (Cth)³ and the *Patents Act 1952* (Cth).⁴ This contrasts with the position under the *Plant Breeder’s Rights Act 1994* (Cth) (*PBRA*), for example, where the right to apply for PBR is vested in the breeder as personal property.⁵

¹ *Patents Act 1990* (Cth) ss 29, 3, 43.

² *Patents Act 1990* (Cth) s 31.

³ *Patents Act 1903* (Cth) s 32(3).

⁴ *Patents Act 1952* (Cth) s 34(1).

⁵ *Plant Breeder’s Rights Act 1994* (Cth) (*PBRA*) s 25.

The *Patents Act 1990* (Cth) focuses upon a person's entitlement to be granted the patent. A patent grant can be made only to an 'eligible person', who is a person within one of the following classes in s 15 of the Act, namely:

- (a) The inventor;
- (b) A person who would, on the grant of the patent, be entitled to have the patent assigned to that person;
- (c) A person who derives title to the invention from the inventor or the person mentioned above; or
- (d) The legal personal representative of any of the above persons.

The application for a standard patent will nominate the person to whom the patent is to be granted. The basis for this entitlement must be explained in a notice of entitlement which is filed before acceptance of the complete application.⁶ In the case of an innovation patent, the applicant makes an assertion as to entitlement to the invention in the patent request.

14.1.1 Criteria for inventorship

Under the *Statute of Monopolies*, the inventor could be the actual inventor or a person who introduces an invention into the country. The term 'true and first inventor' in s 6 reflected this broad concept of 'inventor' and the intention to 'encourage new devices useful to the kingdom; and whether learned by travel or study, it is the same thing'.⁷ A first importer of a new manufacture continued to have an entitlement to be granted a patent under UK patent law until the *Patents Act 1977* (UK) came into force on 1 June 1978.

Australian patent law has never recognised this wide concept of entitlement that would extend to first importation.⁸ The definition of 'actual inventor' in s 6 of the *Patents Act 1952* (Cth) expressly excluded a person who merely imports an invention from abroad. The meaning of 'inventor' in s 15 would mean the actual or 'real inventor'.⁹

It is critical to identify the inventor with certainty for three reasons. The first is to establish ownership of the patent, as all entitlement derives from the inventor.¹⁰ The second is to determine whether a grant is revocable on grounds that the patentee is not entitled to the patent.¹¹ A grant to a person who is not an inventor or whose entitlement does not stem from an inventor will invalidate the patent, even if other joint patentees are properly entitled to the grant.¹² The third reason to identify the inventor with certainty is to establish the persons who may be

⁶ *Patents Regulations 1991* (Cth) reg 3.1(2)(a).

⁷ *Edgeberry v Stephens* (1691) 1 WPC 35.

⁸ For the history of this concept, see: *Conor Medsystems Inc v The University of British Columbia (No 2)* (2006) 68 IPR 217, 219.

⁹ *Ibid* 222; *JMVB Enterprises Pty Ltd v Camoflag Pty Ltd* (2006) 70 IPR 77, 89–90.

¹⁰ *Patents Act 1990* (Cth) s 15(1).

¹¹ *Patents Act 1990* (Cth) s 138(3)(a).

¹² *Conor Medsystems Inc v The University of British Columbia (No 2)* (2006) 68 IPR 217, 223; *University of British Columbia v Conor Medsystems, Inc* (2006) 70 IPR 248.

entitled to claim some form of compensation where the patented invention is exploited commercially. This is often necessary because internal reward schemes may require the ‘inventor’ to be identified among possibly numerous researchers involved in a major research project. For example, many universities purport to claim ownership of all inventions that their employees create in the course of employment,¹³ but they share benefits from exploitation of inventions only with the ‘inventor’, ‘originator’ or ‘innovator’. Those benefits may take the form of a share of royalties or a share of stock entitlement in a start-up company that is established to exploit the invention.

Where it is difficult to find only one inventor among a number of individuals working on a research project, it is possible to have joint inventors and co-ownership of patents.¹⁴ However, not all people involved in a research project in which a patent is developed will necessarily be its inventors. So what distinguishes the inventor from others who collaborate in the research project? The common theme that emerges is that a person’s contribution must have a ‘material effect on the final concept of the invention’.¹⁵ It is not enough if X merely follows Y’s instructions in performing experiments.¹⁶ However, joint inventorship may arise when, in addition to following Y’s instructions in relation to Y’s final concept of the invention: (a) X solves a problem not recognised by Y; (b) X solves a recognised problem that Y could not solve; or (c) if X produces an advantage or result not contemplated by Y.¹⁷

The process to identify the inventors requires identification of the inventive concept in the patent or application followed by identification of those who contributed to the formulation of that inventive concept. Contribution to the claim without contributing to the inventive concept is not enough.¹⁸

Ultimately, while the principles are pronounced clearly and consistently in the decisions, difficulties arise in their application. Each case will require detailed analysis of the contributions of all relevant parties to the invention as described in the claims of the specification.¹⁹ While Australian patent law does not require inventors to keep a written daily record that is witnessed by a non-inventor who understands the technology, such a practice is the preferred method for providing evidence of who, among many, contributed to the final inventive concepts.

14.1.2 Entitled to have patent assigned to person on grant

This sub-section applies to any enforceable assignment of the rights to the invention for which the patent is to be granted. The criterion of entitlement to an

¹³ See A. L. Monotti, with S. Ricketson, *Universities and Intellectual Property: Ownership and Exploitation* (New York: Oxford University Press, 2003), ch 7.

¹⁴ *Patents Act 1990* (Cth) s 16(1)(a).

¹⁵ *JMVB Enterprises Pty Ltd v Camoflag Pty Ltd* (2005) 67 IPR 68, 93–4; *Harris v CSIRO* (1993) 26 IPR 469, 486, 488.

¹⁶ *Ibid* 476.

¹⁷ *Row Weeder Pty Ltd v Nielsen* (1997) 39 IPR 400, 406.

¹⁸ *University of Southampton’s Patent Applications* [2005] RPC 220, 234.

¹⁹ *JMVB Enterprises Pty Ltd v Camoflag Pty Ltd* (2005) 67 IPR 68, 93–4; *Kurtz v Spence* (1888) 5 RPC 161, 179 (ChD); *Harris v CSIRO* (1993) 26 IPR 469, 495; *University of British Columbia v Conor Medsystems Inc* (2006) 70 IPR 248.

assignment of the patent means that this sub-section applies to those cases in which the applicant is not the person entitled to be granted the patent. The principal cases will be those of employment, where the applicant is the employee inventor who is under an express or implied obligation to assign present or future inventions to his or her employer. Those rights are determined by the express terms of any contract of employment and the common law and equitable principles that govern the employment relationship.²⁰ It will also cover those cases where an applicant has agreed in writing to assign the patent, or a part interest in the patent, when granted.²¹ Such an agreement could arise either before or after the application is filed by the assignor. This provision dispenses with the need for an actual assignment of rights in the application before grant.

14.1.3 Derives title to invention from inventor

This entitlement may arise where there is an express or implied agreement for the inventor to assign present or future inventions to another person. An assignment of rights in the invention will transfer title to the invention, with the result that the transferee becomes the eligible person under s 15(1)(c) to the exclusion of the inventor.²² This assignment could arise before or after the invention is made, and either before²³ or after filing²⁴ an application for a patent.

Again, the most common circumstance will be that of employment, and will cover the case where the employer files the patent application for an employee invention or subsequently seeks amendment of the application. However, it is not restricted to employment relationships and can extend to any other circumstances where a person gains rights to the invention before grant.²⁵ A third party may acquire those rights either solely or together with the inventor through voluntary assignment or devolution of law, through collaborative effort²⁶ where no formal agreement was negotiated for ownership of any resulting inventions,²⁷ or through purchase or other agreement. An example of an implied assignment is where an inventor of an existing invention incorporates a company to develop and exploit that invention and files the patent application in the name of the company.²⁸

20 *Sterling Engineering Co Ltd v Patchett* [1955] AC 534, 543–4; *Triplex Safety Glass Co Ltd v Scorah* [1938] Ch 211; *Harris' Patent* [1985] RPC 19; *Staeng Limited's Patents* [1996] RPC 183. See J. Lahore, J. Garnsey and A. Duffy, *Patents Trade Marks and Related Rights* (Sydney, LexisNexis Butterworths, 2001) Vol 1, ¶ 22,017–22,050.

21 This was expressly provided in s 64 of the *Patents Act 1952* (Cth).

22 *Camilleri v Steel Foundations Ltd* [2002] QSC 397, ¶ 37; *Stack v Davies Shephard Pty Ltd* (2001) 108 FCR 422, 432.

23 *Speedy Gantry Hire Pty Ltd v Preston Erection Pty Ltd* (1998) 40 IPR 543, 548–9; *Preston Erection Pty Ltd v Speedy Gantry Hire Pty Ltd* (1998) 43 IPR 74, 81–2. As to an ineffective assignment, see *JMVB Enterprises Pty Ltd v Camoflag Pty Ltd* (2006) 70 IPR 77.

24 *Allaway v Lancome Investments Ltd* (2002) 58 IPR 346.

25 *Camilleri v Steel Foundations Ltd* [2002] QSC 397 (implied assignment). This sub-section is similar to s 34(1)(a) *Patents Act 1952* (Cth). The latter was added in 1960 primarily to cover employee inventions. See S. Ricketson, *The Law of Intellectual Property* (Sydney: Law Book Company, 1984), 882, ¶ 47.8.

26 *Re Application by CSIRO and Gilbert* (1995) 31 IPR 67, 72–3.

27 *Row Weeder Pty Ltd v Nielsen* (1997) 39 IPR 400, 408; *Re Application by CSIRO and Gilbert* (1995) 31 IPR 67, 72.

28 *Preston Erection Pty Ltd v Speedy Gantry Hire Pty Ltd* (1998) 43 IPR 74; see also *Camilleri v Steel Foundations Ltd* [2002] QSC 397.

As the sub-section speaks of deriving title to the invention, it would apply in cases where the assignee is the applicant or becomes an applicant after opposition or other proceedings.²⁹ It will also apply in the case where the Commissioner directs a change in the patent application to include the name of a person claiming under an assignment or agreement.³⁰

14.2 Ownership and co-ownership

Section 13(1) of the *Patents Act 1990* (Cth) gives the owner of the patent the exclusive right to exploit the invention and to authorise another person to do so. Section 13(2) provides that the exclusive rights are personal property and are capable of assignment and of devolution by law. These provisions comply with the obligations contained in art 28(2) of the *Agreement on Trade Related Aspects of Intellectual Property (TRIPS Agreement)*, which requires Member States to give patent owners the right to assign, or transfer by succession, the patent and to conclude licensing contracts.

14.2.1 The notion of co-ownership

Co-ownership can arise in a number of situations. It may arise when there are joint inventors who are entitled to own the IPR they create. For example, if two individual researchers each make an inventive contribution to a patentable invention, they will be co-owners of any patent that is granted upon their joint application. Co-ownership continues if each researcher assigns his or her respective rights to different third parties. In contrast, an assignment by both researchers to a common third party, such as a start-up company formed for the purpose of exploiting the patent, will result in sole ownership.

Co-ownership can also arise where X, the sole creator of a work or invention, deals with their invention in a way that splits ownership. For example, he or she may assign the rights to B and Z or assign a portion of the rights to B only. In the first case, B and Z are now co-owners of the invention, whereas in the second example, the co-owners are X and B.

14.2.2 Rights of co-owners

Where a patent is granted to two or more persons, and subject to any contrary agreement, they are each entitled to an equal undivided share in the patent.³¹ This means that they hold the patent as tenants in common in equal shares. Each is entitled to exploit the patent, by himself or his agents,³² for his own benefit

²⁹ *Patents Act 1990* (Cth) ss 59, 33. See also ss 34 & 35.

³⁰ *Patents Act 1990* (Cth) s 113.

³¹ *Patents Act 1990* (Cth) s 16(1)(a); *Young v Wilson* (1955) 72 RPC 351.

³² See *Henry Brothers (Magherafelt) Ltd v Ministry of Defence and Northern Ireland Office* [1999] RPC 442, 450.

and without the consent of the others.³³ The consent of the other co-owners is required to the grant of a licence under the patent or to the assignment or mortgage of a share in the patent.³⁴ The general purpose of these provisions 'is to permit what might be called domestic enjoyment . . . while not permitting large-scale commercial exploitation through the grant of licenses'.³⁵ A third party will infringe the patent if he or she exercises any of the patentee's exclusive rights to exploit the invention without the authorisation of all co-owners.³⁶

The *Patents Act 1990* (Cth) provides a degree of protection to purchasers (and those claiming through purchasers) from a co-owner of a patented product or a product of a patented process. The purchaser and those claiming through him can deal with the product as if it had been sold by all patentees.³⁷ The provisions of s 16 do not affect the rights and obligations of trustees and personal representatives or that arise out of either of those relationships.³⁸

The consequence of these rules is that co-ownership of a patent is unlikely to suit inventors who have no ability to exploit the patent. Universities would generally fall into this category, either because such activities are outside their powers or because they have inadequate skills and resources. Therefore, a university would be unwise to allow research to be conducted with a commercial entity that had the ability to exploit the invention itself without an express agreement to govern ownership and exploitation of any patentable inventions that result.³⁹

14.2.3 Directions to co-owners

As co-owners of a patent have limited ability to exercise rights under the patent without the consent of the other co-owners, it is possible that all co-owners may fail to agree on how best to exploit or deal with the patent. The *Patents Act 1990* (Cth) provides a means for any co-owner to apply to the Commissioner for directions about dealing with the patent or an interest in it, the grant of licences under the patent and the exercise of a right under s 16 in relation to the patent.⁴⁰

14.2.4 Grant of patent

A patent is granted to the nominated eligible person⁴¹ and can be granted to two or more nominated persons jointly.⁴² The grant to two or more persons jointly will result in co-ownership of a patent.⁴³ Where two co-inventors are each responsible

³³ *Patents Act 1990* (Cth) s 16(1)(b).

³⁴ *Patents Act 1990* (Cth) s 16(1)(c).

³⁵ *Henry Brothers (Magherafelt) Ltd v Ministry of Defence and Northern Ireland Office* [1999] RPC 442, 449.

³⁶ *Patents Act 1990* (Cth) s 13(1), sch 1 (definition of 'patentee'); *Acts Interpretation Act 1901* (Cth) s 23. For rights to take actions for infringement of patents, see: *Patents Act 1990* (Cth) s 120.

³⁷ *Patents Act 1990* (Cth) s 16(2).

³⁸ *Patents Act 1990* (Cth) s 16(3).

³⁹ Monotti, *Universities and Intellectual Property*, above n 13, ch 5.

⁴⁰ *Patents Act 1990* (Cth) ss 17(1), (3), (4).

⁴¹ *Patents Act 1990* (Cth) s 61.

⁴² *Patents Act 1990* (Cth) s 63.

⁴³ *Patents Act 1990* (Cth) s 16.

for part of the invention, neither inventor is entitled to a patent over the entire invention⁴⁴ because they would then benefit from part of the invention that the other developed.

14.2.5 Proprietary rights in the patent

A patent gives the patentee exclusive rights that are personal property.⁴⁵ The rights are capable of assignment and devolution by law.⁴⁶ There is no express provision to the effect that a patent application amounts to personal property. However, an assignment of the rights in the application may amount to a present assignment of the future property in the granted patent when it comes into existence.⁴⁷ Such an agreement is specifically enforceable in equity. There is some authority that the rights in the application are personal property on the basis that they amount to rights in future property.⁴⁸

14.3 Employee inventions

The *Patents Act 1990* (Cth) has no express provisions that deal with employee inventions.⁴⁹ In the absence of an express agreement, the existence of an employer's rights is determined according to the general common law and the application of the equitable principles governing the employment relationship.⁵⁰ Australian legislation recognises the entitlement of an employer in s 15 as someone who is entitled to be assigned rights by the inventor on grant⁵¹ as a person who derives title to the invention from the inventor.⁵² An employer may be able to claim entitlement to a grant of patent in place of the nominated person in any patent application.⁵³ It may also be able to request an application proceed in its name when it would be entitled under an assignment or agreement or by operation of law to the patent when it is granted.⁵⁴

Whether an invention made by an employee is the property of the employer will depend upon many factors. These include:

1. the nature of the invention;
2. the duties which the employee is engaged to perform;

44 *Stack v Davies Shephard Pty Ltd* (2001) 108 FCR 422, 432; *JMVB Enterprises Pty Ltd v Camoflag Pty Ltd* (2005) 67 IPR 68, 96.

45 *Patents Act 1990* (Cth) s 13.

46 *Patents Act 1990* (Cth) s 13(2).

47 *Booth v Federal Commissioner of Taxation* (1987) 164 CLR 159, 165–6 (Mason CJ); *Norman v Federal Commissioner of Taxation* (1963) 109 CLR 9, 24–5 (Windeyer J).

48 *Hepples v Federal Commissioner of Taxation* (1990) 22 FCR 1, 24; *Camilleri v Steel Foundations Ltd* [2002] QSC 397.

49 *Patents Act 1990* (Cth) s 15, but note that the *Patents Act 1977* (UK) ss 39–42 contain specific provisions that deal with employee inventions. For general discussion of employee inventions in Australia, see Monotti, *Universities and Intellectual Property*, above n 13, para 5.44–5.62.

50 See ch 11 at 11.6–11.7.

51 *Patents Act 1990* (Cth) s 15(1)(b).

52 *Patents Act 1990* (Cth) s 15(1)(c).

53 *Patents Act 1990* (Cth) s 36.

54 *Patents Act 1990* (Cth) s 113.

3. the position that the employee occupies in the employer's operations; and
4. the circumstances in which it is made. Relevant circumstances include whether the invention was made during the employer's time, whether there is a relationship of confidence, whether the invention will be useful to the employer's business and whether the employee was responding to the employer's instructions in making a decision on the facts of the particular case at hand.⁵⁵

It is important to note that the fact that the employee made the invention using the employer's materials and time does not necessarily lead to the conclusion that the employer should own the invention.⁵⁶

14.3.1 Express provisions in the employment contract

An express agreement may require the employee to assign to the employer all inventions that are made during employment.⁵⁷ Such a practice is considered to be 'wholly appropriate' in certain circumstances.⁵⁸ Indeed, if a company fails to insert any condition concerning the making of inventions in its employment contracts, courts are willing to imply a condition that is appropriate to safeguard its interests.⁵⁹

The nature of the work done by the employee will suggest the type of clause that is appropriate. While an express or 'pre-assignment' clause is the most sensible approach to take when an employer expects its employees will invent, such clauses will attract the doctrine of restraint of trade and will be construed strictly against the employer.⁶⁰ The restrictions imposed must be reasonably necessary for the protection of the legitimate interests of the person imposing the restrictions and reasonable in reference to the interests of the public.⁶¹ They 'must afford no more than adequate protection to the party in whose favour (the restraint) is imposed'.⁶²

⁵⁵ *Fine Industrial Commodities Ltd v Powling* (1954) 71 RPC 253, 257; *Worthington Pumping Engine Co v Moore* (1903) 20 RPC 41, 48–9; *Reiss Engineering Co Ltd v Harris* [1985] 14 IRLR 232.

⁵⁶ *Mellor v William Beardmore & Co Ltd* (1927) 44 RPC 175, 191 (Lord Ormidale); *Kwan v The Queensland Corrective Services Commission* (1994) 31 IPR 25, 33; *In the Matter of Charles Selz Ltd's Application* (1954) 71 RPC 158, 164; *Fine Industrial Commodities Ltd v Powling* (1954) 71 RPC 253, 257; *Greater Glasgow Health Board's Application* [1996] RPC 207; *Victoria University of Technology v Wilson* (2004) 60 IPR 392.

⁵⁷ *Electrolux Ltd v Hudson* [1977] FSR 312.

⁵⁸ *Ibid* 321; *Leather Cloth Co v Lorsont* (1869) LR 9 Eq 345.

⁵⁹ *Electrolux Ltd v Hudson* [1977] FSR 312, 321–22.

⁶⁰ *Herbert Morris Ltd v Saxelby* [1916] 1 AC 688; *Triplex Safety Glass Co Ltd v Scorah* [1938] Ch 211. For common law doctrine of restraint of trade, see *Thorsten Nordenfelt v Maxim Nordenfelt Guns and Ammunition Co* [1894] AC 535; *Amoco Australia Pty Ltd v Rocca Bros Motor Engineering Co Pty Ltd* (1973) 133 CLR 288; *Aerial Taxi Cabs Co-operative Society Ltd v Lee* (2000) 102 FCR 125; *Adamson v NSW Rugby League Ltd* (1991) 31 FCR 242; *Peters (WA) Ltd v Petersville Ltd* (2001) 205 CLR 126; *Australian Capital Territory v Munday* (2000) 99 FCR 72; J. D. Heydon, *The Restraint of Trade Doctrine* (2nd ed, Sydney: Butterworths, 1999).

⁶¹ *Herbert Morris Ltd v Saxelby* [1916] 1 AC 688, 700 (Lord Atkinson); *Thorsten Nordenfelt v Maxim Nordenfelt Guns and Ammunition Co* [1894] AC 535; Heydon, *The Restraint of Trade Doctrine*, above n 60; *Magbury Pty Ltd v Hafele Australia Pty Ltd* (2001) 210 CLR 181.

⁶² *Herbert Morris Ltd v Saxelby* [1916] 1 AC 688, 707 (Lord Parker); *Tavener v Sheridan* [2000] FCA 219; *Petrofina (Great Britain) Ltd v Martin* [1966] Ch 146, 169; *Esso Petroleum Co Ltd v Harper's Garage (Stourport) Ltd* [1968] AC 269; *Quadramain Pty Ltd v Sevastapol Investments Pty Ltd* (1976) 133 CLR 390.

If the covenant fails to meet the test of reasonableness, by being more than is adequate for the protection of the covenantee, it will not be enforced.⁶³ There is authority that restrictions will be enforceable where the employee accepts the restriction in return for an adequate level of remuneration during employment.⁶⁴ Adequacy of protection for the legitimate interests of the employer is measured at the time of entry into the restriction.⁶⁵

14.3.2 Implied duty to assign inventions: the duty of fidelity

The employment relationship imposes a duty of fidelity upon the employee.⁶⁶ There is necessarily to be implied into an employee's contract of service a term that the employee 'will serve his employer with good faith and fidelity'.⁶⁷ This duty requires the employee 'to carry out faithfully the work the employee is employed to do to the best of his ability'.⁶⁸ In general terms, a duty of fidelity requires an employee to protect and promote the employer's interests and to refrain from acting contrary to its interests⁶⁹ or making a profit out of his/her trust or office.⁷⁰ This is reflected in the ability of an employer to restrain conduct undertaken with some deliberate and secret intention to do harm to the employer.⁷¹ Even if an express covenant is declared unenforceable as an unreasonable restraint,⁷² the employee remains bound by a duty of fidelity to his employer.

An important aspect of this duty is reflected in an implied term that the employer owns all inventions created in the performance of employment duties. Hence, it will apply only where the invention is made within the course and scope of his or her employment duties.⁷³ That implied term is invoked in the absence of an express term or where an express term is found to be invalid.⁷⁴ Hence, where a person is employed to solve a particular problem and creates an invention to

63 See Heydon, *The Restraint of Trade Doctrine*, above n 60, ch 6, 7; e.g., *Maggbury Pty Ltd v Hafele Australia Pty Ltd* (2001) 210 CLR 181 (confidential information); but see *Restraints of Trade Act 1976* (NSW).

64 See Heydon, *The Restraint of Trade Doctrine*, above n 60, 135–42.

65 *Lindner v Murdoch's Garage* (1950) 83 CLR 628, 653 (Kitto J); *Amoco Australia Pty Ltd v Rocca Bros Motor Engineering Co Pty Ltd* (1973) 133 CLR 288, 318 (Gibbs J); *Bridge v Deacons* [1984] AC 705, 718. See Heydon, *The Restraint of Trade Doctrine*, above n 60, 72.

66 See *Hivac Ltd v Park Royal Scientific Instruments Ltd* [1946] Ch 169; *Hospital Products Ltd v United States Surgical Corporation* (1984) 156 CLR 41, for discussion of the law relating to fiduciary relationships; J. Glover, *Equity, restitution & fraud* (Sydney: LexisNexis Butterworths, 2004); P. Parkinson, 'Fiduciary Obligations' in P. Parkinson, (ed) *The Principles of Equity* (2nd ed, Law Book Company, 2003), ch 10.

67 *Electrolux Ltd v Hudson* [1977] FSR 312, 326; *Wessex Dairies Ltd v Smith* [1935] 2 KB 80; *British Syphon Company Ltd v Homewood* [1956] 1 WLR 1190; *Hivac Ltd v Park Royal Scientific Instruments Ltd* [1946] Ch 169; *Robb v Green* [1895] 2 QB 315, 320 (A L Smith LJ); *Lancashire Fires Ltd v S A Lyons & Co Ltd* [1996] FSR 629, 648.

68 *Harris' Patent* [1985] RPC 19, 29; *Adamson v Kenworthy* (1932) 49 RPC 57.

69 *Hivac Ltd v Park Royal Scientific Instruments Ltd* [1946] Ch 169; *Independent Management Resources Pty Ltd v Brown* [1987] VR 605; *Robb v Green* [1895] 2 QB 315; *Wessex Dairies Ltd v Smith* [1935] 2 KB 80, 87.

70 *Keech v Sandford* (1726) Sel Cas Cha 61, 22 ER 629; *Keith Henry & Co Pty Ltd v Stuart Walker & Co Pty Ltd* (1958) 100 CLR 342, 350.

71 *Electrolux Ltd v Hudson* [1977] FSR 312, 328.

72 *Electrolux Ltd v Hudson* [1977] FSR 312; *Triplex Safety Glass Co Ltd v Scorah* [1938] Ch 211.

73 See *Victoria University of Technology v Wilson* (2004) 60 IPR 392, 429 (for a recent restatement of the applicable principles); *Spencer Industries Pty Ltd v Collins* (2003) 58 IPR 425, 439; *MacKay v McKay* (2004) 63 IPR 441, 462.

74 *Sterling Engineering Co Ltd v Patchett* [1955] AC 534, 543–4.

achieve a solution, the employer will own that invention.⁷⁵ Similarly, this will occur where an employee is employed to make a technical design or proposal,⁷⁶ to make an improvement to the type of goods his employer manufactured⁷⁷ or to make or discover inventions.⁷⁸ In these circumstances, the invention flows directly from carrying out the duties that the employee is engaged to perform. However, while the general duty of fidelity imposes an obligation to carry out faithfully the work he was employed to do to the best of his ability, it 'does not assist in the formulation of the actual duties which the employee is employed to do'.⁷⁹ These must be determined as a question of fact.⁸⁰ The employment duties can change over the course of employment and rights in any invention must be assessed with reference to the work performed at the relevant time.⁸¹ Therefore, although a person may not be employed to invent from the outset, it is open to an employer to change those duties by 'verbal instruction'.⁸²

A duty to conduct research will not automatically vest ownership of an employee's inventions in the employer. It all depends upon the nature of the research that the employee is retained to perform; this is taken from the nature of the employer's business and the nature of the research.⁸³ In the case of inventions created by academic employees of a university, the nature of the research that an academic is engaged to perform will be judged according to the norm for his or her department. It is not informed by what happens in other parts of the university. Therefore, there is no duty to invent if the sort of research undertaken within the school in question is directed to the preparation and presentation of peer-reviewed learned papers.

In finding a breach of the duty of fidelity, much will depend upon how a person comes to embark upon the research and whether this work conflicts with the interests of the employer. Once the employee is found to be in a position as trustee in relation to a secret discovery, 'he cannot avoid the obligations attached thereto, unless the beneficiaries release him either expressly or impliedly'.⁸⁴ Hence, an employee who leaves employment with a secret discovery holds this in trust for his employer, first as confidential information, and subsequently as the patented invention. It is only if the employer cannot protect the secret information under the doctrine of breach of confidence or under an enforceable express covenant that the employee is free to use it.⁸⁵

75 *Adamson v Kenworthy* (1932) 49 RPC 57.

76 *British Reinforced Concrete Engineering Co v Lind* (1917) 34 RPC 101; *Barnet Instruments Ltd v Overton* (1949) 66 RPC 315; *Aneta Window Systems (Vic) Pty Ltd v K Shugg Industries Pty Ltd* (1996) 34 IPR 95, 106.

77 *Sterling Engineering Co Ltd v Patchett* [1955] AC 534, 543–4.

78 *Triplex Safety Glass Co Ltd v Scorah* [1938] Ch 211.

79 *Harris' Patent* [1985] RPC 19, 29–30; *Adamson v Kenworthy* (1932) 49 RPC 57, 68.

80 See *Greater Glasgow Health Board's Application* [1996] RPC 207; *Vokes Ltd v Heather* (1945) 62 RPC 135, 136.

81 *Victoria University of Technology v Wilson* (2004) 60 IPR 392, 430.

82 *Ibid.*

83 *In the Matter of Charles Selz Ltd's Application* (1954) 71 RPC 158; *Victoria University of Technology v Wilson* (2004) 60 IPR 392, 423.

84 *Triplex Safety Glass Co Ltd v Scorah* [1938] Ch 211, 218.

85 See ch 11 at 11.7.

14.3.3 Fiduciary duties

It is necessary to distinguish between the employee's contractual duty of good faith and fidelity and the implied duty to assign inventions when they are created in pursuance of the employment duties and such fiduciary duty (if any) as the employee may owe to an employer arising from the position occupied in the organisation.⁸⁶ Not all employees will owe fiduciary duties to their employers.⁸⁷ Employees in senior managerial positions are required to hold inventions that are relevant to the business of their employers in trust for their employers.⁸⁸ This duty arises from the nature of the position occupied as opposed to the analysis of the duties of employment. However, any fiduciary duty of this nature must accommodate itself to the terms of the contract of employment so that it is consistent with it and conforms to it. The fiduciary relationship cannot be superimposed on the contract so that it alters the operation which the contract was intended to have on its true construction.⁸⁹

In the course of its analysis of employee inventions, the Banks Committee in the UK made the following comments about the extent of this duty:

It seems to be generally true to say that directors of companies and managers of businesses to whom no specific duties are allocated have a general duty to forward the interests of the company or business and will accordingly hold any inventions made during their employment (at least so far as they relate to the relevant business) in trust for the employer.⁹⁰

It is not clear whether such an obligation exists in all cases where an employee occupies a high position in his employer's organisation, although it should be clear in the case of directors.⁹¹ As Lord Greene MR stated in *Hivac Limited v Park Royal Scientific Instruments Limited*,⁹² 'the practical difficulty in any given case is to find exactly how far that rather vague duty of fidelity extends'. This must be a 'question on the facts of each particular case'.⁹³ Academic employees occupying senior and specific employment positions at the university have been found to owe such fiduciary duties to their university employer.⁹⁴ These fiduciary obligations to the university are similar to those of professional employees generally: a duty not to profit from their position at the expense of the employer and a duty to

86 *University of Nottingham v Fishel* [2000] ICR 1462, 1490 (Elias J); *Hospital Products Ltd v United States Surgical Corporation* (1984) 156 CLR 41, 97 (Mason J); *Victoria University of Technology v Wilson* (2004) 60 IPR 392, 438; *Hivac Ltd v Park Royal Scientific Instruments Ltd* [1946] Ch 169.

87 E.g., *Aneeta Window Systems (Vic) Pty Ltd v K Shugg Industries Pty Ltd* (1996) 34 IPR 95, 106.

88 *Worthington Pumping Engine Co v Moore* (1903) 20 RPC 41; *Edisonia v Forse* (1908) 25 RPC 546; *Stack v Brisbane City Council* (1999) 47 IPR 525.

89 *Victoria University of Technology v Wilson* (2004) 60 IPR 392, 438; *Hospital Products Ltd v United States Surgical Corporation* (1984) 156 CLR 41, 97 (Mason J); *University of Nottingham v Fishel* [2000] ICR 1462, 1491–2 (Elias J).

90 Board of Trade, *The British Patent System: Report of the Committee to Examine the Patent System and Patent Law* (Cmd 4407, 1970) (Banks Committee), [443].

91 *In the Matter of Charles Selz Ltd's Application* (1954) 71 RPC 158, 165; *Eastland Technology Australia Pty Ltd v Whisson* (2005) 223 ALR 123.

92 [1946] Ch 169, 174.

93 See also *Christopher Simon French v Paul Julian Mason* [1999] FSR 597.

94 *Victoria University of Technology v Wilson* (2004) 60 IPR 392, 438.

avoid conflicts of interest and duty.⁹⁵ These duties require them to avoid work which could conflict with the interest of the employer.

To avoid a breach of duty and liability, a person occupying a fiduciary position who wishes to enter into a transaction that would otherwise amount to a breach of duty must make a full disclosure to the person to whom the duty is owed of all relevant facts known to the fiduciary and that person must consent to the fiduciary's proposal.⁹⁶ In providing a remedy for a breach of fiduciary duty, it seems that the court would be prepared to recognise a constructive trust over the inventions up until innocent third-party interests became involved.⁹⁷

Finally, where a term is implied to the effect that an employee holds an invention in trust for his employer, this obligation continues after employment.⁹⁸ Being confidential information until a patent application is made publicly available, this obligation is effectively another way of expressing an ex-employee's obligation to respect the confidentiality of his or her former employer's trade secrets.⁹⁹

14.4 Crown use of patents for inventions

14.4.1 Introduction

The exclusive rights of a patentee to exploit the invention are circumscribed by a range of powers that the Crown reserves to itself under Chapter 17 of the Act.¹⁰⁰ The purpose of these provisions is to ensure that the Commonwealth and State governments have immediate access to inventions for the benefit of the services of the respective governments.¹⁰¹ They provide the Crown with a statutory shield against a patent infringement action. Three principal obligations confine the legitimate scope of the Crown's retention of rights under this Chapter. The first two are the international obligations in arts 30 and 31 of *TRIPS*¹⁰² and arts 17.9.7 and 17.9.3 of the *Australian–USA Free Trade Agreement (AUSFTA) 2004*.¹⁰³ The third is that the Crown use provisions must be viewed in the context of the *Competition Principles Agreement 1998* between the Commonwealth, the States and Territories.¹⁰⁴

95 *Chan v Zacharia* (1984) 154 CLR 178, 199.

96 *Victoria University of Technology v Wilson* (2004) 60 IPR 392, 437; R. P. Meagher, J. D. Heydon & M. D. Leeming, *Meagher, Gummow & Lehane's Equity: Doctrines and Remedies* (4th ed, Sydney: Butterworths, 2002).

97 *Victoria University of Technology v Wilson* (2004) 60 IPR 392.

98 *Triplex Safety Glass Co Ltd v Scorch* [1938] Ch 211.

99 See Ch 11.

100 See ACIP, *Review of Crown Use Provisions in Patents and Designs Legislation* (Discussion Paper, December 2003).

101 *Stack & G S Technology Pty Ltd v Brisbane City Council* (1995) 59 FCR 71, 84 (Cooper J). See also ACIP, *Review of Crown Use Provisions for Patents and Designs* (Final Report, November 2005), ¶ 3.6.1.

102 See ACIP, Discussion Paper, above n 100, ¶ 2.3; ACIP, Final Report, above n 101, ¶ 3.7.1.

103 ACIP, Final Report, above n 101, ¶ 3.7.2.

104 See ACIP, Discussion Paper, above n 100, ¶ 2.4; ACIP, Final Report, above n 101, ¶ 3.8.

The powers that the Crown retains are to exploit patents without express authority of the patentee but subject to payment of agreed remuneration,¹⁰⁵ to compulsorily acquire patents¹⁰⁶ and to acquire patents by way of assignment with or without valuable consideration.¹⁰⁷

14.4.2 Exploitation of inventions by the Crown

There are extensive powers of the Commonwealth or a State to exploit the invention without permission at any time after a person applies for a patent for an invention. The exploitation will not infringe the rights in the application or the patent, provided that it is necessary for the proper provision of the services of the Commonwealth or the State within Australia.¹⁰⁸ Section 162 of the *Patents Act 1990* (Cth) recognises that both departments of government, and ‘authorities’ of the Commonwealth or States, perform and manage those services.¹⁰⁹

There is no definition of ‘authority of the Commonwealth’ or ‘authority of a State’. The Federal Court considered the meaning of ‘authority of a State’ in *Stack & G S Technology Pty Ltd v Brisbane City Council*¹¹⁰ in respect of the Brisbane City Council (BCC), a body corporate established under s 6 of the *City of Brisbane Act 1924* (Qld). The BCC has considerable autonomy and wide discretion in the exercise of its powers and functions within its territorial boundaries.¹¹¹ Cooper J concluded that there is no confinement of the phrase ‘authority of a State’ to the Crown or to those bodies that are so closely identified with the Crown to enjoy its immunity.¹¹² Rather, it has a wider scope. An authority will be ‘an authority of a State’ if its functions are:

‘impressed with the stamp of government’ or if it has been given by the State the power to direct or control the affairs of others on behalf of the State. The role and involvement of the executive, through the Governor in Council or the appropriate Minister, is also a relevant factor.¹¹³

The primary focus is upon government and the function of government. No one consideration is decisive, but a successful submission that an authority is not ‘an authority of a State’ requires a conclusion to be drawn from the legislation that the authority is not engaged in the work of government.¹¹⁴ In the context

105 *Patents Act 1990* (Cth) s 163.

106 *Patents Act 1990* (Cth) s 171.

107 *Patents Act 1990* (Cth) s 172.

108 *Patents Act 1990* (Cth) s 163. This extends to exploitation for purposes outside Australia in the circumstances in s 168.

109 *Patents Act 1990* (Cth) s 162. *General Steel Industries Inc v Commissioner for Railways (NSW)* (1964) 112 CLR 125, 133–4 (Barwick CJ); *Stack & G S Technology Pty Ltd v Brisbane City Council* (1995) 59 FCR 71, 84.

110 (1995) 59 FCR 71, 84.

111 *Ibid* 83.

112 *Ibid* 77.

113 *Ibid* 78.

114 *Committee of Direction of Fruit Marketing v Australian Postal Commission* (1980) 144 CLR 577, 593–4 (Mason & Wilson JJ, agreed with by Barwick CJ).

of similar provisions in the *Patents Act 1952* (Cth), the High Court has found the Commissioner of Railways to be ‘an authority of a State’.¹¹⁵

14.4.3 Scope of the exploitation right

The right for the Crown to exploit an invention includes the right to sell products that it makes in exercise of that right.¹¹⁶ Purchasers of those products, and those claiming through them, can deal with the products as if the relevant authority is the patentee or nominated person.¹¹⁷

The exemption from infringement extends to exploitation of the invention by a person authorised in writing by the Commonwealth or a State.¹¹⁸ Such authorisation can take place either before or after the act of exploitation and before or after the grant of patent.¹¹⁹ Therefore, retrospective authorisation can immunise an otherwise infringing act. The nominated person or patentee may have already authorised a person to exploit the invention. If it so desires, the relevant authority can also authorise that person to exploit the invention under s 163 for its services. In this event, the terms of any licence agreement between the person and the patentee or nominated person do not bind the relevant authority, unless the minister, in the case of the Commonwealth, or the Attorney-General in the case of a State, approves those terms.¹²⁰

14.4.4 For the services of the Commonwealth or a State

The exemption from infringement applies only where the exploitation is ‘for the services of the Commonwealth or a State’. This includes a reference to the services of an authority of a State.¹²¹ In 2005, ACIP published its report *Review of Crown Use Provisions for Patents and Designs*. It highlighted the uncertainty surrounding the definition of the Crown and the impact that commercialisation and corporatisation of many ‘government services’ may have upon the range of entities that may now fall within its scope. Instead of changing the definition, ACIP proposed that a requirement for ministerial approval prior to invoking the protection under these provisions.¹²²

The meaning of ‘for the services of’ was considered in *Stack & G S Technology Pty Ltd v Brisbane City Council*.¹²³ A function of the Brisbane City Council (BCC) is to supply reticulated water to the properties of its constituents. BCC entered into a contract with a contractor for the supply of water meter assemblies which

115 *General Steel Industries Inc v Commissioner for Railways (NSW)* (1964) 112 CLR 125, 132 (Barwick CJ).

116 *Patents Act 1990* (Cth) s 167(1).

117 *Patents Act 1990* (Cth) s 167(2).

118 *Patents Act 1990* (Cth) s 163(1).

119 *Patents Act 1990* (Cth) s 163(2).

120 *Patents Act 1990* (Cth) s 166.

121 *Stack & G S Technology Pty Ltd v Brisbane City Council* (1995) 59 FCR 71, 84.

122 ACIP, Final Report, above n 101, Rec 2.

123 (1995) 59 FCR 71, 84–5.

would be installed and connected to its pipes to measure the water supplied to those properties. The meters were to remain an asset of BCC and were not to be re-supplied to the respective land owners or used by them in any sense. Stack claimed that the water meter assemblies incorporated a patented invention to which Stack was beneficially entitled and sought an injunction to restrain infringement. BCC successfully relied upon Chapter 17 as a defence to the infringement claim. His Honour found that the use of the water meters as part of its supply of reticulated water was exploitation by BCC as an authority of a State for the services of BCC as such an authority.

The small number of cases in which this or a similar provision has been considered have all concerned the supply of an infringing item by a contractor for the direct use of an authority of the State or a government department.¹²⁴ It is not clear whether the purchase and re-supply of an item by the State or department to a third party in competition with the patentee would be a use ‘for the services of a State’.¹²⁵

14.4.5 Obligations of the Crown

Although the relevant authority¹²⁶ can exploit the patent without prior notification to the patentee, it must inform the applicant and the nominated person (in the case of a patent application), or the patentee, of the exploitation as soon as practicable after its exploitation.¹²⁷ There is a continuing obligation to provide any information about the exploitation as is reasonably required. An exception to this obligation applies where it appears to the relevant authority that it would be contrary to the public interest to provide this information.

In its *Review of Crown Use Provisions for Patents and Designs*, ACIP expressed particular concern with the ability for Crown entities to exploit patents without prior consent from the owner of the patent. It pointed out that this does not appear to conform with international standards which require prior consent unless the situation is urgent, involves a national emergency or involves circumstances of public non-commercial use. ACIP was not convinced that the present provisions are justified on the basis that all use by the Crown or other authorised persons is for ‘public non-commercial use’. Its final report recommends an amendment to the *Patents Act 1990* (Cth) to align the provisions with art 31(b) of the *TRIPS Agreement*. It also recommends that a temporary waiver of the requirement for prior consent would not apply to ‘hybrid public/private organisations that predominantly operate for profit’.¹²⁸

124 *Pfizer Corporation v Ministry of Health* [1965] AC 512; *General Steel Industries Inc v Commissioner for Railways (NSW)* (1964) 112 CLR 125.

125 *Pfizer Corporation v Ministry of Health* [1965] AC 512; *Stack & G S Technology Pty Ltd v Brisbane City Council* (1995) 59 FCR 71.

126 *Patents Act 1990* (Cth) sch 1 – Dictionary.

127 *Patents Act 1990* (Cth) s 164.

128 ACIP, Final Report, above n 101, Rec 1.

14.4.6 Procedures available to a patentee

If a patentee thinks that his invention has been exploited under s 163(1), he can apply to a prescribed court for a declaration to that effect.¹²⁹ In the case of an innovation patent, no application is possible unless the patent has been certified.¹³⁰ The defendant relevant authority¹³¹ can apply by way of counterclaim in the proceedings for revocation of the patent.¹³²

14.4.7 Remuneration and terms for exploitation

There is a mechanism for determining the terms on which the relevant authority can exploit the invention without infringement. First, the parties can agree upon terms or a method for their determination of terms¹³³ before, during or after exploitation.¹³⁴ If they cannot reach agreement, then either party can apply to a prescribed court to determine the terms for exploitation and remuneration.¹³⁵ In fixing the terms, a court can take into account any compensation that a person interested in the invention or patent has received (directly or indirectly) for the invention from the relevant authority.¹³⁶ In its report *Review of Crown Use Provisions for Patents and Designs*, ACIP recommended a new structured process for reaching agreement and the inclusion of a statutory standard of remuneration, as 'just and reasonable taking into consideration the circumstances of the case'.¹³⁷

14.4.8 Exploitation of invention to cease under court order

A nominated person or patentee can apply to a prescribed court for an order that exploitation cease.¹³⁸ The court may make an order subject to any conditions that it specifies, if it is satisfied that it is fair and reasonable to order that exploitation of the invention by the Crown is not, or is no longer, necessary for the proper provision of services of the Crown.¹³⁹ The court must ensure that the legitimate interests of the Crown are not adversely affected by the order.¹⁴⁰

14.4.9 Supply of products by Commonwealth to foreign countries

The exemption from infringement in s 163 applies to exploitation of an invention that is necessary for the proper provision of the services of the Commonwealth

129 *Patents Act 1990* (Cth) s 169(1).

130 *Patents Act 1990* (Cth) s 169(4).

131 *Patents Act 1990* (Cth) s 169(2)(a).

132 *Patents Act 1990* (Cth) s 169(2)(b), (3).

133 *Patents Act 1990* (Cth) s 165(2).

134 *Patents Act 1990* (Cth) s 165(3).

135 *Patents Act 1990* (Cth) sch 1, ss 155(1), 165(2).

136 *Patents Act 1990* (Cth) s 165(4).

137 ACIP, Final Report, above n 101, Rec 3.

138 *Patents Act 1990* (Cth) s 165A(1).

139 *Patents Act 1990* (Cth) s 165A(1).

140 *Patents Act 1990* (Cth) s 165A(2).

or a State within Australia.¹⁴¹ This would include sales of products for use within Australia, but would not ordinarily extend protection to any export of products to another country. An exception applies where the Commonwealth has an agreement with a foreign country to supply it with products for its defence. In this case, the use of a product or process for the supply of that product is taken to be a use of the product or process for the services of the Commonwealth.¹⁴² The Commonwealth or an authorised person can sell those products to the country under the agreement and can sell to any person any excess products that the country does not require.¹⁴³

14.4.10 Acquisition of inventions or patents by Commonwealth

The Governor-General may direct, without prior notice, that a patent or an invention that is the subject of a patent application can be acquired by the Commonwealth.¹⁴⁴ All rights are transferred to and vested in the Commonwealth at the time the direction is given by force of s 171(2).¹⁴⁵ Failing agreement as to the amount of compensation payable, either party can apply to a prescribed court to determine the amount.¹⁴⁶

14.4.11 Assignments of inventions to the Commonwealth

An inventor, or an inventor's successor in title, may assign the invention and any patent granted, or to be granted, to the Commonwealth.¹⁴⁷ The assignment and all covenants and agreements are valid and effectual and can be enforced by proceedings in the name of the minister even if no valuable consideration has been given for the assignment.¹⁴⁸

14.5 Dealings with inventions

14.5.1 General principles

The path to commercial exploitation often involves dealings with patents. The owner of a patent can exploit it by exercising the exclusive rights itself, authorising another to do so through the grant of a licence or can assign the patent either in whole or in part. The patentee can deal with the patent as the absolute owner, subject only to any rights that appear in the Register as vested in another

141 *Patents Act 1990* (Cth) s 163(1), (3).

142 *Patents Act 1990* (Cth) s 168(a).

143 *Patents Act 1990* (Cth) s 168(b), (c).

144 *Patents Act 1990* (Cth) s 171(1).

145 *Patents Act 1990* (Cth) s 171(2); ss 173, 152 (notice); s 171(3)(b) (publication).

146 *Patents Act 1990* (Cth) s 171(4).

147 *Patents Act 1990* (Cth) s 172(1).

148 *Patents Act 1990* (Cth) s 172(2).

person.¹⁴⁹ The patent can be assigned for a place in, or part of, the patent area. For example, it could be assigned in respect of Victoria. To convey a legal interest in the patent, an assignment must be in writing signed by or on behalf of the assignor and assignee.¹⁵⁰ However, the *Patents Act 1990* (Cth) does not prohibit the creation of equitable interests in patents.¹⁵¹

The usual way in which a person is authorised to exploit the patent is through contractual arrangements that involve the grant of a non-exclusive, sole, or exclusive licence.¹⁵² The possible scope of a licence corresponds with the exclusive rights of the patentee. If the patentee imposes restrictions on subject matter other than the patented invention, this may have an adverse effect upon competition. The types of conditions that will render a licence void are set out in Chapter 14 of the *Patents Act 1990* (Cth) and are discussed below.¹⁵³ If the licence so permits, a licensee may grant sub-licences that may be exclusive or non-exclusive.¹⁵⁴ A sub-licence cannot exceed the scope of the licence. Therefore, a licensee who is authorised to make products in Victoria cannot grant a sub-licence that authorises the sub-licensee to sell the products in Victoria. A patentee may assign its rights in a patent by way of security for a loan. This may extend to include any improvements to the patent that are made during the term of the loan.¹⁵⁵

It is rare for the licence to deal only with the subject matter of the patent. Normally the agreement would include provisions for transfer of know-how and the offer of technical assistance.¹⁵⁶

14.5.2 Non-exclusive and sole licences

A licence may be non-exclusive, sole or exclusive. A non-exclusive licence means that the patentee can not only continue to exploit the patent himself but can grant as many additional licences to exploit the invention over the same territory as he deems appropriate. A non-exclusive licence may be a valuable tool for exploiting foundational patented research methods that the patentee seeks to disseminate as widely as possible among the research community. A sole licence is one where the patent owner shares the exclusive rights with the sole licensee. The patentee agrees not to grant another licence to anyone else. Neither a sole nor non-exclusive licensee has rights to commence infringement proceedings against a third party.¹⁵⁷

149 *Patents Act 1990* (Cth) s 189(1).

150 *Patents Act 1990* (Cth) s 14(1).

151 *Stack v Brisbane City Council* (1996) 67 FCR 510, 513. See, e.g., *Patents Act 1990* (Cth) ss 189(3), 196(b)(ii).

152 N. Byrne and A. McBratney, *Licensing Technology* (3rd ed, Bristol, England: Jordans, 2005).

153 *Patents Act 1990* (Cth) ch 14.

154 *Pacific Brands Sport & Leisure Pty Ltd v Underworks Pty Ltd* (2006) 149 FCR 395, 403 (context of an assignment of a sub-licence of a trade mark).

155 *Buchanan v Alba Diagnostics Ltd* [2004] RPC 34.

156 Byrne and McBratney, *Licensing Technology*, above n 152, 210ff.

157 *Patents Act 1990* (Cth) s 120.

14.5.3 Exclusive licences

An exclusive licence is similar to a sole licence except the patentee agrees not to exploit the invention throughout the patent area. The licensee is therefore the only person who is entitled to exploit the invention. The definition of ‘exclusive licensee’ will dictate whether there can be more than one exclusive licensee. An exclusive licensee is defined in the *Patents Act 1990* (Cth) to mean:

a licensee under a licence agreement granted by the patentee and conferring on the licensee, or on the licensee and persons authorised by the licensee, the right to exploit the patented invention throughout the patent area to the exclusion of the patentee and all other persons.¹⁵⁸

This provision has been assumed to mean that there can be only one exclusive licensee.¹⁵⁹ It contrasts with the definition in s 130 of the *Patents Act 1977* (UK) which refers to ‘a licence . . . conferring on the licensee . . . to the exclusion of all other persons . . . any right in respect of the invention to which the patent . . . relates’. This provision is construed to allow more than one exclusive licence as it refers to ‘any’ right. In a decision of the Queensland Supreme Court in *Grant v Australian Temporary Fencing Pty Ltd*, Holmes J suggested that the definition of ‘exclusive licensee’ in the *Patents Act 1990* (Cth), when read in conjunction with the inclusive and distributive definition of ‘exploit’, is at least open to a construction that allows for a ‘plurality of exclusive licences’.¹⁶⁰

It seems that an exclusive licence in a patent creates a proprietary interest in the patent.¹⁶¹ This interest is created by the grant of the licence and not by registration.¹⁶² The exclusive licensee has rights under s 120 of the *Patents Act 1990* (Cth), along with the patentee, to commence infringement proceedings against a third party as well as rights to seek non-infringement declarations under Part 2 of Chapter 11. These rights cannot be exercised by the equitable owner of the patent.¹⁶³

14.6 Compulsory licences

14.6.1 Application

The grant of monopoly rights offers the grantee the potential to use those rights in an abusive or anti-social manner. As a means to provide some protection against abusive practices, the *Patents Act 1990* (Cth) provides that any person can apply to the Federal Court¹⁶⁴ for an order requiring the patentee to grant the applicant

¹⁵⁸ *Patents Act 1990* (Cth) sch 1.

¹⁵⁹ *Ex parte British Nylon Spinners Ltd* (1963) 109 CLR 336 (1952 Act).

¹⁶⁰ *Grant v Australian Temporary Fencing Pty Ltd* (2003) 59 IPR 170, 182.

¹⁶¹ *Banks v Transport Regulation Board (Vic)* (1968) 119 CLR 222, 232 (proprietary nature of sole licences).

¹⁶² *Vitamins Australia Ltd v Beta-Carotene Industries Pty Ltd* (1987) 9 IPR 41, 48.

¹⁶³ *Stack v Brisbane City Council* (1996) 67 FCR 510, 513.

¹⁶⁴ *The Intellectual Property Laws Amendment Act 2006* substituted the ‘Federal Court’ in place of ‘prescribed court’ (sch 8, cl 1). All changes in sch 8 commenced on 28 September 2006.

a licence to work the invention at any time after three years from the date of sealing of the patent.¹⁶⁵ In the case of an innovation patent, the patent must first be certified.¹⁶⁶

14.6.1.1 Court is satisfied that following conditions exist

The court may make the order if it is satisfied either that certain conditions exist or that there has been anticompetitive conduct.¹⁶⁷

- (a) the applicant has tried for a reasonable period, but without success, to obtain an authorisation to work the invention on reasonable terms and conditions;¹⁶⁸
- (b) the reasonable requirements of the public with respect to the patented invention have not been satisfied;¹⁶⁹ and
- (c) that the patentee has given no satisfactory reason for 'failing to exploit' the patent.¹⁷⁰ 'Failing to exploit' the patent does not refer to absolute failure to exploit but failure to exploit the patent in a way that satisfies the reasonable requirements of the public. This is assessed at the time of the hearing.¹⁷¹ A satisfactory reason might be that the applicant is not a person suitable to be a licensee, because maintenance of the reputation of the patented invention is a legitimate concern for the patentee and the court.¹⁷² Another may be where the delays resulted in designing a product that would suit the Australian market.¹⁷³

Section 135 sets out the circumstances in which the reasonable requirements of the public are not satisfied. This includes:

1. Unfair prejudice to a trade or industry in Australia, or failure to reasonably meet the demand in Australia for the patented invention on reasonable terms; or
2. Unfair prejudice to a trade or industry in Australia through the imposition of unfair conditions; or
3. The invention is not being worked on a commercial scale in Australia but is capable of being so worked.¹⁷⁴

These provisions arguably operate as an incentive to a patentee to work the invention in ways that meet the reasonable requirements of the public.¹⁷⁵ Perhaps

165 *Patents Act 1990* (Cth) s 133(1); *Patents Regulations 1991* (Cth) reg 12.1(1).

166 *Patents Act 1990* (Cth) s 133(1A).

167 The *Intellectual Property Laws Amendment Act 2006* repealed the former and substituted s 133(2)(a), (b).

168 *Patents Act 1990* (Cth) s 133(2)(a)(i). *Amrad Operations Pty Ltd v Genelabs Technologies Inc* (1999) 45 IPR 447 (a period of two years satisfied the reasonable period).

169 *Patents Act 1990* (Cth) s 133(2)(a)(ii). *Wissen Pty Ltd v Kenneth Mervyn Lown* (1987) 9 IPR 124.

170 *Patents Act 1990* (Cth) s 133(2)(a)(iii) (the onus falls on the patentee). *Amrad Operations Pty Ltd v Genelabs Technologies Inc* (1999) 45 IPR 447, 450; *Re Hatschek's Patents; Ex parte Zerenner* [1909] 2 Ch 68, 82.

171 *Fastening Supplies Pty Ltd v Olin Mathieson Chemical Corporation* (1969) 119 CLR 572, 576.

172 *Ibid* 575.

173 *Ibid*.

174 *Patents Act 1990* (Cth) s 135(2).

175 See Intellectual Property Competition and Review Committee (IPCRC), *Review of Intellectual Property Legislation under the Competition Principles Agreement* (Sep 2000), 162, available at <www.ipaustralia.gov.au/pdfs/ipcr/finalreport.pdf>; Industrial Property Advisory Committee, *Patents, Innovation and Competition in Australia* (1984), 28.

this has been effective, because few if any compulsory licences have been granted under the relevant patent legislation.¹⁷⁶ It is not in the patentee's interests to negotiate licences on unreasonable terms if the consequence could be an order from the court to grant a licence on terms imposed by the court.¹⁷⁷

There are certain restrictions that operate on the terms of a compulsory licence. First, it is not possible to grant a compulsory exclusive licence.¹⁷⁸ Second, a compulsory licence can be assigned only in connection with an enterprise or goodwill in connection with which the licence is used.¹⁷⁹

14.6.1.2 Court is satisfied there is anti-competitive behaviour

The *Intellectual Property Laws Amendment Act 2006* (Cth) introduced a competition test, which enables the court to also grant a remedy of a compulsory licence if the patentee is acting anti-competitively in contravention of Part IV of the *Trade Practices Act 1974* (Cth) or an application law as defined in s 150A of that Act.¹⁸⁰ The availability of this remedy under the *Patents Act 1990* (Cth) complements and is in addition to remedies that are available under the *Trade Practices Act 1974* (Cth).¹⁸¹ This test implements the government response to recommendations of the Intellectual Property Competition Review Committee (IPCRC) that the existing tests should be retained and a competition test be added as an additional ground on which a compulsory licence can be obtained.

14.6.2 Effect of compulsory licence on other patents

A patent grants the patentee the right to exclude others from exploiting the invention.¹⁸² This is a negative right as opposed to a positive right to exploit the invention.¹⁸³ This is understood in the context of an example. A patent for invention X may be granted because it satisfies all the grounds for validity in s 18, but its exploitation will infringe a patent for invention Y. The patentee of invention X must obtain a licence from the patentee of invention Y before exploitation is possible. However, the patentee of invention X has the right to exclude others from performing invention X. The patentee of invention Y will have similar rights in relation to invention X as its performance also infringes invention Y. The consequence of this is that the grant of a compulsory licence in respect of one invention has the potential to affect the rights of other patentees.

176 ALRC Report 99, *Genes and Ingenuity: Gene Patenting and Human Health* (2004), ¶ 27.10, citing House of Representatives Standing Committee on Industry Science and Technology, *Genetic Manipulation: The Threat or the Glory?* (1992), 227.

177 *Patents Act 1990* (Cth) s 133(3).

178 *Patents Act 1990* (Cth) s 133(3)(a).

179 *Patents Act 1990* (Cth) s 133(3)(b).

180 *Patents Act 1990* (Cth) s 133(2)(b).

181 Intellectual Property Laws Amendment Bill 2006, Further Explanatory Memorandum, sch 8, item 2; e.g., see *NT Power Generation Pty Ltd v Power and Water Authority* (2004) 219 CLR 90, 120–1.

182 As to practical limitations involved in compulsory licensing see: D. Nicol and J. Nielsen, 'The Australian Medical Biotechnology Industry and Access to Intellectual Property: Issues for Patent Law Development' (2001) 23 *Sydney L Rev* 347, 372.

183 *The Grain Pool of Western Australia v The Commonwealth of Australia* (2000) 202 CLR 479, 513–14.

The Act deals with this possibility by requiring a court to make an order for a compulsory licence in respect of an invention such as X only if it is satisfied that the patented invention (X) involves an important technical advance of considerable economic significance on the other invention Y. If it is so satisfied, the order will require the grant of additional compulsory licences to allow invention X to be worked without infringement. The order will require the grant of a licence over invention X to the applicant. It will also require the grant of a licence over invention Y to the applicant insofar as it is necessary to work invention X. A further requirement for the order is that it must direct that the licence granted over invention Y may be assigned only if the applicant assigns the licence over invention X and only to the assignee of the licence over invention X.¹⁸⁴ If the patentee of invention Y so requires, the court must direct that he/she is granted a cross licence on reasonable terms to work invention X.¹⁸⁵

14.6.3 Operation of the order

If a court makes an order in response to the application, it operates as if it were embodied in a deed granting a licence and executed by the patentee and all other relevant parties.¹⁸⁶ An order must not be made that is inconsistent with a treaty between the Commonwealth and a foreign country.¹⁸⁷

14.6.4 Remuneration payable

In the event that a licence is granted to an applicant under a court order, the patentee is to be paid an amount of remuneration as is agreed between the patentee and the applicant or, if there is no agreement, an amount as is determined by the prescribed court to be just and reasonable having regard to the economic value of the licence.¹⁸⁸

14.6.5 Revocation

It is possible for the patentee to revoke the compulsory licence without a court order if the patentee and the licensee are agreed. Alternatively, either party may apply to the Federal Court for revocation of the licence. The court may revoke the licence if it finds that the circumstances that justified the licence have ceased to exist and are unlikely to recur. In both situations, revocation is possible only if the legitimate interests of the licensee are not likely to be adversely affected by the revocation.¹⁸⁹

184 *Patents Act 1990* (Cth) s 133(3B)(c).

185 *Patents Act 1990* (Cth) s 133(3B).

186 *Patents Act 1990* (Cth) s 133(4).

187 *Patents Act 1990* (Cth) s 136.

188 *Patents Act 1990* (Cth) s 133(5).

189 *Patents Act 1990* (Cth) s 133(6).

The patentee and any person claiming an interest in the patent as exclusive licensee or otherwise can apply to the Federal Court for revocation of a patent, even though a compulsory licence is in existence. Such application can be made only after two years have expired from the date of the grant of the first compulsory licence in respect of a patent.¹⁹⁰

14.6.6 Other circumstances for compulsory licence

A patent application may lapse or a patent may cease to apply in consequence of a failure to do one or more relevant acts within the prescribed time. If the reasons for this failure are beyond the control of the person concerned or are due to errors or omissions as are set out in s 223, the Commissioner must grant an extension of time upon application by the person concerned. This extension may be granted before or after the time has expired. Hence, it is possible for the lapsed patent application, and for a patent that has ceased, to be subsequently restored after an intervening period in which it would appear to a third party that no patent or application was in force. In these circumstances, a person can apply for a licence to exploit the invention by way of compensation and protection.¹⁹¹ This is an application as between the third party and the Commissioner, and the grant of a licence is accordingly between those parties. It is not between the patentee and the third party.¹⁹² Hence, when the patent is restored, it is not necessarily a full restoration of rights. Rather it is a restoration of patent rights other than those rights accrued by third parties who have exploited the invention during its period of cessation, whether or not those rights are known to the patentee or Commissioner at the time of restoration.¹⁹³ The *Patents Act 1990* (Cth) also provides protection against infringement for an act that is committed in the intervening period between the lapse or cessation and its restoration.¹⁹⁴

14.6.7 International requirements

Compulsory licensing is provided for in art 5A of the *Paris Convention 1883* and is further elaborated in art 31 of the *TRIPS Agreement*. The latter provision is silent on the grounds upon which a compulsory licence may be granted, but sets out the conditions that must be met for the grant of a licence without the authorisation of the right holder. A WTO ministerial *Declaration on the TRIPS Agreement and Public Health*¹⁹⁵ contains provisions that relate to the grant of compulsory export

190 *Patents Act 1990* (Cth) s 134(1); *Patents Regulations 1991* (Cth) reg 12.2(1).

191 *Patents Regulations 1990* (Cth) reg 22.21.

192 *HRC Project Design Pty Ltd v Orford Pty Ltd* (1997) 38 IPR 121 (licence terms).

193 *Ibid* 126; *Re Sanyo Electric Co Ltd and Commissioner of Patents* (1997) 36 IPR 470.

194 *Patents Act 1990* (Cth) s 223(10); *Patents Regulations 1991* (Cth) reg 22.11. *HRC Project Design Pty Ltd v Orford Pty Ltd* (1997) 38 IPR 121.

195 WTO document MIN(01)/DEC/2 (14 November 2001). See also *Implementation of paragraph 6 of the Doha Declaration on the TRIPS Agreement and Public Health: Decision of the General Council of 30 August 2003*; WTO Doc WT/L/540.

licences to aid WTO members with insufficient or no manufacturing capacities in the pharmaceutical sector. The *Patents (World Trade Organization Amendments) Act 1994* (Cth), operational 1 January 1995, amended the *Patents Act 1990* (Cth) to comply with this article. The *Australia–USA Free Trade Agreement (AUSFTA)* came into force on 1 January 2005 and contains provisions that relate to compulsory licensing of patents in art 17.9.7. These provisions limit the circumstances in which a compulsory licence may be granted to:

- (a) remedy an anti-competitive practice;¹⁹⁶ or
- (b) in cases of public non-commercial use, or of national emergency, or other circumstances of extreme urgency.¹⁹⁷

The *Intellectual Property Laws Amendment Act 2006* (Cth) includes a provision that complies with the matter of anti-competitive conduct.¹⁹⁸ The cases in paragraph (b) above are narrower than the circumstances set out in s 133, in that they do not include any commercial use unless it is required by reason of a national emergency or other extreme urgency. This difference means that a narrower class of circumstances applies where one party has the protection of the *AUSFTA* because no order can be made under s 133 (or s 134) that is inconsistent with a treaty between the Commonwealth and a foreign country.

14.7 Contracts

14.7.1 Void conditions

The patentee has the exclusive right to exploit the invention and to authorise another person to exploit the invention.¹⁹⁹ However, this exclusive right of exploitation is subject to some limited control in Chapter 14 of the *Patents Act 1990* (Cth) over the types of conditions that may be imposed in a contract relating to the sale or lease of, or licence to exploit, a patented invention.²⁰⁰ The word ‘condition’ refers to ‘a term of a contract, whether it be a condition in the strict sense, a warranty or some other term’.²⁰¹

There is no definition of a ‘patented invention’ but a ‘patented product’ is defined to mean a product in respect of which a patent has been granted and is in force and ‘patented process’ has a similar meaning.²⁰² Therefore, these provisions are concerned with contracts for sale or lease of, or a licence (referred to generically as ‘licences’) to exploit, a patented product or patented process.

196 art 17.9.7(a).

197 art 17.9.7(b).

198 sch 8, substituted s 133(2)(b): ‘the patentee has contravened, or is contravening, Part IV of the *Trade Practices Act 1974* or an application law (as defined in section 150A of that Act) in connection with the patent’.

199 *Patents Act 1990* (Cth) s 13(1).

200 *Patents Act 1990* (Cth) ch 14.

201 *Thomas Hunter Limited’s Patent* [1965] RPC 416, 420; *Transfield Pty Ltd v Arlo International Ltd* (1980) 144 CLR 83, 100 (Mason J).

202 *Patents Act 1990* (Cth) sch 1, Dictionary.

There is no precise definition of sale or lease, so they would be given their usual meanings. This does not necessarily mean the strict legal definition and courts may look to the definition that parliament intended.²⁰³ A licence means a licence to exploit, or to authorise the exploitation of, a patented invention.²⁰⁴

The restrictions on conditions that can be imposed are designed to prevent abuse of the monopoly by imposing restraints that go beyond the scope of the monopoly²⁰⁵ and allow the patentee to 'obtain a collateral advantage'.²⁰⁶ The purpose and effect of a similar provision in the *Patents and Designs Act 1907* (UK) was described by Lord Oaksey in *Tool Metal Manufacturing Co Ltd v Tungsten Electric Co Ltd*²⁰⁷ as:

to prevent the licensor from limiting the right of the licensee to trade with others so as in effect to compel the licensee to trade with him.

There are two prohibited conditions in s 144 of the *Patents Act 1990* (Cth) which are necessarily void. The first are those that tie the right to exploit the patented invention to the purchase of other products from the licensor.²⁰⁸ An example of this type of condition is where X grants Y a licence to use a patented process and requires Y to purchase from X a common unpatented chemical that is used in the process. The second prohibited conditions are those that restrict or prohibit the ability to use a third party's products or processes. The prohibition or restriction on 'use' does not extend to dealing in those products or processes.²⁰⁹ An example of a void condition of this type is where X grants to Y a licence to use a patented process but prohibits Y from using a common chemical in that process that is supplied by Z.

Either type of prohibited condition may take the form of an express or implied prohibition. An express positive obligation may carry with it an implied prohibition or restriction.²¹⁰ Hence, the licence of a patent to Y that includes a condition that Y purchase the common chemical from X impliedly prohibits Y obtaining those materials from Z and vice versa.

In the case of an innovation patent, in addition to the preceding conditions, the imposition by Y of a condition is void if its effect is to prohibit X from applying for examination of the patent or to impose restrictions on the circumstances in which X may apply for examination.²¹¹

203 In the context of plant breeder's patent rights see *Sun World International Inc v Registrar, Plant Breeder's Rights* (1998) 87 FCR 405, 412.

204 *Patents Act 1990* (Cth) sch 1, Dictionary.

205 *Tool Metal Manufacturing Co Ltd v Tungsten Electric Co Ltd* [1955] 1 WLR 761, 776 (Lord Oaksey).

206 *Ibid* 770 (Viscount Simonds).

207 *Ibid* 777 (Lord Oaksey).

208 *Patents Act 1990* (Cth) s 144(1)(a).

209 *Transfield Pty Ltd v Arlo International Ltd* (1980) 144 CLR 83, 92 (Stephen J), considering *Patents Act 1952* (Cth) s 112, the equivalent provision to *Patents Act 1990* (Cth) s 144.

210 *Transfield Pty Ltd v Arlo International Ltd* (1980) 144 CLR 83, 93 (Stephen J).

211 *Patents Act 1990* (Cth) s 144(1A).

14.7.2 Conditions that are not void

Section 144(2) provides that the imposition of an offending condition will not be void where X proves that:

- (a) at the time of the contract, Y had the option of buying the product or obtaining a lease or licence on reasonable terms without the condition; and
- (b) the contract entitles Y to be relieved of the condition on the giving to X of three months notice in writing and paying compensation.²¹²

In addition, s 146 provides that the provisions in Chapter 12 do not affect certain conditions in contracts. First, the patentee is entitled to tie a person into the distribution of the patentee's goods to the exclusion of all others.²¹³ Secondly, the Chapter does not affect conditions in a contract for lease of or licence to exploit a patented product that reserves to the lessor or licensor the right to supply new parts of the patented product that are required to put or keep it in repair. For example, if X is the exclusive licensee to exploit an invention for a rubbish truck, a condition in the licence that requires X to purchase unpatented replacement parts for the truck will not be void under s 144(1)(b) if the supply is for the purposes of repair.

14.7.3 Defence to infringement proceedings

Any person who is sued for infringement of the patent can claim as a defence that the patented invention is, or was when the proceedings were started, the subject of a contract containing a provision inserted by the patentee that is void under s 144. This condition does not have to be in a contract with the alleged infringer. All that is required is a contract in existence when the proceedings started that contains a void term inserted by the patentee. The 'patentee' is defined as the person for the time being entered in the Register as the grantee or proprietor of a patent. Therefore, it is not a defence to establish the existence of a contract with a void condition that was inserted by an exclusive licensee of the patentee.

It is not possible to remove the defence by removing the condition from the contract after proceedings have started.²¹⁴ However, it is possible to remedy this defect prior to the commencement of proceedings. The patentee must offer the parties to that offending contract a new contract on the same terms but excluding the offending condition. Whether or not the parties to the contract accept the new contract, the existence of the offending contract no longer offers a person a defence to infringement.²¹⁵ The remedies that a patentee can seek for an infringement that occurs after the offer of the new contract are the usual

212 *Patents Act 1990* (Cth) s 144(2).

213 *Patents Act 1990* (Cth) s 146(a).

214 *Patents Act 1990* (Cth) s 144(4).

215 *Patents Act 1990* (Cth) s 144(5).

remedies excluding damages or an account of profits for an infringement that was committed before the offer of a new contract.²¹⁶

There is a provision that a person is not stopped from applying for or obtaining relief in any proceedings under this Act just because he admits that the terms of sale were reasonable. Therefore, the reasonableness of the terms is not judged by the licensee's admission to this effect.²¹⁷

14.7.4 Termination of contract after patent ceases to be in force

Section 145 of the *Patents Act 1990* (Cth) provides either party with the ability to terminate a contract relating to the lease of or licence to exploit a patented invention after the patent ceases to be in force. If the contract relates to an invention that is protected by one Australian patent at the time the contract was made, either party can terminate the contract on giving three months notice in writing to the other party at any time after the patent has ceased to be in force. Therefore, X, the registered proprietor of a granted patent for widgets, grants Y an exclusive licence until 1 July 2008 to exploit the invention. In 2006, X decides not to pay renewal fees and the patent lapses. Either X or Y can terminate the contract.

What happens if more than one patent protects the invention that is licensed or leased? The section refers to the licence of the patented invention and to the 'patent, or all of the patents, by which the invention was protected at the time the contract was made'. Therefore, if the patented invention that is licensed is protected by four different patents, the notice cannot be given until the last of the patents ceases to be in force. In other words, this provision is there to allow the parties to terminate a contract when the invention is in the public domain.

The section refers to 'the patent, or all of the patents'. 'Patent' is defined to mean a standard patent or an innovation patent.²¹⁸ Therefore, the section is only concerned with Australian patents. If a contract licenses technology that is protected by Australian, US and UK patents, it seems that termination is possible after the Australian patents cease to be in effect, even if the US and UK patents remain in force. It may be that the 'contract' can be severed so that the section affects the contract only as it relates to the Australian patents.

14.8 The Register and official documents

14.8.1 Contents of the Register

The Australian Patent Office maintains a Register of Patents that contains separate parts for standard and innovation patents.²¹⁹ The Register may be kept wholly or partly by use of a computer. Particulars of standard and innovation patents in

²¹⁶ *Patents Act 1990* (Cth) s 144(5).

²¹⁷ *Patents Act 1990* (Cth) ss 144(3), 144(2)(a).

²¹⁸ *Patents Act 1990* (Cth) sch 1, Dictionary.

²¹⁹ *Patents Act 1990* (Cth) s 186.

force, and other prescribed particulars, must be registered in the respective parts of the Register.²²⁰ The Register must not contain notice of any trust relating to a patent or licence.²²¹ This does not prohibit the registration of a trustee: merely the notification of the trust, the status of the trustee or the details of the trust. The register establishes a means for establishing priority of interests in a patent. It also protects rights in a patent that are not proprietary because there is no requirement that the interest be proprietary for it to gain protection under this provision.²²²

The prescribed particulars that require registration are:²²³

- (a) an entitlement as mortgagee, licensee or otherwise to an interest in a patent;
- (b) a transfer of an entitlement to a patent or licence, or to a share in a patent or licence;
- (c) an extension of the term of a patent;
- (d) a restoration of a patent;
- (e) an order of a court that directs an amendment to the patent (s 105(5));
- (f) an order of a prescribed court that has been served on the Commissioner under s 140 of the Act;
- (g) an order of a prescribed court made on appeal in relation to a patent, being an order of which an office copy has been served on the Commissioner;
- (h) a decision of the Commissioner to revoke a patent under Chapter 9 of the Act;
- (i) the acquisition of a patent by the Commonwealth under Part 3 of Chapter 17 of the Act;
- (j) the cessation of a patent.

A person can file a copy of the document under which the interest is created but is not required to do so. If documents are filed they must be available for inspection at the Patent Office.²²⁴ The Register is a record of interests in a patent. The interests themselves arise from the agreement between the parties.²²⁵

14.8.2 Inspection and access to the Register

The Register,²²⁶ and all documents filed in connection with the registration of any of the above particulars,²²⁷ must be available for inspection at the Patent Office by any person during the hours that it is open for business. In addition, the Commissioner may give any person information about a patent, an application

220 *Patents Act 1990* (Cth) s 187.

221 *Patents Act 1990* (Cth) s 188. *Stewart v Casey* (1892) 9 RPC 9, 11; *Stack v Brisbane City Council* (1996) 67 FCR 510, 513.

222 *Patents Act 1990* (Cth) s 189(1).

223 *Patents Regulations 1991* (Cth) reg 19.1.

224 *Patents Act 1990* (Cth) s 193.

225 *Vitamins Australia Ltd v Beta-Carotene Industries Pty Ltd* (1987) 9 IPR 41, 53 (Kennedy J); *Clorox Australia Pty Ltd v International Consolidated Business Pty Ltd* (2006) 68 IPR 254, 260, ¶ 14 (licences).

226 *Patents Act 1990* (Cth) s 190.

227 *Patents Act 1990* (Cth) s 193.

for a patent that is open to public inspection or any prescribed document or matter.²²⁸

14.8.3 False entries

There are criminal penalties for making or causing false entries to be made in the Register and for tendering in evidence a document that falsely purports to be a copy of or extract from an entry in the Register.²²⁹ Persons who are aggrieved by omissions, errors and incorrect entries can apply to a prescribed court for rectification of the Register.²³⁰

14.8.4 Evidence

The Register is prima facie evidence of any particulars registered in it.²³¹ In the case of unregistered particulars, the general principle is that a document is not admissible in proceedings to prove title to a patent or to an interest in a patent.²³²

14.8.5 Power of patentee to deal with patent

The grant of a patent gives the patentee the exclusive rights to exploit the patent. Those rights are personal property and are capable of assignment and devolution by law.²³³ It is the grant that is the source of the proprietary interest in the patent, rather than registration.²³⁴ Registration only provides prima facie evidence of the things that are registered.²³⁵ The Register does not affect the nature of the interest, only the extent to which it is enforceable against third parties.

The patentee can deal with interests in the patent as absolute owner, and give good discharges for any consideration for any dealing, subject only to the rights that appear from the Register to vest in another person.²³⁶ A person who deals as a purchaser for value in good faith and without notice of any fraud on the part of the patentee takes subject only to those registered interests.²³⁷ The consequences for failure to register an interest therefore relate to priority of interests and enforceability of those interests against third parties.²³⁸ For example, if a patentee vested rights in a person who failed to register the details of those rights, and subsequently purports to transfer the patent without being subject to those rights, a purchaser in good faith for value without notice of any fraud on the

228 *Patents Act 1990* (Cth) s 194.

229 *Patents Act 1990* (Cth) s 191.

230 *Patents Act 1990* (Cth) s 192.

231 *Patents Act 1990* (Cth) s 195. See also s 197.

232 Exceptions: *Patents Act 1990* (Cth) 196(a), (b)(i), (b)(ii).

233 *Patents Act 1990* (Cth) ss 13 and 61.

234 *Patents Act 1990* (Cth) s 61(1).

235 *Patents Act 1990* (Cth) s 195(1).

236 *Patents Act 1990* (Cth) s 189(1).

237 *Patents Act 1990* (Cth) s 189.

238 *Patents Act 1990* (Cth) s 189.

part of the patentee will not be subject to those rights. The unregistered interest remains enforceable against the patentee except to the prejudice of those third-party rights.²³⁹ Where security is taken over patents owned by a corporation, registration is required under the *Corporations Act 2001* (Cth), but the priority rules in the *Patents Act 1990* (Cth) apply.²⁴⁰ These priority rules have limitations because they apply only to dealings with the registered patentee. They do not apply, for example, where security is taken over an interest in a patent that is not held by the patentee but by another, such as an exclusive licensee or mortgagee. In such a case, the priority rules in the *Corporations Act 2001* (Cth) apply.²⁴¹

239 *Patents Act 1990* (Cth) s 189(3).

240 *Corporations Act 2001* (Cth) s 279(5)(d).

241 See Standing Committee of Attorneys General, *Review of the Law on Personal Property Securities: Options Paper* (April 2006).

Patents for inventions: exploitation, infringement and revocation

15.1 The role of the patent specification

A patent specification is a public instrument which contains the patentee's unilateral statement to the public of what are claimed as the essential features (integers) of the invention.¹ The grant of the monopoly rights in a patent are balanced by the disclosure of the invention to the public.²

As a patent specification is directed to a skilled person in the art to which the specification relates, it can contain less detail than would be necessary if it was directed to an unskilled person. The patent specification itself is made up of several parts which have different functions.³ The body, apart from the preamble, is there to instruct those skilled in the art concerned in the carrying out of the invention.⁴ The claims identify the legal limits of the monopoly granted by the patent⁵ and must define the invention in a way that is not reasonably capable of being misunderstood.⁶ Inadvertent or deliberate omissions from the claim have no protection.⁷ In other words, what is not claimed is disclaimed.⁸

1 For a discussion of the history of the patent specification, see D. J. Brennan, "The Evolution of English Patent Claims as Property Definers" [2005] 4 *IPQ* 361.

2 *Flexible Steel Lacing Co v Beltreco Ltd* (2000) 49 IPR 331, 347; *Rodi and Wienberger AG v Henry Showell Ltd* [1969] RPC 367, 391–2 (Lord Upjohn).

3 *Sachtler GmbH and Co KG v RE Miller Pty Ltd* (2005) 65 IPR 605, 613.

4 *Decor Corporation Pty Ltd v Dart Industries Inc* (1988) 13 IPR 385, 398 (Sheppard J).

5 *Sachtler GmbH and Co KG v RE Miller Pty Ltd* (2005) 65 IPR 605; *British United Shoe Machinery Co Ltd v A Fussell & Sons Ltd* (1908) 25 RPC 631, 650; *Walker v Alemite Corporation* (1933) 49 CLR 643, 656–7.

6 *Flexible Steel Lacing Co v Beltreco Ltd* (2000) 49 IPR 331, 347; *Martin v Scribal Pty Ltd* (1954) 92 CLR 17, 59; *Welch Perrin & Co Pty Ltd v Worrel* (1961) 106 CLR 588, 610; *Populin v HB Nominees Pty Ltd* (1982) 41 ALR 471, 476; *Decor Corporation Pty Ltd v Dart Industries Inc* (1988) 13 IPR 385, 400.

7 *Walker v Alemite Corporation* (1933) 49 CLR 643, 656; *Flexible Steel Lacing Co v Beltreco Ltd* (2000) 49 IPR 331, 347; *Root Quality Pty Ltd v Root Control Technologies Pty Ltd* (2000) 49 IPR 225, 234; *Rodi and Wienberger AG v Henry Showell Ltd* [1969] RPC 367, 380.

8 *Root Quality Pty Ltd v Root Control Technologies Pty Ltd* (2000) 49 IPR 225, 234; *Flexible Steel Lacing Co v Beltreco Ltd* (2000) 49 IPR 331, 347; *Walker v Alemite Corporation* (1933) 49 CLR 643, 653; *Electric & Musical*

15.2 General principles for construction of patent specification

The patent specification is construed for a variety of purposes under the *Patents Act 1990* (Cth). Issues of validity under s 18 are determined with reference to the invention so far as claimed in any claim. A simple example of an invention for forming a building foundation or slab may be useful here. A claim in a patent specification for such an invention included ‘placing concrete spacers on the ground’. Construction of the claim to identify its essential integers is critical to issues of novelty and inventive step. Construction of the whole specification is also necessary to determine the internal requirements of s 40, such as sufficiency of description, and fair basis. Furthermore, it is always a question of whether the language of the claim covers the alleged infringement.⁹

In our example, if the term ‘concrete’ is construed to be an essential integer of the claim (as is likely), a prior disclosure of forming a building foundation as claimed but with the use of a plastic spacer would not destroy its novelty. Similarly, a later act of forming the building foundation with plastic spacers would not infringe the claim. There is a different result if the term ‘concrete’ is construed to be an inessential integer of the claim.

Although it is stated that there are no special rules for the interpretation of patent specifications,¹⁰ the reality is that courts have adapted the general principles for the interpretation of legal documents to take account of the special nature of the patent specification.¹¹ The body is there to instruct the skilled person in how to carry out the invention. Hence, the language used here is not so critical, provided it is understood by the skilled reader and does not mislead.¹² The claims which define the monopoly require careful scrutiny in the same way as documents that define legal rights are construed.¹³ However, they exist within the larger document and must be read in that context.

In the case of *Decor Corporation Pty Ltd v Dart Industries Inc*, Sheppard J distilled principles of construction from earlier authorities to provide a guide for the construction of patent specifications.¹⁴ Since then, later decisions have generally adopted these principles, either with or without adjustment or amplification according to the circumstances for decision. The following represents a synthesis of the various rules that appear in recent decisions.¹⁵

Industries Ltd v Lissen Ltd [1938] 4 All ER 221, 224 (Lord Russell of Killowen); *Populin v HB Nominees Pty Ltd* (1982) 41 ALR 471, 475.

⁹ *Sachtler GmbH and Co KG v RE Miller Pty Ltd* (2005) 65 IPR 605 citing *Improver Corporation v Remington Consumer Products Ltd* [1990] FSR 181, 189–90; *PhotoCure ASA v Queen's University at Kingston* (2005) 64 IPR 314, 356.

¹⁰ *Decor Corporation Pty Ltd v Dart Industries Inc* (1998) 13 IPR 385, 391.

¹¹ *PhotoCure ASA v Queen's University at Kingston* (2005) 64 IPR 314, 358.

¹² *Decor Corporation Pty Ltd v Dart Industries Inc* (1988) 13 IPR 385, 400.

¹³ *Ibid.*

¹⁴ *Ibid.*

¹⁵ *Jupiters Ltd v Neurizon Ltd* (2005) 65 IPR 86, 99; *Flexible Steel Lacing Co v Beltreco Ltd* (2000) 49 IPR 331, 349.

1. A patent specification should be given a purposive, not a purely literal, construction.¹⁶
2. The proper construction of a specification is a matter of law.¹⁷ As such, it is a matter for the court¹⁸ and is not for expert witnesses.¹⁹
3. The complete specification is not to be read in the abstract, but is to be construed in the light of the common general knowledge and the art before the priority date.²⁰
4. The court is to place itself in the position of 'some person acquainted with the surrounding circumstances as to the state of [the] art and manufacture at the time'.²¹ This hypothetical addressee of the patent specification is the non-inventive person skilled in the art or science to which the specification relates²² before the priority date.²³ Words are normally given the meaning which that skilled person would normally attach to them, having regard to the common general knowledge and to what is disclosed in the body of the specification.²⁴
5. The construction of claims takes place in the context of the specification as a whole,²⁵ even if there is no apparent ambiguity in the claim.²⁶ The possibility that a word or phrase has more than one meaning, or is used in a technical or trade sense, may become evident only after reference to the specification as a whole. Hence, the body of the specification can be used to explain the background to the claims, to ascertain the meaning of technical terms,²⁷ to resolve ambiguities in the construction of the claims and to explain, define or clarify obscure or doubtful language.²⁸ The rest of the specification can also help ascertain whether a word or expression requires

16 *Flexible Steel Lacing Co v Beltreco Ltd* (2000) 49 IPR 331, 349; *Decor Corporation Pty Ltd v Dart Industries Inc* (1988) 13 IPR 385, 400.

17 *Decor Corporation Pty Ltd v Dart Industries Inc* (1988) 13 IPR 385, 400; *Jupiters Ltd v Neurizon Ltd* (2005) 65 IPR 86, 99.

18 *Minnesota Mining & Manufacturing Co v Beiersdorf (Aust) Ltd* (1980) 144 CLR 253, 270, 281 (Aickin J); *Jupiters Ltd v Neurizon Ltd* (2005) 65 IPR 86, 99.

19 *Sachtler GmbH and Co KG v RE Miller Pty Ltd* (2005) 65 IPR 605; *Allsop Inc v Bintang Ltd* (1989) 15 IPR 686, 697.

20 *Kimberley-Clark Australia Pty Ltd v Arico Trading International Pty Ltd* (2001) 207 CLR 1, 16; *Samuel Taylor Pty Ltd v SA Brush Co Ltd* (1950) 83 CLR 617, 624–5; *Welch Perrin & Co Pty Ltd v Worrel* (1961) 106 CLR 588, 610; *Sunbeam Corporation v Morphy-Richards (Aust) Pty Ltd* (1961) 180 CLR 98, 102.

21 *Kimberley-Clark Australia Pty Ltd v Arico Trading International Pty Ltd* (2001) 207 CLR 1, 16; *British Dynamite Co v Krebs* (1896) 13 RPC 190, 192; *Jupiters Ltd v Neurizon Ltd* (2005) 65 IPR 86, 100.

22 *Decor Corporation Pty Ltd v Dart Industries Inc* (1988) 13 IPR 385, 397; *Welch Perrin & Co Pty Ltd v Worrel* (1961) 106 CLR 588, 610; *Root Quality Pty Ltd v Root Control Technologies Pty Ltd* (2000) 49 IPR 225, 237.

23 *Flexible Steel Lacing Co v Beltreco Ltd* (2000) 49 IPR 331, 349; *Welch Perrin & Co Pty Ltd v Worrel* (1961) 106 CLR 588, 610; *Decor Corporation Pty Ltd v Dart Industries Inc* (1988) 13 IPR 385, 397.

24 *Jupiters Ltd v Neurizon Ltd* (2005) 65 IPR 86, 99; *Decor Corporation Pty Ltd v Dart Industries Inc* (1988) 13 IPR 385, 391.

25 *Fresenius Medical Care Australia Pty Ltd v Gambro Pty Ltd* (2005) 67 IPR 230, 236; *Decor Corporation Pty Ltd v Dart Industries Inc* (1988) 13 IPR 385, 400; *Jupiters Ltd v Neurizon Ltd* (2005) 65 IPR 86, 99.

26 *Flexible Steel Lacing Co v Beltreco Ltd* (2000) 49 IPR 331, 347–8; *Decor Corporation Pty Ltd v Dart Industries Inc* (1988) 13 IPR 385, 410–11; *Clorox Australia Pty Ltd v International Consolidated Business Pty Ltd* (2006) 68 IPR 254, 260.

27 *Flexible Steel Lacing Co v Beltreco Ltd* (2000) 49 IPR 331, 347; *Martin v Scribal Pty Ltd* (1954) 92 CLR 17, 59.

28 *Fresenius Medical Care Australia Pty Ltd v Gambro Pty Ltd* (2005) 67 IPR 230, 236; *PhotoCure ASA v Queen's University at Kingston* (2005) 64 IPR 314, 358–9; *Interlego AG v Toltoys Pty Ltd* (1973) 130 CLR 461, 478–9; *Leonardis v Sartas No 1 Pty Ltd* (1996) 67 FCR 126, 148.

clarification because the ordinary, or usual, meaning is not sufficiently precise.²⁹ The meaning of the words in the claims that are unclear may be defined by what is said in the body of the specification.³⁰

6. It is important to construe claims in a practical and commonsense manner.³¹ Once the true meaning of the claim is arrived at by construing it within the context of the specification, it is not permissible to narrow or expand its scope by adding to those words glosses drawn from other parts of the specification,³² unless they are expressly or by necessary implication picked up in the claim.³³ Integers cannot be added to a claim after reference to the context in which the claims appear.³⁴ A clear claim for one subject matter cannot be changed into a claim for a different subject matter.³⁵ The preferred embodiment can't be used to introduce into definite words of a claim an additional definition or qualification of the invention.³⁶
7. A construction according to which the invention will work is to be preferred to one according to which it may not do so.³⁷ Also, it is appropriate to construe the specification with a 'benevolent eye to the inventor',³⁸ while maintaining a construction which is reasonable and fair to both the patentee and the public.³⁹
8. Purely verbal and grammatical questions are resolved according to ordinary principles of construction.⁴⁰ As a general rule, the terms of a specification should be accorded their ordinary English meaning.⁴¹

29 *Pharmacia Italia SPA v Mayne Pharma Pty Ltd* (2005) 66 IPR 84; *Minerals Separation North American Corp v Noranda Mines* (1952) 69 RPC 81, 96.

30 *Kimberley-Clark Australia Pty Ltd v Arico Trading International Pty Ltd* (2001) 207 CLR 1, 12; *Welch Perrin & Co Pty Ltd v Worrel* (1961) 106 CLR 588, 610; *Interlego AG v Toltoys Pty Ltd* (1973) 130 CLR 461, 478.

31 *Flexible Steel Lacing Co v Beltreco Ltd* (2000) 49 IPR 331; *Nesbit Evans Group Australia Pty Ltd v Impro Ltd* (1997) 39 IPR 56, 95; *Martin Engineering Co v Trison Holdings Pty Ltd* (1989) 14 IPR 330, 338.

32 *Flexible Steel Lacing Co v Beltreco Ltd* (2000) 49 IPR 331, 347; *Welch Perrin & Co Pty Ltd v Worrel* (1961) 106 CLR 588, 610; *Decor Corporation Pty Ltd v Dart Industries Inc* (1988) 13 IPR 385, 391, 398; *Nesbit Evans Group Australia Pty Ltd v Impro Ltd* (1997) 39 IPR 56; *Martin v Scribal Pty Ltd* (1954) 92 CLR 17, 97 (Taylor J); *Pharmacia Italia SPA v Mayne Pharma Pty Ltd* (2005) 66 IPR 84.

33 *Martin v Scribal Pty Ltd* (1954) 92 CLR 17, 97 (Taylor J), affirmed at (1956) 95 CLR 213; *Sartas No 1 Pty Ltd v Koukourou & Partners Pty Ltd* (1994) 30 IPR 479, 485–6; *Nesbit Evans Group Australia Pty Ltd v Impro Ltd* (1997) 39 IPR 56, 81.

34 *Fresenius Medical Care Australia Pty Ltd v Gambro Pty Ltd* (2005) 67 IPR 230, 236–37; *Minnesota Mining & Manufacturing Co v Beiersdorf (Australia) Ltd* (1980) 144 CLR 253; *Welch Perrin & Co Pty Ltd v Worrel* (1961) 106 CLR 588, 610; *Kimberley-Clark Australia Pty Ltd v Arico Trading International Pty Ltd* (2001) 207 CLR 1, 12–13.

35 *Electric & Musical Industries Ltd v Lissen Ltd* [1938] 4 All ER 221, 224–5; *Jupiters Ltd v Neurizon Ltd* (2005) 65 IPR 86, 99.

36 *Erickson's Patent* (1923) 40 RPC 477, 491; *Rehm Pty Ltd v Websters Security Systems (International) Pty Ltd* (1988) 11 IPR 289, 298.

37 *Nesbit Evans Group Australia Pty Ltd v Impro Ltd* (1997) 39 IPR 56, 81; *Martin v Scribal Pty Ltd* (1954) 92 CLR 17, 97 (Taylor J); *Welch Perrin & Co Pty Ltd v Worrel* (1961) 106 CLR 588, 601–2 (Menzies J).

38 *Leonardis v Sartas No 1 Pty Ltd* (1996) 67 FCR 126, 149; *Martin v Scribal Pty Ltd* (1954) 92 CLR 17, 97 (Taylor J).

39 *Root Quality Pty Ltd v Root Control Technologies Pty Ltd* (2000) 49 IPR 225, 235–6.

40 *Flexible Steel Lacing Co v Beltreco Ltd* (2000) 49 IPR 331, 348; *Decor Corporation Pty Ltd v Dart Industries Inc* (1988) 13 IPR 385, 400; *Welch Perrin & Co Pty Ltd v Worrel* (1961) 106 CLR 588, 610–11.

41 *Flexible Steel Lacing Co v Beltreco Ltd* (2000) 49 IPR 331, 350; *Electric & Musical Industries Ltd v Lissen Ltd* [1938] 4 All ER 221, 226; *Elconnex Pty Ltd v Gerard Industries Pty Ltd* (1991) 32 FCR 491, 512–13; *Minnesota Mining & Manufacturing Co v Beiersdorf (Aust) Ltd* (1980) 144 CLR 253, 279 (Aickin J).

15.3 Claim construction

15.3.1 Introduction

As the function of the claims is to define the limits of the monopoly, ‘the forbidden field must be found in the language of the claims, and not elsewhere’.⁴² That forbidden field equates to the essential integers of the invention which are identified using a purposive approach to construction which is described below.⁴³ There is no infringement if an essential integer or feature is missing in an allegedly infringing article. The fact that it is replaced with something of functional significance is irrelevant.⁴⁴ When the ‘forbidden field’ is taken in its entirety it is of no consequence that an inessential integer is replaced with an equivalent.⁴⁵

Some preliminary explanation of ways in which claims were formerly construed provides a context for why the purposive approach is now accepted as the preferred method. The early approach to construction of claims was one of literalism.⁴⁶ Technically, courts were required to construe the words of a claim in isolation and could refer to the body of the specification for clarification of the intended meaning only when a clear ambiguity in a word or phrase was present. However, sometimes ambiguity or lack of clarity in meaning only becomes evident when the words are construed within the context of the entire specification. A literal interpretation of the claim without its context could result in a narrow interpretation which would allow someone to remove their otherwise infringing product from the scope of the claim by making an ‘immaterial variation’. For example, the literal meaning of the word ‘vertical’ when read in the claim in isolation could mean perpendicular. This would allow someone to design an immaterial variation that was a few degrees off the perpendicular in order to fall outside the scope of the claim. However, when the word ‘vertical’ is read in the context of a specification that is addressed to builders and engineers, it may be construed to include almost perpendicular and thus draw the immaterial variation within its scope as an infringing product.

Courts found ways of circumventing the type of colourable evasion that may result when claims are construed using a literal interpretation.⁴⁷ The US developed a doctrine of equivalents. In the UK and Australia, they abandoned literalism in favour of finding the ‘pith and marrow’ of a claim.⁴⁸

⁴² *Electric & Musical Industries Ltd v Lissen Ltd* [1938] 4 All ER 221, 224 (Lord Russell of Killowen).

⁴³ *Catnic Components Ltd v Hill & Smith Ltd* [1982] RPC 183; *Kirin-Amgen Inc v Hoechst Marion Roussel Ltd* [2005] RPC 169.

⁴⁴ *Fresenius Medical Care Australia Pty Ltd v Gambro Pty Ltd* (2005) 67 IPR 230.

⁴⁵ *Populin v HB Nominees Pty Ltd* (1982) 41 ALR 471, 475; *Sachtler GmbH and Co KG v RE Miller Pty Ltd* (2005) 65 IPR 605, 616.

⁴⁶ *C Van der Lely NV v Bamfords Ltd* [1963] RPC 61.

⁴⁷ *Ibid* 77 (Lord Reid).

⁴⁸ *Kirin-Amgen Inc v Hoechst Marion Roussel Ltd* [2005] RPC 169, 188.

15.3.2 Pith and marrow

The concept of ‘pith and marrow’ refers to the ‘essence or substance’⁴⁹ of the invention and derives from a statement of James LJ in *Clark v Adie*.⁵⁰ However, the doctrine was always ‘a bit vague’ as to what this meant.⁵¹ It was unclear initially whether the courts regarded it as a principle of construction that would assist in identifying the essential integers of the invention or whether it permitted an extension of protection outside the words of the claims by way of equivalence.⁵² The US doctrine of equivalents,⁵³ for example, does allow the patentee to extend protection outside the claims in this way.

Irrespective of this historical uncertainty, there is no longer any sustainable concept of equivalence in Anglo-Australian law. According to Lord Hoffman in *Kirin-Amgen*, there is no wider concept of ‘pith and marrow’ that would allow a patent to extend to equivalents that go outside the scope of the claim.⁵⁴ This is also the position in Australia.⁵⁵ Moreover, to broaden the scope of the monopoly using any concept of equivalence is generally undesirable because the patentee may have chosen restrictive language and regarded it as essential for some reason that is not evident.⁵⁶

‘Pith and marrow’, if it still applies, is now understood to equate with ‘those novel features only that [the patentee] claims to be essential’ – namely the essential integers of the claim.⁵⁷ As Gibbs J stated in *Olin Corporation Ltd v Super Cartridge Co Pty Ltd*,⁵⁸ the ‘pith and marrow’ is limited by the language of the claim.⁵⁹ Nevertheless, ‘pith and marrow’ is a device that allows you to reject an expressed feature in a claim as essential to the invention. In the UK, the default position is that everything in the language of the claim is regarded as essential.⁶⁰ This is also the favoured position in Australia⁶¹ because it will be rare to find something inessential in the words used.⁶²

49 *Clark v Adie* (1875) 10 Ch App 667.

50 *Ibid.* See *Marconi v British Radio Telegraph and Telephone Co Ltd* (1911) 28 RPC 181, 217; *C Van Der Lely NV v Bamfords Ltd* [1963] RPC 61, 75, 78–80; *Radiation Ltd v Galliers & Klaerr Pty Ltd* (1938) 60 CLR 36, 51 (Dixon J); *Olin Corporation v Super Cartridge Co Pty Ltd* (1977) 180 CLR 236, 246.

51 *Kirin-Amgen Inc v Hoechst Marion Roussel Ltd* [2005] RPC 169, 187.

52 *Ibid.*

53 *Graver Tank & Manufacturing Co Inc v Linde Air Products Co* (1950) 339 US 605, 607 (Jackson J); *Royal Typewriter Co v Remington Rand Inc* (1948) 168 F 2d 691, 692.

54 *Kirin-Amgen Inc v Hoechst Marion Roussel Ltd* [2005] RPC 169, 187.

55 *Baygol Pty Ltd v Foamex Polystyrene Pty Ltd* (2005) 66 IPR 1.

56 *Baygol Pty Ltd v Foamex Polystyrene Pty Ltd* (2005) 66 IPR 1, 7; *Société Technique de Pulverisation Step v Emson Europe Ltd* [1993] RPC 513, 522.

57 *Catnic Components Ltd v Hill & Smith Ltd* [1982] RPC 183, 243; *Fresenius Medical Care Australia Pty Ltd v Gambro Pty Ltd* (2005) 67 IPR 230.

58 (1977) 180 CLR 236, 246.

59 See also *Rodi and Wienenberger AG v Henry Showell Ltd* [1969] RPC 367, 391–2 (Lord Upjohn); *Catnic Components Ltd v Hill & Smith Ltd* [1982] RPC 183; *Kirin-Amgen Inc v Hoechst Marion Roussel Ltd* [2005] RPC 169; *Baygol Pty Ltd v Foamex Polystyrene Pty Ltd* (2005) 66 IPR 1.

60 *Kirin-Amgen Inc v Hoechst Marion Roussel Ltd* [2005] RPC 169, 187.

61 *Fresenius Medical Care Australia Pty Ltd v Gambro Pty Ltd* (2005) 67 IPR 230.

62 *Kirin-Amgen Inc v Hoechst Marion Roussel Ltd* [2005] RPC 169, 186; *Baygol Pty Ltd v Foamex Polystyrene Pty Ltd* (2005) 66 IPR 1, 14.

15.3.3 Purposive construction

It is generally accepted by Australian courts that a patent specification should be given a purposive, not a purely literal, construction.⁶³ This principle of construction gives effect to what the skilled person would have understood the patentee to be claiming.⁶⁴ It is used both to identify the essential features of the invention and to construe their meaning in the context of the specification as a whole.⁶⁵ The purposive approach does not advocate the rejection of specific words that are chosen by the patentee in favour of some 'kind of divination which mysteriously penetrates beneath the language of the specification'.⁶⁶ Rather, it retains the significance of the language in the claims but rejects a literal interpretation that takes no account of the context.

The House of Lords explained this approach in *Catnic Components Ltd v Hill & Smith Ltd*⁶⁷ in the following way:

The question in each case is: whether persons with a practical knowledge and experience of the kind of work in which the invention was intended to be used, would understand that strict compliance with a particular descriptive word or phrase appearing in a claim was intended by the patentee to be an essential requirement of the invention so that any variant would fall outside the monopoly claimed, even though it could have no material effect upon the way the invention worked.⁶⁸

The context in which these statements were made was the interpretation of the phrase 'extending vertically' in a claim for a lintel used in the building and construction industries. It was clear that the phrase described an essential feature of the invention. The issue was whether the phrase as properly construed extended to a lintel that was slightly off the precisely vertical. However, this passage can also be used to explain why some judges in earlier decisions may not have accepted certain words in a claim as being essential to the invention. For example, the majority in *C Van der Lely NV v Bamfords Ltd*⁶⁹ regarded the requirement for dismounting 'foremost' rather than 'hindmost' wheels of a mechanical hay rake as an essential feature, whereas the dissenting judgment of Lord Reid saw the requirement for 'foremost' wheels to be dismounted as an inessential feature of the invention. Earlier jurisprudence would have explained the difference between the majority and Lord Reid in terms of 'literal' and 'pith and marrow' in the wider sense of equivalence. The House of Lords wiped away this apparent distinction by saying that the 'pith and marrow' of an invention equates to the

63 *Sachtler GmbH and Co KG v RE Miller Pty Ltd* (2005) 65 IPR 605, 615; *Flexible Steel Lacing Co v Beltreco Ltd* (2000) 49 IPR 331, 349; *Jupiters Ltd v Neurizon Ltd* (2005) 65 IPR 86, 99; *Catnic Components Ltd v Hill & Smith Ltd* [1982] RPC 183, 243 (Diplock LJ); *Decor Corporation Pty Ltd v Dart Industries Inc* (1988) 13 IPR 385, 400.

64 *Kirin-Amgen Inc v Hoechst Marion Roussel Ltd* [2005] RPC 169, 187.

65 *Populin v H B Nominees Pty Ltd* (1982) 41 ALR 471, 476–7; *Rehm Pty Ltd v Websters Security Systems (International) Pty Ltd* (1988) 11 IPR 289, 301.

66 *Kirin-Amgen Inc v Hoechst Marion Roussel Ltd* [2005] RPC 169, 186.

67 [1982] RPC 183.

68 *Catnic Components Ltd v Hill & Smith Ltd* [1982] RPC 183, 243 (Diplock LJ).

69 [1963] RPC 61.

essential features in a claim that are identified using a purposive construction of the words chosen by the patentee.

The general principles in *Catnic* were rephrased as a set of questions by Hoffmann LJ in *Improver Corporation v Remington Consumer Products Ltd*.⁷⁰ These questions, that came to be known as the ‘Improver’ questions or the ‘Protocol’⁷¹ questions, are as follows:

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

The types of cases where these guidelines might be useful are those that involve figures, measurements, angles and the like where some flexibility may be intended.⁷² What is the standing of these rules in Australian jurisprudence? Some Australian courts have derived assistance from both *Catnic Components Ltd v Hill & Smith Ltd* and the *Improver* questions in deciding the ambit of the monopoly of a claim.⁷³ However, these ‘rules’ are no substitute for construction of the claim to ascertain the essential and inessential integers⁷⁴ and to interpret the language used. They can provide a guideline to the application of the purposive method of construction in individual difficult cases. Even in the UK, Lord Hoffmann cautioned in *Kirin-Amgen Inc v Hoechst Marion Roussel Ltd* that the protocol questions are ‘not a substitute for trying to understand what the person skilled in the art would have understood the patentee to mean by the language of the claim’.⁷⁵ The language chosen by the patentee is usually of critical importance to this question and the questions are asked only after the claim has been construed.⁷⁶

It seems that a court may need to take the area of invention into account in its interpretation of claims. When the area is a particularly narrow one, and the inventive context is cramped, a narrow formulation is likely to be deliberate. Hence, it is not appropriate to take a claim carefully drawn to avoid invalidity

70 [1990] FSR 181, 189.

71 Protocol on the Interpretation of art 69 of the EPC.

72 *Kirin-Amgen Inc v Hoechst Marion Roussel Ltd* [2005] RPC 169; *Austal Ships Pty Ltd v Stena Rederi Aktiebolag* (2005) 66 IPR 420, 432.

73 *Pharmacia Italia SPA v Mayne Pharma Pty Ltd* (2005) 66 IPR 84; *Nesbit Evans Group Australia Pty Ltd v Impro Ltd* (1997) 39 IPR 56; *Root Quality Pty Ltd v Root Control Technologies Pty Ltd* (2000) 49 IPR 225; *PhotoCure ASA v Queen’s University* (2005) 64 IPR 314, 367; *Neurizon Pty Ltd v Jupiters Ltd* (2004) 62 IPR 569, 600.

74 *Sachtler GmbH & Co KG v RE Miller Pty Ltd* (2005) 65 IPR 605, 619; *Clorox Australia Pty Ltd v International Consolidated Business Pty Ltd* (2006) 68 IPR 254, 263; *Baygol Pty Ltd v Foamex Polystyrene Pty Ltd* (2005) 66 IPR 1; *Breville Pty Ltd v Warehouse Group (Australia) Pty Ltd* (2005) 67 IPR 576, 584; *PhotoCure ASA v Queen’s University* (2005) 216 ALR 41, 94.

75 [2005] RPC 169, 194.

76 *Baygol Pty Ltd v Foamex Polystyrene Pty Ltd* (2005) 66 IPR 1.

and then permit a wider purposive construction of it for infringement purposes.⁷⁷ Sometimes, words are clear and unambiguous. For example, if the word ‘concrete’ is an essential element of the claimed invention, its interpretation cannot extend to mean plastic because ‘concrete’ in no sense can approximate to ‘plastic’. The choice of this word shows a deliberate intention to leave materials such as plastic outside the claim.⁷⁸ On the other hand, words such as ‘vertically’, ‘straight’,⁷⁹ and ‘solely’ may mean different things in different contexts. They offer some scope for a purposive construction to provide a literal meaning or one that encompasses some sense of approximation⁸⁰ that is adequate to protect the patentee from others who make minimal changes to his or her invention.⁸¹ The word ‘solely’ could mean ‘completely solely’ or ‘effectively solely’;⁸² the words ‘water-tight manner’ could mean ‘absolutely’ water-tight or ‘effectively’ water-tight.⁸³ The word ‘flat’ could include slightly concave.⁸⁴ A broader meaning of a word or phrase may be more likely where the court is satisfied that the other person has engaged in some degree of subterfuge.⁸⁵

15.4 Exclusive rights of the patentee

15.4.1 The nature of exclusive rights

Under s 13(1) of the *Patents Act 1990* (Cth), the patentee has the exclusive rights, during the term of the patent, to exploit the invention and to authorise another person to exploit the invention within the patent area.⁸⁶ This is defined to mean Australia, the Australian continental shelf, the waters above the Australian continental shelf and the airspace above Australia and the Australian continental shelf.⁸⁷ The exclusive rights are personal property and are capable of assignment and devolution by law.⁸⁸

The term ‘exploit’ in relation to an invention is defined in sch 1 of the Act to include:

- (a) where the invention is a product – make, hire, sell or otherwise dispose of the product, offer to make, sell, hire or otherwise dispose of it, use or import it, or keep it for the purpose of doing any of those things; or

77 *Jupiters Ltd v Neurizon Ltd* (2005) 65 IPR 86, 100; *Grove Hill Pty Ltd v Great Western Corporation Pty Ltd* (2002) 55 IPR 257, 334–5.

78 *Baygol Pty Ltd v Foamex Polystyrene Pty Ltd* (2005) 66 IPR 1, 5–7.

79 *Clorox Australia Pty Ltd v International Consolidated Business Pty Ltd* (2006) 68 IPR 254.

80 *Nesbit Evans Group Australia Pty Ltd v Impro Ltd* (1997) 39 IPR 56 (Wilcox J).

81 *Catnic Components Ltd v Hill & Smith Ltd* [1982] RPC 183.

82 *Pharmacia Italia SPA v Mayne Pharma Pty Ltd* (2005) 66 IPR 84.

83 *Elconnex Pty Ltd v Gerard Industries Pty Ltd* (1991) 32 FCR 491.

84 *Commonwealth Industrial Gases Ltd v MWA Holdings Pty Ltd* (1970) 180 CLR 160, 167.

85 *Commonwealth Industrial Gases Ltd v MWA Holdings Pty Ltd* (1970) 180 CLR 160; *Pharmacia Italia SPA v Mayne Pharma Pty Ltd* (2005) 66 IPR 84.

86 *Patents Act 1990* (Cth) s 13(3).

87 *Patents Act 1990* (Cth) sch 1, Dictionary.

88 *Patents Act 1990* (Cth) s 13(2).

- (b) where the invention is a method or process – use the method or process or do any act mentioned in paragraph (a) in respect of a product resulting from such use.⁸⁹

These exclusive rights relate to an ‘invention’. The Dictionary in sch 1 of the 1990 Act provides that, unless the contrary intention appears, the word ‘invention’ means:

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.

The word ‘invention’ is not used in a uniform way throughout the 1990 Act.⁹⁰ It is used in s 40 in the sense of ‘the embodiment which is described and around which the claims are drawn’.⁹¹ However, for the purposes of s 13(1) and the definition of ‘exploit’, as well as s 18,⁹² the term must refer to the subject matter of a claim in the granted patent.

The exclusive rights can be exercised during the term of the patent. In the case of a standard patent, the term is twenty years from the date of the patent.⁹³ The term of an innovation patent is eight years from the date of the patent.⁹⁴ The date of the patent is the date of filing the complete specification unless determined otherwise under the regulations.⁹⁵ The only people who can exploit the invention are the patentee and those who have the authorisation of the patentee.⁹⁶

15.4.2 The concept of an implied licence on sale

The purchaser of a patented article expects to have the control of it, but the exclusive rights could theoretically limit this control. Early English courts developed the concept of an implied licence granted by the patentee to explain why a purchaser should be able to deal with a patented product in any way he or she pleases without infringement.⁹⁷ A patentee can exclude or modify the implied licence by express contrary agreement prior to sale, provided that the restrictions are brought to the notice of the purchaser at the time of purchase.⁹⁸

15.4.3 No grant of positive rights

It is important to note that, despite its language, a patent grants no positive rights to the patentee.⁹⁹ This was made clear by Lord Herschell LC in *Steer v Rogers*, where he stated that:

⁸⁹ *Patents Act 1990* (Cth) sch 1, Dictionary.

⁹⁰ *Kimberley-Clark Australia Pty Ltd v Arico Trading International Pty Ltd* (2001) 207 CLR 1, 13.

⁹¹ *Ibid*, 14; *AMP Inc v Utilux Pty Ltd* (1971) 45 ALJR 123, 127.

⁹² *Kimberley-Clark Australia Pty Ltd v Arico Trading International Pty Ltd* (2001) 207 CLR 1, 13.

⁹³ *Patents Act 1990* (Cth) s 67.

⁹⁴ *Patents Act 1990* (Cth) s 68.

⁹⁵ *Patents Act 1990* (Cth) s 65, *Patents Regulations 1991* (Cth) reg 6.3.

⁹⁶ *Patents Act 1990* (Cth) s 13(1).

⁹⁷ *Betts v Willmott* (1870–71) LR 6 Ch App 239, 245; *United Wire Ltd v Screen Repair Services (Scotland) Ltd* [2000] 4 All ER 353, 357.

⁹⁸ *National Phonograph Co of Australia Ltd v Menck* (1911) 12 CLR 15.

⁹⁹ *Ibid* 22.

The truth is that letters patent do not give the patentee any right to use the invention – they do not confer upon him a right to manufacture according to his invention. That is a right which he would have equally effectually if there were no letters patent at all; only in that case all the world would equally have the right. What the letters patent confer is the right to exclude others from manufacturing in a particular way, and using a particular invention.¹⁰⁰

The High Court confirmed in *Grain Pool of Western Australia v Commonwealth of Australia*¹⁰¹ that it is a monopoly identified in this way with which our patent law is concerned, and not with the conferral of ‘positive authority’.

15.5 Direct infringement

Section 13(1) and the definition of ‘exploit’ constitute a codification of the acts that were held to fall within the exclusive rights of the patentee under the *Patents Act 1952*.¹⁰² The definition of ‘exploit’ removes some of the ‘obscure language’¹⁰³ in which those rights were formulated, namely ‘exercise’ and ‘vend’ but retains the words ‘make’ and ‘use’. These latter words carry the same meaning as has been given to them in the former legislation.¹⁰⁴ To avoid duplication, the meaning of the exclusive rights is discussed below in the context of infringement.

The *Patents Act 1990* (Cth) contains no express provision to define the acts which constitute an infringement of the patent. Rather, infringement is implied when a person exercises any of the exclusive rights of the patentee without the patentee’s authorisation. There is therefore a coincidence of language between that which defines the exclusive rights in relation to an invention in s 13(1) read in conjunction with the Dictionary definitions of ‘exploit’ and ‘invention’ on the one hand and that which defines the acts which constitute infringement on the other. An inquiry into infringement therefore focuses upon whether there has been an unauthorised exploitation of the invention as defined in a claim or claims of the complete specification. There is a five-step process for determining infringement of a claim.

1. The patent specification is construed to determine the scope of the relevant claim or claims that define the ‘invention’ and the precise nature and extent of the rights claimed by the patentee.¹⁰⁵
2. The product or process whose exploitation is alleged to infringe one or more of those claims is compared to each claim independently to determine whether it contains all the essential integers of the relevant claim or claims.

100 *Steers v Rogers* [1893] AC 232, 235.

101 (2000) 202 CLR 479, 513–14.

102 *Patents Act 1903*, (Cth) s 62; *Patents Act 1952* (Cth) s 69.

103 *Patents Bill 1990* (Cth), Explanatory Memorandum, cl 23.

104 *Bedford Industries Rehabilitation Association Inc v Pinefair Pty Ltd* (1998) 40 IPR 438, 449; *Pinefair Pty Ltd v Bedford Industries Rehabilitation Association Inc* (1998) 87 FCR 458, 469 (Mansfield J).

105 *Minnesota Mining & Manufacturing Co v Tyco Electronics Pty Ltd* (2001) 53 IPR 32, 57; *Lockwood Security Products Pty Ltd v Doric Products Pty Ltd* (2005) 226 ALR 70, 80.

3. For infringement, the actions that are performed in relation to that product or process must come within the meaning and scope of the exclusive rights of the patentee.
4. The actions must constitute an unauthorised exercise of those rights or amount to contributory infringement.
5. If the acts would otherwise infringe the patent, there may be a defence to infringement.

The first two steps involve construction of the claims, the principles for which were discussed above. The remaining three steps are discussed below.

15.5.1 Exclusive right to make a patented product

To ‘make’ a patented product means to make something that has all the integers of the relevant claim in the specification.¹⁰⁶ Therefore, it is necessary to make the whole product, not its constituent parts. ‘Making’ is not complete ‘until the final step is carried out which results in the complete infringing article’.¹⁰⁷ However, there is no need for the result to be produced in its ultimate commercial form.¹⁰⁸

A patented product might be made as an integral step in the process of manufacture of a non-infringing product.¹⁰⁹ It seems it must play more than an ‘unimportant or trifling part’ in the manufacture.¹¹⁰ However, it does not need to be something that is ‘capable of immediate acceptance in the marketplace or of being turned to immediate commercial advantage’.¹¹¹ It is a question of fact whether there has been a relevant ‘making’ of the patented product in the process of manufacture of the ultimate non-infringing product.¹¹² For example, a majority of the Full Federal Court in *Pinefair Pty Ltd v Bedford Industries Rehabilitation Inc*¹¹³ found that a patented garden edging product was ‘made’ as an intermediate product in the process of manufacturing a non-infringing garden edging product which consisted of split pine posts joined together with stapled plastic strips. The manufacturing process involved a continual mechanical process whereby the split pine posts passed along a conveyor belt as one continuous length of material. This passed through a variety of machines that performed functions of stapling and cutting, before emerging as the final non-infringing garden edging product that was rolled and packaged into lengths for marketing. At one point in this continuous process, all the essential integers of the invention were present in a section of that continuous material which moved along the conveyor belt.

106 *Walker v Alemite Corporation* (1933) 49 CLR 643, 650 (Rich J).

107 *Bedford Industries Rehabilitation Association Inc v Pinefair Pty Ltd* (1998) 40 IPR 438, 449; *Pinefair Pty Ltd v Bedford Industries Rehabilitation Association Inc* (1998) 87 FCR 458, 469 (Mansfield J).

108 *Pfizer Corporation v Ministry of Health* [1965] AC 512, 571–3; *Pinefair Pty Ltd v Bedford Industries Rehabilitation Association Inc* (1998) 87 FCR 458, 469 (Mansfield J).

109 *Pinefair Pty Ltd v Bedford Industries Rehabilitation Association Inc* (1998) 87 FCR 458, 468.

110 *Ibid*; *Beecham Group Ltd v Bristol Laboratories Ltd (No 1)* [1978] RPC 153; *Saccharin Corporation Ltd v Anglo-Continental Chemical Works Ltd* [1901] 1 Ch 414; *Dunlop Pneumatic Tyre Co Ltd v British & Colonial Motor Car Co* (1901) 18 RPC 313; *Pfizer Corporation v Ministry of Health* [1965] AC 512.

111 *Pinefair Pty Ltd v Bedford Industries Rehabilitation Association Inc* (1998) 87 FCR 458, 463 (Foster J).

112 *Ibid* 466 (Mansfield J).

113 (1998) 87 FCR 458, 464–5 (Foster J), 469–71 (Mansfield J), 479 (Goldberg J dissent).

The majority considered that an infringing product was ‘made’ even though the infringing section remained connected at both ends to non-infringing material. A contrary view was taken on the facts by the dissenting judge Goldberg J, who reasoned that the intermediary product must be a separate and free-standing product to be ‘made’.

The exclusive right is to ‘make’ the invention. One way in which a person may infringe this right is to modify a purchased patented product in such a way as to reconstruct or remake it. The infringing nature of any modifications or alterations to the product is determined as a matter of fact and degree.

The reasoning in Anglo-Australian cases has proceeded on the basis that the purchaser had an implied licence to repair the purchased products.¹¹⁴ Hence, if the conduct amounted to a repair to prolong the life of an article it would not infringe the patent because repairs and making the product are mutually exclusive concepts.¹¹⁵ Resolution of an assertion of infringement focused generally upon whether ‘what has been done can fairly be termed a repair, having regard to the nature of the patented article’.¹¹⁶ By way of example from another jurisdiction, a modification of patented ink-jet cartridges to make them refillable has been held to be ‘more akin to permissible “repair” than to impermissible reconstruction’.¹¹⁷

There is no recent Australian authority on this issue. However, in *United Wire Ltd v Screen Repair Services (Scotland) Ltd*¹¹⁸ the House of Lords has rejected this concept of an implied licence to repair as ‘superfluous and possibly even confusing’ on the basis that it has no relevance to an act that is outside the scope of the patentee’s exclusive rights.¹¹⁹ Lord Hoffman pointed out that the focus should be upon whether the conduct amounts to making the product as opposed to whether it constitutes a repair to prolong the life of the article.

15.5.2 The exclusive right to use

Mere possession or mere purchase of an infringing product does not amount to infringement.¹²⁰ It is necessary to identify the additional ingredient which, combined with possession, makes up an infringement. As Lord Wilberforce commented in *Pfizer Corporation v Ministry of Health*,¹²¹ this is not easy to do from the reported cases. Prior to the *Patents Act 1990* (Cth), a variety of activities was identified in the context of infringement as within the broad concept of ‘use’.¹²² A number of these activities, such as importation and keeping products for a variety of purposes, are now separately itemised in the definition of ‘exploit’ in the *Patents*

114 *Solar Thomson Engineering Co Ltd v Barton* [1977] RPC 537.

115 *United Wire Ltd v Screen Repair Services (Scotland) Ltd* [2000] 4 All ER 353, 358; *Sirdar Rubber Co Ltd v Wallington, Weston & Co* (1907) 24 RPC 539, 544 (Lord Halsbury).

116 *Solar Thomson Engineering Co Ltd v Barton* [1977] RPC 537, 555 (Buckley LJ).

117 *Hewlett-Packard Co v Repeat-O-Type Stencil Manufacturing Corp* 123 F 3d 1445, 1455 (Fed Cir, 1997).

118 [2000] 4 All ER 353.

119 *United Wire Ltd v Screen Repair Services (Scotland) Ltd* [2000] 4 All ER 353, 358.

120 *British United Shoe Machinery Ltd v Simon Collier Ltd* [1910] RPC 567, 572.

121 [1965] AC 512, 572.

122 The word ‘use’ also appears in s 9 in the context of ‘secret use’ – see ch 13 at 13.12.5; A. Monotti, ‘To make an article for ultimate sale: the secret use provision in the Patents Act 1990 (Cth)’ [2005] 27(12) *EIPR* 446.

Act 1990 (Cth) and will be discussed in that context. Although this separate itemisation could suggest that the word ‘use’ in the definition now only incorporates activities that are not expressly identified, this was expressly denied by a majority of the Federal Court in *Azuko Pty Ltd v Old Digger Pty Ltd*.¹²³ In discussing the definition of ‘exploit’ in the Dictionary, Gyles J stated that ‘[i]t may be accepted that the various kinds of exploitation may overlap in different circumstances’.¹²⁴ As an example of the overlap, Gyles J stated that ‘to sell goods might be seen as commercial use of the goods’.¹²⁵ The same reasoning could apply to other listed acts such as to ‘sell’, ‘hire’, ‘keep’, ‘dispose’ or ‘import’.¹²⁶ However, the majority expressly stated that the word ‘use’ does not overlap with the word ‘make’. These are separate and distinct concepts.¹²⁷ In a strong dissenting judgment, Heerey J concluded to the contrary that to make an invention that is a product is also to use the invention.¹²⁸

15.5.3 The exclusive right to keep

Where the invention is a product, the definition of ‘exploit’ includes to keep it for the purpose of doing any of the other listed activities such as making, sale, hire, importation or other form of disposal. This codifies the law that existed under the *Patents Act 1952* (Cth) as it applied to activities that involved keeping patented articles for some purpose. The following sets out the principles that will inform the interpretation of the word ‘keep’ in the context of keeping the article for the purpose of using it.

First, possession of articles by a trader or manufacturer for the purposes of a business is presumed to indicate a user and therefore, possession of such articles is prima facie infringement. This possession may be to hold the articles in stock for sale¹²⁹ or to make use of them as and when it would be beneficial to do so.¹³⁰ This presumption can be rebutted by the admitted fact of non-user.¹³¹ There may be use of patented equipment through its possession, even though it has not been actually used. But this would require an intention to use it in the future, utility for the purposes of the business and likelihood that it would be used.¹³²

Secondly, there is a doctrine that an infringing use can occur when a patented article is kept as a ‘standby’. An example might be possession of fire extinguishing apparatus, the use being the actual provision of the means for extinguishment.¹³³ There is a distinction between user established through possession as a standby

123 (2001) 52 IPR 75, 136.

124 *Ibid.*

125 *Ibid.*

126 Monotti, ‘To make an article’, above n 122; *Monsanto Canada Inc v Schmeiser* [2004] 1 SCR 902.

127 *Azuko Pty Ltd v Old Digger Pty Ltd* (2001) 52 IPR 75, 136.

128 *Ibid* 113; Monotti, ‘To make an article’, above n 122.

129 *Pfizer Corporation v Ministry of Health* [1965] AC 512, 573 (Lord Wilberforce).

130 *McDonald v Graham* [1994] RPC 407, 431; *Smith Kline French Laboratories Ltd v RD Harbottle (Mercantile) Ltd* [1980] RPC 363.

131 *British United Shoe Machinery Ltd v Simon Collier Ltd* [1910] RPC 567, 572 (Lord Dunedin).

132 *Ibid*; *Pfizer Corporation v Ministry of Health* [1965] AC 512, 556–7 (Lord Upjohn).

133 *British United Shoe Machinery Ltd v Simon Collier Ltd* [1910] RPC 567, 572.

and possession in a way that could be viewed as a threat to infringe rather than infringement per se.¹³⁴ In this regard, it seems that the above example amounts to a user rather than an intention to infringe.¹³⁵

Thirdly, the courts have protected the rights of a mere carrier¹³⁶ and warehouseman who does no more than store infringing goods for a consignor or consignee. Such actions do not amount to an infringing use.¹³⁷ Mere transport within the jurisdiction of a patented article from one place to another does not necessarily attract liability.¹³⁸ The additional ingredient necessary for 'use' of the patented product for the purposes of infringement is the derivation of some advantage arising from the merits in the patented article itself.¹³⁹ This would occur when the person transporting the articles is also carrying on a trade in those articles for profit.¹⁴⁰

Another series of cases shows that the additional ingredient is satisfied when a patented article that is stored or transported is employed for the purpose for which it is designed. An example is the exhibition at a trade fair of cars fitted with tyres manufactured abroad in accordance with the patent specification for such tyres. Despite there being no intention to sell the car fitted with those patented tyres, the use was found to be infringing because the tyres were serving their intended purpose during the time they were exhibited.¹⁴¹ Another example of this type of infringing use is the shipping of bottles of beer on which patented capsules were fitted to cover the corks and protect the beer. The bottles were shipped from Scotland to agents in England who then shipped them to other ports. Again, this use infringed the patent because the capsules were in 'active use for the very objects for which they were placed upon the bottles by the vendors'.¹⁴²

15.5.4 The exclusive right to import the invention

The *Patents Act 1952* (Cth) contained no express exclusive right to import the invention. However, the right was recognised by judicial interpretation of the exclusive right of the patentee to 'use' the invention in the phrase 'make, use, exercise and vend'. These earlier authorities provided that an unauthorised person who imports articles that embody the invention will use the invention and thereby infringe the patent.¹⁴³ They prohibited unauthorised importation of the

134 *Adair v Young* (1879) LR 12 Ch D 13, 19–20 (Brett LJ).

135 *Pfizer Corporation v Ministry of Health* [1965] AC 512, 557 (Lord Upjohn).

136 *F. Hoffmann La Roche & Co AG v Harris Pharmaceuticals Ltd* [1977] FSR 200, 207; *Nobel's Explosives Co Ltd v Jones, Scott & Co* (1881) 17 ChD 721.

137 *Smith Kline French Laboratories Ltd v RD Harbottle (Mercantile) Ltd* [1980] RPC 363, 370.

138 *Pfizer Corporation v Ministry of Health* [1965] 1 AC 512, 571 (Lord Wilberforce); 537 (Lord Reid); 548 (Lord Evershed); 550 (Lord Pearce).

139 *Badische Anilin and Soda Fabrik v Johnson & Co* (1897) 14 RPC 919, 928.

140 *F. Hoffmann-La Roche & Co AG v Harris Pharmaceuticals Ltd* [1977] FSR 200, 207; *Nobel's Explosives Co Ltd v Jones, Scott & Co* (1881) 17 ChD 721, 741.

141 *Dunlop Pneumatic Tyre Co Ltd v British and Colonial Motor Car Co* (1901) 18 RPC 313, 315–6.

142 *Betts v Neilson* (1868) LR 3 Ch App 429, 439; aff'd (1871) LR 5 HL 1.

143 *Pfizer Corporation v Ministry of Health* [1965] AC 512, 556 (Lord Upjohn); *British Motor Syndicate Ltd v Taylor & Son* [1901] 1 Ch 122, 133 (Vaughan Williams LJ).

invention for purposes of sale or to hold in stock to be available against orders for the product, as well as for the purposes of export to another country.¹⁴⁴ This would include labelling and putting the imported product in packages ready for supply.¹⁴⁵ The conduct infringed the patent because it placed the importers in the position of traders of a patented article without the permission of the patentee. It gave them the opportunity to derive advantage which otherwise would have fallen to the patentee.

The right to import is now included within the definition of 'exploit' in sch 1 of the *Patents Act 1990* (Cth). If any rationale is necessary to justify its existence, it can be found in the absence of a requirement that an invention be actually worked in the jurisdiction. Where the invention is a product, the right is to import the product into Australia. A variety of circumstances exist in which importation of articles that embody the invention may occur without authorisation. There may be an attempt to import patented products that were purchased legitimately from someone other than the Australian patentee or with their authorisation. They may have been manufactured in the country of export in infringement of a local patent. They may have been purchased on the express condition that they were not to be imported into Australia. They may have been put on the market in the place of purchase without the express or implied permission of the local patentee. They may have been manufactured and sold by a third party who had no connection with the Australian patentee in a country in which no patent exists.¹⁴⁶

Where the invention is a method or process, the patentee has the exclusive right to use the method or process to make a product in Australia, and among other things, to import into Australia products made using the method or process that is patented in Australia. This provision codifies the common law which construed the exclusive right to 'use' an invention as extending to the importation of a product where the use of the patented process is the last stage in the production of that product.¹⁴⁷ The definition is sufficiently broad to also encompass the common law prohibition of importation of an article whose manufacture incorporated use of the patented process at any stage in its production.¹⁴⁸ In *Saccharin Corporation Ltd v Anglo-Continental Chemical Works Ltd*, the defendant used a patented process outside England to produce toluene sulpho chloride. It then used this chemical in the production of saccharin which it imported into England. This use deprived the patentee of some of the profit and advantage of the invention and thus constituted infringement within the concept of the exclusive right to 'use' the invention. The rider for this common law prohibition which requires the patented process to play more than 'an unimportant or trifling part

144 *Pfizer Corporation v Ministry of Health* [1965] AC 512, 573, (Lord Wilberforce).

145 *Ibid.*

146 *Pfizer Corporation v Ministry of Health* [1965] AC 512; *Elmslie v Boursier* (1869–70) LR 9 Eq 217; *Von Heyden v Neustadt* (1880) 14 Ch D 230.

147 *Elmslie v Boursier* (1869–70) LR 9 Eq 217; *Wright v Hitchcock* (1870) LR 5 Exch 37; *Von Heyden v Neustadt* (1880) 14 Ch D 230; *Re Application of Eli Lilly & Co* [1982] 1 NSWLR 526, 533 (Wootten J).

148 *Saccharin Corporation Ltd v Anglo-Continental Chemical Works Ltd* (1900) 17 RPC 307, 319 (Buckley J).

in the manufacture abroad' of the imported product¹⁴⁹ probably applies to the statutory right to import.

The meaning of 'exploit' includes, where the invention is a product, to 'import it'. It is unlikely that this would extend the rights of the patentee to prohibit the importation of products that are made using the patented product abroad.¹⁵⁰

15.5.5 The concept of parallel importation

The essence of parallel importation is the importation into Australia of patented products acquired lawfully overseas but without the express authorisation of the Australian patentee. This importation would be 'in parallel' with the authorised distribution channels. Whether parallel importation infringes the exclusive rights of the Australian patentee will depend upon the actual or implied licences in the first sale and their effect in Australia. The common law provides that the unconditional sale of patented products by the patentee, or with his authorisation, exhausts the patentee's rights and gives the purchaser an implied licence to deal with the patented products in any way he/she pleases without infringement.¹⁵¹ An implied licence of this kind is necessary to enable the purchaser to deal freely with the purchased goods in ways which would otherwise fall within the exclusive rights of the patentee. Although the exclusive rights of the patentee under the *Patents Act 1952* (Cth) to make, use, exercise, and vend extended to importation, it was understood that the doctrine of implied licences enabled a purchaser to freely import patented products that had been sold unconditionally overseas by the patentee or with his authorisation.¹⁵²

It appears that the same position applies under the *Patents Act 1990* (Cth). An exclusive right of the patentee is to import the invention into Australia.¹⁵³ Section 13(1) of the *Patents Act 1990* (Cth) introduces the express right to authorise another person to exploit the invention. Authorisation may be express or implied. Express authorisation will be by way of an assignment of the patent or the grant of an exclusive or non-exclusive licence. Implied authorisation will arise from the circumstances that surround the manufacture and sale of products that embody the patented invention. There is nothing either in s 13(1) or in the definition of exploit that details the circumstances in which authorisation to import will be implied. However, the Explanatory Memorandum to the Patents Bill 1990 (Cth)¹⁵⁴ makes it clear that the right of a patentee to authorise exploitation was not intended 'to modify the operation of the law on infringement so far as it

149 *Wilderman v FW Berk & Co Ltd* [1925] Ch 116.

150 *Beecham Group Ltd v Bristol Laboratories Ltd (No 1)* [1978] RPC 153; *Wilderman v FW Berk & Co Ltd* [1925] Ch 116; *Pioneer Electronics Capital Inc v Warner Music Manufacturing Europe GmbH* [1995] RPC 487; *Re Application of Eli Lilly & Co* [1982] 1 NSWLR 526.

151 *National Phonograph Co of Australia Ltd v Menck* (1911) 12 CLR 15, 24.

152 *Interstate Parcel Express Co Pty Ltd v Time-Life International (Nederlands) BV* (1977) 138 CLR 534, 540; *Betts v Willmott* (1871) LR 6 Ch App 239, 245; *United Wire Ltd v Screen Repair Services (Scotland) Ltd* [2000] 4 All ER 353, 357–8; T. A. Blanco White, *Patents for Inventions and the Protection of Industrial Designs* (4th ed, London: Stevens, 1974) ¶ 3–219, 10–104.

153 *Patents Act 1990* (Cth) s 13(1), sch 1 definition of 'exploit'.

154 *Acts Interpretation Act 1901* (Cth) s 15AB(2)(b), (e).

relates to subsequent dealings with a patented product after its first sale'. Clause 24 provided that:

the question whether such a resale or importation constitutes an infringement in a particular case will continue to be determined as it is now, having regard to any actual or implied licences in the first sale and their effect in Australia, and to what is often known as the doctrine of 'exhaustion of rights' so far as it applies under Australian law.

To avoid infringement, an express or implied authorisation by the Australian patentee to import into Australia must be found in the terms of the first sale of the products that the person proposes to import. The unconditional sale by the Australian patentee, or with its consent, is likely to amount to an implied authorisation by the Australian patentee to import the products into Australia on the basis that the purchase carries an implied licence to use the products anywhere in the world.¹⁵⁵ It does not matter who sold the products to the importer, as long as the source was the patentee.

To avoid the imposition of this implied licence, a patentee can attach conditions to the sale of the goods prior to sale, and these will bind the purchaser when knowledge of those conditions is clearly brought home to him at the time of sale.¹⁵⁶ Hence, a condition could be imposed to prohibit importation of the legitimately acquired patented goods into Australia.

15.5.6 Authorisation

It is an infringement not only to exploit the invention but also to authorise another person to exploit it. Section 13(1) introduced the concept of authorisation into Australian patent law in the context of the exclusive rights of the patentee. Exploitation and authorisation are distinct concepts.¹⁵⁷ The *Patents Act 1990* (Cth) provides no definition or guidelines to assist with the interpretation of the concept of 'authorise'. This contrasts with the position under the *Copyright Act 1968* (Cth), where the statutory description of infringement that includes authorisation¹⁵⁸ is not only the subject of a body of case law but now also includes a list of matters to be taken into account in determining whether there has been infringement by means of authorisation.

There is some difference in the authorities as to the meaning of 'authorise' in s 13(1). Some judges have thought it appropriate to have recourse, by way of analogy, to copyright law.¹⁵⁹ This may see 'authorise' either to mean 'sanction, approve, countenance' that which is done or to 'purport to grant to a third person

155 *Betts v Willmott* (1871) LR 6 Ch App 239; *Société Anonyme des Manufactures de Glaces v Tilghman's Patent Sand Blast Co Ltd* [1884] LR 25 Ch D 1.

156 *Ibid.*

157 *Rescare Ltd v Anaesthetic Supplies Pty Ltd* (1992) 25 IPR 119, 153.

158 *Copyright Act 1968* (Cth) ss 36, 101.

159 *Rescare Ltd v Anaesthetic Supplies Pty Ltd* (1992) 25 IPR 119, 155; *Sartas No 1 Pty Ltd v Koukourou & Partners Pty Ltd* (1994) 30 IPR 479, 493–5; *Bristol-Myers Squibb Co v F H Faulding & Co Ltd* (2000) 97 FCR 524, 559.

the right to do the act of which complaint is made'.¹⁶⁰ There may be a difference in emphasis between these definitions, but they probably represent the same concept as they derive from the same judicial *dicta*.¹⁶¹

Others have considered that the differences between copyright and patent law mean that the concepts cannot necessarily be transferred from one to the other.¹⁶² In their view, the sense in which 'authorise' is used in s 13(1) is one that accords with its dictionary definitions: namely, 'to give authority or legal power to; empower (to do something)' and 'to give legal or formal warrant to (a person) to do; to empower, permit authoritatively'.¹⁶³ According to this view, the reference to 'legal power' encompasses a person who has no legal power but purports to act as if he or she has this power.¹⁶⁴ Although the Full Federal Court in *Bristol-Myers Squibb Co v F H Faulding & Co Ltd* has agreed by way of *dicta* that the meaning 'should be taken, by analogy, to have the meaning it has in the comparable context of the *Copyright Act*',¹⁶⁵ there remains no certainty as to whether the narrow or wide meaning is preferred.¹⁶⁶

Cases that involve authorisation fall generally into the following factual categories:

- (a) A person authorises the company of which he is a director to perform certain acts.¹⁶⁷ Hence, for example, authorisation of infringement would apply to a director of a corporation who 'expressly procures or directs the commission of a tort by a corporation'.¹⁶⁸ In some cases, it may be necessary to consider whether the authorisation is by the director or by the company itself.¹⁶⁹
- (b) A parent company authorises its subsidiary to perform infringing acts.¹⁷⁰
- (c) A person supplies another with the means to perform otherwise infringing acts in circumstances that satisfy the requirements for the common law doctrines of joint tortfeasors through procurement or in pursuance of a common design.¹⁷¹
- (d) A person manufactures and sells in kit form a product to be assembled by the purchaser, which when assembled would infringe the patent.¹⁷²

160 *Sartas No 1 Pty Ltd v Koukourou & Partners Pty Ltd* (1994) 30 IPR 479, 493; *Rescare Ltd v Anaesthetic Supplies Pty Ltd* (1992) 25 IPR 119, 155; *Falcon v Famous Players Film Co* [1926] 2 KB 474, 491 (Bankes LJ), 499 (Atkin LJ).

161 *Monckton v Pathe Freres Pathephone Ltd* [1914] 1 KB 395, 403 (Buckley LJ); *Evans v Hulton & Co Ltd* [1924] WN 130 (Tomlin J); *Bristol-Myers Squibb Co v F H Faulding & Co Ltd* (1998) 41 IPR 467, 488.

162 *Bristol-Myers Squibb Co v F H Faulding & Co Ltd* (1998) 41 IPR 467, 488.

163 *Macquarie Dictionary* and *Shorter Oxford Dictionary* definitions respectively cited in *Bristol-Myers Squibb Co v F H Faulding & Co Ltd* (1998) 41 IPR 467, 488.

164 *Advanced Building Systems Pty Ltd v Ramset Fasteners (Aust) Pty Ltd* (1995) AIPC 91–129, 39,200.

165 *Bristol-Myers Squibb Co v F H Faulding & Co Ltd* (2000) 97 FCR 524, 559.

166 *Caterpillar Inc v John Deere Ltd* (1999) 48 IPR 1, 11.

167 *Kimberley-Clark Australia Pty Ltd v Arico Trading International Pty Ltd* (1998) 42 IPR 111, 129.

168 *King v Milpururru* (1996) 66 FCR 474, 486; *Kimberley-Clark Australia Pty Ltd v Arico Trading International Pty Ltd* (1998) 42 IPR 111, 129; *Walker v Alemite Corp* (1933) 49 CLR 643, 658 (Dixon J).

169 *Root Quality Pty Ltd v Root Control Technologies Pty Ltd* (2000) 49 IPR 225, 262.

170 *Caterpillar Inc v John Deere Ltd* (1999) 48 IPR 1.

171 *Bristol-Myers Squibb Co v F H Faulding & Co Ltd* (2000) 97 FCR 524; *Caterpillar Inc v John Deere Ltd* (1999) 48 IPR 1, 13.

172 *Windsurfing International Inc v Petit* [1984] 2 NSWLR 196, 207.

15.5.7 Liability through ‘common design’ or ‘procurement’

Liability for infringement at common law can be imposed upon a person who enables another person to infringe the patent on two bases which turn upon the alternative concepts of ‘common design’ and ‘procurement’.¹⁷³ These doctrines impose a high threshold for liability and require personal direction of the acts which constitute infringement, so that the principal thereby makes ‘himself a party to the act of infringement’.¹⁷⁴

The first is when this person is a joint tortfeasor who has acted in furtherance of a common design with the infringer.¹⁷⁵ This may arise where there is a common design between a supplier of goods and a consumer to infringe a patent. It has limited application. The second is where the person induces, incites or procures another to infringe. This may apply in some circumstances where a person supplies an unpatented product with instructions for use.¹⁷⁶ It may also apply where there is no other use to which the components, or kit, as supplied, can be used or where the supplier provides comprehensive assembly instructions.¹⁷⁷ A remedy is available ‘at least in circumstances where the whole of the relevant assembly is sold at the one time, albeit in parts’.¹⁷⁸ The essence of the authorities is that there must be ‘a procuring in the sense of persuading a party to commit the tort of infringing the patent’.¹⁷⁹ This must go beyond mere facilitation of the doing of the act. Hence, merely supplying materials with knowledge that the proposed use will infringe the patent does not amount to procurement.¹⁸⁰

The provisions of the *Patents Act 1990* (Cth) have not excluded the possibility of liability as a joint tortfeasor or for procuring or inciting infringement.¹⁸¹ However, it is likely that acts that satisfy these common law doctrines will come within the concept of authorisation in s 13(1). The *Patents Act 1990* (Cth) now provides liability for contributory infringement in s 117 which goes beyond the scope of the common law doctrines and is discussed below.

173 *Molnlycke AB v Procter & Gamble Ltd (No 4)* [1992] 1 WLR 1112, 1118–19; *Unilever plc v Gillette (UK) Ltd* [1989] RPC 583, 609–10; *Murex Diagnostics Australia Pty Ltd v Chiron Corporation* (1995) 55 FCR 194, 206–9; *Caterpillar Inc v John Deere Ltd* (1999) 48 IPR 1, 9–10; *Rotocrop International Ltd v Genbourne Ltd* [1982] FSR 241, 259; *Ramset Fasteners (Aust) Pty Ltd v Advanced Building Systems Pty Ltd* (1999) 44 IPR 481, 497–8.

174 *Walker v Alemite Corporation* (1933) 49 CLR 643, 658 (Dixon J); *Martin Engineering Co v Nicaro Holdings Pty Ltd* (1990) 16 IPR 545.

175 *Morton-Norwich Products Inc v Intercen Ltd* [1978] RPC 501, 515–16; *Rotocrop International Ltd v Genbourne Ltd* [1982] FSR 241, 258–60; *Ryan v Lum* (1989) 14 IPR 513, 522; *BEST Australia Ltd v Aquagas Marketing Pty Ltd* (1988) 83 ALR 217, 220; *CBS Songs Ltd v Amstrad Consumer Electronics plc* (1998) 11 IPR 1.

176 See *CCOM Pty Ltd v Jiejing Pty Ltd* (1993) 27 IPR 557, 627 (Cooper J) for a discussion of the relevant authorities; *Firth Industries Ltd v Polyglas Engineering Pty Ltd* (1975) 132 CLR 489, 497 (Stephen J); *Ryan v Lum* (1989) 14 IPR 513, 522.

177 *Great Western Corporation Pty Ltd v Grove Hill Pty Ltd* [2001] FCA 423, ¶ 30; *Grove Hill Pty Ltd v Great Western Corporation Pty Ltd* (2002) 55 IPR 257, 341; *Windsurfing International Inc v Petit* [1984] 2 NSWLR 196; *Rotocrop International Ltd v Genbourne Ltd* [1982] FSR 241, 259–60.

178 *Grove Hill Pty Ltd v Great Western Corporation Pty Ltd* (2002) 55 IPR 257, 341 (Gyles J).

179 *CCOM Pty Ltd v Jiejing Pty Ltd* (1993) 27 IPR 577, 626; *Dow Chemical AG v Spence Bryson & Co Ltd* [1982] FSR 397, 404; *Kalman v Packaging (UK) Limited* [1982] FSR 406, 423–4.

180 *BEST Australia Ltd v Aquagas Marketing Pty Ltd* (1988) 83 ALR 217, 220; *Belegging-en-Exploitatiemaatschappij Lavender BV v Witten Industrial Diamonds Ltd* [1979] FSR 59, 65 (Buckley LJ).

181 *Rescare Ltd v Anaesthetic Supplies Pty Ltd* (1992) 25 IPR 119, 115; *Bristol-Myers Squibb Co v F H Faulding & Co Ltd* (1998) 41 IPR 467, 489; *Bristol-Myers Squibb Co v F H Faulding & Co Ltd* (2000) 97 FCR 524, 559.

15.6 Contributory infringement

15.6.1 Introduction

The doctrine of contributory infringement gives rights to the patentee to seek remedies from a person who does not infringe the patent directly, but who supplies another with the means to infringe the patent. The common cases in which a patentee may seek redress for contributory infringement of the patent include the supply of an unpatented component of a combination patent¹⁸² and the supply of an unpatented product for use in a patented process.¹⁸³ In the latter case, the supplier will commonly attach instructions for performing the patented process.¹⁸⁴ Prior to the *Patents Act 1990* (Cth), the exclusive rights of the patentee did not extend to prevent such behaviour even though the ‘infringer’ sold materials for the purpose of infringing a patent and knew that the purchaser intended to use the product in a way that constitutes a direct infringement of the patent.¹⁸⁵ The ability to sue third parties was limited to circumstances that fell within the concepts of ‘procurement’ and ‘common design’ which are discussed in the preceding paragraph.

In its review of the Australian patent law in 1984, the Industrial Property Advisory Committee recommended:¹⁸⁶

That in general the supply of goods whose only use would infringe a patent, or which are accompanied by a positive inducement for the ultimate consumer to perform actions which would innocently or knowingly infringe a patent, should itself be an infringement of the patent.

15.6.2 Overview of s 117

The enactment of s 117 in the *Patents Act 1990* (Cth) introduced this concept of contributory infringement into Australian patent law to ‘remove an area of uncertainty under Australian patent law and harmonise it with the laws of Australia’s major trading partners’.¹⁸⁷

Section 117(1) provides that if ‘the use of a product by a person’ would infringe a patent, a person (who is not the patentee or a licensee) who supplies¹⁸⁸ that

182 E.g., *Townsend v Haworth* (1875) 12 Ch D 831; (1879) 48 LJ Ch 770; *Dunlop Pneumatic Tyre Co Ltd v David Moseley & Sons Ltd* [1904] 1 Ch 612; *Walker v Alemite Corporation* (1933) 49 CLR 643; *Windsurfing International Inc v Petit* [1984] 2 NSWLR 196.

183 E.g., *Innes v Short & Beal* (1898) 15 RPC 449; *Firth Industries Ltd v Polyglas Engineering Pty Ltd* (1975) 132 CLR 489; *Rotocrop International Ltd v Genbourne Ltd* [1982] FSR 241; *BEST Australia Ltd v Aquagas Marketing Pty Ltd* (1988) 83 ALR 217.

184 E.g., *Innes v Short & Beal* (1898) 15 RPC 449; *CCOM Pty Ltd v Jiejing Pty Ltd* (1993) 48 FCR 41; *Sartas No 1 Pty Ltd v Koukourou & Partners Pty Ltd* (1994) 30 IPR 479.

185 *Townsend v Haworth* (1875) 12 Ch D 831; (1879) 48 LJ Ch 770; *Dunlop Pneumatic Tyre Co Ltd v David Moseley & Sons Ltd* [1904] 1 Ch 612; *Walker v Alemite Corporation* (1933) 49 CLR 643; A. Monotti, ‘Contributory Infringement of a Process Patent under the Patents Act 1990: Does it exist after Rescare?’ (1995) 6(4) *AIPJ* 217.

186 IPAC, *Patents, Innovation and Competition in Australia* (Canberra: AGPS, 1984), Rec 33.

187 Patents Bill 1990 (Cth), Explanatory memorandum, cl 170, 171.

188 *Collins v Northern Territory of Australia* (2006) 70 IPR 614.

product to another will infringe the patent by supply of product. There are differing views from the Full Federal Court as to the construction of s 117(1), and in particular as to the nature of the ‘product’ that is used and supplied.¹⁸⁹ In the case of a method or process patent, the majority in *Anaesthetic Supplies Pty Ltd v Rescare Ltd*¹⁹⁰ confirmed the opinion of Gummow J¹⁹¹ at first instance that this referred to a product, the use of which would infringe that method claim. In contrast, a majority in the Full Federal Court in the later decision of *Bristol-Myers Squibb Co v F H Faulding & Co Ltd*¹⁹² construed the term ‘product’ as an input to the patented process. They expressly rejected the interpretation of s 117(1) in the earlier decisions. This is the preferred interpretation. The construction of this sub-paragraph awaits clarification as does the application of s 117 to the case of a product patent.¹⁹³

Two points should be noted. First, the section imposes liability without the need to prove an actual infringement by any person to whom the product is supplied in the circumstances of s 117. This is in contrast with liability as a joint tortfeasor which requires proof of direct infringement.¹⁹⁴ Second, the use of a product must be an infringing use, but only those infringing uses set out in s 117(2) will come within s 117. These are the following:

- (a) if the product is capable of only one reasonable use, having regard to its nature or design – that use; or
- (b) if the product is not a staple commercial product – any use of the product, if the supplier had reason to believe it would be put to that use; or
- (c) in any case – the use of the product in accordance with any instructions for the use of the product, or any inducement to use the product, given to the person by the supplier or contained in an advertisement published by or with the authority of the supplier.¹⁹⁵

15.6.3 S 117(2)(a): capable of one reasonable use

The facts in *Anaesthetic Supplies Pty Ltd v Rescare Ltd*¹⁹⁶ provide an example of circumstances in which a product is capable of only one reasonable use for the purposes of s 117(2)(a). The patent involved an invention for both an apparatus for administering continuous positive airways pressure via a face mask to treat obstructive sleep apnoea (product) and for the use of that apparatus in providing that treatment (process). As the face mask could have only one reasonable use, namely the administration of continuous airways pressure, its unauthorised

189 Ibid.

190 (1994) 50 FCR 1, 24.

191 *Rescare Ltd v Anaesthetic Supplies Pty Ltd* (1992) 25 IPR 119, 154.

192 (2000) 97 FCR 524, 555–60. See Monotti, ‘Contributory Infringement’, above n 185; *Prejay Holdings Ltd v Commissioner of Patents* [2002] FCA 881, ¶ 24; *Prejay Holdings Ltd v Commissioner of Patents* (2003) 57 IPR 424, 427.

193 *Prejay Holdings Ltd v Commissioner of Patents* [2002] FCA 881, ¶ 24; *Grove Hill Pty Ltd v Great Western Corporation Pty Ltd* (2002) 55 IPR 257, 341 (Gyles J).

194 *Ramset Fasteners (Aust) Pty Ltd v Advanced Building Systems Pty Ltd* (1999) 44 IPR 481, 494–507.

195 *Datadot Technology Ltd v Alpha Microtech Pty Ltd* (2003) 59 IPR 402, 406.

196 (1994) 50 FCR 1.

supply would amount to infringement of the process claims if the *Bristol-Myers* construction of s 117(1) is preferred. As the mask was itself the subject of the patent, its supply would also constitute a direct infringement of the product claims. Infringement of the product claims does not require resort to s 117 when the patented product is supplied as a single assembled product. It must be pointed out that the court actually refused a remedy for contributory infringement in this case due to its construction of s 117(1).

15.6.4 S 117(2)(b): not a staple commercial product

Section 117(2)(b) has three aspects, each of which is considered in turn below.

15.6.4.1 Supplied product not a staple commercial product

There is no definition of ‘staple commercial product’ and there has been no judicial consideration of its meaning in this context, other than to state that a manufactured bottom cover spacer supplied for use in the construction industry was a staple commercial product.¹⁹⁷ The term appears in s 60(3) of the *Patents Act 1977* (UK) but is also undefined. The UK Patents County Court construed it narrowly to mean ‘products of a regular kind needed daily and generally available’.¹⁹⁸ The requirement that it is used daily seems to be unnecessarily restrictive. The authors of *Terrell on the Law of Patents* thought it ‘is presumably a reference to raw materials or other basic products commonly available and with a multitude of possible applications’.¹⁹⁹

15.6.4.2 Infringing use made of supplied product

The supplied product can be used to infringe a patent. A prerequisite for the operation of s 117 is that use of ‘a product’ would infringe the patent. *Bristol-Myers Squibb Co v FH Faulding & Co Ltd*²⁰⁰ provides an example of how this may apply. Bristol-Myers Squibb Co owned two petty patents relating to the administration of a drug, taxol, used in the treatment of cancer. An infringing use of taxol for the purposes of this sub-section would be one that administers taxol in accordance with the method set out in the patent claims.

15.6.4.3 Supplier had reason to believe the person would put it to that use

Having established that the relevant use is one that would infringe the patent claim, it is necessary to establish that the supplier had reason to believe that the person (supplied with the product) would put it to that infringing use. Therefore, using the facts of *Bristol-Myers Squibb Co v F H Faulding & Co Ltd* again, the

¹⁹⁷ *Theta Developments Pty Ltd v Leonardis* (2002) 59 IPR 368, 388.

¹⁹⁸ *Pavel v Sony* SRIS CC/14/93 cited in L. Bently and B. Sherman, *Intellectual Property Law* (2nd ed, Oxford: Oxford University Press, 2004), 532.

¹⁹⁹ S. Thorley, R. Miller, G. Burkill and C. Birss, *Terrell on the Law of Patents* (15th ed, London: Sweet & Maxwell, 2000), 217. As to meaning of ‘and not a staple article or commodity of commerce’ in 35 USC 271(c): *Polysius Corp v Fuller Co* 709 F Supp 560, 576.

²⁰⁰ *Bristol-Myers Squibb Co v FH Faulding & Co Ltd* (2000) 97 FCR 524, 555–6.

reasonable belief would need to relate to a hypothetical use that would infringe the patent: namely, the particular method by which it was expected that taxol would be used. The court in *Bristol-Myers* questioned the meaning of the phrase ‘the use to which it was to be put’ and commented:

If one were to ask, to what use is a therapeutic drug, prescribed for a patient, put, the answer might be: ‘It is taken to cure the patient’s condition’. It would not, perhaps, be: ‘It is to be taken three times daily, before meals.’²⁰¹

However, the section does not require an answer to the question set out in the above passage. Instead, it requires identification of the use that would infringe the patent (the particular method) and to then ask whether the supplier had reason to believe that the product would be put to that infringing use. In other words, s 117(2)(b) would require that the supplier had reason to believe that the medical practitioners to whom taxol is supplied would put taxol to use in treatment of cancer patients according to the method defined in the claim.

15.6.5 S 117(2)(c)

Under s 117(2)(c), the reference in s 117(1) to the use of a product by a person is a reference to the use of a product in accordance with any instructions for the use of the product given to the person by the supplier or contained in an advertisement published by or with the authority of the supplier. *Bristol-Myers Squibb Co v FH Faulding & Co Ltd*²⁰² again provides an example of how s 117(2)(c)²⁰³ may apply to contributory infringement of a process patent. Faulding sold and supplied the drug taxol to doctors and hospitals with product information that included directions for use in the treatment of patients suffering from cancer. The use of taxol by a medical practitioner in accordance with those instructions would infringe the patents.

There had been earlier authority to the effect that the ‘product’ to which s 117(1) refers is the product that results from the use of the patented process.²⁰⁴ However, as the court pointed out when it rejected this authority, such a construction of s 117 would not provide a remedy in this case and would leave it ‘virtually, if not completely, otiose’.²⁰⁵ There is no need for s 117 to provide the patentee with a remedy for this conduct because a remedy is already available under s 13(1). Section 117 was intended to have a wider scope that would cover the type of fact situation presented in *Bristol-Myers Squibb*.²⁰⁶ The court in that case gave effect

²⁰¹ Ibid.

²⁰² Ibid.

²⁰³ *Datadot Technology Ltd v Alpha Microtech Pty Ltd* (2003) 59 IPR 402, 406 (operation of s 117(2)(c) in the context of an innovation patent).

²⁰⁴ *Rescare Ltd v Anaesthetic Supplies Pty Ltd* (1992) 25 IPR 119 (Gummow J); *Anaesthetic Supplies Pty Ltd v Rescare Ltd* (1994) 50 FCR 1; *Sartas No 1 Pty Ltd v Koukourou & Partners Pty Ltd* (1995) 30 IPR 479, 495; *Bristol-Myers Squibb Co v FH Faulding & Co Ltd* (1998) 41 IPR 467.

²⁰⁵ *Bristol-Myers Squibb Co v FH Faulding & Co Ltd* (2000) 97 FCR 524, 557.

²⁰⁶ IPAC, *Patents, Innovation and Competition*, above n 186; Patents Bill 1990 (Cth), Explanatory Memorandum ¶ 170–1; Monotti, ‘Contributory Infringement’, above n 185.

to that intention by making it clear that the ‘product’ referred to in s 117(1) can be any product that is supplied for an infringing use. They decided on the facts that, assuming that the patent was valid, the supply of taxol in these circumstances constituted contributory infringement of the patent within s 117(2)(c).

The patented or unpatented status of the ‘product’ is irrelevant to infringement under s 117. The section refers to ‘a product’. A person who supplies a patented product directly infringes the patentee’s exclusive right to exploit the invention.²⁰⁷ As Black CJ and Lehane J observed in *Bristol-Myers Squibb Co v FH Faulding & Co Ltd*:

it is not easy to imagine circumstances in which the supply of a product is not a sale, hire or disposal of it. If so, the supplier who, by operation of s 117, is an infringer in any event, as one who ‘exploits’.²⁰⁸

Hence, if the patent is for a product, both its use and its supply involve direct infringements to which s 117 has no application. If the patent is for a process, the supply of a patented product for use in that process would again involve direct infringement of the product patent. Section 117 is not concerned with this direct infringement but with imposing liability on the supplier for providing the means to infringe the process patent. That means may involve a patented²⁰⁹ or unpatented product.²¹⁰ It is important not to confuse the issue of direct infringement with the operation of s 117.²¹¹

15.6.6 Infringement of a product patent by supply of component parts

Section 117(1) refers to the ‘use of a product’ and supply of ‘that product’. This raises the issue of how s 117 applies in the case of a product patent. Clearly, the supply of a single or assembled product that infringes the claims in a patent is a direct infringement. Section 117 has no application to such direct infringements. At common law, a remedy is likely for the supply of a patented product as a kit of parts that is assembled by the purchaser in accordance with instructions.²¹² This is also likely to come within the scope of s 117.²¹³

The supplier will escape liability at common law for the supply of a part of a patented combination unless this is done in furtherance of a common design with the consumer (joint tortfeasors) or as a secondary infringer who has aided,

207 *Bristol-Myers Squibb Co v FH Faulding & Co Ltd* (2000) 97 FCR 524, 557. *Patents Act 1990* (Cth) s 13(1), sch 1 (‘exploit’).

208 *Bristol-Myers Squibb Co v FH Faulding & Co Ltd* (2000) 97 FCR 524, 557.

209 *Anaesthetic Supplies Pty Ltd v Rescare Ltd* (1994) 50 FCR 1.

210 *Bristol-Myers Squibb Co v FH Faulding & Co Ltd* (2000) 97 FCR 524.

211 *Welcome Real-Time SA v Catuity Inc (No 2)* (2001) AIPC 91–736, 39,780; *Prejay Holdings Ltd v Commissioner of Patents* [2002] FCA 881.

212 *Windsurfing International Inc v Petit* [1984] 2 NSWLR 196; *Rotocrop International Ltd v Genbourne Ltd* [1982] FSR 241, 259–60; *Great Western Corporation Pty Ltd v Grove Hill Pty Ltd* [2001] FCA 423, ¶ 30; *Grove Hill Pty Ltd v Great Western Corporation Pty Ltd* (2002) 55 IPR 257, 341.

213 *Great Western Corporation Pty Ltd v Grove Hill Pty Ltd* [2001] FCA 423, ¶ 30, 35; *Grove Hill Pty Ltd v Great Western Corporation Pty Ltd* (2002) 55 IPR 257, 341.

abetted, counselled or procured a purchaser to infringe the patent.²¹⁴ In *Great Western Corporation Pty Ltd v Grove Hill Pty Ltd*,²¹⁵ Kiefel J supported the application of s 117 to the supply of a component part of a patented product where all the necessary parts were provided. On appeal, Gyles J commented by way of *obiter* that he found it ‘difficult to understand how [s 117] has anything to do with infringement of a product claim by commercial supply of an article’.²¹⁶ Despite this expressed reservation, it is consistent with the rationales for the introduction of s 117 to apply its provisions to the supply of a component part of a patented product. The part is the ‘product’ for the purposes of s 117(1). A consumer who uses that part without authorisation to make the product would infringe the exclusive right of the patentee to make the product. Section 117 should apply if the infringing use satisfies one of the sub-paragraphs of s 117(2). It seems that supply of a component part that is capable of only being used to make the patented product would infringe, as will supply of a component part when the supplier has given the consumer instructions for use of the product, or any inducement to use the product in a way that infringes the patent, either directly or by means of published advertisement. Furthermore, if the component part is ‘not a staple commercial product’ its supply may also be an infringement if the supplier had reason to believe that the consumer would use it in an infringing way.

15.7 Misleading and deceptive conduct

Apart from infringement of the patent under the *Patents Act 1990* (Cth), a patentee may contravene s 52 of the *Trade Practices Act 1974* (Cth) if it has engaged in conduct that was misleading or deceptive or likely to mislead or deceive. For example, a failure to warn customers that use of equipment in a particular way might constitute infringement of a patent may contravene s 52.²¹⁷

15.8 Defences to infringement

Infringement requires that:

- (a) The ‘invention’ falls within the scope of the claims of the patentee;
- (b) The act falls within the scope of the patentee’s exclusive rights; and
- (c) The act does not have the benefit of an express or implied exemption to infringement.²¹⁸

Article 30 of *TRIPS* (1994) enables members to provide limited exceptions to the exclusive rights conferred by a patent provided that three conditions are met.

²¹⁴ See discussion above at 15.5.7.

²¹⁵ [2001] FCA 423, 34–5.

²¹⁶ *Grove Hill Pty Ltd v Great Western Corporation Pty Ltd* (2002) 55 IPR 257, 341.

²¹⁷ *Advanced Building Systems Pty Ltd v Ramset Fasteners (Aust) Pty Ltd* (1995) AIPC 91–129, 39,201.

²¹⁸ E.g., *Patents Act 1990* (Cth) ss 118, 119, 163.

The exceptions must not: (1) unreasonably conflict with a normal exploitation of the patent; (2) unreasonably prejudice the legitimate interests of the patent owner; and (3) take account of the legitimate interests of third parties.

The *Patents Act 1990* (Cth) provides express exceptions from infringement for prior use of an invention under s 119 and use in or on foreign vessels, aircraft or vehicles under s 118. Certain acts that are performed for the purposes of obtaining regulatory approval of pharmaceuticals are exempted from infringement by s 119A which was introduced by the *Intellectual Property Laws Amendment Act 2006* (Cth).²¹⁹ Often referred to as ‘springboarding of patents for pharmaceuticals’, the amendments apply in relation to the exploitation, at or after the commencement of these provisions, of all patents in force after that time.²²⁰

15.8.1 Use in or on foreign vessels, aircraft or vehicles

The rights of the patentee are not infringed by using the patented invention on board a foreign vessel, in the body of the vessel, or in the machinery, tackle, apparatus and other accessories of the vessel, if that vessel comes only temporarily or accidentally into the patent area and the invention is used exclusively for the needs of the vessel.²²¹ A similar defence from infringement applies to use of an invention in the construction or working of a foreign aircraft or foreign land vehicle, or in the accessories of the aircraft or vehicle if the aircraft or foreign land vehicle comes only temporarily or accidentally into the patent area.²²²

These provisions are derived originally from Article 5ter of the 1925 revision of the *Paris Convention*,²²³ the purpose of which ‘was to prevent national patents impinging upon foreign vessels coming into and out of territorial waters temporarily and also permanently if the cause was accidental’.²²⁴ Although no Australian court has considered these provisions, ‘temporarily’ has been construed by the UK Court of Appeal in the context of a similar provision in s 60(5) (d) of the *Patents Act 1977* (UK) to mean ‘transient’ or for a ‘limited purpose’.²²⁵ The court considered that the meaning of ‘temporarily’ had nothing to do with the frequency of visits so that the defence was available for use of the patented invention in a ferry that sailed regularly between Dublin in Northern Ireland and Holyhead in the UK.²²⁶

15.8.2 Prior use of an invention: s 119

The patentee or a third party may use an invention before the priority date of the claim or claims. Subject to various exceptions that are available to the patentee,²²⁷

²¹⁹ sch 7.

²²⁰ sch 7, s 4.

²²¹ *Patents Act 1990* (Cth) s 118(a).

²²² *Patents Act 1990* (Cth) s 118(b).

²²³ See *Stena Rederi Aktiebolag, Stena Line Aktiebolag v Irish Ferries Limited* [2003] EWCA (Civ) 66 (CA), ¶ 16 for the legislative history.

²²⁴ *Ibid* ¶ 25.

²²⁵ *Ibid* ¶ 26.

²²⁶ *Ibid* ¶ 38.

²²⁷ *Patents Act 1990* (Cth) s 24, reg 2.2, 2.3.

use that makes the essential integers of the invention publicly available provides a ground for refusal to grant a patent, or in the case of a granted patent, a ground for its revocation.²²⁸ There are different possible repercussions when the prior use is secret. The *Patents Act 1952* (Cth) provided that prior secret user, by either the patentee or a third party, was a ground for revocation of the patent.²²⁹ The *Patents Act 1990* (Cth) adopted a different policy approach and distinguished between prior secret use of the patentee and that of a third party. Prior secret use by or on behalf of the patentee is a ground for opposition and revocation of a patent.²³⁰ On the other hand, prior secret use by a third party no longer provides grounds to revoke the patent. Instead, the *Patents Act 1990* (Cth) introduced in s 119 the concept of a prior user right that may benefit third-party prior users.²³¹

The *Paris Convention* reserves to the domestic legislation of each contracting state the right to make provision for prior user rights.²³² A prior user right recognises some limitation on the patentee's rights as patentee. The nature of the right is independent of the patent and its existence stems only from a third party's use of the invention before the priority date of the claim or claims. The prior user right permits a would-be infringer who commenced an infringing activity before the priority date of a patent to continue to use the invention in specified ways without infringement. There are a number of justifications for granting a prior user right to a third party. First, the prior user will have expended its own capital in research and development on the invention without learning anything from the patentee.²³³ The prior user right therefore prevents wasteful destruction of this existing investment. Secondly, the right protects domestic manufacturing industry. It protects 'the person who has invested, put the product on the market, and provided good to the public by doing so'.²³⁴ Thirdly, a prior user right offers some measure of protection to the independent inventor while retaining the pre-eminent position of the patentee. Finally, the existence of prior user rights encourages the parties to negotiate mutually advantageous licensing agreements without the need to resort to litigation.

Schedule 6 of the *Intellectual Property Laws Amendment Act 2006* (Cth) repealed the former s 119 and substituted a new section that applies in relation to patents granted as a result of applications filed on or after commencement of the schedule.²³⁵ Section 119 provides a prior user right as an exemption from infringement where, immediately before the priority date of a claim, the person was

228 *Patents Act 1990* (Cth) ss 7(1), 18, 45(1)(b), 59(b), 138(3)(b), Dictionary; *Nicarco Holdings Pty Ltd v Martin Engineering Co* (1990) 16 IPR 545.

229 *Patents Act 1952* (Cth) s 100(1)(1); S. Ricketson, *The Law of Intellectual Property* (Sydney: Law Book Company, 1984), 942–3.

230 *Patents Act 1990* (Cth) ss 18(1)(d), 9, 59, 138(3)(b).

231 For an analysis of prior user rights see A. L. Monotti, 'Balancing the rights of the patentee and prior user of an invention: the Australian experience' [1997] 19(7) *EIPR* 351.

232 art 4(B).

233 See Franklin Pierce Law Centre, Fourth Biennial Patent System 'Prior User Rights' Panel discussion, (1994) 34 /DEA117, 118–21 (Ms Strobel).

234 Franklin Pierce Law Centre, Fourth Biennial Patent System 'Prior User Rights' Panel discussion, above n 233, 414 (Mr Griswold).

235 *Intellectual Property Laws Amendment Act 2006* (Cth) sch 6, cl 2. Sch 6 commenced on 28 September 2006.

exploiting²³⁶ the product, method or process in the patent area or had taken definite steps (contractually or otherwise) to so exploit it. The person is not restricted to the acts that were performed before the priority date but can exploit the invention in any way without infringement.

It is likely that the judicial interpretation of similar provisions in the former s 119 continue to apply to the new section. Hence, if the claim relates to a product, it is not sufficient to have made part of the product alone to gain the benefit of this exemption.²³⁷ Nor would it be sufficient to show that a person was still developing the product.²³⁸ The concept of taking definite steps is illustrated by Heerey J in *Welcome Real-Time SA v Catuity Inc* with the following example:

Assume a patented product consisting of components A, B and C. Immediately before the priority date an infringer: has drawings depicting the product; has actually made A; has on his premises the raw materials for component B; and has ordered the raw materials for component C. It can then be said that the infringer had taken definite steps to make that product. Conversely, it would not be sufficient that immediately before the priority date, the infringer has made A, has received the raw materials for B but is investigating whether C, D or E would be the preferable final component. And the infringer would be in no better position if, after the priority date, he in fact decided that C was preferable and then proceeded to manufacture a product consisting of A, B and C.²³⁹

The onus of establishing prior user rights is on the party claiming those rights.²⁴⁰ The exemption from infringement does not apply if the person derived the invention from the patentee or the patentee's predecessor in title.²⁴¹ For example, a person has no exemption from infringement if information as to the subject matter of the invention was obtained from the patentee in the course of negotiations that subsequently break down. However, not all information that derives from the patentee prevents the operation of the section.²⁴² A person may be entitled to a prior user right when the information is made publicly available by or with the consent of the patentee in one of the prescribed circumstances mentioned in s 24(1)(a). This may be, for example, when the person gains information about the invention by observing the patentee working it in public for the purposes of reasonable trial.²⁴³

Another instance where no exemption applies is if, before the relevant priority date of the claim, the person had stopped exploiting the product, method or process (except temporarily) in the patent area or had abandoned (except temporarily) the steps to exploit the product, method or process in the patent

236 This term is defined in a similar way as 'exploit' in the Dictionary.

237 *CCOM Pty Ltd v Jiejing Pty Ltd* (1993) 27 IPR 577, 627 (Cooper J); *Welcome Real-Time SA v Catuity Inc* (2001) 113 FCR 110, 130.

238 *Welcome Real-Time SA v Catuity Inc* (2001) 113 FCR 110, 131.

239 *Ibid* 130.

240 *Ibid*.

241 *Patents Act 1990* (Cth) s 119(3).

242 *Ibid*.

243 *Patents Regulations 1991* (Cth) reg 2.2(d).

area.²⁴⁴ Such an interlude may be necessary where, for example, a tested development in one aspect of a technology is put to one side, but not abandoned, while developments of other aspects are made and tested. It is not clear what is meant by ‘temporarily’ in this context. One interpretation is that the person must recommence the activity after a brief interlude. A broader interpretation would extend the concept to include an intention to recommence the activity. It would be a matter for the courts to determine on the facts of each case whether the requirements in s 119(2) are satisfied.²⁴⁵

The performance of the acts set out in s 119(1) before the priority date is now expressly limited to acts in the patent area.²⁴⁶ Prior to its repeal, s 119 contained no geographical limitation which suggested that acts anywhere in the world would trigger prior user rights. Also, the nature of the prior user right was much more limited. If a person gains the benefit of prior user rights under the former s 119, it by no means follows that he/she can act as though the patent did not exist.²⁴⁷ The express reference in the former s 119 was to ‘making a product or using a process’. This language may limit the rights of a prior secret user to these specific actions and thereby deny the third-party prior user the ability to continue other prior uses such as sales or importation of the product or a product made using the process.²⁴⁸ This narrow exemption is tantamount to extinguishing prior user rights in all but a small number of instances.

There is judicial support for the proposition that s 119 ‘prescribes the protection to be afforded to a person who has previously used the process or product in question’.²⁴⁹ It is clear that s 119 applies to prior secret activities.²⁵⁰ However, the lack of any distinction between secret and public activities in the section raises the question whether the section also applies to prior public use that is sufficient to deprive an invention of novelty. The preferred position is expressed by Dowsett J in *Dyno Nobel Asia Pacific Ltd v Orica Australia Pty Ltd*:

If such prior use were sufficient to deprive an invention of novelty, there would be little purpose in express protection of a person who has previously used it. . . . It is not presently necessary for me finally to determine this matter.²⁵¹

In other words, the prior user would not be limited by the terms of s 119 and could seek revocation of the patent or counterclaim for revocation in the event that an infringement action is brought against him or her.²⁵² On this view, s 119 would only apply to specify the prior user rights that are available to the

244 *Patents Act 1990* (Cth) s 119(2). The form of s 119 prior to the *Intellectual Property Laws Amendment Act 2006* included these concepts in s 119(4).

245 *Intellectual Property Laws Amendment Act 2006* (Cth) sch 6, cl 1, s 119(1), (2).

246 *Intellectual Property Laws Amendment Act 2006* (Cth) sch 6, cl 1, s 119(1).

247 *Welcome Real-Time SA v Catuity Inc* (2001) 113 FCR 110, 132.

248 Monotti, ‘Balancing the rights’, above n 231.

249 *Dyno Nobel Asia Pacific Ltd v Orica Australia Pty Ltd* (1999) 99 FCR 151, 214; *Welcome Real-Time SA v Catuity Inc* (2001) 113 FCR 110, 132.

250 *Welcome Real-Time SA v Catuity Inc* (2001) 113 FCR 110, 132; Monotti, ‘Balancing the rights’, above n 231.

251 (1999) 99 FCR 151, 214.

252 This construction accords with the view of the European communities in the WTO panel report: *Canada – Patent Protection of Pharmaceutical Products* (WT/DS114/R, 17 Mar 2000), 54.

person who has used the invention in a way that does not deprive the invention of novelty. The other approach is that of Heerey J in *Welcome Real-Time SA v Catuity Inc*.²⁵³ His Honour considered that the section may apply to both prior secret and public use. This approach is harsh, in that it provides such limited prior user rights to someone who has the capacity to invalidate the patent. This issue is less significant now because the new s 119 introduced by the *Intellectual Property Laws Amendment Act 2006* (Cth) expands the scope of the prior user exemption from infringement to include all acts of exploitation.

The section gives prior user rights to the person who was making the product or using the product before the priority date but is silent as to whether those rights can be licensed or assigned. In its *Review of Intellectual Property Legislation under the Competition Principles Agreement* (2000), a majority of the Intellectual Property Competition and Review Committee (IPCRC) members considered that only the actual prior user should be able to benefit from s 119 rights. They considered that extending the exemption might tilt the benefits too far towards a de facto patent right for the prior secret user. One member of the committee, however, noted that the innovation process often requires changing corporate arrangements and accordingly considered that the prior user should be able to license, assign or otherwise deal with those rights. The government response to the IPCRC report concluded that assignees should have the benefit of rights, but not licensees. This is the effect of the amendment in the *Intellectual Property Laws Amendment Act 2006* (Cth), which clarifies that a person may dispose of the whole of his or her entitlement under s 119(1) to another person.²⁵⁴ The ability to grant licences is impliedly excluded.

15.8.3 Acts for obtaining regulatory approval of pharmaceuticals

The *Intellectual Property Laws Amendment Act 2006* (Cth) introduces in s 119A an exemption from infringement for exploitation of a pharmaceutical patent solely for the purposes of obtaining the inclusion in the Australian Register of Therapeutic Goods of goods that are intended for therapeutic use and are not medical or therapeutic devices as defined in the *Therapeutic Goods Act 1989* (Cth). 'Pharmaceutical patent' is defined to mean a patent claiming a pharmaceutical substance²⁵⁵ or a method, use or product relating to a pharmaceutical substance. This non-infringing exploitation can take place at any time during the patent term. This exemption also allows exploitation solely for purposes connected with obtaining similar regulatory approval under a law of a foreign country. However, if this involves export of goods from Australia, the exemption only applies to the type of goods specified in s 119A(2) if the patent term has been extended under pt 3 of Chapter 6.

253 *Welcome Real-Time SA v Catuity Inc* (2001) 113 FCR 110, 132.

254 s 119(4).

255 'Pharmaceutical substance' is defined in the Dictionary in sch 1.

15.8.4 Private acts

A patent grants no positive rights or positive authority to the patentee.²⁵⁶ Hence, it is a mistake to analyse the rights of the patentee to exclude others as if they are absolute. However, the *Patents Act 1990* (Cth) contains no express limitation on the scope of the rights that the patentee can exercise. Therefore, if there is to be any limitation on the scope of the rights or any exemption from infringement for this type of activity, it must be found in the common law. The monopoly power with respect to inventions was granted originally as an exception to enhance trade and commerce and to overcome common law restraints. Therefore, it is more likely that the rights of exclusion for the patentee are limited to acts that would be ‘acts injurious to the patentee’.²⁵⁷ This is likely to be injurious in some broad commercial sense, such as whether the activities interfere with the patentee’s entitlement in trade and commerce²⁵⁸ to ‘enjoy the whole profit and advantage from time to time accruing by reason of the said invention’.²⁵⁹

If the common law has defined the exclusive rights of the patentee with reference in some way to the commercial purpose for which the act is performed, it is at least arguable that the performance of acts for private or non-commercial purposes would be outside the scope of the patentee’s rights. Such a ‘use’ would not amount to ‘taking advantage of the invention to advance them in the marketplace’²⁶⁰ and would not be acts injurious to the patentee. Hence, it is arguable that it would be outside the scope of the patentee’s exclusive rights to license an invention for such use. By analogy, limitations on the exclusive rights of a patentee for non-commercial uses were thought to exist under the *Patents Act 1949* (UK), the legislation on which our *Patents Act 1952* (Cth) was modelled.²⁶¹ The *Patents Act 1977* (UK) now includes an express exemption from infringement for acts that ‘are done privately and for purposes which are not commercial’.

15.8.5 Experimental and research use

Apart from acts that are performed for purely private and personal purposes, some limited acts that are performed for experimental and research purposes

256 *Grain Pool of Western Australia v Commonwealth of Australia* (2000) 202 CLR 479, 513–14; *National Phonograph Co of Australia Ltd v Menck* (1911) 12 CLR 15, 22; *Steers v Rogers* [1893] AC 232, 235 (Lord Herschell LC).

257 *Minter v Williams* (1835) 4 AD & E 250, 256; 31 ER 781, 783. It is also implicit in IPCRC, *Review of Intellectual Property Legislation Under the Competition Principles Agreement* (2000), 25.

258 *Grant v Commissioner of Patents* (2005) 67 IPR 1; *Attorney-General of the Commonwealth of Australia v The Adelaide Steamship Company Limited* [1913] AC 781, 793.

259 These words appear in former UK patent grants and appeared originally in s 6 of the *Statute of Monopolies*.

260 *Pinefair Pty Ltd v Bedford Industries Rehabilitation Association Inc* (1998) 87 FCR 458, 469 (Mansfield J); (1998) 40 IPR 438, 450 (von Doussa J); *Monsanto Co v Stauffer Chemical Co (NZ) Ltd* [1984] FSR 559, 566 (Eichelbaum J) (‘a concept of advantage in a commercial sense’); *Smith Kline & French Laboratories Ltd v Attorney-General (NZ)* (1991) 22 IPR 143, 145 (Cooke P), 146 (Hardie Boys J); *Pfizer Corporation v Ministry of Health* [1965] AC 512, 569 (Lord Wilberforce).

261 Blanco White, *Patents for Inventions*, above n 229 ¶ 3–204, n 65; Ricketson, *The Law of Intellectual Property*, above n 229, 985.

may also be outside the scope of the patentee's exclusive rights.²⁶² The difficulty is to identify the scope of such limitations. Prior to the enactment of the *Patents Act 1977* (UK), UK commentators generally assumed that certain experimentation on an invention might not infringe a patent based on the *obiter dicta* of Jessel MR in *Frearson v Loe* which is as follows:

... no doubt if a man makes things merely by way of *bona fide* experiment, and not with the intention of selling and making use of the thing so made for the purpose of which a patent has been granted, but with the view of improving upon the invention the subject of the patent, or with the view of seeing whether an improvement can be made or not, that is not an invasion of the exclusive rights granted by the patent.²⁶³

A variety of later decisions that refer to this exemption are consistent with the view that patents may not grant exclusive rights over all uses of the invention. Although no case provides any exemption from infringement on its own facts, each provides some insight into the limitations that apply to the exercise of the patentee's exclusive rights from the inherent nature of a patent. Some of these limitations are the following:

1. The performance of acts without view to profit, but with the view of improving upon the invention the subject of the patent, or with the view of seeing whether an improvement can be made or not.²⁶⁴
2. An experiment for the purpose of ascertaining the proportions or properties of the invention.²⁶⁵
3. Experiments for testing an invention and inspecting the nature of the products it produces with no intention to sell the machine or the products.²⁶⁶

There is some suggestion that an educational use of an invention will infringe. However, the authority that is cited for this view does not extend to this extreme and should be treated with caution. In *United Telephone Co v Sharples*,²⁶⁷ Kay J commented by way of *obiter* that the use of an invention for instruction of young persons who are admitted into the business to learn the business would be an infringing use. The posited uses were 'to let them use, to let them experiment with, to let them, if they please, pull in pieces'. However, the facts of the case involved a business in which the defendant was using a cheaper infringing product to instruct pupils in the business. This saved the expense of using the patented telephone for the same purpose. It was the purchase of the infringing telephone that was in issue, not the use to which it was put. Although the defendant raised this instructional use within the business as a defence to infringement, Kay J did not believe that the defendants used it in this way. Therefore, any *obiter* as to

262 A. Monotti, 'Limitations on the scope of a patentee's exclusive rights in the context of third party experimental uses' (2006) 29(2) *UNSWLJ* 63.

263 (1878) 9 Ch D 48, 66–7.

264 *Frearson v Loe* (1878) 9 Ch D 48. *Proctor v Bayley Son* (1888) 6 RPC 106, 109.

265 *Muntz v Foster* (1844) 2 WPC 93.

266 *Molins & Molins Machine Co Ltd v Industrial Machine Co Ltd* (1936) 54 RPC 94, 108; *F. Hoffmann-La Roche & Co AG v Harris Pharmaceuticals Ltd* [1977] FSR 200, 202–3.

267 (1885) 2 RPC 12, 15.

instructional use was inevitably coloured by the particular circumstances of the case. The defendants had purchased infringing products for whatever purpose they proposed within their business. They deprived the patentee of the purchase price of the patented telephone.

The position may be different if the instruction is in an educational institution and does not involve the purchase of an infringing product for this purpose. For example, the demonstration to undergraduate students of how a patented process works involves no derivation of commercial advantage or profit and should not be a use that the patentee can restrain.

The changes made under the *Patents Act 1990* (Cth) to the definition of the exclusive rights of the patentee were made with the intention of simplifying the language used. There was no intention to restrict those rights in any way, or to remove any limitations that the previous law recognised either as binding precedent or by way of policy.²⁶⁸ Hence, it is arguable that the exclusive rights to exploit are limited in the ways set out above. Although the scope of the rights will remain the subject of debate,²⁶⁹ there is some degree of consensus among the Australian Law Reform Commission and the Advisory Council on Intellectual Property that some exemption from infringement may exist.²⁷⁰ Both bodies have recommended amendment of the *Patents Act 1990* (Cth) to include an express exemption which does not affect the continuation of any existing common law exemption.²⁷¹ At the time of writing, the government has released a *Public Consultation Paper on the ACIP Report 'Patents and Experimental Use'* to assist it in developing the government response to this report.

15.9 Infringement proceedings

Although the exclusive rights commence on the date of the patent, it is only unauthorised acts done by third parties after the application for a standard patent has become open for public inspection that can be the subject of infringement proceedings.²⁷² No infringement proceedings in respect of an act can be commenced until the patent is granted on the application.²⁷³ In the case of an innovation patent, no proceedings can be commenced until the patent is certified.²⁷⁴

The patentee or an exclusive licensee can commence infringement proceedings in a prescribed court or in another court having jurisdiction to hear and

268 Patents Bill 1990 (Cth), Explanatory Memorandum, cl 13, ¶ 25.

269 ALRC, *Gene Patenting and Human Health* (Issues Paper 27, July 2003); ACIP, *Patents and Experimental Use: Options Paper* (December 2004); ACIP, *Patents and Experimental Use* (October 2005) (Report); see also New Zealand Ministry of Economic Development (MED), *An Experimental Use Exception for the Patents Act: Analysis of Submissions* (June 2006).

270 ALRC, *Genes and Ingenuity: Gene Patenting and Human Health* (Report 99, 2004), ¶ 13.78; ACIP, *Patents and Experimental Use* (October 2005) (Report), ch 8.3.

271 See Monotti, 'Limitations on the scope', above n 262.

272 *Patents Act 1990* (Cth) ss 55, 57, 120.

273 *Patents Act 1990* (Cth) s 57(3).

274 *Patents Act 1990* (Cth) ss 120(1A), 101E.

determine the matter.²⁷⁵ Each of the Federal Court, Supreme Court of a State, the Australian Capital Territory, the Northern Territory or Norfolk Island is a prescribed court. If the exclusive licensee institutes proceedings, the patentee must be joined as a defendant unless joined as a plaintiff. The patentee pays no costs if joined as a defendant unless he or she enters an appearance and takes part in the proceedings.²⁷⁶ Proceedings must be commenced within three years of the day on which the relevant patent is granted or within six years from the day on which the infringing act is done, whichever ends later.²⁷⁷ A defendant to an infringement action can apply by way of counterclaim in the proceedings for revocation of the patent.²⁷⁸ Special provisions apply to the burden of proof when the infringement action initiated by the patentee or exclusive licensee relates to a patented process for obtaining a product. A defendant who claims to have used a non-infringing process bears the burden of proving this if the court is satisfied of two things. First, it is very likely that the defendant used the patented process and, second, that the patentee or exclusive licensee has been unable through the use of reasonable steps to find out the process used.²⁷⁹ The court is to take into account the defendant's legitimate interests in deciding how the defendant is to provide this evidence.²⁸⁰

15.10 Relief for infringement

Relief for infringement includes an injunction and damages or an account of profits at the option of the plaintiff.²⁸¹ If there is more than one plaintiff, each must make the same election.²⁸² The *Intellectual Property Laws Amendment Act 2006* (Cth) amends the *Patents Act 1990* (Cth) to allow for the award of exemplary damages in patent infringement actions when a court considers this is appropriate after having regard to matters that include the flagrancy of the infringement and the need to deter similar infringements of patents.²⁸³ There is also provision for the court to make orders for inspection of anything in or on any premises on the application of either party.²⁸⁴ The court may refuse to award damages or make an order for account of profits if the defendant satisfies the court that, at the date of the infringement, he or she was not aware and had no reason to believe that a patent for the invention existed.²⁸⁵ However, the defendant is presumed to be aware of the existence of the patent if patented products, marked so as to indicate that they are patented in Australia, were sold or used in the patent area

275 *Patents Act 1990* (Cth) s 120(1).

276 *Patents Act 1990* (Cth) s 120(2), (3).

277 *Patents Act 1990* (Cth) s 120(4).

278 *Patents Act 1990* (Cth) s 121.

279 *Patents Act 1990* (Cth) s 121A.

280 *Patents Act 1990* (Cth) s 121A(3).

281 *Patents Act 1990* (Cth) s 122(1).

282 *Spring Form Inc v Toy Brokers Ltd* [2002] FSR 17.

283 sch 5, introducing a new s 122(1A).

284 *Patents Act 1990* (Cth) s 122(2).

285 *Patents Act 1990* (Cth) s 123(1).

to a substantial extent before the date for the infringement.²⁸⁶ The court's power to grant relief by way of injunction is unaffected by the defendant establishing that infringement was innocent.²⁸⁷

15.11 Non-infringement declarations

A person can ask a prescribed court to declare that any proposed exploitation of an invention would not infringe a claim of a particular complete specification.²⁸⁸ The applicant must join the patentee or nominated person as a respondent²⁸⁹ and is responsible for all costs of the proceedings.²⁹⁰ The application can be made despite an assertion by the nominated person or patentee that the exploitation of the invention would infringe the claim.²⁹¹ Although an application is possible at any time after the specification becomes open to public inspection,²⁹² a declaration can be made only in relation to a claim in the granted patent.²⁹³ The validity of the claim cannot be questioned in the proceedings.²⁹⁴ No declaration will be made unless the applicant:

- (a) has sought in writing, but failed to obtain, a written admission from the nominated person or patentee that the proposed exploitation is non-infringing; and
- (b) has provided them with full written particulars of the proposed exploitation; and
- (c) has undertaken to pay their reasonable expenses in obtaining advice.²⁹⁵

If the patent is an innovation patent, it must have been certified.²⁹⁶ The effect of obtaining this declaration or written admission is that liability is limited in the event that the exploitation is found to infringe the claim.²⁹⁷

15.12 Unjustified threats of infringement proceedings

A person who is threatened by anyone with infringement or similar proceedings by means of circulars, advertisements or otherwise can apply to a court having jurisdiction for a declaration that the threats are unjustifiable, an injunction to

286 *Patents Act 1990* (Cth) s 123(2).

287 *Patents Act 1990* (Cth) s 123(3).

288 *Patents Act 1990* (Cth) s 125(1).

289 *Patents Act 1990* (Cth) s 125(3).

290 *Patents Act 1990* (Cth) s 126(3).

291 *Patents Act 1990* (Cth) ss 125(2), 55.

292 *Patents Act 1990* (Cth) s 125(2)(a).

293 *Patents Act 1990* (Cth) s 126(1).

294 *Patents Act 1990* (Cth) s 126(2).

295 *Patents Act 1990* (Cth) s 126(1)(a)(iii).

296 *Patents Act 1990* (Cth) s 126(1).

297 *Patents Act 1990* (Cth) s 127.

discontinue the threats and recovery of any damages sustained as a result of the threats. The person making the threats need not be interested in or entitled to the patent or a patent application. It is not a threat to make a mere notification of the existence of a patent or application for a patent although to do so coupled with a statement that 'our clients are prepared to protect their interests with the utmost vigour' has been held to be a threat.²⁹⁸ In the case of threats made in respect of standard patents or an application for a standard patent, the person who makes the threat bears the burden of satisfying the court that there is no unjustified threat. He may do so, for example, by showing that the acts in question infringed or would infringe a claim that the applicant has not shown to be invalid.²⁹⁹ A similar provision applies in relation to threats made in respect of a certified innovation patent.³⁰⁰ Certain threats that are made in relation to an innovation patent application or an innovation patent are always unjustifiable. These are threats made by the person who has applied for the innovation patent or the person who has the innovation patent in relation to an application for an innovation patent that has not been determined or has not been certified.³⁰¹

The respondent to an action for unjustified threats can counter-claim for relief for infringement of the patent to which the threats relate.³⁰² The applicant can apply in the same proceedings for revocation of the patent.³⁰³ In the case of an innovation patent, it must first be certified. No legal practitioner or patent attorney can be liable for unjustified threats in respect of an act done in his or her professional capacity on behalf of a client but the client can not avoid liability by arguing that their lawyer made the threat, not them.³⁰⁴

15.13 Revocation of patents

15.13.1 Statutory provisions

There are a number of provisions that relate to grounds upon which a patent can be revoked. In the case of a patent of addition, the revocation of the patent for the main invention usually results in the patent of addition becoming an independent patent for the unexpired part of the term of the patent for the main invention.³⁰⁵

A patent can be revoked after grant of a compulsory licence³⁰⁶ and after the Commissioner has accepted a patentee's offer to surrender a patent.³⁰⁷ In the

298 *Patents Act 1990* (Cth) s 131. See *Rosedale Associated Manufacturers Ltd v Airfix Products Ltd* [1956] RPC 360. See also *Lido Manufacturing Co Pty Ltd v Meyers & Leslie Pty Ltd* [1964] 5 FLR 443; *Luna Advertising Co Ltd v Burnham & Co Ltd* (1928) 45 RPC 258; *Bowden Controls Ltd v Acco Cable Controls Ltd* [1990] RPC 427; *HVE (Electric) Ltd v Cufflin Holdings Ltd* [1964] RPC 149, 153.

299 *Patents Act 1990* (Cth) ss 129, 59.

300 *Patents Act 1990* (Cth) s 129A(3).

301 *Patents Act 1990* (Cth) s 129A(1).

302 *Patents Act 1990* (Cth) s 130(1).

303 *Patents Act 1990* (Cth) s 130(2).

304 *Patents Act 1990* (Cth) s 132. *HVE Electric Ltd v Cufflin Holdings Ltd* [1964] RPC 149, 158; *Wanem Pty Ltd v Tekiela* (1990) 19 IPR 435, 444.

305 *Patents Act 1990* (Cth) s 85.

306 *Patents Act 1990* (Cth) s 134. See ch 14.

307 *Patents Act 1990* (Cth) s 137.

latter case, the Commissioner has discretion to accept the offer of surrender and revoke the patent after hearing all interested parties.³⁰⁸ However, he cannot accept the surrender if relevant proceedings are pending without leave of the court or consent of the parties to the proceedings.³⁰⁹ The Commissioner must accept a surrender of a patent if a compulsory licence is in force.³¹⁰

The minister and any other person may apply to a prescribed court for revocation of the patent on a number of other grounds that are set out in s 138(3) of the *Patents Act 1990* (Cth). In the case of an innovation patent, no application is possible unless the patent had been certified.³¹¹ Until 16 August 2004, revocation under s 138(3)(c) would annul patent rights, where they were granted subject to a condition contained in the patent which had not been fulfilled or had been subsequently breached.³¹²

Section 138(3) also provides for annulment where those rights ought not to have been granted for one of the reasons contained in sub-s (3)(a), (b), (d), (e) or (f), namely:

- That the patentee is not entitled to the patent [s 138(3)(a)];
- That the invention is not a patentable invention [s 138(3)(b)];
- That the patent was obtained by fraud, false suggestion or misrepresentation [s 138(3)(d)];
- That an amendment of the patent request or complete specification was made or obtained by fraud, false suggestion or misrepresentation [s 138(3)(e)];
- That the specification does not comply with s 40(2) or (3) [s 138(3)(f)].

The ground in s 138(3)(b) that the invention is not a patentable invention will be established if the invention does not satisfy the requirements in s 18. Those requirements are discussed in chapter 13. The requirements of ss 40(2) and (3) are also discussed in that chapter. Failure to comply with these will result in annulment of the patent. The remaining grounds, namely lack of entitlement and the effect of fraud, false suggestion and misrepresentation are discussed in the following text.

15.13.2 Lack of entitlement

Section 138(3)(a) provides that a ground of revocation is that the patentee is not entitled to the patent. Entitlement stems from the inventor.³¹³ This ground of revocation reflects the common law principle that deception of the Crown as to entitlement to the invention or the identity of the true inventor destroys the foundation on which the patent is granted.³¹⁴ Hence, this inquiry is the same as that which is followed to determine ownership and involves objective assessment

308 *Patents Act 1990* (Cth) s 137(3).

309 *Patents Act 1990* (Cth) s 137(4).

310 *Patents Act 1990* (Cth) s 137(5).

311 *Patents Act 1990* (Cth) s 138(1A).

312 Repealed by item 5, sch 8, *US Free Trade Agreement Implementation Act 2004* (Cth).

313 *Patents Act 1990* (Cth) s 15(1). See ch 14.

314 *Stack v Davies Shephard Pty Ltd* (2001) 108 FCR 422, 428–33.

of the identity of the inventor³¹⁵ and whether the entitlement of the inventor or inventors has been assigned or transmitted to another party.³¹⁶ The respondent bears the onus of establishing the ground.³¹⁷

The reference to the ‘patentee’ in s 138(3)(a) covers joint patentees. Hence, where a patent is granted to joint patentees, all must be entitled to the patent.³¹⁸ The ground for revocation is made out if one of several patentees is not entitled because a grant can be made only to the inventor or a person who claims under the inventor. It is not necessary for all joint patentees to lack entitlement for this ground to succeed.³¹⁹ The time at which entitlement is assessed for the purposes of a revocation order is not clear. There is authority that suggests it is the time of the grant where the original grantee remains the registered patentee at the time of the proceedings.³²⁰ It is likely that the question of entitlement remains to be determined with reference to the entitlement of the original grantee under s 15 if the registered patentee is different from the original grantee at the time of the proceedings.³²¹

It is not sufficient to say that a patentee is entitled to the patent simply because he or she is identified as a nominated person in the patent request³²² or because the grant has been made to that patentee.³²³ Registration is not a source of entitlement; the *Patents Act 1990* (Cth) does not create a system of title by registration that is akin to a Torrens Title system of registration of interests in real estate.³²⁴

15.13.3 Fraud and false suggestion or misrepresentation

The public must be fairly given possession of the invention.³²⁵ Hence, a ground for revocation under s 138(3)(d) is that the patent was obtained by fraud, false suggestion or misrepresentation.³²⁶ A further ground in s 138(3)(e) is that an

315 *JMVB Enterprises Pty Ltd v Camoflag Pty Ltd* (2005) 67 IPR 68, 93; *Illuka Midwest Ltd v Wimmera Industrial Minerals Pty Ltd* (2001) 55 IPR 140; *Re Upham and Commissioner of Patents* (1998) 28AAR 276; *Re Application by CSIRO and Gilbert* (1995) 31 IPR 67; *Row Weeder Pty Ltd v Nielsen* (1997) 39 IPR 400; *Sunstrum & Payette v Boland* (2003) 59 IPR 146.

316 *Patents Act 1990* (Cth) s 15(b)–(d).

317 *Ryan v Lum* (1989) 14 IPR 513, 520; *George C Warner Laboratories Pty Ltd v Chemspray Pty Ltd* (1967) 41 ALJR 75; *Speedy Gantry Hire Pty Ltd v Preston Erection Pty Ltd* (1998) 40 IPR 543, 549; *JMVB Enterprises Pty Ltd v Camoflag Pty Ltd* (2005) 67 IPR 68, 93.

318 *Patents Act 1990* (Cth) s 15; *Conor Medsystems Inc v The University of British Columbia (No 2)* (2006) 68 IPR 217; *University of British Columbia v Conor Medsystems Inc* (2006) 70 IPR 248.

319 *Conor Medsystems Inc v The University of British Columbia (No 2)* (2006) 68 IPR 217, 223; *University of British Columbia v Conor Medsystems Inc* (2006) 70 IPR 248.

320 *Conor Medsystems Inc v The University of British Columbia (No 2)* (2006) 68 IPR 217, 223; *Stack v Brisbane City Council* (1999) 47 IPR 525, 536 (Cooper J, by implication); *JMVB Enterprises Pty Ltd v Camoflag Pty Ltd* (2005) 67 IPR 68, 94.

321 *Stack v Brisbane City Council* (1999) 47 IPR 525, 536; *Conor Medsystems Inc v The University of British Columbia (No 2)* (2006) 68 IPR 217.

322 *University of British Columbia v Conor Medsystems Inc* (2006) 70 IPR 248 (Emmett J), 61 (Stone J); cf Bennett J.

323 *University of British Columbia v Conor Medsystems Inc* (2006) 70 IPR 248 (Emmett J), 61, 62 (Stone J); cf Bennett J.

324 *University of British Columbia v Conor Medsystems Inc* (2006) 70 IPR 248.

325 *Adhesives Pty Ltd v Aktieselskabet Dansk Gaerings-Industri* (1935) 55 CLR 523, 546 (Evatt J); *Nesbit Evans Group Australia Pty Ltd v Impro Ltd* (1997) 39 IPR 56, 99.

326 *Prestige Group (Aust) Pty Ltd v Dart Industries Inc* (1990) 26 FCR 197 (for history of the expression ‘false suggestion or representation’).

amendment of the patent request or the complete specification was made or obtained by fraud, false suggestion or misrepresentation. These grounds are based on equitable notions of good faith, fairness, conscionable conduct and honesty.³²⁷ Neither ground is considered at examination nor is available for pre-grant opposition. The respondent bears the onus of establishing the ground.³²⁸

There is a certain degree of overlap between obtaining a patent on fraud, false suggestion or misrepresentation and other separately defined grounds of revocation such as absence of entitlement,³²⁹ lack of patentability through inutility and non-compliance with s 40. Hence, a false statement as to the results that can be obtained may expose the patent to revocation on both grounds of lack of utility and obtaining the patent by false suggestion. Although this leaves the sub-section to do less work than in the past,³³⁰ nevertheless its presence in s 138 demonstrates the intention that it has some independent role that should be allowed to develop without judicial circumscription.³³¹

For a representation or false suggestion to invalidate, it must have materially contributed to the commissioner's decision to grant the patent, even if other factors were also influential.³³² The words 'false suggestion' are akin to equitable fraud.³³³ While some causal nexus is required between the challenged conduct and the patent grant, there is no requirement to establish that, in its absence, the patent would not have been granted.³³⁴

Two types of conduct may fall within s 138(3)(d),³³⁵ but the categories are not closed. The first concerns representations made in the specification as to the results that the invention can achieve and is similar to that of inutility. A proved failure of that promise would amount to a failure of the consideration for which the patent was granted. The misrepresentation must be material, as distinct from non-material,³³⁶ so that it can be said that the Crown was deceived.³³⁷

There is a distinction between false promises of results that will also amount to a lack of utility and correct representations of the results accompanied with false statements of the purposes for which the results can be used.³³⁸ In the

327 *Prestige Group (Aust) Pty Ltd v Dart Industries Inc* (1990) 26 FCR 197, 198.

328 *Ryan v Lum* (1989) 14 IPR 513, 520; *George C Warner Laboratories Pty Ltd v Chemspray Pty Ltd* (1967) 41 ALJR 75; *Speedy Gantry Hire Pty Ltd v Preston Erection Pty Ltd* (1998) 40 IPR 543, 549.

329 *Conor Medsystems Inc v The University of British Columbia* (2006) 68 IPR 217, 223.

330 *Prestige Group (Aust) Pty Ltd v Dart Industries Inc* (1990) 26 FCR 197, 218 (Gummow J).

331 *Prestige Group (Aust) Pty Ltd v Dart Industries Inc* (1990) 26 FCR 197, 199 (Lockhart J); 218 (Gummow J).

332 *Pfizer Overseas Pharmaceuticals v Eli Lilly & Co* (2005) 68 IPR 1, 80; *Prestige Group (Aust) Pty Ltd v Dart Industries Inc* (1990) 26 FCR 197, 201 (Lockhart J), 218 (Gummow J).

333 *Prestige Group (Aust) Pty Ltd v Dart Industries Inc* (1990) 26 FCR 197, 201 (Lockhart J) citing *Morgan v Seaward* (1837) 2 M & W 544, 561; 150 ER 874, 880–1; *Kromschroder AG's Patent* [1960] RPC 75, 83–4; *Re Parry-Husband's Application* [1965] RPC 382, 386.

334 *Prestige Group (Aust) Pty Ltd v Dart Industries Inc* (1990) 26 FCR 197, 201 (Lockhart J); 218 (Gummow J).

335 By analogy with the similar but narrower provision in *Patents Act 1952* (Cth) s 100(1)(k); *Prestige Group (Aust) Pty Ltd v Dart Industries Inc* (1990) 26 FCR 197, 199 (Lockhart J).

336 *Raleigh Cycle Co Ltd v H Miller & Co Ltd* (1948) 65 RPC 141, 162 (Lord MacDermott); *Prestige Group (Aust) Pty Ltd v Dart Industries Inc* (1990) 26 FCR 197, 200 (Lockhart J).

337 *Re Alsop's Patent* (1907) 24 RPC 733, 753; *Prestige Group (Aust) Pty Ltd v Dart Industries Inc* (1990) 26 FCR 197, 200 (Lockhart J); *JMVB Enterprises Pty Ltd v Camoflag Pty Ltd* (2005) 67 IPR 68, 94; *Valensi v British Radio Corporation Ltd* (No 1) [1972] FSR 273, 311.

338 *Prestige Group (Aust) Pty Ltd v Dart Industries Inc* (1990) 26 FCR 197, 200 (Lockhart J).

latter case, provided that there are purposes for which the results are useful,³³⁹ the promise will only invalidate the patent if it amounts to a material false suggestion or representation on which the patent was obtained. A ‘mere puff’ or expression of an ‘over-sanguine and erroneous view of its character’ will not invalidate the patent.³⁴⁰ Neither will a false representation in a specification as to the operation of prior art,³⁴¹ a mere incorrect theoretical explanation in the specification of the working of the invention or an erroneous statement in the body of the specification.³⁴²

The second category of conduct that may fall within s 138(3)(d) involves the conduct of the patentee during the patent application process.³⁴³ This may involve representations made in correspondence with the Commissioner of Patents in response to examiners’ reports,³⁴⁴ and representations made in an appeal brief filed in connection with a basic application.³⁴⁵ A false representation as to the meaning of a technical term in the specification may also be a false suggestion or representation.³⁴⁶

Only representations that contributed materially to the Commissioner’s decision to grant the patent will amount to a false representation for the purpose of revocation. Furthermore, it is inappropriate to apply a presumption that the misrepresentation actually misled the Commissioner if absence of good faith is not an issue. Examples where no misrepresentation was found include an applicant’s bona fide but incorrect submission to the Patent Office as to the proper construction or effect of a piece of prior art³⁴⁷ and a misrepresentation by an applicant that it was the assignee of the inventor who was entitled on other grounds to make the application.³⁴⁸ A representation that was material to abandoned claims need not and should not result in revocation of the remaining claims, even if it did materially induce the grant.³⁴⁹

In circumstances where it is proved that the inventor knew of the anticipation by a third party, it could be found that the patentee’s suggestion that he was the true inventor may amount to a false suggestion.³⁵⁰ Further, an incorrect statement to the Commissioner as to the identity of the inventor of a patent

339 *Re Alsop’s Patent* (1907) 24 RPC 733, 753.

340 T. A. Blanco White, *Patents for Inventions and the Protection of Industrial Designs* (5th ed, London: Stevens, 1983), ¶ 4–405.

341 *CCOM Pty Ltd v Jiejing Pty Ltd* (1994) 51 FCR 260, 282.

342 *Atkins and Applegarth v Castner-Kellner Alkali Co Ltd* (1901) 18 RPC 281, 293–4 (Buckley J); *CCOM Pty Ltd v Jiejing Pty Ltd* (1994) 51 FCR 260, 282.

343 *Prestige Group (Aust) Pty Ltd v Dart Industries Inc* (1990) 26 FCR 197, 201 (Lockhart J); *Kromschroder AG’s Patent* (1960) RPC 75, 83.

344 *Prestige Group (Aust) Pty Ltd v Dart Industries Inc* (1990) 26 FCR 197; *ICI Chemicals & Polymers Ltd v Lubrizol Corporation Inc* (2000) 106 FCR 214.

345 *Prestige Group (Aust) Pty Ltd v Dart Industries Inc* (1990) 26 FCR 197, 218 (Gummow J).

346 *ICI Chemicals & Polymers Ltd v Lubrizol Corporation Inc* (2000) 106 FCR 214, 244.

347 *Ibid.*

348 *Speedy Gantry Hire Pty Ltd v Preston Erection Pty Ltd* (1998) 40 IPR 543, 544; *R v Commissioner of Patents; Ex parte Martin* (1953) 89 CLR 381.

349 *ICI Chemicals & Polymers Ltd v Lubrizol Corporation Inc* (2000) 106 FCR 214, 245.

350 *Jupiters Ltd v Neurizon Ltd* (2005) 65 IPR 86, 113; *Arrow Pharmaceuticals Ltd v Merck & Co Inc* (2004) 63 IPR 85, 124.

application which is later granted will make the patent susceptible to revocation on the ground of false suggestion or misrepresentation.³⁵¹

15.13.4 Litigation: parties to proceedings

In proceedings for revocation of patents (and compulsory licences), the patentee and the exclusive licensee are parties to the proceedings. Section 139(1) also provides that any person claiming an interest in the patent as ‘exclusive licensee or otherwise’ is a party to the proceedings. This phrase encompasses not only an exclusive licensee but ‘a person who claims an interest in the exclusive right to do the things referred to in the definition of “exploit” in respect of the product in question in the patent area, not being the patentee (who is mentioned expressly) and not being necessarily an exclusive licensee’.³⁵²

15.14 Jurisdiction and powers of courts

15.14.1 Jurisdiction of the Federal Court

The Federal Court has jurisdiction with respect to matters that arise under the *Patents Act 1990* (Cth).³⁵³ This jurisdiction is to be exercised by a single judge.³⁵⁴ In the case of appeals against decisions or directions of the Commissioner, this jurisdiction is exclusive of all other courts, with the exception of the jurisdiction of the High Court under s 75 of the Constitution.³⁵⁵

Section 160 sets out the powers that the Federal Court has on hearing such an appeal. These are to admit further evidence, permit examination and cross-examination of witnesses, order an issue of fact to be tried as it directs, affirm, reverse or vary the Commissioner’s decision, give any judgment as it thinks fit and order payment of costs. These powers do not give the Federal Court the power to take into account considerations wider than those that the Commissioner can take into account.³⁵⁶

15.14.2 Jurisdiction of other prescribed courts

The *Patents Act 1990* (Cth) provides when proceedings can be commenced in a prescribed court, other than the Federal Court.³⁵⁷ Again, this jurisdiction is to be exercised by a single judge.³⁵⁸ A prescribed court is defined in the Dictionary

351 *JMVB Enterprises Pty Ltd v Camoflag Pty Ltd* (2005) 67 IPR 68, 94; *Atlantis Corporation Pty Ltd v Schindler* (1997) 39 IPR 29, 54; *Martin v Scribal Pty Ltd* (1954) 92 CLR 17, 67–9, 93; *R v Commissioner of Patents; Ex parte Martin* (1953) 89 CLR 381, 398–9 (Williams ACJ).

352 *Emory University v Biochem Pharma Inc* (1998) 86 FCR 1.

353 *Patents Act 1990* (Cth) s 154(1).

354 *Patents Act 1990* (Cth) s 156.

355 *Patents Act 1990* (Cth) s 154(1) & (2).

356 *New England Biolabs Inc v F Hoffmann-La Roche AG* (2004) 141 FCR 1, 10.

357 *Patents Act 1990* (Cth) s 155.

358 *Patents Act 1990* (Cth) s 156.

in Schedule 1 to mean the Federal Court, the Supreme Court of a State, the Supreme Courts of each of the Territories and the Supreme Court of Norfolk Island. However, there is limited jurisdiction in the case of the Territory Supreme Courts.³⁵⁹ It is possible for proceedings that have commenced in one prescribed court to be transferred to another prescribed court that has jurisdiction.³⁶⁰ In such a case, all documents of record are sent to the other court which proceeds as if the proceedings had been commenced there.³⁶¹

15.14.3 Prosecution for an offence against the Act

The *Patents Act 1990* (Cth) provides that no prosecution for an offence is to be started in the Federal Court.³⁶² Chapter 18 contains various miscellaneous offences and Chapter 20, pt 2 contains a further list of offences that relate to registration privileges and professional conduct of patent attorneys.

15.14.4 Appeals to the Federal Court

In addition to the appellate jurisdiction of the Federal Court under s 24 of the *Federal Court of Australia Act 1976* (Cth), an appeal lies to the Federal Court against a judgment or order of another prescribed court, namely a Supreme Court of a State or Territory, exercising jurisdiction under the *Patents Act 1990* (Cth). It also lies against a judgment or order of any other court, in proceedings under s 120 (infringement) or s 128 (application for relief from unjustified threats).³⁶³

An appeal against a judgment or order of a single judge of the Federal Court in the exercise of its jurisdiction to hear and determine appeals from decisions or directions of the Commissioner is allowed only with leave of the Federal Court.³⁶⁴

No appeal can be brought to the High Court from a judgment of a Full Court of the Federal Court without special leave to appeal.³⁶⁵ Section 158(3) provides that an appeal may lie to the High Court against a judgment or order referred to in s 158(1) with special leave of the High Court.³⁶⁶

359 *Patents Act 1990* (Cth) s 155(2).

360 *Patents Act 1990* (Cth) s 157.

361 *Patents Act 1990* (Cth) s 157(2).

362 *Patents Act 1990* (Cth) s 154(3).

363 *Patents Act 1990* (Cth) s 158(1).

364 *Patents Act 1990* (Cth) s 158(2).

365 *Federal Court of Australia Act 1976* (Cth) s 33(3).

366 *Patents Act 1990* (Cth) s 158(3).

Plant breeder's rights

16.1 Introduction

Most modern laws that protect new plant varieties derive from the 1961 *Convention for the Protection of New Varieties of Plants* ('UPOV'), which was subsequently revised in 1972, 1978 and 1991.¹ UPOV provided a system that enabled breeders to recoup some of the associated costs of bringing a plant into cultivation through the grant of exclusive rights in the reproductive and propagating material of a new plant variety.² By way of balance, others could use protected varieties for further breeding of new varieties.³ This new regime also provided additional benefits for contracting states: the ability to control the reproduction and maintenance of their own plant varieties⁴ as well as the improvement of access to new varieties from other countries.

Following an extensive debate,⁵ Australia adopted the minimum standards in UPOV 1978 and enacted them in the form of the *Plant Variety Rights Act 1987* (Cth) ('PVRA'). Some years later, Australia adopted⁶ and implemented the

1 *International Convention for the Protection of New Varieties of Plants 1961*, as revised at Geneva 1972, 1978, and 1991. See Anon, 'The 1961 Act' (1962) 1 *Industrial Property* 5–14; N. Byrne, 'Plant Breeder's Rights' in J. Lahore, J. Garnsey and A. Dufty, *Patents Trade Marks and Related Rights* (Sydney: LexisNexis Butterworths, 2001), ¶ 29,010–29,020.

2 G. Tritton, *Intellectual Property in Europe* (London: Sweet & Maxwell, 2002), ch 6.

3 Expert Panel on Breeding, *Clarification of Plant Breeding Issues under the Plant Breeder's Rights Act 1994* (December 2002): <www.anbg.gov.au/breeders/plant-breeders-rights-act-report.pdf>.

4 Tritton, *Intellectual Property in Europe*, above n 2, ch 6.

5 Senate Standing Committee on National Resources, *Plant Variety Rights*, May 1984, Parliamentary Paper 63/1984; A. Lazenby, *Australia's Plant Breeding Needs*, Report to the Minister for Primary Industry (Canberra: AGPS, 1986).

6 See Senate Standing Committee on Rural and Regional Affairs, *Report on the consideration of a Bill referred to the Committee: Plant Breeder's Rights Bill 1994* (May 1994) (SSC Report 1994), Appendix 3, Attachment 1; N. Byrne, *Legal Protection of Plants under Patent and Plant Variety Rights Legislation* (Canberra: Australian Patent Office, 1990).

provisions of the 1991 revision of *UPOV* in the *Plant Breeder's Rights Act 1994* (Cth) ('*PBRA*').⁷

16.2 Plant breeding: technical background

Plants are classified in hierarchical levels using Latin terminology, with the species forming the basis of the classification. The main levels are termed in Latin: *divisio*, *classis*, *ordo*, *familia*, *genus*, *species*. Examples of the common names for species include such things as roses, apples, wheat or potatoes. Plant breeder's rights (PBR) exist in propagating material, such as seeds, bulbs, tubers, spores and seedlings, of a particular plant variety.⁸

The meaning of 'plant' extends beyond its natural meaning of broad types of botanical specimen to include fungi and algae, and expressly excludes bacteria, bacteroids,⁹ mycoplasmas,¹⁰ viruses,¹¹ and bacteriophages.¹² The term 'plant variety' concerns the detailed characteristics of a specifically defined group of plants of the lowest known rank within a species. It includes a hybrid, which is a combination of two or more genotypes¹³ of the same or different group or taxa,¹⁴ but excludes a combination comprising a scion¹⁵ grafted on to a root stock. For example, crossing two varieties of pure breeding carrot would produce hybrid progeny that would contain the genetic material that was present in both parents.¹⁶ Hence, the progeny of a hybrid are no longer pure breeding but will have a variety of traits that reflect their genetic makeup.

The term 'plant variety' also includes a plant grouping despite the fact that the genome of the plants in that plant grouping has been altered by the introduction of genetic material that is not from plants. A plant variety is defined by the expression of the characteristics resulting from the genotype of each individual within that plant grouping.¹⁷ It is distinguished from any other plant grouping by the expression of at least one of those characteristics and can be considered as a functional unit because of its suitability for being propagated unchanged.

'Propagation' is defined¹⁸ to mean the growth, culture or multiplication of that organism or component, whether by sexual or asexual means. 'Sexual

7 Constitutional validity was upheld in *The Grain Pool of Western Australia v The Commonwealth of Australia* (2000) 202 CLR 479.

8 *PBRA* s 3.

9 Any of various structurally modified bacteria, such as those occurring on the root nodules of leguminous plants.

10 Genus of small bacteria which lack cell walls.

11 Any of various simple submicroscopic parasites of plants, animals, and bacteria that often cause disease. Unable to replicate without a host cell, viruses are typically not considered living organisms.

12 A virus capable of infecting and lysing bacterial cells. Also called *phage*.

13 The genetic makeup of an organism or a group of organisms.

14 In biology, the term *taxa* is used to denote groups or ranks in the classification of organisms, e.g., class, order, family, genus, or species.

15 A detached shoot or twig containing buds from a woody plant, used in grafting.

16 Mendel's Law.

17 *PBRA* s 6.

18 *PBRA* s 3(1).

propagation' means the exchange of genetic material between parents to produce a new generation. The most common form of sexual propagation is with seeds. Asexual propagation involves vegetative propagation using such techniques as cuttings, layering, division, grafting, budding and tissue culture.

16.3 Subject matter of PBR

There is no protection under the *PBRA* for breeding the variety.¹⁹ Instead, the *PBRA* provides certain exclusive rights (PBR) in relation to propagating material of a protected plant variety.²⁰ Propagating material, in relation to a plant of a particular plant variety, means any part or product from which, whether alone or in combination with other parts or products of that plant, another plant with the same essential characteristics can be produced.²¹ This includes seeds, seedlings, tubers and bulbs. It also includes cuttings and cell lines. 'Essential characteristics', in relation to a plant variety, means heritable traits or determinants that contribute to the principal features, performance or value of the variety.²² This would include such things as shape and colour of a seed, flower, leaf or fruit.

In certain circumstances, PBR extends beyond propagating material to varieties that are essentially derived from the protected variety (EDV),²³ certain derived plant varieties (DV),²⁴ harvested material,²⁵ and products obtained from harvested material.²⁶ The nature of each form of protection and the circumstances in which it applies is discussed below in the context of the nature of PBR.

The *PBRA* provides a mechanism for the regulations to declare that the *PBRA* does not apply to a particular taxon, such as a genus or species.²⁷ In the case of a hybrid, PBR must not be granted if each of the plant varieties from which it is derived is a plant variety included in a taxon to which the *PBRA* does not apply.²⁸

16.4 Registrability

Regardless of how the plant variety originates, it must satisfy the specified criteria in s 44 of the *PBRA*. To be registrable, a plant variety must have a breeder,²⁹ be

¹⁹ *The Grain Pool of Western Australia v The Commonwealth of Australia* (2000) 202 CLR 479, 510.

²⁰ *PBRA* s 11.

²¹ *PBRA* s 3(1).

²² *PBRA* s 3(1).

²³ *PBRA* ss 12, 40, 41.

²⁴ *PBRA* s 13.

²⁵ *PBRA* s 14.

²⁶ *PBRA* s 15.

²⁷ *PBRA* s 63.

²⁸ *PBRA* s 42.

²⁹ *PBRA* ss 24(1), 44(1)

distinctive, uniform, stable (DUS criteria) and not have been exploited by or with the permission of the breeder, or if so, only recently.³⁰ It must also be given a name.³¹ The DUS criteria are satisfied by a comparative growing trial of the variety in Australia under the supervision of an accredited qualified person for the species.³² This may be the breeder of the variety or another qualified person who is accredited for this purpose. Alternatively, it could be based upon a certified test report obtained from a *UPOV* member country.

16.4.1 The variety has a breeder

The objective of plant breeding or plant improvement is to produce new, distinct, uniform and stable genetic structures. To be a breeder, the person must have 'bred' the variety.³³ This person could be, for example, a gardener, horticulturist, farmer or scientist. The normal meaning of 'breeding' would encompass the wide range of methodologies that breeders use such as cross-fertilisation of closely or distantly related species, progressive plant selection and genetic engineering.³⁴ It would also extend to new methodologies that continue to evolve.³⁵ Proof of breeding relates to comparisons with the source population or parents. However, it would not include the simple multiplication and testing of an existing variety in a different environment, as this material will not be distinct from the existing known variety.³⁶ Nor would it extend to a mere discovery.

The *PBRA* contains no definition of 'bred' but defines 'breeding' in s 5 to include a reference to the discovery of the plant together with its use in selective propagation so as to enable the development of the new plant variety.³⁷

This concept of 'breeding' is one that created uncertainties within the breeding community. In 2002, an Expert Panel on Breeding clarified many of these uncertainties in its report, *Clarification of Plant Breeding Issues under the Plant Breeder's Rights Act 1994*.

16.4.1.1 The meaning of 'discovery'

The Panel concluded, following advice of the Australian Government Solicitor (AGS), that 'discovery' in s 5 means merely the act of 'finding a physical specimen of plant which was previously unknown to the general public'.³⁸ The AGS advice worked through various questions that related to the meaning of discovery in s 5 of the *PBRA* and drew the following conclusions:

30 *PBRA* s 43.

31 *PBRA* s 27.

32 See 'Form of application for PBR' at 16.5.2.

33 *PBRA* s 3(1). The *PVRA* contained no definition of breeding; 'originator' was the term used.

34 Council of *UPOV*, *The Notion of Breeder and Common Knowledge in the Plant Variety Protection System based upon the UPOV Convention* (2002), 3.

35 Expert Panel, *Clarification of PBR*, above n 3, 9.

36 *UPOV*, *The Notion of Breeder*, above n 34, 3.

37 *PBRA* s 5(1).

38 Expert Panel, *Clarification of PBR*, above n 3, App 1, ¶ 13.

1. 'Discovering' a plant means finding a physical specimen of a plant rather than identifying its particular characteristics.³⁹
2. More than one person can 'discover' a plant as long as it has not become common knowledge.⁴⁰
3. A person does not 'discover' a plant if someone else provided them with particulars of its existence, a cutting or something similar.⁴¹
4. Where the plant is found is irrelevant to the question of whether it is 'discovered'. Ownership of the physical specimen is different from ownership of the intellectual property rights in the plant variety.⁴²
5. Discovery of the plant variety is an independent inquiry from that of the DUS criteria.⁴³ DUS criteria relate to the plant variety, whereas discovery relates to the plant.
6. Discovery of a plant in the wild can constitute a 'discovery'.⁴⁴

The Panel concurred with this advice. In addition, they considered that, in the absence of information to the contrary, the 'discoverer' is the first to file for PBR protection.⁴⁵

16.4.1.2 The meaning of selective propagation

The Expert Panel considered that 'selective propagation' has its normal biological meaning which requires a clear difference in at least one characteristic between the plant variety and its parents or source population.⁴⁶ In the context of its discovery in the wild, it is only established where the new variety is different from the immediate breeding population from which the 'discovered plant' originated. For example, the new variety may have green and gold variegated leaves whereas the source population has green leaves.

16.4.2 The variety is distinct

A plant variety is distinct if it is clearly distinguishable from any other variety whose existence is a matter of common knowledge.⁴⁷ The ways in which the variety is shown to be distinct can include such things as growth habit, height, shape of leaves and flowers, colour and size of seeds, leaves and stamens, and time to flowering or harvest. In addition to any other reason, s 43 provides that a variety will be treated as one of common knowledge if an application for PBR in that variety has been lodged in a contracting party and the application is proceeding, or has led, to the grant of PBR.⁴⁸ This is not intended to be an exhaustive

³⁹ Ibid ¶ 24.

⁴⁰ Ibid ¶ 18.

⁴¹ Ibid ¶ 20.

⁴² Ibid ¶ 28.

⁴³ Ibid ¶ 34.

⁴⁴ Ibid ¶ 35.

⁴⁵ Expert Panel, *Clarification of PBR*, above n 3, 7.

⁴⁶ Ibid.

⁴⁷ *PBRA* s 43(2). See s 30(2) *PBRA* which does not limit comparisons to varieties of common knowledge for the purposes of acceptance of an application.

⁴⁸ *PBRA* s 43(8), (9).

definition of common knowledge. For example, a variety is considered to be one of common knowledge if there is a precise description in a publication, inclusion in a reference collection and the existence of living material in publicly accessible plant collections.⁴⁹ According to the Council of *UPOV*, ‘common knowledge’ is a worldwide test and should be given its natural meaning: a variety must be clearly distinguishable from any variety whose existence is a matter of common knowledge anywhere in the world.⁵⁰ In making the comparison, the Council recommended that ‘*UPOV* members . . . be prepared to take into account . . . the knowledge of relevant communities around the world provided that this knowledge can be credibly substantiated so as to satisfy the standard of proof in the civil law courts’.⁵¹

Comparison is not limited to varieties that satisfy the conditions required for a grant of PBR. Those conditions are set out in s 43(1) and are more expansive than the criteria for a plant variety, as defined in s 3. The *PBRA* permits a direct comparison with all varieties of common knowledge as long as they meet the criteria set out in the definition of ‘plant variety’. Although accessing some of this type of material, such as that which exists in landraces, may be problematic, a grant can be revoked when new information comes to light.⁵²

16.4.3 The variety is uniform

Uniformity is tested across plants in one generation of the variety. A plant variety is uniform if, subject to the variation that may be expected from the particular features of its propagation, it is uniform in its relevant characteristics on propagation.⁵³ Some low degree of variation is permitted to maintain genetic diversity which would be reduced if absolute uniformity is required. Uniformity is established through test growing, particulars of which are included in the detailed description in support of the application that is lodged no later than twelve months after the acceptance of the application.⁵⁴ If the test growing shows lack of uniformity, it will be necessary to repeat the testing in relation to the next generation. The numbers of generations of breeding that may be necessary to produce uniformity will depend upon the type of breeding method. For example, cloned material will produce uniformity in the first generation. On the other hand, breeding that uses methods of cross-pollination may require a second generation to prove uniformity.

16.4.4 The variety is stable

Stability is tested across plants in one generation of the variety. As with uniformity, stability is established through test growing, particulars of which are included in

⁴⁹ IP Australia, ‘Frequently Asked Questions about Plant Breeder’s Rights’, <www.ipaustralia.gov.au/pbr/faq.shtml> at 26 July 2006.

⁵⁰ *UPOV, The Notion of Breeder*, above n 34, ¶ 22.

⁵¹ *Ibid* ¶ 23.

⁵² *PBRA* s 50(1).

⁵³ *PBRA* s 43(3).

⁵⁴ *PBRA* s 34(1).

the detailed description in support of the application.⁵⁵ A plant variety is stable if its relevant characteristics remain unchanged after repeated propagation.⁵⁶ Lack of uniformity will necessarily mean that the repeat generation will not be stable.

16.4.5 Variety has not been exploited or only recently exploited

A plant variety is registrable if the variety has not been exploited or has been only recently exploited in Australia or in the territory of another contracting party by the breeder or with his/her authorisation. This is regarded as the 'novelty' requirement for PBR. However, unlike the concept of novelty in patent law,⁵⁷ the *PBRA* equivalent requires exploitation of propagating material as distinct from public exposure. The variety is taken not to have been exploited if no plant material of the variety has been sold to another person by, or with the consent of, the breeder prior to the filing date of the application.⁵⁸ Therefore, growth of plants alone would not constitute exploitation of the variety. 'Plant material' is defined in s 43(10) to mean propagating material, harvested material and products obtained from harvested material.

The plant variety is taken to have been only recently exploited as long as there are no authorised sales in Australia more than one year before the date of lodging the application for PBR. If X and Y independently breed the same variety and X has sold the variety in Australia for more than twelve months before Y's priority date without Y's consent, that will not affect Y's novelty. In the case of sales in the territory of another contracting party, the period is more than six years before the priority date in the case of trees or vines or more than four years before the priority date in any other case.⁵⁹ This operates effectively as a 'grace period' within which the breeder can make the plant variety publicly available by way of sale anywhere in the world without losing the ability to gain PBR protection. The breeder may sell plant material before lodging a PBR application to test market the variety. While this may be a useful tactic to explore whether registration is sensible, it risks another breeder gaining priority with an earlier application.

The definition of 'sell' includes letting on hire and exchanging by way of barter.⁶⁰ The Full Federal Court considered the meaning of 'sale' under s 14 of the *PVRA* in *Sun World International Inc v Registrar, Plant Breeder's Rights*.⁶¹ The transactions that the court was asked to assess involved the sale of Sugaone grapevines for vineyard development. In all cases, there was a sale for a consideration that included money, but was not limited to money. In all cases, the sales were subject to a variety of restrictions or controls on the use to which the grower could put the plant or reproductive material. The court held that 'sell' and 'sale' are not confined to an unconditional transfer of the absolute property in the

⁵⁵ *PBRA* s 34(1).

⁵⁶ *PBRA* s 43(4).

⁵⁷ See Ch 13 at 13.6.

⁵⁸ *PBRA* s 43(5).

⁵⁹ *PBRA* s 43(6).

⁶⁰ *PBRA* s 3(1).

⁶¹ (1998) 87 FCR 405.

plant or propagating material for consideration limited to money.⁶² It reasoned that the legislative definition of 'sell' showed a parliamentary intention to interpret 'sell' in a very wide sense that would include sales where the price may be low or nominal, where the sale was part of a larger transaction and where restrictive covenants are imposed. This reasoning is equally applicable to the *PBRA* in view of the identical definition of 'sell' in both Acts. Hence, 'sale' extends to transactions that have wider commercial purposes than simply the unconditional disposition of the plant material for money. It may be that some consideration in money may be required, but it is enough for it to be 'low or nominal'.⁶³ It is immaterial that the exchange occurs privately, to the public, to wholesalers, in small numbers or below market value.

Amendments to s 43 of the *PBRA* in 2002 introduced a number of specific instances of sales that do not amount to an exploitation of the plant variety. The principal purpose for this series of amendments was to ensure that the widespread practice of testing varieties in farmers' paddocks before lodging an application for PBR would not destroy the registrability of the plant variety being tested.⁶⁴ Instances of non-exploitation are where the sale is:

1. By the breeder to another person in circumstances where the sale is a part of, or related to, another transaction under which the right of the breeder to make application for PBR in that plant variety is sold to that other person.⁶⁵ For example, X sells his vineyard with its vines, which include the new variety for which an application is pending or to be made.
2. For the sole purpose of multiplying plant material of that variety on behalf of the breeder and where the agreement for the sale provides that immediately after the plant material is multiplied, property in the new plant material vests in the breeder.⁶⁶
3. Part of an agreement under which the person agrees to use plant material for the sole purpose of evaluating the variety in one or more of field tests, laboratory trials, small-scale processing trials and tests or trials prescribed for the purposes of this subsection.⁶⁷
4. Only involves plant material that is a by-product or surplus product of any trials and is sold without identification of the plant variety of the plant material and for the sole purpose of final consumption.⁶⁸

16.4.6 Time at which the variety must be DUS

A breeder of a 'plant variety' may make an application for the grant of PBR in the variety.⁶⁹ The definition of 'plant variety' alone does not confirm that the

⁶² *Ibid* 412–13.

⁶³ *Ibid* 413.

⁶⁴ Explanatory Memorandum to Plant Breeder's Rights Amendment Bill 2002 (Cth).

⁶⁵ *PBRA* s 43(7).

⁶⁶ *PBRA* s 43(7A).

⁶⁷ *PBRA* s 43(7B).

⁶⁸ *PBRA* s 43(7C).

⁶⁹ *PBRA* s 24(1).

requirements for the variety to be distinct, uniform and stable must be present at the time of application. It is necessary to refer to other sections to ascertain this.

Section 26 provides that the application must include, among other things, a brief description of a plant of the variety that is sufficient to establish a prima facie case that the variety is distinct from other varieties of common knowledge.⁷⁰ Hence it seems that the plant variety must be distinct at the time of lodging the application. The application makes no reference to the requirements for qualities of uniformity and stability. A test growing of the variety is required to establish those particulars, details of which must be lodged with the Secretary not later than twelve months after acceptance of the application.⁷¹ Hence, if the test growing establishes that this variety is distinct, uniform and stable, it will have possessed these characteristics at the time the application was lodged. Although there is no express requirement that the plant variety possess these characteristics at the time of the application, it will not be registered unless the test growing establishes each characteristic.⁷² Therefore, for all practical purposes, the plant variety must be uniform and stable at the time the application is lodged. This is the approach that the Plant Breeder's Right's Office (PBRO) takes.⁷³

16.5 PBR applications

The process for obtaining a grant of PBR involves an application that is subjected to a formalities check prior to acceptance, followed by a substantive examination, the right for objections and grant. The process is relatively cheap and easy to secure in comparison with the patent system. The PBRO receives approximately 300 applications a year and registration takes about 2.5 years for most species. These and other details for the procedures involved in obtaining a grant of PBR are available from the IPAustralia website and are discussed briefly below.

16.5.1 Right to apply for PBR

It is the breeder, or his or her successor in title, who has the right to apply for a plant breeder's right (PBR).⁷⁴ This right is personal property and is capable of assignment and of transmission by will or by operation of law.⁷⁵ Any of these events may occur either before making the application⁷⁶ or after its acceptance and before concluding examination.⁷⁷ The successor in title is a person to whom the right of the breeder to make application for PBR in that variety has been

⁷⁰ *PBRA* s 26(2)(e).

⁷¹ *PBRA* s 34(1).

⁷² *PBRA* s 43.

⁷³ Byrne, 'Plant Breeder's Rights', above n 1, ¶ 29,160.

⁷⁴ *PBRA* ss 24(1), 26(4).

⁷⁵ *PBRA* s 25(1).

⁷⁶ *PBRA* s 25(1).

⁷⁷ *PBRA* s 31.

assigned, or transmitted by will or by operation of law.⁷⁸ An assignment of a right to apply for PBR must be in writing signed by or on behalf of the assignor.⁷⁹ The grant of PBR is open to any breeder⁸⁰ throughout the world in respect of any new variety irrespective of where it was bred.⁸¹

There may be more than one person who breeds the same new plant variety, either jointly or independently of each other.⁸² In this case, the *PBRA* recognises each as a breeder.⁸³ In the case of independent breeders, each has the right to apply for PBR, but the first to file the application has priority over the others for consideration of their application.⁸⁴ Although the other breeders may still file separate applications or retain their right to do so, the grant of PBR in that variety to another breeder results in a cessation of those rights.⁸⁵ Hence, the right to apply for PBR is a proprietary interest that may blossom into the separate proprietary interest in the form of PBR. On the other hand, it may cease upon the grant of PBR to another.

In the case of two or more persons breeding a plant jointly, a PBR application must be by all breeders jointly or by one or more breeders jointly with the consent in writing of the other breeders.⁸⁶ In the case of a joint application by ‘two breeders’, the Registrar may grant PBR to them jointly.⁸⁷ The express limitation of this provision to ‘two breeders’ seems odd when the application itself can be made by ‘two or more persons’.⁸⁸ If an application were made by three breeders, does the Registrar have discretion to grant PBR to them jointly? As there is no logical reason to differentiate between the persons to whom a grant is made and the persons who may file an application, this limitation is undoubtedly unintentional. There are no defined criteria for being joint breeders. It is likely to require some form of collaboration as is evident from s 5(2) which provides that both the person who discovers a plant and another person who uses it in selective propagation so as to enable the development of the new plant variety are joint breeders of the new variety.⁸⁹

Employers’ rights in their employees’ work are protected. If a person breeds the variety as an employee, it is the employer who is defined as the ‘breeder’ and as the person entitled to make application for and to be granted the PBR.⁹⁰ However, it is not just employers who are granted this vicarious status of ‘breeder’ – any body (whether corporate or unincorporate) is granted this status and associated benefits when one or more of its members breeds the variety in

78 *PBRA* s 3(1).

79 *PBRA* s 25(2).

80 Exceptions in *PBRA* s 60(1).

81 *PBRA* s 24(2).

82 *PBRA* ss 3, 5(2), 24(3), (4), 45(2).

83 *PBRA* s 3(1).

84 *PBRA* s 28(3).

85 *PBRA* s 48.

86 *PBRA* s 24(3), (4).

87 *PBRA* s 45(2).

88 *PBRA* s 24(3), (4).

89 *PBRA* s 5(2).

90 *PBRA* s 3.

the course of performing duties as a member.⁹¹ The concept of 'members' is undefined. In the case of universities, most university enabling statutes expressly provide that the university consists of a Council, professors, members of the teaching staff, graduates and students of the university and other defined classes. Hence, it is possible that all these persons will be 'members' for the purposes of this legislation. If this is the case, an Australian university may be able to claim ownership of plant varieties that are bred by those who are not employed, such as students in the course of research and studies or visiting scholars, without the need for an employment relationship or an express assignment of breeder's rights.⁹²

An odd distinction arises between individual breeders and joint breeders. If an individual breeder breeds the variety in the course of performing duties or functions as a member or employee of a body, the body of which that person is a member or employee is the breeder. However, it seems that the employer or other body is the breeder only where two people jointly breed the variety in the course of performing duties as a member or employee of that body. There is no reference to 'in the course of performing . . . functions'.⁹³ This seems to be an oversight rather than a deliberate distinction.

16.5.2 Form of application for PBR

The written application must contain certain particulars. These include the name and address of the applicant, details of the breeder, brief description of the variety and its name, location where it was bred, particulars of varieties used in the breeding program and manner in which it is bred, applications or grants of rights in other countries and the name of the person (qualified person) who can verify the particulars in the application and supervise any test growing.⁹⁴ The applicant can nominate itself or its agent if either is accredited as a nominated person by the PBRO. If neither is accredited, two options are available. Either can apply for accreditation simultaneously with completion of the nomination form. Alternatively, the applicant can select an accredited consultant qualified person from the list in Appendix 3 of the Australian *Plant Varieties Journal*.

In the case of the brief description of the variety, which usually includes a photograph, it must be sufficient to establish a prima facie case that the variety is distinct from other varieties of common knowledge.⁹⁵ A more detailed description is provided after the application is accepted and the comparative growing trial is complete.⁹⁶

The name of the variety in the application must comply with certain requirements.⁹⁷ It must be a word or words (invented or not) with or without letters

⁹¹ *PBRA* s 3(1)(c).

⁹² A. L. Monotti, with S. Ricketson, *Universities and Intellectual Property: Ownership and Exploitation* (New York: Oxford University Press, 2003), 5.69.

⁹³ *PBRA* s 3(1).

⁹⁴ *PBRA* s 26, s 34(4).

⁹⁵ *PBRA* s 26(e).

⁹⁶ *PBRA* s 34.

⁹⁷ *PBRA* s 27(1).

or figures.⁹⁸ It must not be likely to deceive or cause confusion, contrary to law, scandalous, prohibited by regulations or be a trade mark, registered or sought, in respect of live plants, plant cells and plant tissues.⁹⁹ The name must comply with the International Code of Botanical Nomenclature and subsidiary codes.¹⁰⁰ Finally, it must not include the name of a person or corporation without their consent.¹⁰¹ The application can include a synonym in addition to the name, in which case it must also comply with the above requirements.¹⁰² IPAustralia provides industry guidelines for labelling varieties covered by either provisional or full protection under the *PBRA*.

If PBR has been already granted in another contracting party, the Australian application must use the name under which the PBR were first granted.¹⁰³ If that name does not comply with the above requirements, a synonym that complies with those requirements must also be included in the application.¹⁰⁴

16.5.3 Priority dates

Generally, the date on which a person lodges an application for PBR is its priority date.¹⁰⁵ However, the person might be entitled to an earlier priority date where the application arises from an earlier foreign application.¹⁰⁶

16.5.4 Acceptance and rejection

The process of acceptance or rejection in s 30 takes approximately 30 days.¹⁰⁷ The Secretary must accept the application upon being satisfied that it complies with s 29 requirements and that no earlier application exists. Acceptance of the application provides provisional protection only and offers no implication of any likely success with the grant of PBR.¹⁰⁸ As noted above, the application requires a brief description of a plant of the variety that is sufficient to establish a prima facie case that the variety is distinct from *other varieties of common knowledge*. This is the standard for registrability set out in s 43. In contrast, a prima facie case for treating the plant variety as distinct from *other varieties* is required for acceptance of the application. As there is no restriction to varieties of common knowledge,¹⁰⁹ the PBRO does not limit itself to such a comparison.¹¹⁰ The Secretary must reject the application if not satisfied with these matters.¹¹¹

98 *PBRA* s 27(4).

99 *PBRA* s 27(5).

100 *PBRA* s 27(6). International Code of Nomenclature for Cultivated Plants 1995 (*ICNCP 1995*).

101 *PBRA* s 27(7).

102 *PBRA* s 27(3A).

103 *PBRA* s 27(2)(a).

104 *PBRA* s 27(2)(b), 27(3).

105 *PBRA* s 28(1).

106 *PBRA* s 29.

107 *PBRA* s 30(1). Interview with Registrar of PBR, Doug Waterhouse (20 September 2005).

108 *PBRA* s 39(1).

109 *PBRA* s 30(2).

110 Doug Waterhouse interview, above n 107.

111 *PBRA* s 30(3), (4), (5).

An application can be withdrawn at any time. If this occurs after its acceptance, the Secretary must give public notice of the withdrawal.¹¹² An application is taken to be withdrawn if the applicant fails to give the Secretary a detailed description of the plant variety as required by s 34.¹¹³

16.5.5 Variation of the application after acceptance

In addition to allowing variation of an application to reflect the assignment or transmission of the right to apply,¹¹⁴ there is a general provision that allows an applicant, after acceptance and before conclusion of the examination, to request that the Secretary vary the application. The Secretary does not have to accede to the request.¹¹⁵

16.5.6 Application after acceptance: substantive examination and test growing requirements

The process of substantive examination involves the testing of the claims in a comparative growing trial, carried out and supervised by the approved qualified person who is named for that purpose in the application for PBR to establish that the variety is distinct, uniform and stable.¹¹⁶ The variety is taken to have the particular characteristic if this is demonstrated by:

- (a) A test growing in Australia;¹¹⁷
- (b) A test growing outside Australia in a country that has an agreement with Australia under which Australia is required to accept that the variety has that particular characteristic;¹¹⁸
- (c) A test growing outside Australia that the Secretary considers is equivalent to a test growing in Australia;¹¹⁹
- (d) A test growing outside Australia, where the Secretary is satisfied that any Australian test growing would probably demonstrate that the variety has that characteristic but would take longer than two years to perform.¹²⁰

The onus of proof rests on the applicant, who can seek technical help from an accredited qualified person to conduct the trial growing or may conduct these trials himself or herself. Also, the PBRO may officially authorise establishments designated as Centralised Test Centres (CTC) to conduct test growing.¹²¹

112 *PBRA* s 33(1).

113 *PBRA* s 25.

114 *PBRA* s 31(1).

115 *PBRA* ss 31(5), (6), 32.

116 *PBRA* s 34(4). For details of the information required, see Application for Plant Breeder's Rights FORM P2 (7/01)), Part 2: Description of new variety. Test growing may also be required when a grantee of PBR applies for a declaration that another variety is an EDV of the initial variety. *PBRA* ss 40, 41.

117 *PBRA* s 38(2).

118 *PBRA* s 38(3).

119 *PBRA* s 38(4).

120 *PBRA* s 38(5).

121 reg 3A, *Plant Breeder's Rights Regulations 1994* (Cth), introduced by SR No 290 of 1995, effective 10 October 1995.

During the process of test growing to establish that the variety is distinct, uniform and stable, the PBRO makes a decision whether to make a site visit to provide an independent assessment of the physical growing trial to verify measurements, and if necessary to repeat key measurements or ask for a retrial. The majority of trials are examined using a site visit. After a PBR examiner has provided independent verification of the trial, the results are verified by the qualified person nominated in the application¹²² as part of the detailed description or specification of the variety that is provided to the Secretary not later than twelve months after acceptance of the application.¹²³ The detailed description must contain:

- (a) particulars of the characteristics that distinguish the variety from other plant varieties the existence of which is a matter of common knowledge; and
- (b) particulars of the test growing.

The PBRO checks these descriptions carefully from an editorial perspective to ensure there is comparable terminology that results in harmonised specifications.¹²⁴ The results of the test growing are published in the *Plant Varieties Journal* insofar as they demonstrate the characteristics of the variety but evidence of uniformity and stability is not published.

Further test growing of the variety may be required in dealing with an accepted application, with an objection to an application or with a request for revocation of granted PBR.¹²⁵

16.5.7 Objections

A person may make a written objection to an accepted application if she/he considers that her/his commercial interests would be affected by the grant of that PBR to the applicant.¹²⁶ The PBRO regards this invitation to the public to comment on accepted applications as a critical part of protecting the public interest against invalid registrations. The grounds for objection are that the Secretary cannot be satisfied as to a matter included in the application or matters of validity listed in s 44(1)(b)(i)–(viii).¹²⁷ As a matter of practice, only about 1% of applications draw legitimate objections.¹²⁸

16.5.8 Access to the application and any objection

An application for PBR in a plant variety and any objection lodged in respect of that application (including that detailed description) is open for inspection.¹²⁹ This includes access to any detailed description of the plant variety given in support of

122 *PBRA* ss 34(4), 26(2)(i), 34(5).

123 *PBRA* s 34(1), (6).

124 Doug Waterhouse interview, above n 107.

125 *PBRA* ss 37, 77.

126 *PBRA* s 35(1)(a).

127 *PBRA* s 26(2), s 35(1)(b). See 16.6.

128 Doug Waterhouse interview, above n 107.

129 *PBRA* s 36(1).

the application. However, there is limited access¹³⁰ to the information referred to in para 26(2)(ga): the names of the parent varieties used in the breeding program including the names by which each is known or sold in Australia and particulars of any PBR granted in respect of each parent.

16.5.9 Status of accepted applications

The rights of the applicant commence from the day the application is accepted but no action or proceeding can be taken for an infringement of those rights unless and until PBR is finally granted to the person under s 44.¹³¹

16.5.10 Deposit of propagating material

Prior to grant, the applicant must deposit propagating material of the plant variety for storage in an approved plant genetic resource centre.¹³² The quantity must be sufficient to enable survival of that variety.¹³³ The *PBRA* empowers the person in charge of a genetic resource centre to maintain the viability of propagating material stored at that centre.¹³⁴ The intention of the *PBRA* is that the delivery of the material for storage to another site that is not owned by the applicant does not pass property in the material to the owner of the site.¹³⁵ In many cases, the material will be stored at the applicant's nursery or premises, in which case his ownership of that material is clear. The Secretary can use the stored material for the purposes of the *PBRA*, including the purposes of s 19, namely for ensuring reasonable public access to a plant variety.¹³⁶

In addition to genetic resource centres, the *PBRA* provides for storage of plant specimens in specified herbariums.¹³⁷ Storage of plant specimens in a herbarium is mandatory in the case of a plant variety that is a species indigenous to Australia.¹³⁸ However, the Secretary may also require the supply of a satisfactory specimen plant of any other variety to the herbarium.¹³⁹

16.6 Grant

16.6.1 Requirements

The Secretary must grant PBR to the applicant if the application meets all the requirements of s 44. No grant or refusal to grant PBR in a plant variety is possible until at least six months after the detailed description of the variety is

130 *PBRA* s 36(3).

131 *PBRA* s 39.

132 *PBRA* ss 3(1), 44(1)(b)(vii).

133 *PBRA* s 44 (7).

134 *PBRA* s 70(2).

135 *PBRA* s 44(8).

136 *PBRA* s 44(8).

137 *PBRA* ss 3(1), 71.

138 *PBRA* s 44(2).

139 *PBRA* s 44(1)(b)(viii).

published.¹⁴⁰ Hence, PBR arise from registration. The proprietary right that exists prior to registration is merely a right to apply for PBR. The grant of PBR is by the issue to the applicant of a certificate,¹⁴¹ and notice of the grant is published in the *Plant Varieties Journal*.¹⁴²

The requirements of s 44 are that:

- I. there is such a variety;
- II. the variety is a registrable plant variety within the meaning of s 43;
- III. the applicant is entitled to make the application;
- IV. the grant of that right is not prohibited by this Act;
- V. that right has not been granted to another person;
- VI. the name of the variety complies with s 27;
- VII. propagating material of that variety has been deposited for storage, at the expense of the applicant, in a genetic resource centre¹⁴³ approved by the Secretary;
- VIII. if the Secretary so requires, a satisfactory specimen plant of the variety has been supplied to the herbarium;¹⁴⁴ and
- IX. all fees payable under this Act in respect of the application, examination and grant have been paid.

If the PBR is granted to persons who make a joint application for the right, the right is to be granted to those persons jointly.¹⁴⁵ In the event that the grant is refused, the *PBRA* provides a process for notification of the reasons for the decision.¹⁴⁶

The *PBRA* contains a procedure whereby the minister may impose conditions on a proposed or existing grant of PBR.¹⁴⁷ This procedure involves a prior reference by the minister to the Plant Breeder's Rights Advisory Committee,¹⁴⁸ if that is considered necessary in the interest of public policy.

16.6.2 Entry of details in the Register

The Registrar of Plant Breeder's Rights must enter the following details of PBR in the Register:¹⁴⁹

- (a) a description, or description and photograph, of a plant of that variety;
- (b) the name of the variety and any proposed synonym;
- (c) the name of the grantee;
- (d) the name and address of the breeder;

140 *PBRA* s 44(4), (5).

141 *PBRA* s 44(10).

142 *PBRA* s 47(1).

143 *PBRA* ss 3, 70.

144 *PBRA* ss 3, 71.

145 *PBRA* s 44(11).

146 *PBRA* s 44(3), (12).

147 *PBRA* s 49. See Plant Breeder's Rights Advisory Committee below.

148 *PBRA* ss 3(1), 63.

149 *PBRA* s 46.

- (e) the address for the service of documents on the grantee for the purposes of the *PBRA* as shown on the application for the right;
- (f) the day on which the right is granted; and
- (g) such other particulars relating to the granting as the Registrar considers appropriate.

If the minister imposes conditions on PBR under s 49, the Registrar must enter details of those conditions in the Register.¹⁵⁰

16.6.3 Effect of grant of PBR

The PBR system operates as a first-to-file system, so that the first application to be filed for a particular plant variety has precedence over any later application. Upon the grant of PBR, any other person who was entitled to apply for the right in the same variety loses that entitlement and can claim no interest in the right.¹⁵¹ If that person had already made an application, they cease to be entitled to have their application considered and can claim no interest in the right that is granted.¹⁵² Hence, the proprietary interest in the nature of the right to apply for PBR ceases upon the grant of PBR in that variety to another. However, the person who loses rights in a plant variety in these circumstances may still challenge the validity of the grant if grounds are available.¹⁵³ If appropriate, the person can seek a declaration for EDV in respect of that variety.¹⁵⁴

16.6.4 Term of protection

Registration provides a term of monopoly protection in Australia for a fixed period that commences on the day that the grant of PBR is made.¹⁵⁵ This date is entered in the Register.¹⁵⁶ PBR is granted by the issue of a signed certificate,¹⁵⁷ so the term would commence on the date of that certificate. The term is twenty-five years for trees and vines, and twenty years for any other plant varieties.¹⁵⁸ While the regulations may provide longer terms of protection for a plant variety included within a specified taxon,¹⁵⁹ this has not occurred to date.¹⁶⁰

Where PBR in an initial variety extends to cover another plant variety that is declared to be an EDV of the initial variety,¹⁶¹ PBR in the initial variety extends

150 *PBRA* s 49(3)(b).

151 *PBRA* s 48(1)(a).

152 *PBRA* s 48(1)(b).

153 *PBRA* s 48(2).

154 *PBRA* ss 48(2)(c), 40.

155 *PBRA* s 22(1).

156 *PBRA* s 46(1)(f).

157 *PBRA* s 44(10)

158 *PBRA* s 22(2).

159 This refers to a whole commodity, such as wheat, barley or rice.

160 *PBRA* ss 22(3), 63(2)(a)(ii), 68, 69.

161 *PBRA* ss 12, 40.

to the EDV from the day on which the declaration is made until the day on which the PBR in the initial variety ends.¹⁶²

Where PBR in an initial variety extends to cover any dependent plant varieties,¹⁶³ the term of protection for the dependent variety commences on the date of the grant of PBR in the initial variety, or the date on which the dependent variety comes into existence, whichever is later. The term ends at the time that PBR in the initial variety ceases.¹⁶⁴

16.7 Rights in PBR

16.7.1 General nature of PBR in propagating material

The grant of the breeder's right provides the breeder with exclusive proprietary rights in the reproductive and propagating material of that new plant variety, not in any new processes for its production. Patents provide the relevant intellectual property regime to protect new processes. In general, the grantee can do or license another person to do any of the following acts in relation to propagating material of the variety. Under s 11, the grantee has the exclusive right to:

- (a) produce or reproduce the material.
- (b) condition the material for the purpose of propagation. For example, the seed may need to be cleaned or coated with a range of fungicides or germinated prior to planting, as is the case with rice.
- (c) offer the material for sale.
- (d) sell the material.
- (e) import the material.
- (f) export the material.
- (g) stock the material for any of the above purposes.

By analogy with similar provisions in the *Patents Act 1990* (Cth), mere possession of propagating material would not be an exclusive right of the grantee. The exclusive right to condition the material does not extend to conditioning for the purpose of sale.¹⁶⁵ The exclusive right to sell has been interpreted broadly, and is not limited to unconditional transfers of the propagating material solely in return for money consideration.¹⁶⁶ Although expressed in terms of exclusive rights to do certain acts, the exclusive rights are of the same nature of those given to the patentee, in that they amount to a right to exclude others from performing these acts without authority.¹⁶⁷ The *PBRA* does not confer on the grantee the right to

162 *PBRA* ss 12, 22(5).

163 *PBRA* s 13.

164 *PBRA* s 22(4).

165 *Cultivaust Pty Ltd v Grain Pool Pty Ltd* (2005) 147 FCR 265, 267. See s 3 definition of 'conditioning'.

166 *PBRA* s 3(1); *Sun World International Inc v Registrar, Plant Breeder's Rights* (1998) 87 FCR 405; see 16.4.5.

167 *The Grain Pool of Western Australia v The Commonwealth of Australia* (2000) 202 CLR 479, 513–14; *National Phonograph Co of Australia Ltd v Menck* (1911) 12 CLR 15, 22; *Steers v Rogers* [1893] AC 232, 235; *United States v American Bell Telephone Co* 167 US 224, 238–9 (1897); *Cultivaust Pty Ltd v Grain Pool Pty Ltd* (2004) 62 IPR 11, 50.

perform these acts – he or she could do it anyway, but without a grant for PBR this ability would not be exclusive. PBR confers the right to exclude others from performing these acts and to require licences from those persons that the breeder allows to exploit the variety commercially. Therefore, it is possible for a grantee of PBR to have these rights restricted by the application of other legislation. For example, there may be legislation that prohibits the use of that variety in food, the growing of that variety because it is a genetically modified organism or because it is a noxious weed.

16.7.2 Extension beyond propagating material: essentially derived varieties

The rights relate to propagating material of the variety. However, in certain circumstances, the rights extend to essentially derived varieties (EDV), certain dependent plant varieties (DV), harvested material and products obtained from harvested material. The rights provided by the *PBRA* are more extensive than the rights that were provided under the *PVRA*.

The practical effect of extending rights to EDV and DV is to give the owner of PBR the power to prevent the owners of EDV and DV from exploiting those varieties in Australia without a licence. It does not give the owners of PBR exclusive rights to exploit those varieties themselves.¹⁶⁸

Generally, acts done in relation to a protected plant variety for the purpose of breeding other plant varieties do not infringe PBR.¹⁶⁹ However, there is an exception where the new variety is declared to be an essentially derived variety (EDV) of a registered variety. By way of explanation, an EDV may arise in the following way. A person (Y) may use a protected variety of tomato (Tomato X) to create a new variety of tomato (Tomato Y). If Y makes an application for PBR for Tomato Y, the owner of PBR in Tomato X can apply to the Secretary for a declaration that Tomato Y is essentially derived from Tomato X if certain characteristics are present in Tomato Y.¹⁷⁰ Tomato Y is taken to be essentially derived from Tomato X if it is predominantly derived from Tomato X, retains the essential characteristics that result from the genotype or combination of genotypes of Tomato X and does not exhibit any important (as distinct from cosmetic) features that differentiate it from Tomato X.¹⁷¹ In other words, Tomato Y is effectively a copy of Tomato X. The essence of permitting this extension of PBR is to protect the breeder against such ‘copycat’ breeding.¹⁷²

A declaration of Tomato Y as an EDV of Tomato X imposes upon X the obligations under s 19 of *PBRA* to provide reasonable public access to the EDV

168 *The Grain Pool of Western Australia v The Commonwealth of Australia* (2000) 202 CLR 479.

169 *PBRA* s 16.

170 *PBRA* s 12.

171 *PBRA* s 4. See below for discussion of ss 40, 41 that deal with applications for a declaration that a variety is essentially derived from the initial variety.

172 For a discussion of EDV in Australia, see Expert Panel, *Clarification of PBR*, above n 3, 19–24.

Tomato Y.¹⁷³ The declaration leaves intact the PBR in Tomato Y. The rights listed in s 11 of *PBRA* are therefore not exclusive to Y as the grantee of PBR in Tomato Y, but are also given to X as the grantee of PBR in Tomato X, the initial variety from which Tomato Y is derived.

What effect does a declaration of Tomato Y as an EDV of Tomato X have upon X and Y? The exclusive rights, although cast in positive terms, are rights to exclude others from the performance of the listed acts in s 11.¹⁷⁴ Therefore, although technically each breeder can perform the acts listed in s 11, that performance could be restrained by the other breeder. As Tomato Y is effectively a copy of the Tomato X, X can continue to exploit his PBR in Tomato X and can prevent Y exploiting PBR in Tomato Y.¹⁷⁵ Y can exploit Tomato Y commercially only under licence from X. Similarly, X is not authorised to exploit Tomato Y; X can merely restrain others, including Y, from doing so. Both X and Y can exclude third parties from the unauthorised performance of any of the acts in s 11 in relation to Tomato Y.

At present, a variety that is bred using a protected variety cannot be challenged under the EDV provisions unless it is either registered or the subject of registration in the PBR scheme.¹⁷⁶ The consequence is that the initial breeder may not be able to prevent commercialisation of a ‘copy’ that is not the subject of a PBR application or grant. The Expert Panel recommended in its 2002 Report on breeding that the *PBRA* be amended to ‘extend the capacity for an application for a declaration of EDV to varieties that are not the subject of PBR application or grant’.¹⁷⁷ The grantee of PBR in a variety that has itself been declared to be an EDV of another variety cannot apply for a declaration of EDV in another variety that has been bred with its use.¹⁷⁸

The process for declaration of an EDV involves an application to the Secretary,¹⁷⁹ who must be satisfied on the basis of the application that a prima facie case for essential derivation exists.¹⁸⁰ The grantee of the second variety must establish that this variety is not an EDV of the initial variety to avoid a declaration to the contrary.¹⁸¹ Based upon the information that both parties provide, the Secretary may decide that a further test growing may be required to determine whether the prima facie case has been rebutted.¹⁸²

At present, no declaration of essential derivation is to be made unless and until a decision is made to grant the application for PBR in respect of the challenged second variety. The *PBRA* allows the applicant for EDV for a variety that is not yet registered to object to that grant under s 35, and in the alternative to seek a

173 *PBRA* s 40(12).

174 *The Grain Pool of Western Australia v The Commonwealth of Australia* (2000) 202 CLR 479.

175 Expert Panel, *Clarification of PBR*, above n 3, 21.

176 The Expert Panel recommended removal of this limitation.

177 Expert Panel, *Clarification of PBR*, above n 3, 23.

178 *PBRA* s 40(1)(d), (6).

179 *PBRA* s 40(1).

180 *PBRA* s 40(5), (7).

181 *PBRA* s 40(8).

182 *PBRA* ss 41, 40(10), (11), 77.

declaration of EDV if PBR is granted in that second variety to another person.¹⁸³ In this case, the Secretary has the discretion to examine both the application for PBR and the application for a declaration of essential derivation at the same time.¹⁸⁴

If the Secretary declares that the second variety is essentially derived from the initial variety, he must promptly publish notice of that declaration in the *Plant Varieties Journal*.¹⁸⁵ In addition, the Registrar must enter in the Register this declaration and the date on which it was made both for the derived variety and the initial variety.¹⁸⁶ The grant of PBR in the second variety does not prevent PBR in the initial variety extending to the other variety.¹⁸⁷

16.7.3 Extension beyond propagating material: certain dependent plant varieties

Rights of the grantee of PBR in an initial variety also extend to what are called 'dependent varieties'. There are two classes of plant varieties that meet this definition. The first is any other plant variety that is not clearly distinguishable from the initial variety but is clearly distinguishable from any plant variety that was common knowledge at the time of grant of PBR in initial variety.¹⁸⁸ Therefore, it must be the same or similar to the initial variety but different from any other commonly known plants. The second is any other plant variety whose reproduction requires the repeated use of the initial variety or a dependent variety.¹⁸⁹ The variety to which PBR extends may exist at the time PBR is granted or may come into existence at a later date.¹⁹⁰ The *PBRA* provides no formal procedure for declaring any varieties as dependent plant varieties.

Therefore, unless the dependent variety is protected with a patent, the grantee of PBR in the initial variety can exercise the rights in s 11 and can exclude all others, including the breeder of that dependent variety or the variety that requires its repeated use, from exercising those rights without authorisation.

16.7.4 Extension beyond propagating material: harvested material

The protection granted under the *PVRA* has been extended in the *PBRA* to include harvested material and products made using the harvested material in circumstances that involve unauthorised production or reproduction of propagating material. The use, storage and sale of harvested material from a first-generation crop grown from seed or other propagating material provided by the grantee of

183 *PBRA* s 40(2).

184 *PBRA* s 40(3).

185 *PBRA* s 47(2).

186 *PBRA* s 46(2).

187 *PBRA* s 45(3).

188 *PBRA* s 13(a).

189 *PBRA* s 13(b).

190 *PBRA* s 13.

PBR (other than for the reproduction of propagating material) has the implied authorisation of the grantee and is not subject to this extension of rights.¹⁹¹ Therefore, in the absence of a contractual provision to the contrary, a person who purchases protected pumpkin seed, for example, is entitled to grow the pumpkins and deal with them in any manner that is consistent with the exhaustion of rights set out in s 23.¹⁹² She/he can sell the pumpkins or use them to manufacture products such as pumpkin jam or pumpkin cake. If she/he is a person engaged in farming activities, she/he can also save seed from a crop grown with legitimately acquired seed to use for her/his own reproductive purposes.¹⁹³ Restrictions apply to any acts that involve further production or reproduction of the material or export of material under certain circumstances,¹⁹⁴ but otherwise PBR in the propagating material is exhausted upon its sale.

Under s 14(1), the PBR of the grantee extends to harvested material if three prerequisites are established:

1. propagating material of a plant variety covered by PBR is produced or reproduced without authorisation of the grantee of the PBR;
2. the grantee does not have a reasonable opportunity to exercise the grantee's right in relation to the propagating material; and
3. material is harvested from the propagating material.

The effect of s 14(1) is that s 11 operates in relation to that harvested material as if it were propagating material. Therefore, the grantee's rights under s 11 may extend beyond propagating material (seed) to harvested non-propagating material (pumpkin flesh), and to products produced with those pumpkins, such as pumpkin soup. As the full court noted in *Cultivaust Pty Ltd v Grain Pool Pty Ltd*,¹⁹⁵ these sections make sense in a context where the harvested material would not otherwise be propagating material.¹⁹⁶

However, some propagating material such as barley and other grains produce a harvest that is itself propagating material. Although it may have other uses, such as for animal feed or human consumption, the harvested barley is within the definition of propagating material in s 3. Section 14 applies also to this harvested material that is itself propagating material.¹⁹⁷ If the operation of s 14 were limited to harvested material that is non-propagating material, s 15 would have no operation in relation to such plant varieties.¹⁹⁸ Section 15 extends the rights of the breeder to the products made from that harvested material, and is predicated upon the grantee having been unable to exercise the rights in relation to the harvested material before it was used to make products.

191 *Cultivaust Pty Ltd v Grain Pool Pty Ltd* (2004) 62 IPR 11, 48.

192 The operation of this section is discussed below.

193 *PBRA* s 17 provides for non-infringing uses of farm-saved seed in certain circumstances.

194 *PBRA* s 23.

195 (2006) 67 IPR 162.

196 *Cultivaust Pty Ltd v Grain Pool Pty Ltd* (2005) 147 FCR 265, 267.

197 *Cultivaust Pty Ltd v Grain Pool Pty Ltd* (2004) 62 IPR 11; *Cultivaust Pty Ltd v Grain Pool Pty Ltd* (2005) 147 FCR 265, 268. See also Explanatory Memorandum to the Plant Breeder's Rights Bill 1994 (Cth), cl 25.

198 See the discussion below of the operation of s 15.

Section 14 operates in the following way. First, propagating material is produced or reproduced without authorisation of the grantee of PBR. For example, X might save seed from a previous crop of pumpkins without the authorisation of the grantee from whom the seed was purchased. Even if the seed is saved pursuant to the exemption in s 17 of the *PBRA*, this is not authorised by the grantee for the purposes of s 14(1). X might grow the seed and give a bag to his neighbour Y to plant and grow the pumpkins.

The second prerequisite is that the grantee does not have a reasonable opportunity to exercise the grantee's right in relation to that unauthorised seed.¹⁹⁹ Therefore, both X and Y have already grown the crops before the grantee becomes aware of the unauthorised production of the seed. (It is not clear what 'a reasonable opportunity to exercise the grantee's right' in s 14(1)(b) entails.) Third, material is harvested from the crop grown using that unauthorised seed. This could be pumpkins or further seed. If all prerequisites are satisfied and no other exemption from infringement applies (such as where the acts are performed for private and non-commercial purposes),²⁰⁰ the grantee can exercise the rights set out in s 11 in relation to the pumpkins themselves, even though they may not be within the meaning of propagating material. Section 14(1) deems the harvested material to be propagating material for the purposes of s 11. The grantee can also exercise rights set out in s 11 in relation to any further seed that is harvested, either because s 14(1) deems it as propagating material or because it is propagating material within the definition of that phrase and no other section qualifies the operation of the grantee's rights.²⁰¹ The advances in breeding have the effect that there is limited harvested material that would be outside the meaning of 'propagating material' in s 3. Hence, s 14(1) may have limited application if the grantee can rely directly upon s 11 to exercise those rights.

The Full Federal Court in *Cultivaust* found it unnecessary to explore the meaning of the requirement that the grantee does not have a reasonable opportunity to exercise the grantee's right in relation to the propagating material. However, they pointed out that there is a distinction between the primary rights that constitute PBR as provided in s 11 and the secondary rights that arise by reason of infringement of that right, as provided for in s 53(1).²⁰² They construed the reference to an opportunity to exercise the grantee's right as limited to the primary rights, namely as:

a reference to a reasonable opportunity to exercise the exclusive right to do, or to licence another person to do, the acts referred to in s 11. The reasonable opportunity refers to the exercise of those rights in relation to the propagating material that is produced or reproduced without the authorisation of the grantee.²⁰³

199 *PBRA* s 14(1)(b).

200 *PBRA* s 16.

201 *PBRA* ss 16, 17, 18, 19, 23.

202 *Cultivaust Pty Ltd v Grain Pool Pty Ltd* (2005) 147 FCR 265, 277.

203 *Ibid* 267.

They considered that the primary judge had confused these concepts when he concluded that the exercise of rights would include enforcement of those rights through an action to prevent the growers dealing in the crops grown without authorisation.²⁰⁴ It is clear that s 14(1)(b) would be satisfied when the grantee had no reasonable opportunity to license the grower to exercise any of the rights in s 11 in relation to propagating material, such as barley, that had been produced without prior authorisation. However, when the breeder later became aware that the grower had produced and sold this material without authorisation, the failure to take legal proceedings, despite the opportunity to do so, would not affect the operation of s 14(1).

16.7.5 Extension beyond propagating material: products obtained from harvested material

Section 15 operates to extend rights of the breeder one further step down the production chain over products – such as pumpkin soup – that are made using the pumpkins that are harvested from the crop grown using that unauthorised seed. Hence, s 15 enables the grantee to exercise the rights set out in s 11 in relation to the soup, even though it is not propagating material. However, the extension of rights applies only where the same three prerequisites required in s 14(1) are established, with the additional prerequisite that the grantee does not have, in the circumstances set out in s 14, a reasonable opportunity of exercising the grantee's rights in the harvested material before the products are made. For example, the grantee may not become aware of the situation until the pumpkins have been made into soup.

16.7.6 Concept of exhaustion of rights

The *PBRA* sets the limit at which PBR are in effect exhausted. Section 23 relates to the disposition and use of a first-generation crop from propagating material which was lawfully acquired.²⁰⁵ It deals with the sale of seed and what can be done with the harvest from that crop. Its operation would be subject to any express or implied conditions in the agreement that governed the sale. As a general proposition, PBR does not extend to any act referred to in s 11 in relation to propagating material of the variety or of any essentially derived or dependent variety that takes place after that propagating material has been sold by the grantee or with the grantee's consent. Therefore, a sale of carrot seeds partially exhausts the PBR in those carrot seeds. The purchaser can plant them, harvest and sell the carrots. In the case of a crop such as barley where the seed is the same

204 *Cultivaust Pty Ltd v Grain Pool Pty Ltd* (2004) 62 IPR 11, 50.

205 *Ibid* 53. The Full Federal Court expressed no view on the specific operation of s 23(1) in *Cultivaust Pty Ltd v Grain Pool Pty Ltd* (2005) 147 FCR 265, 268.

as the harvest, the sale of the seed will, by implication, authorise the sale of the barley for non-reproductive purposes.²⁰⁶

However, there is not a complete exhaustion of rights after such sales.²⁰⁷ PBR continue to apply in two circumstances.²⁰⁸ The first concerns any act in relation to the propagating material that involves further production or reproduction of the propagating material.²⁰⁹ Growing the purchased carrot seed, and allowing the carrot crop to go to seed for the purpose of harvesting and selling seed, would be excluded from this exemption in s 23. The same is true where the purchaser grows the barley and sells the harvest for further propagation. To avoid infringement, it would be necessary for the sale to include a licence from the grantee to perform these acts. An exemption is provided to a person engaged in farming activities, who is permitted by s 17(1) to save a sufficient amount of that seed and condition it for use for his own propagation purposes to produce second and subsequent harvests.²¹⁰ In addition, any person, including a farmer, is entitled to perform certain acts for private, experimental or breeding purposes without those acts constituting an infringement of PBR.²¹¹

The second circumstance in which PBR continues to apply is the unauthorised export of the purchased propagating material for a purpose other than final consumption to a country that does not provide PBR in relation to that variety.

Section 23 does not deal with the sale of second and subsequent generation crops, assuming they are grown from farm-saved seed from lawfully acquired propagating material.²¹² The seed used for the second-generation crop is not 'sold by the grantee'. According to Mansfield J in *Cultivaust*, this section complements the extension in ss 14 and 15. Hence, s 23 would not exclude from the operation of s 11 all subsequent generations of crops from seed originally purchased from the grantee of PBR.²¹³ The Full Federal Court considered that the primary judge had dealt with s 23 in a way that 'appears unexceptionable'.²¹⁴ However, they expressed no view on its specific operation in the scheme of the *PBRA*.

16.8 Limitations on the breeder's rights

The exclusive rights of the breeder set out in s 11 as applicable to propagating material of a variety are extended by ss 12 to 15 to essentially derived varieties, dependent varieties, harvested material and products made using harvested material. These rights are subject to the limitations in ss 16, 17 and 18.

206 *Cultivaust Pty Ltd v Grain Pool Pty Ltd* (2004) 62 IPR 11, 48, 50.

207 *PBRA* s 23.

208 *PBRA* s 23(1).

209 *PBRA* s 23(4). *Cultivaust Pty Ltd v Grain Pool Pty Ltd* (2004) 62 IPR 11, 53.

210 *PBRA* ss 17, 14(2).

211 *PBRA* s 16.

212 *Cultivaust Pty Ltd v Grain Pool Pty Ltd* (2004) 62 IPR 11, 53.

213 *Ibid* 53–4.

214 *Cultivaust Pty Ltd v Grain Pool Pty Ltd* (2005) 147 FCR 265, 277.

16.8.1 Private, experimental or breeding purposes

It is compulsory under Article 15(1) of *UPOV 1991* to exempt certain acts from infringement. These are contained in s 16 of the *PBRA*, and fall into three categories:

1. acts done privately and for non-commercial purposes;
2. acts done for experimental purposes; and
3. acts done for the purpose of breeding other plant varieties.²¹⁵

Article 15(2) of *UPOV 1991* also gives members the right to provide an optional exception within reasonable limits and subject to the safeguarding of the legitimate interests of the breeder to:

restrict the breeder's right in relation to any variety in order to permit farmers to use for propagating purposes, on their own holdings, the product of the harvest which they have obtained by planting, on their own holdings, the protected variety, or a variety covered by Article 14(5)(a)(i) or (ii).

This exemption, which is usually referred to as a farmer's exemption to save seed or other propagating material, is additional to the exempted acts set out in art 15(1) of *UPOV 1991*. The exemptions in art 15(1) of *UPOV 1991* allow propagation by any person, including farmers, for private, experimental or breeding purposes. Article 15(2) extends the exemption to specified kinds of propagation by farmers.

The farmer's rights exemption in Australia appears in s 17 of the *PBRA* and is discussed further below. It is important to note that ss 16 and 17 are concerned with acts that would otherwise be infringing acts. They qualify the operation of the breeder's exclusive rights that are set out in ss 11–15 and require no authorisation of the breeder. Neither *UPOV 1991* nor the *PBRA* contain definitions of 'privately and for non-commercial purposes' or 'experimental purposes'. It seems that the latter phrase encompasses something other than or in addition to acts done for the purpose of breeding other varieties, as there is the separate category for that class of acts. It is likely that the word 'experimental' would be given its usual meaning, so that it would include such things as trials and investigations. It is likely that experiments that have a commercial objective are also within this exemption, as there is otherwise nothing to differentiate its scope from the category of use for private and non-commercial purposes.²¹⁶

Generally, it is not an infringement of PBR to use the variety for further breeding. There are two exceptions to this proposition provided under the *PBRA*. One is where that protected variety is used repeatedly in commercial production as would occur in the case of a parent of a hybrid variety.²¹⁷ The other is where the new variety that is bred is declared to be an EDV.²¹⁸

²¹⁵ *PBRA* s 16.

²¹⁶ Byrne, 'Plant Breeder's Rights', above n 1 ¶ 29,090.

²¹⁷ *PBRA* s 13.

²¹⁸ *PBRA* s 12.

16.8.2 Farmer's rights

The focus of the farmer's exemption is really small subsistence farmers, and not commercial growers. Plant breeding involves considerable time, skill and finance. Once a new variety is produced, however, it is easily copied if it is open-pollinated. Seeds can be collected, conditioned and sown to produce future crops. This was the traditional practice of farmers before the advent of breeder's rights, and continues to occur with respect to varieties that have no PBR protection. The central issue for policy makers was to determine the extent to which this practice should occur in respect of protected varieties. The practice has the potential to limit the breeder's ability to maintain a profitable business as a farmer may need to purchase the protected seed only once. If farmers can save seed without infringing PBR, breeders have a few options available to deal with this problem and preserve their investment. They can charge a premium for the first sale of seed to recoup profit for the breeding endeavour, but risk lower sales if the seed is too expensive. They may abstain from breeding varieties that are subject to this problem and focus upon breeding hybrid varieties that have 'an inherent biological solution to the problem'.²¹⁹ Complete freedom to save and deal with saved seed or other propagating material therefore has an inhibiting effect upon investment in breeding certain types of plant varieties. It derogates from the object of the PBR scheme which is to stimulate investment in developing new varieties of plants. If the farmer wants to retain this freedom and reduce the costs of producing his crops, there is the choice to purchase non-protected seed. One can argue that there is something inherently unfair if a farmer can buy seeds for one crop but thereafter provide no further recompense to the breeder. If this were to be the case, the return to the breeder would be limited to the cost of the initial seed, whereas the farmer could sell the produce from successive crops without further capital cost.

UPOV 1991 gives member states two options for dealing with this issue. One is to limit exemptions from infringement to those listed in art 15(1) so that the breeder's rights are infringed when farmers (and others) save seed of protected varieties for other purposes without authorisation. The other is to adopt the optional exemption in art 15(2) of *UPOV 1991* and provide farmers with a limited right to save seed and other propagating material that still safeguards the legitimate interests of the breeder. The important thing to note with this exemption is the intention to assist farmers to continue their practice of saving seed from each crop for the subsequent crop but not at the expense of the legitimate interests of the breeder.

The *PBRA* takes the latter approach. Section 17 provides farmers with the capacity to use seed which they have generated for planting and use on their own holdings without infringement. It does not provide what the farmer may do with propagating material that is generated from farm-saved seed beyond its further

219 Byrne, 'Plant Breeder's Rights', above n 1 ¶ 29,090, 27,127.

use as farm-saved seed.²²⁰ This is the province of ss 11, 14, 15, as qualified by the exemptions in ss 16 and 18. The combination of the farm-saved seed exemption in s 17 and the rights in ss 11, 14 and 15 enable the growers to share the risks with the breeder. A moderate charge is made for the seed and subsequent profitability for both farmers and breeder is dependent upon the quality of the seed. If the seed produces poor crops, both end-point royalties and profits will be low. The converse is also true – excellent crops provide benefits for both growers and breeders. Breeders are able to learn the outcomes of their variety and use this knowledge in further plant breeding endeavours.²²¹ These rights are more easily established through contract, and end point royalties are commonly used in the industry.

Sub-sections (a) to (c) of s 17 set out the conditions for the operation of the exemption and the material which is going to be the subject of the exemption, while sub-ss (d) and (e) specify the extent of the exemption. There are three aspects of sub-s (a). First, the exemption applies only to a person who is engaged in farming activities. Hence, it has no application to research scientists in a university, for example, unless they are involved in farming activities. Secondly, that person legitimately obtains propagating material either by purchase or by previous operation of s 17. Section 17 would not apply to a voluntary release of seed to farmers for the purpose of trialling and testing. Nor would it apply to a farmer who obtains a bag of seeds over the fence from his neighbour. Thirdly, that material must be acquired for use in farming activities. It would have no application to seed purchased for the private vegetable garden on the farm. Section 16(a) provides exemptions for saving and propagating seed in those circumstances. A farmer who buys seed for use in his or her farming activities will satisfy s 17(1)(a).

Sub-section (c) specifies that it is the propagating material that the farmer harvests from the crop grown with legitimately acquired seed that is the subject of sub-ss (d) and (e). These latter subsections specify the acts which would otherwise infringe the breeder's rights that the farmer may perform without constituting an infringement. These allow the farmer to condition so much of the material as is required for the person's use for reproductive purposes or the reproduction of that further material. Therefore, the exemption enables farmers to keep back seed indefinitely from previous crops and plant it on their own land. The exemption from infringement is limited to the use of seed for their own reproductive purposes – to grow the crop on their own land – and to retain sufficient further seed for future reproductive purposes. Section 17 does not indicate what the grower can do with propagating material generated from farm-saved seed beyond its further use as farm-saved seed.²²² It does not permit the farmer to offer any harvested propagating material from those legitimately grown crops for sale or to sell it or perform any of the other acts listed in s 11. Furthermore,

220 *Cultivaust Pty Ltd v Grain Pool Pty Ltd* (2004) 62 IPR 11, 49.

221 Doug Waterhouse interview, above n 107.

222 *Cultivaust Pty Ltd v Grain Pool Pty Ltd* (2004) 62 IPR 11, 49.

s 17 does not say what a farmer can do with any non-propagating material that is harvested. To discern this, reference is necessary to s 14, which is discussed below.

Prior to its repeal in 2002 by the *Plant Breeder's Rights Amendment Act 2002* (Cth),²²³ s 18 provided an additional exemption from infringement for acts in relation to propagating material that 'enabled' it to be used as a food, food ingredient or fuel or for any other purpose that does not involve the production or reproduction of the propagating material. This section was designed to acknowledge public interest concerns regarding the limitations that the breeder might place on the use of their propagating material as, say, food. However, its interpretation was the subject of debate. Breeders expressed concern that this section could allow normal commercial activities involving propagating material, such as the trade of grain that eventually becomes food, without the breeder having any opportunity to exercise their right.

The Full Federal Court in *Cultivaust Pty Limited v Grain Pool Pty Ltd*²²⁴ construed this provision in a way that placed no particular significance on the word 'enabled'. The court held that the Grain Pool, which was the sole marketing authority for prescribed grain that included barley, 'enabled' the use of Franklin barley as a food or food ingredient for the purposes of s 18 by offering Franklin barley for sale, selling, exporting and stocking Franklin barley for any of those purposes. Hence, although these acts are acts referred to in s 11 that were done in relation to propagating material of plants of Franklin barley variety, the Grain Pool was exempt from infringement. Section 18 was repealed in 2002. It was replaced with a provision that is a form of compulsory licence. A person who is authorised by Commonwealth, State or Territory law to do an otherwise infringing act can perform the act without the grantee's authorisation and without constituting an infringement, provided that they pay or arrange payment to the grantee of equitable remuneration before performing the act.²²⁵

There is provision in s 17(2) for a taxon, such as wheat or barley, to be declared to be a taxon to which s 17(1) has no application. Such a declaration would remove the rights of farmers to save and use seed in accordance with s 17(1). According to the submission of the PVR Office to the Senate Standing Committee in 1994, the motivation for such a request would normally be to encourage investment in the commodity and maintain high quality in the commodity.²²⁶ A declaration would be made by the minister upon advice from the Plant Breeder's Rights Advisory Committee, but only after a process of public consultation.²²⁷ No declaration has yet been made for this purpose.

223 The former s 18 was construed in *Cultivaust Pty Ltd v Grain Pool Pty Ltd* (2005) 147 FCR 265. The High Court refused special leave to appeal: [2006] HCATrans 333.

224 (2005) 147 FCR 265, 274.

225 See 16.8.4.

226 SSC Report 1994, App 3, 4.

227 *PBRA* s 63(2)(a)(i), s 68, s 69.

16.8.3 Breeder's rights in harvested material and products from crops grown with farm-saved seed

Section 14(1) applies only to a crop that is grown from propagating material that is produced or reproduced without authorisation. Hence, it does not apply to purchased propagating material that is used for the purposes authorised expressly or impliedly by the terms of sale. The unconditional sale of seed carries with it an implied authorisation to sow the seed, grow and harvest the crop, and use the harvest. The operation of s 14(1) is discussed above under breeder's rights.

In the absence of any limitation on the scope of s 14(1), all material harvested from crops grown with farm-saved seed would be subject to its provisions. Section 14(2) limits the operation of s 14(1) by reference to s 17(1) and directs that the part of the harvest that is retained as farm-saved seed is not subject to its provisions.²²⁸ If the conditions in s 14(1) are satisfied, the PBR in propagating material extends to all the second and subsequent generations of the crop that are produced except for that portion that is saved under s 17.²²⁹ Section 14(1) is available to deal with all harvested material, irrespective of whether it is propagating material or non-propagating material.²³⁰ However, where the harvested material is also propagating material,²³¹ breeders can rely upon s 11 to exercise PBR, without the need to resort to s 14(1). Section 15 is then available if products are made from that harvested material before the grantee can exercise his or her rights in relation to that harvested material. If the harvested material is itself propagating material (such as wheat), and is made into products (such as flour and bread) before the grantee can exercise rights in relation to that material, it is necessary for the grantee to rely upon s 14 to deem the harvested material as propagating material before s 15 can apply to the products.

16.8.4 Other restrictions on rights

Section 18 of the *PBRA* provides a form of compulsory licence. To gain this exemption from infringement, it is necessary for the person, before doing the act, either to pay equitable remuneration²³² to the grantee or to make arrangements for such payment. Equitable remuneration is the amount that is agreed with the breeder or, if agreement cannot be reached, the amount determined by a court of competent jurisdiction. Hence, to avoid infringement, the person must reach an agreement with the grantee of PBR as to the amount to be paid, or have the amount determined by the court, before the act is performed. This exemption from infringement in no way limits the rights that farmers have under s 17.²³³

228 *Cultivaust Pty Ltd v Grain Pool Pty Ltd* (2005) 147 FCR 265, 268.

229 *Cultivaust Pty Ltd v Grain Pool Pty Ltd* (2004) 62 IPR 11, 49.

230 *Cultivaust Pty Ltd v Grain Pool Pty Ltd* (2004) 62 IPR 11. According to Mansfield J, harvested material includes both propagating and non-propagating material.

231 The ability to propagate new plants using tissue culture technology makes it likely that there will be little harvested material that would fall outside the definition of propagating material.

232 *PBRA* s 18(3).

233 *PBRA* s 18(2).

If a person performs an act in relation to protected propagating material and pays or makes arrangements for payment of equitable remuneration as required by s 18, the exclusive rights of the grantee of the PBR are partially extinguished in the same way as if there had been a sale of the propagating material.²³⁴ The grantee of PBR retains his ability to exercise his rights in relation to any propagating material of that variety that is obtained by reproduction of the propagating material.²³⁵ He also retains his rights in relation to the export of the material to a country that does not provide PBR in relation to the variety and for a purpose other than final consumption.²³⁶

16.8.5 Reasonable public access

The grantee must take all reasonable steps to ensure that there will be reasonable public access to the propagating material of the protected variety.²³⁷ This obligation is satisfied if propagating material of reasonable quality is available to the public at reasonable prices, or as gifts to the public, in sufficient quantities to meet demand.²³⁸

The *PBRA* provides a form of compulsory licensing in s 19 to ensure that the public has reasonable access to the plant variety. It cannot be activated during the period of two years after the grant of PBR in a plant variety.²³⁹ Furthermore, it does not apply in relation to a plant variety which the Secretary certifies, in writing, at the time of the grant of PBR to have no direct use as a consumer product.²⁴⁰ In the circumstances provided in s 19, the Secretary may license a person to sell propagating material of plants of that variety, or to produce propagating material of plants of that variety for sale during such period as considered appropriate and on such terms and conditions (including the provision of reasonable remuneration to the grantee) as the Secretary considers would be granted by the grantee in the normal course of business.²⁴¹

16.9 Ownership and co-ownership

PBR in a plant variety is granted to the applicant. This will be the breeder who made the application²⁴² or the person to whom the right of the breeder to make application for PBR in that variety has been assigned, or transmitted by will or by operation of law.²⁴³ In the event that an application for PBR is made jointly,²⁴⁴

234 *PBRA* s 23(3).

235 *PBRA* s 13(4).

236 *PBRA* s 23(3).

237 *PBRA* s 19(1).

238 *PBRA* s 19(2).

239 *PBRA* s 19(4).

240 *PBRA* ss 19(11), 77.

241 *PBRA* s 19(3).

242 See 16.5.1.

243 *PBRA* s 3(1).

244 *PBRA* s 24(3).

the PBR is granted to those persons jointly.²⁴⁵ Hence the interest is held as joint tenants rather than as tenants in common in equal shares. In consequence, the interest of a joint tenant in PBR would pass to the surviving joint tenant on death.

PBR is personal property and, subject to any conditions imposed under s 49, is capable of assignment, or of transmission by will or by operation of law.²⁴⁶ Where PBR are granted to the breeders jointly pursuant to a joint application,²⁴⁷ it appears that neither breeder can exercise the exclusive rights for his/her own commercial purposes without the other's authorisation.²⁴⁸

16.10 Exploiting PBRs: licensing and other forms

16.10.1 Assignment of PBR

An assignment of PBR (otherwise than because of the order of a court) does not have effect unless it is in writing signed by, or on behalf of, the assignor and assignee.²⁴⁹ If PBR in a particular plant variety is granted to a person X and another person Y was entitled, at law or in equity, to an assignment of the right to make an application for the PBR, then Y is entitled to an assignment of the PBR.²⁵⁰ A possible scenario where this might arise is where the grant of PBR is to an employee who bred the variety in the course of performing duties of employment. In the absence of an agreement with the employer to the contrary, the employer is entitled to an assignment of PBR.²⁵¹

16.10.2 Licences

A grantee of PBR may give another person an exclusive or non-exclusive licence in that right. Any such licence binds every successor in title to the interest of that grantee to the same extent as it was binding on the grantee.²⁵² There is no requirement to enter particulars of licences in the PBR Register. As it is only the grantee of PBR who has the right to exclude others from the activities listed in s 11, and to take infringement proceedings,²⁵³ a licensee has no power in this regard unless appropriate rights are included in the licence agreement.

The grantee of PBR is entitled to sell seed subject to a licence that grants rights to produce or reproduce that seed for commercial purposes. The licence can also include the imposition of a production levy on the first and subsequent generation crops. Hence, the grantee could sell barley to purchaser X on condition that X

245 *PBRA* s 44(11).

246 *PBRA* s 20(1).

247 *PBRA* s 45(2).

248 *PBRA* s 53.

249 *PBRA* s 20(2).

250 *PBRA* s 48(3).

251 *PBRA* s 3(1) (definition of 'breeder').

252 *PBRA* s 20(3).

253 *PBRA* s 54(1).

pays an agreed amount per tonne of barley that is harvested from the initial crop and from all subsequent crops that are grown using farm-saved seed.²⁵⁴ There has been no judicial determination as to whether the licence can also impose as a term of sale that the grower must not retain any of the harvested crop for further use as propagating material. Such a term would be inconsistent with the express right in s 17 of the *PBRA*.²⁵⁵

16.11 Revocation of PBR

The Secretary must revoke PBR when the conditions set out in s 50(1) are present. The Secretary may act on their own initiative or upon receipt of a written application. Such application may be made by a person whose interests are affected by the grant of PBR in a plant variety, or by the making of a declaration that a plant variety is an EDV.²⁵⁶ There are two grounds that mandate revocation by the Secretary. The first is if the Secretary becomes satisfied that facts existed which would have resulted in the refusal to grant that right or make that declaration if they had known of those facts at that time.²⁵⁷ An example may be the existence of a variety of common knowledge that would render the plant variety no longer distinct. Another may be the discovery of a new characteristic in the plant variety which means that it is not stable or uniform. The second ground is for non-payment of fees.²⁵⁸

There are also a number of grounds upon which the Secretary has discretion to revoke PBR in a variety. These are: failure to notify the Registrar of an assignment or transmission of PBR in accordance with s 21, failure to comply with a test growing of a plant variety that the Secretary required under s 37 and failure to comply with any conditions that are imposed on the grant of PBR under s 49.²⁵⁹

There are notice requirements that the Secretary must satisfy²⁶⁰ as well as a number of further prerequisites to revocation before the Secretary can revoke the PBR, or a declaration that a plant variety is an EDV.²⁶¹ Any decision to revoke or refuse to revoke²⁶² PBR or a declaration as to EDV is reviewable by the Administrative Affairs Tribunal (AAT) under s 77. If no application for review of the revocation is made to the AAT, the revocation takes effect at the end of the period within which such an application might be made. If an application is made to the AAT for review, the revocation takes effect at the time when the application is withdrawn, or finally determined, whether by the tribunal or by a court.²⁶³

254 *Cultivaust Pty Ltd v Grain Pool Pty Ltd* (2004) 62 IPR 11, 42.

255 *Ibid.*

256 *PBRA* s 50(8).

257 *PBRA* s 50(1)(a).

258 *PBRA* s 50(1)(b).

259 *PBRA* s 50(2).

260 *PBRA* s 50(3).

261 *PBRA* s 50(4), (5).

262 *PBRA* s 50(10).

263 *PBRA* s 50(6).

A defendant to an infringement action can counterclaim for revocation of PBR on two grounds. The first is that the variety was not a new plant variety.²⁶⁴ This is not an express ground for revocation under s 50(1). The second is similar to that provided in s 50(1), namely that facts exist that would have resulted in the refusal of the grant of that right if they had been known to the Secretary before the grant of the right.²⁶⁵ It is not clear what the first ground adds to the second, if anything. If the facts demonstrate that the variety was not new, then this information would have resulted in a refusal to grant PBR.

16.12 Surrender of PBR

Surrender of PBR may occur voluntarily by written notice to the Secretary²⁶⁶ or in consequence of failure to pay the prescribed annual fee for renewal.²⁶⁷

16.13 Infringement of rights

16.13.1 What amounts to infringement

A person infringes the exclusive rights of the grantee²⁶⁸ of PBR in a plant variety if he or she:

- Does any act in s 11 in respect of the variety or of a dependent variety without, or not in accordance with, the grantee's authorisation;²⁶⁹
- Claims the right to do any act in s 11 in respect of the variety or of a dependent variety without, or not in accordance with, the grantee's authorisation;²⁷⁰
- Uses a name of the variety that is entered in the Register in relation to any other plant variety of the same plant class²⁷¹ or a plant of any other variety of the same plant class.²⁷² This includes the use of a synonym that is entered on the Register.²⁷³ If the evidence falls short of establishing the use of the name, it may be possible to make out a case of contravention of misleading and deceptive conduct under s 52 of the *Trade Practices Act 1974* (Cth)²⁷⁴ or relevant Fair Trading State or Territory legislation.

264 *PBRA* s 54(2)(a).

265 *PBRA* s 54(2)(b).

266 *PBRA* s 52.

267 *PBRA* s 51(2).

268 This term includes a person who has, by assignment or transmission, become the holder of that right. *PBRA* s 53(3).

269 *PBRA* s 53(1)(a).

270 *PBRA* s 53(1)(b).

271 *PBRA* s 53(1)(c)(i).

272 *PBRA* s 53(1)(c)(ii).

273 *PBRA* s 53(1A).

274 *Buchanan Turf Supplies Pty Ltd v Premier Turf Supplies Pty Ltd* [2003] FCA 230.

In the case of an EDV, the person requires the authorisation of both the grantee of the initial variety from which the EDV is derived and the grantee of the EDV to avoid infringement of PBR in that variety.²⁷⁵

16.13.2 Exemptions from infringement

The *PBRA* contains a number of exemptions from infringement which are discussed above in the context of limitations on the breeder's rights, namely:

- acts that are done privately and for non-commercial purposes, for experimental purposes or for the purposes of breeding other varieties;²⁷⁶
- farmers' rights to save, condition and use propagating material for their own purposes;²⁷⁷
- performance of acts with legislative authority upon payment of equitable remuneration to the grantee;²⁷⁸
- licensing of *PBRA* by the Secretary in circumstances where the grantee taken all reasonable steps to ensure reasonable public access to the plant variety;²⁷⁹ and
- acts that take place after propagating material has been sold by the grantee or with the grantee's consent or licensed under s 18.²⁸⁰

16.13.3 Prior user rights

It is possible for two breeders, X and Y, to have bred the same plant variety independently of each other, but only one grant is possible in relation to that variety.²⁸¹ The variety is registrable if it is 'new' in the sense that plant material²⁸² of the variety has not been exploited, or has only recently been exploited, by or with the consent of the breeder at the date of lodging the application²⁸³ and if it satisfies the DUS criteria:²⁸⁴ it is clearly distinguishable from any other variety whose existence is a matter of common knowledge, it is uniform and it is stable.

If X is first to file the application, the prior existence of Y's variety may prevent registration if it is a matter of common knowledge and thus renders X's variety as not distinct. Any prior exploitation by Y of his variety is not relevant to the issue of whether X's variety has been exploited or only recently exploited. It is only sales by or with consent of X that are relevant.

275 *PBRA* s 53(2).

276 *PBRA* s 16.

277 *PBRA* s 17.

278 *PBRA* s 18.

279 *PBRA* s 19.

280 *PBRA* s 23.

281 *PBRA* s 45(1).

282 'Plant material' is defined in *PBRA* s 43(1) to mean propagating material, harvested material and products obtained from harvested material of the plant variety.

283 *PBRA* s 43(6).

284 *PBRA* s 43(1).

If X is successful in the application, Y's variety will be regarded as a dependent variety over which the PBR to X extends under s 13. The *PBRA* provides no prior user rights to Y, even though he or she may have bred and sold the variety before the date of X's application. If Y wants to exploit the variety commercially, it is necessary for Y to obtain a licence from X.

16.14 Enforcement of rights

16.14.1 Actions for infringement

The Federal Court has exclusive jurisdiction to hear actions for infringement of PBR.²⁸⁵ Only the grantee of PBR in a plant variety can bring an action for infringement.²⁸⁶ Provisional protection for the variety arises when the application for PBR is accepted.²⁸⁷ While no proceedings can be commenced for infringement until the grant of the PBR,²⁸⁸ a grantee may have a right of action in respect of an act that was committed at any time from the acceptance of the PBR application.²⁸⁹

The infringement of PBR in a variety under s 53 may be the subject of criminal prosecution under s 74,²⁹⁰ even if an infringement action has been brought against the person under s 54.

A defendant in an infringement action can counterclaim for revocation on the grounds that the variety was not a new variety or of the existence of facts that would have resulted in a refusal of the grant of PBR had the Secretary had prior knowledge of them.²⁹¹

16.14.2 Declarations as to non-infringement

The Federal Court may make a declaration as to non-infringement in proceedings issued by a person who wants to perform an act described in s 11 in relation to propagating material of a protected plant variety.²⁹² A person can apply for such a declaration whether or not there has been an assertion of infringement of that right,²⁹³ and bears all costs in the proceedings unless the court orders otherwise.²⁹⁴ The court must not make a declaration unless the person has been unsuccessful in obtaining an admission of non-infringement from the grantee despite having provided him with full written particulars of his propagating

285 *PBRA* s 56(1), (2). As to remedies, see s 56(3), s 57 (innocent infringement).

286 *PBRA* s 54(1).

287 *PBR* s 39(1).

288 *PBRA* s 39(6).

289 *PBRA* s 39(1), (6).

290 *PBRA* s 74(1).

291 *PBRA* s 54(2), (3).

292 *PBRA* s 55(1).

293 *PBRA* s 55(2).

294 *PBRA* s 55(4).

material and having undertaken to repay all expenses reasonably incurred by the grantee in obtaining advice in the declaration.²⁹⁵

The proceedings must not consider the validity of a grant of PBR in a plant variety.²⁹⁶ Furthermore, the making of, or refusal to make, a declaration has no implications as to validity or otherwise of the grant of PBR.²⁹⁷

16.14.3 Jurisdiction

The Federal Court of Australia has jurisdiction with respect to matters that may be brought before a court under the *PBRA*. This jurisdiction is exclusive of all other courts, other than the jurisdiction of the High Court under s 75 of the Constitution.²⁹⁸ The AAT has the power to review decisions by the Minister under s 49(2) (imposition of conditions on PBR) and by the Registrar under s 21 (amendment or refusal to amend Register in response to assignment or transmission of PBR). It also has power to review various decisions of the Secretary made under the *PBRA*.²⁹⁹

16.14.4 Offences and conduct by directors, servants and agents

The *PBRA* provides for criminal sanctions with respect to infringement offences³⁰⁰ and certain false statements and false representations.³⁰¹ The fact that an action for infringement is brought under s 54 does not prevent a prosecution under s 74 for the same infringing conduct. Section 75 provides for false statements in documents given to the Secretary or Registrar, false representations to another person that he is the grantee of PBR, as to the scope of protection for a plant variety and that PBR has been granted. There are also provisions that deal with the conduct of directors, servants and agents in proceedings for an offence against ss 74 or 75.³⁰²

16.15 Administration

16.15.1 Transfer from DAFF to DITR

The Plant Breeder's Rights Scheme was formerly administered by the Department of Agriculture, Fisheries and Forestry (DAFF). However, in response to a desire to bring together all registered IP rights into a single organisation, the PBRO was transferred to IP Australia. As from 10 December 2004, the Department of

295 *PBRA* s 55(3).

296 *PBRA* s 55(5).

297 *PBRA* a 55(6).

298 *PBRA* s 56(1), (2).

299 *PBRA* s 77.

300 *PBRA* s 74.

301 *PBRA* s 75.

302 *PBRA* s 76.

Industry, Tourism and Resources (DITR), of which IPAustralia is a division, is now responsible for the administration of the *PBRA*.

16.15.2 PBR journal

Under s 68 of the *PBRA*, the Secretary must issue the journal known as the *Plant Varieties Journal* four times a year and publish all public notices made under the *PBRA* in it. IPAustralia produces and distributes the PBR Journal and hosts the PBR website.

16.15.3 Registrar

The Registrar of Plant Breeder's Rights is established under s 58(1) of the *PBRA*. The office of the Registrar is an office of DITR. The Registrar has the functions and powers conferred by the *PBRA* or its regulations or that the Secretary delegates under s 59.³⁰³ The Secretary may delegate any of his powers or functions to the Registrar or to another officer of the Department within the Senior Executive Service.³⁰⁴

16.15.4 Plant Breeder's Rights Advisory Committee

The *PBRA* establishes under s 63 the Plant Breeder's Rights Advisory Committee (PBRAC). The functions include advising the minister on the desirability of particular regulations, on whether any existing or proposed grant should be subject to conditions and on any technical matters arising under the *PBRA* or other matters relating to administration that are referred to the PBRAC by the Registrar.³⁰⁵

16.16 The Register

The Registrar must keep a Register of Plant Varieties³⁰⁶ available for inspection at any reasonable time.³⁰⁷ The PBR database is on the IP Australia website. The following particulars must be entered in the Register:

1. Grant of PBR,³⁰⁸
2. Particulars of revocation of PBR in a plant variety in accordance with s 50,³⁰⁹
3. An order of a court given under s 54 revoking PBR,³¹⁰

303 *PBRA* s 58. As to delegations of powers generally, see s 59.

304 *PBRA* s 59(2).

305 *PBRA* ss 63–67.

306 *PBRA* s 61.

307 *PBRA* s 62.

308 *PBRA* s 46.

309 *PBRA* s 51(1)(a).

310 *PBRA* s 51(1)(b). This sub-section refers to s 55, but this is a typographical error. The reference should be to s 54.

4. Surrender of PBR pursuant to non-payment of fees.³¹¹ Section 52 does not require a voluntary surrender to be entered on the Register, but it is the practice of the PBRO to make such entries; and
5. Details of an assignment or transmission of rights.³¹²

There is no provision for the registration of security interests in PBR.

16.17 Remedies

The relief that the Federal Court may award to the grantee of PBR in an action or proceeding for infringement includes an injunction (subject to such terms, if any, as the court thinks fit) and, at the option of the plaintiff, either damages or an account of profits.³¹³ In the case of an innocent infringement, the Court may refuse to award damages or to make an order for an account of profits.³¹⁴ Innocent infringement will occur where the person satisfies the court that he was not aware of, and had no reasonable grounds for suspecting the existence of, PBR at the time of the infringement. However, he is taken to be so aware if propagating material of plants of the plant variety, labelled so as to indicate that PBR is held in the variety in Australia, has been sold to a substantial extent before the date of the infringement.³¹⁵ The unqualified reference to sales in s 57(2) is not limited to Australia but could occur anywhere in the world. Inadequate labelling can therefore reduce the effectiveness of future and existing rights. IP Australia provides industry guidelines for labelling and requires only recommended versions of the logo and standardised wording be used.

16.18 Miscellaneous

Part 8 of the *PBRA* provides for a number of miscellaneous matters. These include provision for service of documents,³¹⁶ power for agents to act in matters relating to PBR,³¹⁷ compensation for acquisition of property³¹⁸ and regulation-making powers.³¹⁹

16.19 Transitional provisions

The transitional provisions deal with plant variety rights that were granted under the *PVRA* and are still in force immediately before the commencing day of *PBRA*,

311 *PBRA* s 51(3).

312 *PBRA* s 21.

313 *PBRA* s 56(3).

314 *PBRA* s 57(1).

315 *PBRA* s 57.

316 *PBRA* s 73.

317 *PBRA* s 72.

318 *PBRA* s 79.

319 *PBRA* s 80.

namely 10 November 1994. Section 82(1) of the *PBRA* provides that those rights continue to have effect following the commencement of the *PBRA* as if the *PBRA* had been in force at the time when those rights were granted and as if those rights had been granted as PBR under the *PBRA*. Rights granted under the *PVRA* continue in operation for the term that applied under the *PVRA*.³²⁰ The holder of those rights in a particular plant variety is not entitled to claim PBR in respect of dependent or essentially derived varieties of that variety.³²¹

The transitional provisions operate prospectively, so that the plant variety rights have effect under the *PBRA* only on and after its commencement date. Thus, any infringement of those rights that occurs on or after 10 November 1994 is subject to the provisions of the *PBRA*. In contrast, there is no retrospective creation of rights or liabilities under the *PBRA* which did not exist under the *PVRA*. Therefore, any accrued enforceable rights that relate to an infringement of PVR prior to its repeal³²² remain enforceable under the provisions of the *PVRA* notwithstanding the repeal of the *PVRA*.³²³ One area in which this may be important concerns the ability of the grantee of PBR to exercise rights in respect of a second-generation harvest. The grantee may sell propagating material to a grower who saves seed from that harvest and uses it for a second-generation harvest. Under the *PVRA*, the grantee had no rights over disposal of the second-generation harvest. Under the *PBRA*, rights extend to second-generation harvest under s 14 of the *PBRA*.³²⁴

Applications for plant varieties rights under the *PVRA* that had not been finalised continued to be governed by the *PVRA*. This transitional provision applies only for the purpose of dealing with the application and any objections that were made either before or after 10 November 1994. Therefore, the grant itself would be of PBR under the *PBRA*. On and after 10 November 1994, the *PBRA* applies to any application, action, request or proceeding that was started under the *PVRA* but not finally dealt with, as if it had been made under the *PBRA*.³²⁵

16.20 Relationships between PBR and other IP regimes

Article 27(3)(b) of *TRIPS* (1994) provides that members have an obligation to protect plant varieties either by patents or under an effective *sui generis* system or by any combination thereof. The *UPOV Convention* is a *sui generis* system for plant variety protection and many states, including Australia, model their statutory plant variety protection schemes upon this Convention. Although *TRIPS*

320 *PBRA* s 82(2).

321 *PBRA* s 82(3), (4).

322 *PVRA* ss 40 and 41.

323 *Acts Interpretation Act 1901* (Cth) ss 7–9; *Cultivaust Pty Ltd v Grain Pool Pty Ltd* (2004) 62 IPR 11, 44.

324 *Cultivaust Pty Ltd v Grain Pool Pty Ltd* (2004) 62 IPR 11, 44.

325 *PBRA* s 84(1).

provides its members with the option of choosing either patents or plant varieties' protection, many states including Australia provide both forms of protection for plants.

16.20.1 PBR and patents

The *PBRA* and the patent system are not mutually exclusive but comprise different criteria for access to their protection. Patents protect inventions that are new and not obvious. They provide an incentive and reward for invention. They generally protect processes or components of a variety, such as gene sequences. In contrast, the PBR system is available to protect propagating material of the plant variety. It protects varieties that have been made publicly available (as long as they are not common knowledge) and is not designed to protect non-obvious results. The right protects the time expended in the development of the plant variety, not in its invention.

There is a potential conflict between these two regimes that results from the fundamental requirement under *PBRA* for a protected variety to be available without restriction for further breeding. In contrast, it is not clear whether a patent can be used to prevent research on the patented invention without authorisation.³²⁶

If a plant breeder inserts a patented gene into a plant variety that is then registered, the provisions of the *Patents Act 1990* (Cth) may impose restrictions on the accessibility of the plant for further breeding purposes and thereby undermine the *PBRA*.³²⁷ The various exemptions that are contained in the *PBRA*, such as exemption for farm-saved seed and exemption for private and non-commercial purposes, have no express counterparts in the *Patents Act 1990* (Cth).

16.20.2 PBR and trade marks

The name that is given to a plant variety is a generic name to describe the variety and as such must be able to be used freely by the public. In contrast to a trade mark, it has no purpose to distinguish the trade origin of the plant variety. The requirement for freedom of use of the name means that a name for a plant variety must not be or include a trade mark that is registered or whose registration is being sought under the *PBRA*.³²⁸ However, the trade mark can be used in conjunction with a plant variety name provided that each has equal prominence with the other.³²⁹

326 ACIP, *Patents and Experimental Use* (October 2005) (Report); ALRC, *Genes and Ingenuity: Gene Patenting and Human Health* (Report 99, 2004), ch 13.

327 C. Lawson, 'Patents and Plant Breeder's Rights over Plant Genetic Resources for Food and Agriculture' (2004) 32(1) *Federal Law Rev* 107; M. Rimmer, 'Franklin Barley: patent law and plant breeder's rights' (2003) 10 *Murdoch University Electronic Journal of Law* 1.

328 *PBRA* s 27(5)(e).

329 See IP Australia, 'Frequently asked questions about Plant Breeder's Rights', <www.ipaustralia.gov.au/pbr/faq.shtml> at 26 July 2006.

16.21 Other international conventions

Other international conventions or treaties deal with plant genetic resources in ways that create linkages and conflicts with the PBR system. These include the *Convention on Biological Diversity 1992* and the *International Treaty on Plant Genetic Resources for Food and Agriculture 2001*.³³⁰

330 The Food and Agriculture Organisation of the United Nations (FAO) Conference, at its Thirty-first Session (November 2001), through Resolution 3/2001, approved the *International Treaty on Plant Genetic Resources for Food and Agriculture (PGRFA)*. There are currently seventy-one parties to the treaty, including Australia, which signed the treaty on 10 June 2002. The treaty came into force on 29 June 2004.

Remedies and miscellaneous issues

17.1 Introduction

There are some aspects of the intellectual property regimes that are common to all regimes. Some of the remedies available for alleged breaches of intellectual property rights fall into this category. In addition, there are some other laws that affect the intellectual property laws in a relatively uniform manner. For example, the restrictive trade practices provisions of pt IV of the *Trade Practices Act 1974* (Cth) apply equally to all owners of intellectual property, subject to one or two variations.

The purpose of this chapter is to deal with most of those aspects. The chapter commences with a discussion of available remedies for infringement. After dealing with remedies, the chapter deals with a number of other miscellaneous issues, such as the relationship between intellectual property and restrictive trade practices.

17.2 Pretrial remedies

The nature of the various forms of intellectual property is such that it is relatively easy and inexpensive to engage in infringing behaviour which can have devastating effects on the value of the intellectual property in question. Consequently, it is important to have an understanding of the types of action that can be taken to protect intellectual property and, in particular, action that can be taken before trial to preserve the intellectual property owners' position.

17.2.1 *Anton Piller* orders

One order specifically created to deal with the conduct of unscrupulous intellectual property infringers is the *Anton Piller* order, named after the first case to grant such an order.¹ The objective of an *Anton Piller* order is to secure evidence of infringement which would otherwise probably be destroyed by the defendant prior to trial. Such orders are given in ex parte proceedings (without the other party being present or even aware of the proceedings). In the *Anton Piller* case itself, Lord Denning stated that such an order can be made:

[B]ut it should only be made where it is essential that the plaintiff should have inspection so that justice can be done between the parties: and when, if the defendant were forewarned, there is a grave danger that vital evidence will be destroyed, that papers will be burnt or lost or hidden, or taken beyond the jurisdiction, and so the ends of justice be defeated; and when the inspection would do no real harm to the defendant or his case.²

An *Anton Piller* order authorises the plaintiff to take various steps such as:

- Entering the defendant's premises to seize allegedly infringing material and machinery used to produce infringing material; and
- Seize evidence of infringement and its effects such as lists of distributors, bank accounts and other financial documents demonstrating the nature and extent of the defendant's activities.
- Require the defendant to respond to various questions relating to its activities.

The order is often made in respect of suspected fly-by-night operators such as those who sell pirate CDs or fake trade marked products. As the precise identification of such operators is difficult, it is possible to obtain orders by reference to a general description of the people in question such as 'the woman with dark hair staffing the third stall from the right when facing north'.

Despite the initial insistence by the courts that *Anton Piller* orders only be granted in extreme cases, courts have been willing to assume that documents or articles will be destroyed if the defendant's conduct is 'of clandestine or criminal dealings'.³ Some orders relating to breaches of confidentiality obligations have been made where there was a prima facie case of a breach and relative ease in destroying evidence such as emails containing the relevant documentation.⁴

One recent case has gone even further. In *Universal Music Australia Pty Ltd v Sharman Licence Holdings Ltd*,⁵ an order was granted and a subsequent application for its discharge denied even though the court accepted that there was

¹ *Anton Piller KG v Manufacturing Processes Ltd* (1976) Ch 55.

² *Ibid* 61.

³ Simpson, Bailey and Evans, *Discovery and Interrogatories* (2nd ed) at 279. See *Star Micronics Pty Ltd v General Synthetics Pty Ltd* (Unreported, No V G390 of 1991 Fed No 868); *Microsoft Corp v Goodview Electronics Pty Ltd* (1999) FCA 754 for examples of the refusal of an application for an *Anton Piller* order.

⁴ *Liberty Financial Pty Ltd v Scott* [2002] FCA 345.

⁵ [2004] FCA 183.

no evidence of a deliberate intention to destroy evidence. The case related to the operation of a peer-to-peer file sharing system. The plaintiff sought an *Anton Piller* order to record transitory computer information which would be overwritten or lost by the ordinary operation of computer systems. Wilcox J stated:

[W]here the case sought to be made by a party depends upon demonstrating the operation of a dynamic scheme, it is difficult to see any alternative to the taking of 'snapshots' of the scheme in operation, thereby preserving evidence of what the dynamic system was doing at the moment of inspection. . . . [M]aterial may be lost without destructive intent. If that is so, it is not to the point that the respondents . . . have not deliberately destroyed documents containing static data . . .⁶

While the circumstances in which an order will be made therefore appear to have been expanded, the draconian nature of such orders still requires a number of safeguards so as to prevent them becoming, in effect, private search warrants. In particular, safeguards are built into the procedure by which such orders are granted and the obligations placed on the plaintiff's legal representatives and provisions in the orders relating to the manner in which the order is to be executed. When bringing an application, solicitors have an obligation of full disclosure to the court of any matters that may affect the court's decision.⁷

The provisions of the order will be also quite specific as to the process by which it must be executed. In particular, it will specify the hours at which the order may be executed, thus preventing 'knocks on the door at dawn', and in the Federal Court there is a requirement that an independent solicitor be in attendance to advise the defendant about the nature of the order and generally to supervise the execution of the order.⁸

In addition, solicitors are required to make a detailed inventory of anything that is seized and to ensure that nothing is seized that is not encompassed within the order. Items wrongly seized should be returned if subsequent inspection of them demonstrates that they were wrongly seized and solicitors should inspect the documents quickly to ascertain if they have been correctly seized.⁹ They will be personally liable for any failure in this regard. Some solicitors who have failed to meet their strict obligations under *Anton Piller* orders have faced considerable fines.

In the event of the defendant refusing to comply with an order, the plaintiff is not permitted to obtain entry by force. The plaintiff's recourse in such circumstances is to bring an action against the defendant for contempt of court.

One of the potential difficulties with *Anton Piller* orders is that the plaintiff's civil action and the evidence obtained via an *Anton Piller* order may affect possible criminal proceedings. This in turn has led to claims that a defendant is entitled

⁶ Ibid para 77.

⁷ *Universal Music Australia Pty Ltd v Sharman License Holdings Ltd* (2005) 220 ALR 1. *Liberty Financial Pty Ltd v Scott* [2002] FCA 345.

⁸ Practice Notes issued by the Chief Justice of the Federal Court, No 24; Search Orders (also known as '*Anton Piller* Order') at <www.fedcourt.gov.au>.

⁹ *Flocast Australia Pty Ltd v Purcell (No 3)* [2000] FCA 1020.

to resist *Anton Piller* orders on the grounds that to do otherwise would involve self-incrimination and the defendant is entitled to claim privilege in such circumstances. The Federal Court has indicated that an *Anton Piller* order ‘is subject to the Court’s adjudication of any claim of privilege against self-incrimination’.¹⁰

The case law provides that the defendant can refuse discovery and to answer any interrogatories on the basis of common law privilege against self-incrimination.¹¹ However, the privilege does not extend to a right to refuse entry, inspection and seizure of material. In addition, the position becomes complicated if the order is directed against a corporation. In such circumstances, the corporation can not rely on privilege to refuse discovery or production of documents, either for itself or on the grounds that compliance with the order will incriminate its director.¹²

17.2.2 Representative orders

A recent development of *Anton Piller* orders involves orders against as yet unidentified individuals who are likely to be engaging in infringing conduct in a public place. The order differs from *Anton Piller* orders in that the order does not involve entry into private property and the identity of the defendant is not known in any way. The most common situation is where there is a legitimate concern that illegal merchandise will be sold outside concert venues. In *Tony Blain Pty Ltd t/a Acme Merchandising v Jamieson*¹³ an order was made in respect of any such activity in the vicinity of concerts by the band Metallica. A representative order was made preventing the sale of illegal merchandise and authorising the seizure of such merchandise from any person engaged in that activity within a defined radius of the concerts.

17.2.3 Interlocutory injunctions

In order to prevent damage to the plaintiff’s intellectual property interests, it may be necessary to obtain an interlocutory injunction preventing the defendant’s conduct until the full trial of the matter. The decision on such an application may also have the effect of resolving the matter completely. There may be minimal commercial point in taking the matter to a full trial if, for example, the defendant effectively has to close down its business as a consequence of the injunction and the view is expressed at the interlocutory level that the plaintiff appears to have a strong case.

There has been considerable judicial and extra-judicial debate as to the relevant criteria to be applied in Australia, with apparently conflicting authorities referring to the need for the plaintiff to demonstrate a *prima facie* case¹⁴ while

¹⁰ Practice Notes, ‘Anton Piller Order’.

¹¹ *Rank Film Distributors Ltd v Video Information Centre* (1982) AC 380; *Howard v Reid* (1993) 31 NSWLR 298; *Spedley Securities Ltd (in Liq) v Bond Brewing Investment Pty Ltd* (1991) 9 ACLC 522.

¹² *Microsoft Corporation v CX Computer Pty Ltd* (2002) AIPC 91–780.

¹³ (1993) AIPC 90–990.

¹⁴ *Beecham Group Ltd v Bristol Laboratories Pty Ltd* (1968) 118 CLR 618, 662.

others referred to the need to only demonstrate a serious issue for trial.¹⁵ The High Court has recently commented on these two conflicting tests in *ABC v O'Neill*.¹⁶ Gummow and Hayne JJ stated:

By using the phrase ‘prima facie case’, their Honours did not mean that the plaintiff must show that it is more probable than not that at trial the plaintiff will succeed; it is sufficient that the plaintiff show a sufficient likelihood of success to justify in the circumstances the preservation of the status quo pending the trial . . . With reference to the first inquiry, the Court [in *Beecham*] continued, in a statement of central importance for this appeal:

‘How strong the probability needs to be depends, no doubt, upon the nature of the rights [the plaintiff] asserts and the practical consequences likely to flow from the order he seeks.’¹⁷

They went on to say:

When *Beecham* and *American Cyanamid* are read with an understanding of the issues for determination and an appreciation of the similarity in outcome, much of the assumed disparity in principle between them loses its force . . . However, a difference between this Court in *Beecham* and the House of Lords in *American Cyanamid* lies in the apparent statement by Lord Diplock that, provided the court is satisfied that the plaintiff’s claim is not frivolous or vexatious, then there will be a serious question to be tried and this will be sufficient. The critical statement by his Lordship is ‘[t]he court no doubt must be satisfied that the claim is not frivolous or vexatious; in other words, that there is a serious question to be tried’ . . . Those statements do not accord with the doctrine in this Court as established by *Beecham* and should not be followed.¹⁸

The two criteria of a prima facie case and the balance of convenience are interrelated. The balance of convenience is tipped in the plaintiff’s favour to some degree by it providing an undertaking to pay the damages incurred by the defendant as a consequence of the injunction if the plaintiff is ultimately unsuccessful at trial.

On the other hand, the defendant may be able to argue that the payment of damages by it would be sufficient to overcome the injury to the plaintiff’s interests flowing from the alleged infringement. This is unlikely to be the case in trade mark or passing off issues where the risk of permanent damage to the plaintiff’s reputation is considerable; but in, for example, copyright cases where the real issue is a failure to pay licence fees, the courts may be less willing to provide injunctive relief on the grounds that damages would be adequate to meet the plaintiff’s requirements. Even here the issue may be clouded if there is evidence of the defendant’s inability to pay or the re-arrangement of its affairs to avoid payment.¹⁹

¹⁵ *American Cyanamid Co v Ethicon Ltd* [1975] AC 396.

¹⁶ [2006] HCA 46.

¹⁷ *Ibid* 65.

¹⁸ *Ibid* 71.

¹⁹ *Paramount Design v Awaba Group & Ors* [2003] FMCA 336 (8 August 2003); see also *Johnson v Mortgage Processing Centre & Ors* [2003] FMCA 483 (5 November 2003); *MG Distribution Pty Ltd & Ors v Luthra & Anor* [2004] FMCA 1027 (24 December 2004).

Other factors that the courts take into account in determining the balance of convenience include:

- The impact of an injunction (or lack thereof) on the businesses of the plaintiff and the defendant. In that regard, the tendency is to protect the existing, established business rather than new businesses.
- The probable time between the interlocutory application and final trial of the matter.
- The conduct of the parties. As with all applications for injunctions, the court has a discretion and the plaintiff's delay or other conduct contributing to a lack of 'clean hands' may be relevant to the exercise of that discretion. However, this does not mean that the plaintiff must necessarily be quick to launch proceedings. It is entitled to observe the defendant's activities, gather evidence, obtain legal advice and engage in negotiations before starting litigation. Injunctions have rarely been denied in passing off actions due to delay. They have been denied more often in patent infringement cases. The real issue is not so much the delay itself but whether the delay makes it unjust to now grant the injunction.

17.3 Permanent injunctions

One of the most sought-after final remedies is a permanent injunction as the plaintiff will seek to enforce its exclusive rights in relation to the intellectual property. Each piece of intellectual property legislation specifically provides for an injunction, as does the *Trade Practices Act* in respect of misleading and deceptive conduct.²⁰

Once the infringement is established, the grant of an injunction is very likely although it remains discretionary and it may be declined in some circumstances;²¹ for example, if the defendant has clearly now refrained from the infringing conduct²² or damages are adequate to meet the plaintiff's needs.

In addition, a court may decline to grant an injunction against an overseas defendant if there is no clear means of enforcing the injunction. For example, in *Australian Competition & Consumer Commission v Chen*,²³ the Federal Court was initially disinclined to grant an injunction against an American citizen in respect of his misleading or deceptive conduct due to the lack of any procedure for registering and enforcing such an injunction via American courts. However, the injunction was granted on the basis that the existence of such an order was likely to influence the relevant American consumer protection authorities to take action against the defendant if the misleading conduct persisted.

²⁰ E.g., s 115(2) *Copyright Act 1968*, s 27(2) *Circuit Layouts Act 1989* (Cth), *Designs Act 2003* (Cth), s 122(1) *Patents Act 1990* (Cth), s 126 *Trade Marks Act 1995* (Cth).

²¹ See *eBay v MercExchange* 126 S Ct 1837 (2006); G. Wilkinson, 'Stop! In the Name of Equity' (2006) 19 *AIPBLB* 37.

²² *Australian Competition & Consumer Commission v Chen* (2003) 132 FCR 309.

²³ *Ibid.*

Various orders may be made in support of an injunction to deprive the defendant of the means by which it has and may in the future infringe the plaintiff's intellectual property rights. Consequently, orders may be made for the delivery up or destruction of infringing items or the obliteration of offending material such as trade marks. The *Copyright Act 1968* (Cth) has specific provisions enabling such an order on the basis that, in certain circumstances, the copyright owner is to be treated as the owner of infringing items and entitled to remedies by way of the tort of conversion.²⁴

17.4 Groundless threats

Each piece of intellectual property legislation has provisions which provide for certain consequences if groundless threats are made to bring litigation in respect of alleged infringement of intellectual property rights.²⁵ The targets of such threats may initiate their own action and seek declarations and damages flowing from the threats. For example, a trader may cease trade as a consequence of a claim that they are infringing intellectual property rights and suffer considerable damage as a consequence of that cessation. In such circumstances, the maker of the threat may be liable for damages if the threats are unfounded.

Details of the particular provisions relating to groundless threats are discussed in the relevant chapters dealing with each intellectual property regime.

17.5 Damages

The calculation of damages in intellectual property cases is difficult and the courts have reflected this difficulty by retaining some flexibility in their assessment.²⁶ By and large, the issue for the court is the diminution in the value of the owner's property as a consequence of the infringement. In the context of copyright and patents, this will often take the form of lost earnings resulting from either a loss of business which the plaintiff would otherwise have had by selling directly to the defendant's customers or a loss of licence fees that it would have extracted from the defendant for use of its intellectual property. The position is different with trade marks and passing off as the defendant's conduct not only deprives the owner of the trade mark or the relevant reputation of those earnings but may also damage the owner's reputation and therefore the capacity of that reputation to produce future earnings.

²⁴ s 116 *Copyright Act 1968* (Cth).

²⁵ See, e.g., s 129 *Trade Marks Act 1995* (Cth). N. Weston and M. Davison, 'Groundless Threats of Trade Mark Infringement Proceedings: How to Avoid getting Court' (2000) *Australian Intellectual Property Journal* 151–61.

²⁶ See, e.g., *Interfirm Comparison (Australia) Pty Ltd v Law Society of NSW* (1975) 2 NSWLR 104. Cf *Seager v Copydex (No 2)* [1969] 2 All ER 718.

In some circumstances, the defendant's intention will be relevant to the question of damages. For example, damages are not awarded in passing off unless the defendant was aware of the plaintiff's rights. The various legislative schemes have different approaches to the question of innocence. The copyright and circuit layouts legislation do not permit damages where the defendant was not aware, and had no reasonable grounds for suspecting that they were engaging in infringing conduct. In addition, the copyright legislation takes into account the nature of the defendant's conduct in deciding whether to award exemplary damages under s 115.²⁷ These provisions probably relate to the fact that copyright and circuit layouts are not registered and so the possibility of innocent infringement is greater than in other regimes.

The patent, designs and plant breeder's rights statutes grant a discretion to a court to refuse damages where the defendant did not know and could not reasonably have known of the existence of the plaintiff's right. This onus on the defendant may be difficult to meet given that ownership of all three of the types of intellectual property in question can be relatively easily verified via searches of the relevant registers.

Details of the various approaches to calculation of damages for breaches of the different intellectual property rights are discussed in the respective chapters.

17.6 Account of profits

A successful plaintiff may seek either damages or an account of profits²⁸ although the latter is an equitable remedy and the court has discretion to refuse to award an account of profits.²⁹ For example, if the dispute relates to confidential information which could have been obtained from a consultant, the damages would be the relevant fee and an account may be denied.³⁰ They are mutually exclusive remedies.³¹

The distinction between an account of profits and damages is that by the former the infringer is required to give up his ill-gotten gains to the party whose rights he has infringed; by the latter he is required to compensate the party wronged for the loss he has suffered. The two computations can obviously yield different results, for a plaintiff's loss is not to be measured by the defendant's gain, nor a defendant's gain by the plaintiff's loss. Either may be greater, or less, than the other.³²

The calculation of the defendant's profit as a consequence of its infringing conduct may be fraught with difficulties. Only the profit attributable to the infringement is recoverable and it needs to be separate from non-infringing

27 *Copyright Act 1968* (Cth).

28 E.g., s 115(2) *Copyright Act 1968* (Cth).

29 *Colbeam Palmer Ltd v Stock Affiliates Pty Ltd* (1968) 122 CLR 25 at 34–5 (Windeyer J).

30 B. Kercher and M. Noone, *Remedies* (2nd ed, LBC, 1990), 275. *Seager v Copydex Ltd* [1967] 1 WLR 923.

31 *Colbeam Palmer Ltd v Stock Affiliates Pty Ltd* (1968) 122 CLR 25 at 32 (Windeyer J).

32 *Ibid.*

activity undertaken or non-infringing parts of the product supplied by the defendant. For example, in *Colbeam Palmer*,³³ the defendant sold goods with the plaintiff's trade marks. The value of the goods themselves had to be deducted from the proceeds of sale of the wrongly trade marked goods. Similarly, in *Dart Industries Inc v Décor Corp Pty Ltd*,³⁴ the defendant was only liable in respect of the value of the press button seals on its plastic kitchen canisters. The seals infringed the plaintiff's patent but the body of the canisters did not infringe and their value was not taken into account in determining the profit attributable to infringement. In addition, allowance needs to be made 'for the defendant's skill, exertions and acumen'.³⁵

The defendant's overheads associated with the sale of the infringing material and infringing activity also need to be taken into account, and both overheads specifically attributable to the activity and the defendant's general business overheads need to be considered.³⁶ Consequently, while the defendant cannot claim opportunity costs, profits forgone as a consequence of engaging in the infringing activity rather than some other business activity, it can still claim the 'cost of the overheads which sustained the capacity that would have been utilized by an alternative product and that was in fact utilized by the infringing product'.³⁷ The position may be different if the plaintiff could demonstrate that the infringing production had occurred using excess manufacturing capacity and that general overheads would have been incurred even if the infringing activity had not been engaged in.

A case where the defendant used excess capacity to produce infringing material was *Apand Pty Ltd v Kettle Chip Co Pty Ltd*.³⁸ In that case the defendant had engaged in passing off by selling 'Country Kettle' chips when the plaintiff had a considerable reputation for Kettle chips. At trial, Burchett J only allowed a small percentage of the defendant's general overheads or indirect costs on the grounds that those expenses would have been incurred in any event on producing an alternative, non-infringing product but that a less successful non-infringing product would not have recovered the same percentage of expenses. Consequently, it was that latter and lower percentage of expenses that was permitted on the grounds that the defendant was really utilising surplus capacity to produce the infringing product.

A further and unusual aspect of the *Kettle Chip* decision was the fact that the defendant sold part of its business, including goodwill, prior to the passing off action. Consequently, the sale price included a capital sum in respect of the goodwill of the unregistered trade mark 'Country Kettle'. As the use of that mark constituted the passing off in question, the defendant made a capital gain from

33 Ibid.

34 [1994] FSR 567.

35 Kercher and Noone, *Remedies*, above n 30, 276. *Hoeschst Celanese International Corp v BP Chemicals Ltd* [1999] RPC 203.

36 *Dart Industries Inc v Décor Corp Pty Ltd* [1994] FSR 567.

37 Ibid.

38 [1999] FCA 483.

its illegal activities. A proportion of the sale price of the business attributable to the illegally obtained goodwill was included in the account of profits.

These aspects of an application for an account of profits generate some uncertainty and disputes about the accounting methods to be employed and the precise figures to be derived from such methods. The case law acknowledges that mathematical exactitude is not necessary and, in the end, a reasonable approximation will be made.³⁹ On the other hand, the degree of complexity in assessing an account will be a relevant factor for the court in exercising its discretion to order an account of profit.⁴⁰

17.7 Criminal liability

The statutory regimes for intellectual property have provision for criminal offences for some types of infringement. The *Circuit Layouts Act* is an exception in that it does not provide for any criminal offences. As the criminal charges relate to blatant and, usually, commercial infringements of intellectual property rights, they are not the subject of detailed discussion in this book.

17.8 Customs seizure

Some of the intellectual property legislation also has provisions for the seizure of infringing material by Australian Customs.⁴¹ Again, those provisions are not dealt with in detail in this book.

17.9 Jurisdiction

Due to the constitutional structure of Australia and the difficulties associated with the federal system, the rules concerning jurisdiction in relation to intellectual property matters are complex. However, as a matter of practice, the vast majority of intellectual property matters are dealt with, at first instance, by either the Federal Magistrate's Court or the Federal Court. The relevant Commonwealth intellectual property statutes confer jurisdiction on the Federal Court in relation to the regimes created by those statutes.

Hence, the Federal Court has jurisdiction in relation to copyright, trade marks, designs, circuit layouts, patents, plant breeder's rights and matters under the *Trade Practices Act 1974* (Cth). In practice, a panel of Federal Court judges deals with intellectual property matters. The judges on that panel are also divided into those who deal with patent matters and those who do not.

³⁹ *My Kinda Town Ltd v Soll* [1982] FSR 147, 159.

⁴⁰ *Docker v Somes* (1834) 39 ER 1095.

⁴¹ pt 13 of the *Trade Marks Act 1995* and pt V, div 7 the *Copyright Act 1968*.

Part of this jurisdiction is conferred on the Federal Magistrate's Court, which has jurisdiction in relation to copyright matters and, subject to monetary restrictions, matters under the *Trade Practices Act 1974* (Cth). It is possible to transfer matters to and from the Federal Court and the Federal Magistrate's Court. There have also been suggestions that jurisdiction over other intellectual property matters be conferred on federal magistrates.⁴²

A difficulty may arise with intellectual property matters that are not based on Commonwealth statutes but common law or equity. In particular, the Federal Court will not have jurisdiction in relation to actions for breach of confidential information or passing off unless it can rely on the concept of accrued jurisdiction. Under this concept, the Federal Court may deal with an action which is associated with another cause of action over which it does have express jurisdiction. For example, the same facts may give rise to an action for both a breach of s 52 of the *Trade Practices Act 1974* (Cth) and passing off. In such circumstances, the Federal Court, exercising its jurisdiction in relation to the trade practices action, could also hear the associated claim relating to passing off. Acquiring jurisdiction over a matter based on claims to confidential information may be more difficult for the Federal Court.

The State and Territory Supreme Courts have jurisdiction over such common law matters. They also have jurisdiction over most of the other areas of intellectual property. The Territory Supreme Courts have some limits placed on their jurisdiction. For example, in patent matters, the Territory courts can only deal with revocation of a patent owned by a resident of the Territory or a company with its principal place of business there.⁴³ Similar restrictions are imposed in respect of designs⁴⁴ and trade marks.⁴⁵ In addition, the Federal Court has the exclusive jurisdiction in relation to plant breeder's rights.⁴⁶

Actions based on statutory forms of intellectual property can be brought in either the Federal Court or the Supreme Court of a State or Territory (or the Supreme Court of Norfolk Island). Actions based purely on common law, such as passing off and breach of confidential information, must be launched in State courts unless there is another cause of action, simultaneously pleaded, which arises from the same underlying facts and which the Federal Court has jurisdiction over. In the context of passing off, this requirement is usually easily met by an associated allegation of misleading or deceptive conduct under s 52 of the *Trade Practices Act 1974* (Cth).

The issue of jurisdiction in relation to criminal matters is different from that for civil matters. Prosecutions under designs, patents and trade marks legislation are dealt with in State courts while copyright matters are instituted in either the

42 See the ACIP report 'Should the jurisdiction of the Federal Magistrates Court be extended to patent, trade mark and design matters' (November 2003) at <www.acip.gov.au>.

43 s 155 *Patents Act 1990* (Cth).

44 s 84 *Designs Act 2003* (Cth).

45 s 195 *Trade Marks Act 1995* (Cth).

46 s 54 *Plant Breeder's Rights Act 1994* (Cth).

Federal Court or a State court and prosecutions under the plant breeder's rights legislation must be commenced in the Federal Court.

17.10 Intellectual property and freedom of competition

The nature of intellectual property is that it tends towards some form of monopoly. Inevitably, there are therefore some tensions between intellectual property laws and freedom of competition. The intellectual property laws themselves are designed to provide a balance between the need for protection of exclusive rights of owners and the preservation of competition. The lengthy debates concerning the appropriateness of parallel importing are but one example of this tension.⁴⁷ In addition to the tensions contained within the intellectual property rules themselves, pt IV of the *Trade Practices Act 1974* (Cth) has provisions that prohibit certain restrictive trade practices, as well as a provision in s 51(3) which provides some specific exemptions for certain contractual arrangements relating to intellectual property.

A detailed analysis of the provisions in Part IV is beyond the scope of this book but a brief overview of those provisions and their potential impact on intellectual property can be provided. Part IV has some provisions which prohibit certain types of conduct without any inquiry into the purpose or effects of the conduct or into the position in the market of the parties engaging in it. These prohibitions which focus exclusively on the conduct of the defendant are known as per se prohibitions and cover activities such as price fixing⁴⁸ and resale price maintenance.⁴⁹

Other prohibitions in Part IV require a consideration of a number of different factors. As with per se prohibitions, the conduct of the defendant is relevant but other factors include the degree of market power that the defendant has, the purpose of its conduct and/or the effect of the conduct on competition. For example, s 46 prohibits the misuse of substantial market power for various purposes such as preventing another corporation from competing in a market. The application of the prohibition requires a consideration of the degree of market power⁵⁰ held by the defendant, the purpose of the defendant's conduct as well as a characterisation of the particular conduct that is being scrutinised. These prohibitions are referred to as rule of reason prohibitions.

47 Prices Surveillance Authority (PSA), Report Nos 24, 25, *Book Prices* (1989); Report No 35, *The Prices of Sound Recordings* (1990); Report Nos 44, 46, *Prices of Computer Software* (1992); Intellectual Property and Competition Review Committee, Commonwealth of Australia, *Review of Intellectual Property Legislation under the Competition Principles Agreement* (Final Report, 2000).

48 ss 45A, 45C *Trade Practices Act 1974* (Cth).

49 s 48, *Trade Practices Act 1974* (Cth).

50 'Market power' is the ability of a firm to lift prices without significant competitive restraints. Market power is therefore a question of degree. Monopolists can raise prices significantly without being affected by competition, so too can oligopolists to some extent but, in a perfect market with perfect competition, any increase in price by one competitor would result in a significant loss of sales.

17.10.1 Per se prohibitions

The most commonly contravened per se prohibitions are those against price fixing and resale price maintenance. Price fixing occurs where competitors agree on the price at which they will sell their respective products. Resale price maintenance occurs where a supplier dictates or attempts to dictate to its customers the price at which they may re-sell the products in question.

Intellectual property owners, such as owners of famous trade marks, are subject to these provisions and Part IV provides no exceptions for them. A particular concern for owners of well-known trade marks is that they may be liable for resale price maintenance if they refuse to supply their goods to certain retailers, especially discount retailers. Care needs to be taken to ensure that the refusal to supply is not the result of attempts to dictate the resale price by retailers.

17.10.2 Rule of reason prohibitions

Most, but not all, of the rule of reason prohibitions only apply if the defendant has a substantial degree of power in a market. As a general rule, the ownership of one piece of intellectual property will not of itself give the owner a substantial degree of market power.⁵¹ Even the ownership of a number of items of intellectual property may not result in the acquisition of substantial market power. For example, in *Universal Music Australia Pty Ltd v Australian Competition and Consumer Commission*,⁵² the Full Federal Court found that neither of two music companies, Universal Music or Warner Brothers, had a substantial degree of market power as a consequence of their copyright entitlements in respect of popular music. Although each had exclusive rights to many popular sound recordings, the transitory nature of that popularity meant that according to the court they did not possess a substantial degree of market power as consumers could quickly and easily choose to acquire other music. A similar view would probably be taken that ownership of any one trade mark does not confer substantial market power on the owners as there are substitute products that consumers may choose if their preferred option becomes too expensive. For example, if Coca Cola is excessively priced, Pepsi and other cola drinks would become more popular.

There is the possibility that a single patent may confer a significant degree of market power if it is extremely inventive, of great commercial value and it is not possible to easily patent around it. However, such patents are rare.⁵³

A lack of substantial market power may not prevent a contravention of some of the rule of reason prohibitions. Despite the findings of a lack of substantial market power in the *Universal Music* case mentioned above, both defendants were found guilty of exclusive dealing, refusing to supply with the purpose of

51 *Re: Broderbund Software Inc. and Dataflow Computer Services Pty. Limited v Computermate Products (Australia) Pty. Limited; Raymond Firth; Broderbund Software Inc. and Dataflow Computer Services Pty Limited* No G492 of 1990 FED No. 711 Trade Practices (1992) 14 ATPR 41–155 (1991) 22 IPR 215.

52 (2003) 131 FCR 529.

53 *Murex Diagnostics Australia Pty Ltd v Chiron Corporation* (1995) 55 FCR 194, 196.

substantially lessening competition. After parallel importing of sound recordings was legalised under copyright legislation, the two companies attempted to coerce music retailers into obtaining their sound recordings exclusively from them. They threatened not to supply those retailers if they acquired any of their stock from overseas through parallel importing. The Full Federal Court found that this conduct did not have the effect of substantially lessening competition because the defendants did not have a substantial degree of market power. However, it did find that their intention was to substantially lessen competition and that was sufficient to contravene the exclusive dealing provisions.

On the other hand, in some circumstances the ownership or control of a considerable number of patents or copyrights by one competitor may confer a substantial degree of market power. Alternatively, by acting in collusion with other owners, they may jointly have a substantial degree of market power. An example of the former is copyright collecting societies. For example, APRA has an effective monopoly in respect of the public performance of sound recordings as, without a licence from APRA, it is impossible to conduct a business such as a nightclub which requires or involves playing music in public. One case was brought against APRA under s 46 by a night club operator which claimed that APRA's refusal to provide it with a licence constituted a misuse of its market power with the purpose of preventing the night club operator from competing in the nightclub market.⁵⁴ While the action was unsuccessful as APRA's refusal stemmed from the plaintiff's failure to pay licence fees rather than any anti-competitive purpose, the case still demonstrates the potential anti-competitive effects of collective control of intellectual property.

17.10.3 Exemptions under s 51(3)

Specific exemptions from the operation of some sections in pt IV are given to conditions of licences of various forms of intellectual property.⁵⁵ These exemptions have been the subject of considerable controversy and various recommendations have been made for the amendment or repeal of the provision. The latest recommendation was made in the Report of the Intellectual Property and Competition Review Committee.⁵⁶

17.11 Security over intellectual property

As intellectual property may have significant value, owners of intellectual property may wish to use that value as security for obtaining finance. For example, a

⁵⁴ *APRA v Ceridale Pty Ltd* (1990) 19 IPR 1.

⁵⁵ The only reported case considering the exemption is *Transfield Pty Ltd v Arlo International Ltd* (1980) 144 CLR 83 102.

⁵⁶ Intellectual Property and Competition Review Committee, Commonwealth of Australia, *Review of Intellectual Property Legislation under the Competition Principles Agreement* (Final Report, 2000).

biotechnology company may wish to use its patents as security for finance to be used to fund commercialisation of its patented products.

There are various means by which a financier may take security over particular forms of intellectual property.⁵⁷ More importantly, the financier then needs to ensure that its security will have priority over any other security over that same property. In order to do this, some system of notifying the public at large of the security interest is highly desirable.

The various statutory schemes for registration of intellectual property rights have different approaches to this issue. For example, the *Trade Marks Act 1995* (Cth) specifically envisages the voluntary recording of an interest over a registered trade mark on the Register.⁵⁸ In addition, the regulations to the *Patents Act 1990* (Cth) require the recording on the patent register of any mortgage over a patent.⁵⁹ On the other hand, the present *Designs Act 2003* (Cth) makes no reference to the issue at all although the practice is to record such interests on the Designs Register. In contrast, the *Plant Breeder's Rights Act 1994* (Cth) makes no reference to the issue and there is no practice of recording security interests on the Register for Plant Breeder's Rights.

The matter is further complicated by the possibility of registering a charge over a corporation's property under the *Corporations Act 2001* (Cth). Such a charge may be a general charge over all of the corporation's property, including its intellectual property, or a specific charge over intellectual property. The legislation provides that priority goes to the first charge to be registered unless the first to register under the legislation has notice of the other security.⁶⁰ This situation then raises the possibility that one financier may record its security interest on the relevant intellectual property register while another may record its interest under the corporations legislation. In those circumstances, there may be some debate as to whether registration on the relevant intellectual property register would constitute notice to the financier that records its interest under the Corporations legislation. A cautious financier should probably record its interests on both registers.

At the time of writing, the laws relating to security over personal property are being considered by the Commonwealth and State Attorneys-General. One proposal under consideration is the creation of a single national register of all security interests over all forms of personal property.⁶¹

⁵⁷ J. Lipton, *Security Over Intangible Property* (LBC, 2000).

⁵⁸ pt 11 of the *Trade Marks Act 1995* (Cth).

⁵⁹ reg 19.1 *Patents Regulations 1991* (Cth).

⁶⁰ See, in particular, ss 262, 279 of the *Corporations Act 2001* (Cth).

⁶¹ See the Commonwealth Attorney-General's website <www.ag.gov.au/pps> for details of this reform process.

Appendix

Cadbury Schweppes Pty Ltd v Darrell Lea Chocolate Shops Pty Ltd [2007] FCAFC 70

In this case, Cadbury argued that its chocolate was exclusively associated with the colour purple and objected to the use of that colour on chocolates by Darrell Lea. At first instance, the trial rejected the existence of an exclusive association between Cadbury and purple. The trial judge also ruled inadmissible some expert evidence that Cadbury sought to adduce on this point. The appeal decision turned on the trial judge's decision to exclude the expert testimony, which expressed an opinion as to the nature and extent of the association of purple with Cadbury. After consideration of the effect of ss 79 and 135 of the *Evidence Act 1995* (Cth), the Full Court decided to order a re-trial in which the originally excluded evidence would be admitted.

Woolworths Ltd v BP (No 2) [2006] FCAFC 132

Woolworths objected to the registration by BP of 'the colour Green as shown in the representation on the application applied as the predominant colour to the fascias of buildings, petrol pumps, signage boards – including poster boards, pole signs and price boards – and spreaders, all used in service station complexes for sale of the goods and supply of the services covered by the registration'.

The trial judge found significant evidence of use of the colour green by BP in its get-up and advertising. On that basis, he found that the applicant's trade mark had acquired distinctiveness through use pursuant to s 41(6).

The Full Court reversed the decision. It did so on the grounds that BP had to prove distinctiveness through use of the particular trade mark for which it had sought registration. It had sought registration for 'the colour Green . . . as the predominant colour', not as the sole colour or as the predominant colour combined with any specific other colour. Upon examining the evidence, the Full Court found that BP could only demonstrate distinctiveness for the colour green with yellow as the subsidiary colour. Therefore, it could not obtain registration for green as the predominant colour in combination with any other subsidiary colour that it may choose to use. The decision emphasises the need to identify with precision the sign or signs that have been used by the applicant and identifying

with precision the actual sign or signs for which registration is being sought. If the latter does not conform with the former, there will be difficulties, at least for the purposes of s 41(6).

***Starr Partners Pty Ltd v Dev Prem Pty Ltd* [2007] FCAFC 42**

This trade mark infringement action concerned the distinction between substantial identity and deceptive similarity. The plaintiff's trade mark consisted of the words Starr Partners in conjunction with a star-like device placed in front of the 'S' in Starr. The defendant's infringing sign consisted of the words Star Realty with a star-like device immediately in front of the 'S'. While the two competing signs were not substantially identical when compared on a side-by-side basis, the Full Federal Court considered that the first instance judge had erred in giving insufficient weight to considerations of imperfect recollection and the question of deceptive similarity.

The plaintiff's star device, its 'close relationship with the initial capital letter "S" and the idea or concept of a star' were all essential features of the trade mark which were replicated in the defendant's sign and therefore likely to cause deception or confusion.

***Collins v Northern Territory* [2007] FCAFC 152**

For a recent decision that considers contributory infringement of a patent (see chapter 15, at 15.6), and in particular the meaning of 'supply', 'reason to believe' and 'staple commercial product' in s 117 of the *Patents Act 1990* (Cth), see *Collins v Northern Territory* [2007] FCAFC 152.

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