



AUSTRALIA

AIPPI Australia Submission
Productivity Commission Draft Report
INQUIRY INTO AUSTRALIA'S INTELLECTUAL PROPERTY ARRANGEMENTS

AIPPI

AIPPI, the International Association for the Protection of Intellectual Property, was founded in 1897 and is dedicated to the development, improvement, and legal protection of intellectual property. AIPPI is a non-affiliated, non-profit organisation headquartered in Switzerland, having over 9,000 members representing over 100 countries. The members of AIPPI include lawyers, attorneys, and agents working across all fields of intellectual property in corporate and private practice throughout the world, as well as academics, judges, government officials and other persons interested in intellectual property. AIPPI is organised into 68 National and Regional Groups.

The objective of AIPPI is to improve and promote the protection of intellectual property at both national and international levels. It does this by studying and comparing existing and proposed laws and policies relating to intellectual property, and working with both government and non-government organisations for the development, expansion and improvement of international and regional treaties and agreements, and national laws.

AIPPI Australia

AIPPI Australia submits that measures that achieve greater harmonisation of IP laws, regulations and procedures work to the benefit of Australian organisations and individuals. More particularly, IP laws, regulations and procedures that are internationally harmonised result in a simpler and more cost-effective administration and procurement of IP rights for Australian entities, with greater certainty as to the scope, enforceability of and commercial dealings in such rights.

AIPPI Australia makes the following comments in response to the Draft Report of the Productivity Commission's Inquiry into Australia's Intellectual Property Arrangements (***Draft Report***).

CHAPTER 2: The analytical framework

Draft recommendation 2.1

In formulating intellectual property policy, the Australian Government should be informed by a robust evidence base and have regard to the principles of:

- *effectiveness, which addresses the balance between providing protection to encourage additional innovation (which would not have otherwise occurred) and allowing ideas to be disseminated widely*

- *efficiency, which addresses the balance between returns to innovators and to the wider community*
- *adaptability, which addresses the balance between providing policy certainty and having a system that is agile in response to change*
- *accountability, which balances the cost of collecting and analysing policy –relevant information against the benefits of having transparent and evidence-based policy that considers community wellbeing*

A significant part of the IP system is the provision of a monopoly right by the State in return for the creation of works such as inventions, literature, artistry and designs. By formulating an overriding objective in Chapter 2 of the Draft Report of "maximising the well being of Australians", the Productivity Commission sanctions the annexation of the creative output of individuals. It would be preferable to recognise Australia's membership of a global economic community where IP enhances the wellbeing of Australians by providing a valuable limited monopoly right to those enhancing innovation.

The Productivity Commission appears to have adopted the view, with which AIPPI Australia strongly disagrees, that almost all IP rights should be severely curtailed. In this regard, AIPPI Australia endorses the introductory comments made by the Intellectual Property Committee of the Law Council of Australia's Business Law Section (*IPC Submission*) in the sections 1 and 2 and makes further reference to the IPC Submission below.

CHAPTER 4: Copyright term and scope

Draft recommendation 4.1

The Australian Government should amend the Copyright Act 1968 (Cth) so the current terms of copyright protection apply to unpublished works.

AIPPI Australia endorses the IPC Submission in response to this draft recommendation.

Draft finding 4.1

Australia's copyright system has expanded over time, often with no transparent, evidence-based policy analysis demonstrating the need for, or quantum of, new rights.

AIPPI Australia endorses the IPC Submission in response to this draft finding.

CHAPTER 5: Copyright accessibility: licensing and exceptions

Draft recommendation 5.1

The Australian Government should implement the recommendation made in the House of Representatives Committee report At What Cost? IT pricing and the Australia tax to amend the Copyright Act 1968 (Cth) to make clear that it is not an infringement for consumers to circumvent geoblocking technology.

The Australian Government should seek to avoid any international agreements that would prevent or ban consumers from circumventing geoblocking technology.

AIPPI Australia endorses the IPC Submission in response to this draft recommendation.

Draft recommendation 5.2

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

AIPPI Australia supports this draft recommendation.

Draft recommendation 5.3

The Australian Government should amend the Copyright Act 1968 (Cth) (Copyright Act) to replace the current fair dealing exceptions with a broad exception for fair use.

AIPPI Australia endorses the IPC Submission in response to this draft recommendation. Any fair use exception which is implemented should be reviewed after a suitable period of time (say, 10 years).

CHAPTER 6: Patent system fundamentals

Draft recommendation 6.1

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

The Australian Government should state the following in the associated Explanatory Memorandum:

- *the intent of this change is to better target socially valuable inventions*
- *the test should be applied by asking whether a course of action required to arrive at the invention or solution to the problem would have been obvious for a person skilled in the art to try with a reasonable expectation of success.*

The Australian Government should explore opportunities to further raise the overall threshold for inventive step in collaboration with other countries in international forums.

AIPPI Australia has no in principle objection to the general proposition of an inventive step test that is harmonised with major industrialised jurisdictions. Significant steps have already been taken recently in Australia to modify the inventive step test by the "Raising the Bar" amendments made to the Patents Act 1990 (Cth) (**Patents Act**). While AIPPI Australia agrees that the Australian Government should continue to explore opportunities to harmonise the inventive step test with major industrialised jurisdictions in international forums (such as AIPPI), AIPPI Australia does not support further changes to the test of inventive step at this time, and so does not support this draft recommendation. AIPPI Australia submits that it would be unwise to make further changes to this fundamental precept of patent law until the modifications to the law of inventive step under the Raising the Bar amendments are applied by the courts and the results of those amendments can be analysed in the context of a credible body of case law.

Draft recommendation 6.2

The Australian Government should incorporate an objects clause into the Patents Act 1990 (Cth) (Patents Act). The objects clause should describe the purposes of the legislation as being to enhance the wellbeing of Australians by providing patent protection to socially valuable innovations that would not have otherwise occurred and by promoting the dissemination of technology. In doing so, the patent system should balance the interests of patent applicants and patent owners, the users of technology — including follow-on innovators and researchers — and Australian society as a whole.

The Australian Government should amend the Patents Act such that, when making a decision in relation to a patent application or an existing patent, the Commissioner of Patents and the Courts must have regard to the objects of the Patents Act.

AIPPI Australia does not support this draft recommendation.

AIPPI Australia has considerable concern with the proposal of an objects clause in the *Patents Act*. This would appear to be without precedent on an international basis. In addition, the vast majority of Australian patent filings are made by non-Australian based entities. IP is a global

commodity. An objects clause would be parochial and out of step with international efforts toward harmonisation. Also, it is not at all clear what is meant by the expression “socially valuable innovations that would not have otherwise occurred”.

AIPPI Australia further endorses the IPC Submission in response to this draft recommendation.

Draft recommendation 6.3

The Australian Government, with input from IP Australia, should explore the costs and benefits of using higher and more pronounced renewal fees later in the life of a standard patent, and making greater use of claim fees to limit the breadth of patent protection and to reduce strategic use of patents.

The Australian Government should seek international cooperation on making greater use of patent fees to help ensure that patent holders are not overcompensated and to limit the costs of patent protection on the community.

Renewal fees should only be directed at cost recovery for Patent Office operations. The Productivity Commission calling for higher renewal fees and higher claim fees to discourage applicants naturally flows from the position that the system should be circumspect in granting patents.

AIPPI Australia notes that claim fees are already employed to limit the number of claims. However, AIPPI Australia submits that the breadth of patent protection cannot be limited by claim number; rather breadth is limited by examination with respect to the prior art. AIPPI Australia submits that claim fees are not the mechanism to be used for this purpose.

AIPPI Australia does not understand what is meant by patent holders being “overcompensated”. This is really a matter that pertains to examination standards and has little to do with patent fees. AIPPI Australia understands that IP Australia is able to fund its functions and activities with the fees it currently charges, such that there is no net cost to the Australian taxpayer.

AIPPI Australia also does not understand what is meant by limiting the “costs of patent protection on the community.” If this is a reference to overly broad patents being granted then, again, this is really a matter that pertains to examination standards and has little to do with patent fees.

AIPPI Australia further endorses the IPC Submission in response to this draft recommendation.

CHAPTER 7: Innovation patents

Draft recommendation 7.1

The Australian Government should abolish the innovation patent system.

AIPPI Australia has previously addressed the recommendation that the Innovation Patent system (*IPS*) be abolished in responses made to the Advisory Council of Intellectual Property (*ACIP*) Options Paper of August 2013 relating to the review of the IPS (AIPPI Australia submission of 25 October 2013) and to the IP Australia Consultation Paper dated August 2015 that followed the ACIP statement of May 2015 that the Australian Government consider abolition of the IPS (AIPPI Australia submission of 28 September 2015). In each case, AIPPI Australia made submissions that the IPS should be retained in a modified form of the current IPS.

This draft recommendation gives significant weight to the alleged cost of the IPS to Australian entities as well as to the overall economic benefit to Australia of the IPS. Much of the basis given for this draft recommendation appears to come from the economic research paper commissioned by IP Australia entitled “The Economic Impact of Innovation Patents” (the

Economic Report). The Economic Report was analysed in significant detail in the joint IPTA and FICPI Australia submission made to the IP Australia Consultation Paper dated August 2015 (which was referred to in the AIPPI Australia submission of 28 September 2015). The analysis found strong support that the assumptions that lead to the findings of the Economic Report were seriously flawed. AIPPI Australia notes that the only reference to the joint IPTA and FICPI Australia submission on this issue is made in the paragraph bridging pages 217 and 218 of the Draft Report and urges proper consideration of all aspects of the joint IPTA and FICPI Australia submission as it relates to the cost and economic benefit of the abolition of the IPS.

It follows that AIPPI Australia's position is that abolition of the IPS based on the cost and economic reasons proffered as the basis for this draft recommendation is flawed and that abolition should not occur on that basis.

This draft recommendation also appears to be premised on the notion that abolition of the IPS would return to a position closely resembling the previous Petty Patent System. AIPPI Australia does not support that outcome either, and submits that sensible reform of the IPS would see the IPS shift to a position where the current criticisms of the system are addressed and a more balanced level of protection awarded.

Sensible reform would include:

- Elevation of the innovative step requirement so that obvious inventions cannot be protected.
- Compulsory examination at some stage in the life of an innovation patent
- Modification to the relief offered by the IPS for infringement

These reforms are discussed in the AIPPI Australia submission of 28 September 2015.

AIPPI Australia considers that the IPS is a useful IP tool offered to patent applicants in Australia. AIPPI Australia agrees that the current IPS is flawed, but that modifications to the IPS (such as those set out above) can be made to correct those flaws. AIPPI Australia recognises the effort that has gone into introducing the IPS in Australia based on a need identified by the Australian Government many years ago and notes that once abolished, there is little likelihood that a second tier system of protection will be offered again. Given this, AIPPI Australia strongly supports retention of a modified form of IPS, with an assessment of that system to be made at a scheduled point sometime in the future.

CHAPTER 8: Business methods and software patents

Draft recommendation 8.1

The Australian Government should amend s. 18 of the Patents Act 1990 (Cth) to explicitly exclude business methods and software from being patentable subject matter.

Summary

The first key point in the Draft Report is “There is a clear case to exclude business methods and software (**BM&S**) from patentable subject matter” (p 233).

Article 27 of TRIPS provides that patents shall be available and patent rights enjoyable without discrimination as to the field of technology. The draft recommendation is inconsistent with this article. This inconsistency, together with the rapid pace of change in relation to computer implemented technology means it does not make sense to exclude particular technologies from patentability. Rather, the existing law in relation to patentability should be applied.

AIPPI Australia strongly recommends against codifying exclusions to patentable subject matter in a way that relies on definitions of “software” and “business methods”. Instead, AIPPI Australia considers that the current organic development in the case law towards a clear

distinction between patentable ideas and unpatentable schemes will be able to adapt dynamically to changing technologies.

To the extent there is a problem of low-value and obvious patents, that would not be specific to software and therefore, it is not a solution to simply abolish software patents.

AIPPI Australia does not agree with the Draft Report that there is a problem of low-value patents and patent thickets, or a problem with the Patents Act and/or the relevant judicial authorities. Therefore, AIPPI Australia does not consider there is a need for a change of law.

Australian software innovators

Many local Australian software companies employ inventors in Australia to innovate by developing new products for the Australian people. These inventors have identified a market need for their inventions, which means at that stage, such inventions have necessarily a social benefit.

It is then a patent attorney's task to protect the Australian innovation from a simple copy by overseas multi-nationals. One option to do so is to file a patent application for their socially valuable invention. This way, the inventors can approach potential partners without the risk that their invention will merely be taken and copied by these parties.

A good patent attorney would ask how a patent application would fit into a client's business model. Ultimately, filing a patent application is only recommended if the patent application will help the client in bringing their invention to market and in this way recouping their investment into conceiving their invention. Inventions with no social benefit are not subject to patent applications since there would simply be no business case for spending the attorney's and government fees required to secure and maintain patent protection.

Current legal tests

AIPPI Australia considers that current tests for inventive step and innovative step mean all "low-value" software is not be patentable thereby avoiding the alleged problems identified in the Draft Report. The inventive step and innovative step tests are the best way of dealing with these types of inventions. Accordingly, codifying exclusions to patentable subject matter is not appropriate or necessary.

AIPPI Australia considers that the current test set by the Full Court of the Federal Court of Australia in *Research Affiliates*¹ and *RPL Central*² is useful and sufficiently defines the requirements for software to be patentable. The refusal of the High Court to grant special leave to appeal the Full Federal Court decision³, removes much of the uncertainty referred to in the Draft Report. The current Australia law, as it stands, excludes from patentability software inventions where the invention lies merely in a scheme, while allowing protection for software inventions that provide an observable improvement in something physical. This already achieves what the Draft Report sets out and there is no need to codify these tests. Or in the words of *NRDC*⁴, it would be "unsound to the point of folly" "to attempt to place upon the idea the fetters of an exact verbal formula" (at p 271), which is exactly what the Productivity Commission recommends.

Further, AIPPI Australia considers that there is no indication that the current patentable subject matter test in Australia is weaker than the current test, for example, in the United States, where the USPTO has relaxed the requirements for patentable subject matter significantly from the initially strict view taken following the *Alice* decision⁵. Similar fluctuations in law occur in Australia and do not constitute a reason to remove or weaken the good law provided by

¹ *Research Affiliates LLC v Commissioner of Patents* [2014] FCAFC 150

² *Commissioner of Patents v RPL Central Pty Ltd* [2015] FCAFC 177

³ In *RPL Central Pty Ltd v Commissioner of Patents* [2016] HCASL 84, special leave was refused on the basis that "the Full Court was plainly correct"

⁴ *National Research Development Corporation v Commissioner of Patents* (1959) 102 CLR 252

⁵ *Alice Corp. v. CLS Bank International*, S. Ct. 2347 (2014)

section 18(1)(a) of the *Patents Act* and Australian judicial authorities such as *NRDC*, *Grant*⁶, *Research Affiliates* and *RPL Central*.

Software is no different from any other type of invention

Hardware is well understood to be patentable subject matter. However, anyone skilled in computing sciences would understand that there is no substantive distinction between what is hardware and what is software.

For example, most central processing units are designed using VHSIC Hardware Description Language type languages, which are then compiled by various software tools to a final tapeout on a targeted technology. The distinction between software downloaded in an FPGA and a corresponding ASIC is minimal. Further Turing machine arguments often equate the two. Digital hardware is actually implemented in an analog form, with the digital hardware merely being an abstraction.

As a result excluding software from patentability will simply result in software inventions being drafted as hardware style inventions meaning that the aim of excluding software could in fact never be achieved.

Simply considering the number of years it takes to develop patentable subject matter is unhelpful as inventions in other technologies than software can have similarly short time frames.

Patent thickets

Patent attorneys who have contributed to this AIPPI Australia submission routinely perform patent searches for new ideas. Most of these searches are for prior art and therefore, broader in scope and global. Even for broad global patent searches, they report that they have so far not identified a patent thicket in the software space. Therefore, there is no indication that Australian software innovators have suffered from the problems that allegedly exist according to the Draft Report.

The Draft Report in section D.3 identifies patent thickets by using a measure called a "triple". A triple consists of three firms that each hold patents that cite patents held by the other two firms. The Draft Report identifies 37 thickets in digital communication but none in software. It therefore seems incongruous that the Draft Report recommends abolishing software patents.

Further, the Draft Report mentions the area of mobile devices and networking as an example where a dense thicket has developed. The fact that mobile phones are covered by many patents is evidence that the patent system is working. Mobile phones are incredibly complex devices and have thousands of inventions in them that relate to different aspects of their operation, ranging from battery chemistry, over structural stability, to bandwidth-efficient communication protocols and application software. Further, the revenue currently achieved in manufacturing and selling mobile phones is immense. To stipulate that a large number of patents on such a complex product is a negative outcome is not logical.

AIPPI Australia submits that the findings in the Draft Report are based on overly broad definition of technology sectors. Further, a thicket is not determined by the ownership of the patents but by the number of patents for one particular area. A large number of patents in one specialised field of technology would make it difficult for an Australian company to innovate in that sector.

As a start, AIPPI Australia provides below the titles of Samsung's most recent patent applications:

⁶ *Grant v Commissioner of Patents* [2006] FCAFC 120

2015258317	Apparatus and method for controlling motion-based user interface
2015202312	TERMINAL DEVICE FOR DOWNLOADING AND INSTALLING AN APPLICATION AND METHOD THEREOF
2014340816	Method and apparatus for controlling screen brightness in electronic device
2014309577	Electronic device and method for controlling display on basis of information of accessory device and accessory device related thereto
2014288033	Method and apparatus for operating message function in connection with note function
2014275609	Portable terminal and user interface method in portable terminal
2014266127	Interference measurement method and apparatus for controlling inter-cell interference in wireless communication system

It is clear from the titles, that each of these applications relate to entirely different inventions. Therefore, it would be relatively straightforward for an Australian innovator in the area of accessories to review only 2014309577. AIPPI Australia has not seen the situation where a specific aspect of software technology is covered by a large number of patents that are very similar. In the payments space, for example, applications are directed to credit card networks, bank transfers, wallets, cryptocurrency, etc, which are very distinct and different technologies.

It might be insightful for the Productivity Commission to review those patents on the Australian Patent Register that it considers form patent thickets. Perhaps the portfolio by SAP, which is a German provider of business software solutions, could be a good example. A search for “SAP” on IP Australia lists 56 active cases, which could be considered a thicket if these related to the same technology. However, SAP’s portfolio is widespread and ranges from database technology, over user interfaces for data representation to warehouse management. For example, the table below shows three random cases with a short excerpt from claim 1:

2003292085	replicating one or more data objects from a source system to a target system
2005200513	receive a user’s selection of one of the results being displayed on the user interface, display sequentially the database table entries identified by the path of the selected one of the results
2006307996	mapping each set of signals into at least one respective symbol at the server for providing the secret character string based on the selected mapping

This shows that even by brief inspection, the claims are directed to very different software-related subject matter and it is straightforward to discard these when looking for a specific technology. Therefore, this cannot be considered a thicket.

As another example, a search for “shopping app” or “shop app” only list one active case (pending), which appears to be self-filed.

A search for “business software” locates 12 granted patents (IBM:6, SAP:2) and 3 pending applications and no other active cases.

In summary, there is no evidence of patent thickets in Australia. On the other hand, there are many Australian innovators who have used their Australian patent applications to increase the bottom line of their business and/or to enable them to enter new markets. As a consequence, abolishing software patents would not reduce thickets (there are none) but would take away business opportunities for Australian innovators.

Patent system is self-regulating

The Draft Report asserts that many patents are of low value. AIPPI Australia considers that the costs of the patent system are sufficient to ensure only valuable patents survive. If a patent was of low value, it would simply not be worth pursuing at a high monetary cost.

On the other hand, if a patent is to an invention that is so incremental that it has no social benefit but nevertheless proceeded to grant, it would be easy to circumvent this patent by a workaround so that this low value patent would not be a problem for an Australian innovator.

Therefore, based on market observations, there is no problem of too many low-value patents.

Infringement is not the main concern

For most Australian SMEs or start-ups infringement is not a major concern. At the beginning of the life of a new invention, there are years of negative cash flow until the “valley of death” is finally crossed. During this time, there is no profit and therefore, there is little incentive for a patent holder to sue the start-up. Later, when the start-up has a significant client base and a working technology, it is very rare that the best commercial decision by a patent holder is a law suit. Instead, a patent holder would typically increase their profit by acquiring the start-up. Therefore, the question of whether the start-up’s technology infringes a patent is not the main concern. Instead, a robust patent application serves as an asset in the acquisition process.

International context

Most large competitors with the funds to litigate come from other jurisdictions where software patents are also granted. An Australian start-up with their own patent portfolio would be able to offer a technological contribution to their competitor in case the competitor asserts infringement.

There is a risk if software patents are abolished, Australian start-ups, which almost always plan globally, will be significantly disadvantaged by not being able to patent their software innovations in Australia. Further, without patent protection, many Australia start-ups will struggle to find investors or get their invention to market without it being copied.

Conclusion

Practitioners skilled in the area of computer science and drafting patents know that:

- there is no substantive distinction between what is hardware and what is software. There is no basis for specific treatment of software;
- the negative impacts of software patents are not proven by the Draft Report;
- a succinct definition of a business method or software is not possible, meaning that any codification using these terms could never achieve the aims of the productivity report; and
- the current legal tests are more dynamic and set boundaries on what is patentable subject matter in the area of computer science without damaging the Australian software industry.

AIPPI Australia supports maintenance of the legal status quo.

What is really needed is a positive message from the government to Australian software innovators that their clever products are indeed patentable.

CHAPTER 9: Pharmaceutical patents

Draft recommendation 9.1

The Australian Government should reform extensions of patent term for pharmaceuticals such that they are calculated based only on the time taken for regulatory approval by the Therapeutic Goods Administration over and above one year.

AIPPI Australia disagrees with this draft recommendation.

The current extension of term regime meets Australia's obligations under international agreements, including the Australia-United States Free Trade Agreement (**AUSFTA**), World Trade Organisation agreements, and Trans Pacific Partnership Agreement (**TPP**).

AUSFTA provides for the adjustment of the patent term to compensate for the unreasonable curtailment of the effective patent term as a result of the marketing approval process (17.9.8(b)).⁷ The TPP similarly provides: "with respect to a pharmaceutical product that is subject to a patent, each Party shall make available an adjustment of the patent term to compensate the patent owner for unreasonable curtailment of the effective patent term as a result of the marketing approval process."⁸

AIPPI Australia considers that the draft recommendation would not comply with the AUSFTA, because it would not compensate a patentee for the full extent of the curtailment of term which results from the marketing approval process.

It should be borne in mind that the marketing approval process includes steps prior to obtaining regulatory approval, such as conducting clinical trials which are necessary for regulatory approval, as well as the time taken by the regulator to consider the applications. As the Draft Report notes, these trials are very costly and very lengthy.⁹ As is apparent from Figure 9.1 of the Draft Report, the clinical trials are the major source of delay in obtaining regulatory approval.

It should also be borne in mind that:

- the pharmaceutical patent term extension provisions were introduced with the aim to provide "fifteen years of effective patent life for pharmaceuticals";¹⁰
- under the current legislation any extension of term is capped at 5 years (s 77);
- there are certain restrictions to the scope of monopoly in the event of an extension in any case (s 78);
- The final report of Pharmaceutical Patents Review Committee suggested that only 53% of patents which were granted a patent term extension achieved 15 years of protection following the date of first inclusion in the ARTG (that is, an effective patent term of fifteen years);¹¹ and
- "springboarding" provisions which provide protection for generics seeking regulatory approval apply.¹²

AIPPI Australia notes that the suggestion that manufacturers will deliberately delay seeking regulatory approval so as to extend patent term¹³ does not reflect the fact that there is no

⁷ "With respect to a pharmaceutical product that is subject to a patent, each Party shall make available an adjustment of the patent term to compensate the patent owner for unreasonable curtailment of the effective patent term as a result of the marketing approval process."

⁸ See article 18.48(2)

⁹ See p 257 and Figure 9.1.

¹⁰ See Options Paper published by the Department of Industry, Science and Technology entitled "Effective Patent Life for Pharmaceuticals" in October 1995.

¹¹ See Harris, Nicol and Gruen Table 4.4

¹² See s 119

benefit to manufacturers in a pharmaceutical patent without regulatory approval, since the manufacturer cannot exploit the patent in the absence of regulatory approval.

AIPPI Australia is concerned that if this draft recommendation is adopted, innovator pharmaceutical manufacturers may not apply at all for marketing approval in Australia, given the relatively lengthy and costly process involved and the lack of ability to recoup this cost by a (slightly) extended monopoly. This will affect the availability of pharmaceuticals in Australia.

Further in this regard, AIPPI Australia notes that the draft recommendation is very unlikely to increase local investment in the pharmaceutical sector (and may actually reduce it, given the removal of incentives). The evidence base for the assertion that the extension of term regime has been ineffective in this regard is unclear.

AIPPI Australia agrees that the case law concerning s 70 is confusing and inconsistent and merits review (although it does not agree that extensions should necessarily be limited to new active pharmaceutical ingredients).

Further, AIPPI Australia endorses the IPC Submission in response to this draft recommendation.

Draft recommendation 9.2

Regardless of the method of calculating their duration (draft recommendation 9.1), extensions of term in Australia should only be granted through a tailored system which explicitly allows for manufacture for export in the extension period.

AIPPI Australia does not support this draft recommendation.

First, AIPPI Australia considers that this draft recommendation is unlikely to comply with Article 30 of TRIPS.

Second, an export listing constitutes marketing approval for the purpose of triggering the time limits for an extension of term, on the basis that export is a form of exploitation.¹⁴ There is therefore no rational reason to exclude exportation from the rights conferred in an extension, since such an approach would mean that a patentee who had only obtained regulatory approval to export would be required to apply for an extension of time on the basis of that approval (since the approval would trigger the extension period) but would have no ability to exploit exclusively during the period of the extension (since the patentee's only ability to exploit would relate to its right to export, which right would not be exclusive during the period of extension). Such an approach is illogical and unsatisfactory.

AIPPI Australia also endorses the IPC Submission in response to this draft recommendation.

Draft recommendation 9.3

There should be no extension of the period of data protection, including that applicable to biologics.

Further, in the context of international negotiations, the Australian Government should work with other nations towards a system of eventual publication of clinical trial data in exchange for statutory data protection.

AIPPI Australia supports the second part of this draft recommendation but is concerned that the first part does not comply with Australia's international obligations.

AIPPI Australia agrees that the Australian Government should work with other nations towards a system of publication of clinical trial data in exchange for statutory data protection.

However, AIPPI Australia is concerned that Article 18.51 of the TPP requires **either** that new pharmaceutical products containing biologics are afforded eight years protection **or** that a

¹³ p 266

¹⁴ See *Pfizer Corp v Commissioner of Patents* [2006] FCAFC 190

comparable outcome is provided through five years protection, “other measures” and “market circumstances”. In light of the High Court’s decision in *D’Arcy v Myriad Genetics Inc* [2015] HCA 35, it is not apparent what “other measures” might afford an effective eight years protection.

Draft recommendation 9.4

The Australian Government should introduce a transparent reporting and monitoring system to detect any pay-for-delay settlements between originator and generic pharmaceutical companies. This system should be administered by the Australian Competition and Consumer Commission.

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

AIPPI Australia does not support this draft recommendation.

AIPPI Australia notes that:

- “pay for delay” arrangements may well be in breach of (at least) s 45 of the *Competition and Consumer Act 2010* (Cth) (the CCA), since it is unlikely that s 51(3) of that Act would apply to such arrangements, and
- the ACCC could already investigate “pay for delay” arrangements by using its powers under s 155 of the CCA.

Further, AIPPI Australia is not aware of any evidence that “pay for delay” is a problem in Australia (AIPPI Australia notes that *Australian Competition and Consumer Commission v Pfizer* [2015] FCA 113 (**Pfizer**) was not on any view a case about “pay for delay”: it related to the patentee’s behaviour at the end of the patent term, and in any case, the allegations against Pfizer were not made out). It notes that *Pfizer* demonstrates that if the ACCC was concerned about such conduct, it could and would use its powers to investigate and prosecute.

In the absence of any evidence that “pay for delay” is a real problem in Australia, AIPPI Australia considers that the proposed arrangement would be unnecessarily intrusive, would deter settlement and would divert the ACCC’s resources.

If the Government wishes to prevent anti-competitive conduct in the context of settlement negotiations, it would be more productive to consider amending the CCA to more clearly articulate the limitations of s 51(3) and its interactions with the other sections of Part IV.

Draft recommendation 9.5

The Australian Government should reform s. 76A of the Patents Act 1990 (Cth) to improve data collection requirements. Thereafter, extensions of term should not be granted until data is received in a satisfactory form.

After five years of data has been collected, it should be used as part of a review to consider the ongoing costs and benefits of maintaining the extension of term system.

AIPPI Australia supports the first part of this draft recommendation, in that it:

- is not aware of any meaningful use which is made of the data collected, and
- agrees that data should be collected to identify whether pharmaceutical research and development in Australia has been encouraged.

AIPPI Australia does not consider that it is possible to conclude, in the absence of such data, that “any data would presumably support the conclusion that the extension of term system is not encouraging R&D in Australia.”

As to the second part of this draft recommendation, AIPPI Australia considers that any review of the ongoing costs and benefits of maintaining an extension of term should take into account that there may be benefits to an extension of term regime other than pharmaceutical research and development in Australia (such as the availability of pharmaceuticals in Australia, since the additional monopoly afforded by the extension regime may provide an additional incentive to manufacturers to register or list therapeutic goods in Australia).

AIPPI Australia further endorses the comments made in the IPC Submission in response to this draft recommendation.

CHAPTER 10: Registered Designs

Draft recommendation 10.1

Australia should not join the Hague Agreement until an evidence-based case is made, informed by a cost-benefit analysis

As set forth above, AIPPI Australia strongly supports global efforts towards harmonisation of the IP system. Australia is already an active participant in and user of the Patent Cooperation Treaty and the Madrid Protocol for Trade Marks. Each such system has led to greater harmonisation of patent and trade mark administrative and examination procedures for Australian entities. Each such system has led to reduced costs for Australian entities.

Thus, each such system has already proven the cost-benefit case for Australian entities. AIPPI Australia sees there being no reason as to why the Hague Agreement would not function in a likewise manner for Australian-based entities.

Joining Hague would increase the term of an Australian registered design from 10 to 15 years. However, this would also make the Australian registered design term more harmonised with major industrialised jurisdictions, most of whom are already Hague members. Right now, Australia's term is well out of alignment with major industrialised jurisdictions. Any concern with the increased term could easily be offset by, for example, requiring a higher renewal fee for the final 5 year extension of term.

CHAPTER 11: Trade Marks and Geographical indications

Introduction

The Draft Report acknowledges the two limbs of the economic rationale for trade marks and GIs: "reducing search costs for consumers, which in turn provides an incentive for firms to invest in branding reputation." (p 331). AIPPI Australia submits that these are in fact dual or complementary rationales rather than the latter being dependent on the former, as was recognised in the Second Reading Speech for the *Trade Marks Bill 1995*:

A trade mark serves to indicate the trade origin of goods or services. By granting the owner of a registered trade mark the exclusive right to use, or authorise others to use, their trade mark, Australian's trade marks law serves two complementary objectives – first, identification and protection of a business's products and, second, protection of the consumer.

The Draft Report does not provide any evidence of a correlation between an increase in trade mark registrations and any potential increase in "trade mark cluttering", nor any evidence that cluttering is in fact a real, rather than hypothetical, problem.

The suggestion that increased trade mark registrations only "make sense if consumers are increasingly confused about differentiation between brands, or that there are no alternatives to providing that information" (p 334) overlooks that incentivising firms to invest in branding and reputation itself drives innovation. With the function of innovation comes the need to safeguard that innovation, which is what drives businesses to seek registered trade mark

protection. This is evidenced by Figure 11.4 of the Draft Report which demonstrates a correlation between "innovation active" firms and use of copyright and trade marks to protect IP.

As the Draft Report acknowledges, the *Trade Marks Act 1995 (TMA)* already provides measures to prevent any "cluttering" in sections 41 and 44 (p 332-333). However, AIPPI Australia does not accept, by reference to the hypothetical illustrations in Figure 11.5, any implicit suggestion that these provisions are not working. Nor does AIPPI Australia accept that any reliance should be placed upon "anecdotal evidence...that new firms are finding it difficult to establish their branding", if supported only by the citation on page 333 (attributed to Hulfbrosch in *Redrup and Durkin 2014*). That quote is not apt for new firms: "we work with most of Australia's top brands".

That quote also suggests that "When colours, smells and shapes are owned by companies it becomes harder and harder...[to] create something unique." Any suggestion of complete "ownership" is erroneous. Trade marks are registered in respect of particular goods and services according to the *Nice Classification* system, thereby confining the monopoly rights provided by registration to particular goods and/or services. Further, applicants may not seek registration for "all goods" or "all services" (or the like), thereby ensuring that the monopoly granted by registration is both confined and precise¹⁵. Further, to the extent that the quote suggests that there has been extensive trade mark registration in relation to colours, smells and shapes, of the almost 627,000 trade marks currently registered in Australia, a rudimentary search of the Trade Mark Register by category shows that there are merely 138 trade marks registered solely for colour, one for scent and 372 for shape.

To the extent that new firms may need to be more innovative to distinguish their branding strategies from those of their competitors who may already have trade mark registrations, the greater the difference between branding for similar goods and/services, the better the ability of consumers to distinguish between alternative, authentic offerings, thereby further reducing consumer search costs.

Draft recommendation 11.1 (dot point 1)

In order to improve the effectiveness of the trade mark system, the Australian Government should:

- *restore the power for the trade mark registrar to apply mandatory disclaimers to trade mark applications, consistent with the recommendation of the Advisory Council on Intellectual Property in 2004.*

To the extent that an application for a trade mark consists of or contains elements "that other firms – existing or potential – may need to use in their day-to-day operations" (p 332), AIPPI Australia supports measures to define as precisely as possible the scope of the exclusive rights conferred by a trade mark registration.

Accordingly, AIPPI Australia supports this draft recommendation.

AIPPI Australia also endorses the IPC Submission in response to this draft recommendation, and further notes the following:

- The Government response to the ACIP Review of Trade Mark Enforcement, April 2004 (**Government Response**) Recommendation 5 included that:
 - *the Government is not persuaded that a disclaimer offers the certainty claimed if as it does not clarify what rights flow from registration;*
 - *under the previous regime the Registrar had some discretion in relation to requiring a disclaimer and returning to this practice will not necessarily provide more certainty;*

¹⁵ *Trade Marks Regulations 1995 (Cth) (TM Regulations)*, regulation 4.4(2); [IP Australia, Trade Marks Office Manual of Practice and Procedure](#), Part 14, Section 3

However, AIPPI Australia agrees with ACIP that a mandatory requirement is necessary to achieve the full benefit of a disclaimer system, the merits of such system evidenced by the fact that a voluntary system was maintained under the TMA.

- Although the Government Response cited uncertainty about the status of the many trade marks registered since the enactment of the TMA, AIPPI Australia agrees with the ACIP view that the issue of disclaimers need not be revisited for those marks registered under the TMA.
- AIPPI Australia does not support the alternatives to mandatory disclaimers set out in Box 11.2 of the Draft Report.

Draft recommendation 11.1 (dot point 2)

In order to improve the effectiveness of the trade mark system, the Australian Government should:

- *repeal part 17 of the Trade Marks Act 1995 (Cth).*

AIPPI Australia does not support this draft recommendation.

The Draft Report offers no evidence to support the assertions that:

- Defensive trade marks offer a more deliberate method to hinder competition and prevent entry of new firms to a market. (p 338)
- or that defensive trade marks "represent a form of cluttering" (p 339).

Obtaining a defensive trade mark is a means of protecting a well-known and extensively used registered trade mark. If the owner of such a trade mark can show that, were the mark to be used in relation to goods and services other than those for which it had been registered, there is a likelihood that consumers would connect those other goods and services to the mark owner, a defensive trade mark can be registered to prevent the use of the mark in relation to those other goods and services.

The TMA permits trade mark owners to take action against third parties that infringe a trade mark. However, these protections are reactive. Similarly, the Australian Consumer Law and the tort of passing off provide both the mark owner, and consumers, with relief from the improper use of a well-known mark by a third party. However, such relief is likewise only available after the improper use has occurred. Defensive trade marks allow for proactive protection of a mark. Proactive protection provides greater efficiency, as it prevents costly and lengthy proceedings.

Part 17 of the TMA also provides in-built limits to its availability. A significant amount of evidence must be provided by the applicant for a defensive trade mark registration, demonstrating the proximity of the goods and services for which the defensive trade mark is sought to those goods and services covered by the primary registration. Given the relatively strict approach to the registration of such marks, a defensive mark will likely only be granted to block those market entrants who are attempting to trade off brands with significant reputation and good will.

Therefore, defensive trade marks provide a two-fold protection mechanism. Owners of an already registered trade mark that has achieved a sufficient level of recognition are protected from the improper association of that mark with goods or services with which the trade mark owner is not involved. Secondly, consumers are protected from being deceived into assuming a false connection between unrelated goods and services and a particular owner or brand, because of the misuse of a well-known and identifiable trade mark. This is particularly important in today's commercial environment where consumers are well aware of the prevalence of cross-marketing and licensing arrangements.

AIPPI Australia further refers to and endorses the IPC Submission in this regard, and also notes the following:

- The fact that many of the defensive marks applied for prior to the introduction of the TMA no longer remain registered also suggests that the system of defensive marks is being used responsibly and pragmatically by owners of well-known marks. That is, if the issues of the type identified in the worked example in the IPC Submission (for the trade mark DYSON) are not arising, lapsing/removal of such marks from the Register suggests that the owners are not experiencing misuse of their reputation and goodwill and/or any such issues are not sufficiently problematic to justify paying ongoing renewal fees.
- Importantly, this draft recommendation, if adopted, would be inconsistent with Australia's international obligations including:
 - Article A16(3) of the TRIPS Agreement, which states that Article 6*bis* of the Paris Convention (which concerns the protection of well-known marks in the case of identical or similar goods) also applies in the case of dissimilar goods or services, if the use indicates a connection with the owner of the registered trade mark, and if the interests of that owner are likely to be damaged; and
 - Article A3(1) of the Joint Recommendation Concerning Provision on the Protection of Well-known Marks¹⁶, which requires Member States to protect well-known marks against conflicting marks, business identifiers and domain names, at least with effect from the time the mark has become well-known in the Member State.
- AIPPI Australia also submits that, to the extent this draft recommendation rests upon the proposition that "Few jurisdictions other than Australia allow for defensive trade marks" (p 339), Australia's major trading partners, in compliance with their international obligations, provide for various mechanisms for the protection of well-known marks. The terminology may differ ("marks with a reputation" in the European Union; "famous marks" under the US Trademark Act). The mechanism for protection may also differ, eg laws relating to dilution, parasitism, free riding or generalised torts of "unfair competition" or "unfair trading". However, key jurisdictions do extend commensurate protection.
- Finally, AIPPI has, at an international level, passed several Resolutions based on international surveys of its national and regional members (including AIPPI Australia), which support such protection¹⁷.

Draft recommendation 11.1 (dot points 3 and 5)

In order to improve the effectiveness of the trade mark system, the Australian Government should:

- *amend s. 43 of the Trade Marks Act so that the presumption of registrability does not apply to the registration of marks that could be misleading or confusing.*

IP Australia should:

- *require the Trade Marks Office to return to its previous practice of routinely challenging trade mark applications that contain contemporary geographical references (under s. 43 of the Trade Marks Act). Challenges would not extend where endorsements require goods and services to be produced in the area nominated.*

AIPPI Australia endorses the IPC Submission in this regard, and notes further the following:

¹⁶ Adopted by the Assembly of the Paris Union for the Protection of Industrial Property and the General Assembly of the World Intellectual Property Organisation (WIPO) at the Thirty-Fourth Series of Meetings of the Assemblies of the Member States of WIPO, September 20 to 29, 1999

¹⁷ Resolution Q234 – relevant public for determining the degree of recognition of famous marks, well-known marks and marks with reputation (ExCo Helsinki, 2013 [Resolution Q234](#)) (and the Resolutions cited therein), Resolution Q245 – Taking unfair advantage of trademarks: parasitism and free riding (Congress Rio de Janeiro, 2015 [Resolution Q245](#))

- AIPPI Australia submits that public education and awareness has a role to play to the extent that:

The protection afforded by trade marks is not well understood by consumers or businesses (p. 339).

Increasingly WIPO and IP Offices around the world are producing materials which educate the public about the role, scope of protection and value of IP beyond mere factual information about how to register IP rights.

- Endorsements can play an effective role, as demonstrated by the Byron Bay mark example (p 340). AIPPI Australia submits this is a preferable route, rather than changing the presumption of validity, acknowledged to be problematic in Box 11.2 of the Draft Report.

Draft recommendation 11.1 (dot point 4)

In order to improve the effectiveness of the trade mark system, the Australian Government should:

- *amend the schedule of fees for trade mark registrations so that higher fees apply for marks that register in multiple classes and/or entire classes of goods and services.*

AIPPI Australia does not support this draft recommendation. AIPPI Australia endorses the IPC Submission in this regard, and notes further the following:

- To the extent that a disincentive against multiple-class registrations may result in single-class registrations being used across multiple classes, with the resultant failure to register across all classes of use increasing consumer confusion and litigation relying on alternative action such as misleading and deceptive conduct and passing off, AIPPI Australia repeats its submission above, noting the inefficiency of such proceedings where they can otherwise be avoided. See above in relation to draft recommendation 11.1 (dot point 2).
- To the extent that this draft recommendation relates to higher fees for "entire classes of goods and services", as noted above in relation to draft recommendation 11.1 (dot point 1), trade mark applicants are not permitted non-specific descriptions that include expressions such as "all goods", "all services", "all other goods", "all other services", "all products in this class". Further an applicant may not claim as part of the specification of goods and/or services a range of goods or services in a particular class which is unrealistically broad so that in commercial terms it is unlikely that the applicant would deal in or provide the range of goods or services¹⁸.

Draft recommendation 11.2

The Australian Government should amend s.123 of the Trade Marks Act 1995 (Cth) to ensure that parallel imports of marked goods do not infringe an Australian registered trade mark provided that the marked good has been brought to market elsewhere by the owner of the mark or its licensee. Section 97A of the Trade Marks Act 2002 (New Zealand) could serve as a model clause in this regard.

AIPPI Australia shares the views in the IPC Submission in this regard, namely that both an empirical enquiry into the parallel importation of trade marked goods and a full review of the operation of the relevant provisions of the TMA should precede any decisions on the proper approach to s 123. Accordingly, AIPPI Australia does not support the draft recommendation in its present form.

¹⁸ [IP Australia, Trade Marks Office Manual of Practice and Procedure – Part 6, paragraph 6.6; Trade Marks Regulations, reg. 4.8\(3\)](#)

Information request 11.1

To what extent – in terms of incidents and costs – is trademarked meta data used in a way to confuse consumers? Is such a problem likely to get worse or better?

It is currently unclear whether the presence of a competitor's trade mark in the metadata of an individual or firm constitutes trade mark infringement or misleading and deceptive conduct. Judicial consideration has been minimal, with only three first-instance decisions having directly considered the issue: *Complete Technology Integrations Pty Ltd v Green Energy Management Solutions Pty Ltd* [2011] FCA 1319 (**Complete Technology**), *Accor Australia & New Zealand Hospitality Pty Ltd v Liv Pty Ltd* [2015] FCA 554 (**Accor**), and *Veda Advantage Limited v Malouf Group Enterprises Pty Limited* [2016] FCA 255 (**Veda**). Of these, *Complete Technology* and *Veda* found that the relevant metadata (or "metatags") did not constitute trade mark infringement. *Accor* found that the metadata *did* constitute trade mark infringement. However, *Accor* has been appealed (the appeal was heard in February 2016), with judgment yet to be handed down.

On balance, such judicial consideration as is presently available suggests that the current legislative regime is ill-suited to consider issues of metadata in relation to trade mark infringement or misleading and deceptive conduct. Metadata is not analogous to "real" or physical examples of information displayed so as to infringe a trade mark or deceive or mislead. That metadata is almost always invisible to the user makes it unlikely to fit within the framework of s 120 of the TMA. Further, the sole decision in which metadata has been found to constitute a trade mark infringement is currently the subject of an appeal. AIPPI Australia submits that further consideration of this issue should await the appeal judgment in *Accor*, following which further consideration should be given to the need for any legislative change, including having regard to any evidence the Commission gathers pursuant to information request 11.1.

Draft recommendation 11.1 (dot point 6)

IP Australia should:

- *In conjunction with the Australian Securities and Investments Commission, link the Australian Trade Mark On-line Search System database with the business registration portal, including to ensure a warning if a registration may infringe an existing trade mark, and to allow for searches of disclaimers and endorsements.*

AIPPI Australia shares the concerns expressed in the IPC Submission as to whether this draft recommendation would address the issues identified in the Draft Report. AIPPI Australia agrees with the IPC Submission that a more effective alternative would be to strengthen public education regarding differences between business names and trade marks and the effect of pre-existing IP rights.

Information request 11.2

To what extent and in what form does consumer confusion arise from the provision of wine and spirit geographical indications?

Under what circumstances should wine and spirit geographical indications be amended or repealed? Who should make such decisions?

In relation to the first question, AIPPI Australia agrees with the observations in the IPC Submission.

In relation to the second question, AIPPI Australia notes that any amendment or repeal would need to be considered in light of the *Australian Grape and Wine Authority Act 2013* (Cth) pursuant to which Australia observes its obligations under the *Agreement between Australia and the European Community on Trade in Wine* (2008).

CHAPTER 12: Plant Breeder's Rights

Draft recommendation 12.1

The Australian Government should proceed without delay to implement the Advisory Council on Intellectual Property 2010 recommendation to amend the Plant Breeder's Rights Act 1994 (Cth) to enable essentially derived variety declarations to be made in respect of any variety.

AIPPI Australia supports this draft recommendation.

CHAPTER 14: Competition Policy

Draft recommendation 14.1

*The Australian Government should repeal s. 51(3) of the Competition and Consumer Act 2010 (Cth) (**Competition and Consumer Act**)*

AIPPI Australia is of the view that s. 51(3) should be amended to make it clearer (see also comments above). However, AIPPI Australia does not agree with the draft recommendation that the section should be repealed. AIPPI Australia otherwise endorses the IPC Submission in relation to this draft recommendation.

CHAPTER 17: International Cooperation

Draft recommendation 17.1

Australia should revive its role in supporting opportunities to promote global cooperation on intellectual property policy among intellectual property offices through the World Intellectual Property Organization and the World Trade Organization to avoid duplication and reduce transaction costs.

As stated at the beginning of AIPPI Australia's submission, AIPPI is the world's leading international organisation dedicated to the development and improvement of legal regimes for the protection of intellectual property. Accordingly AIPPI Australia strongly endorses this draft recommendation.

Draft finding 17.1

Approaches to international cooperation and lowering transaction costs will be most effective when pursued multilaterally rather than through bilateral arrangements. Moreover, harmonisation of laws is not the sole, or necessarily desirable, form of cooperation. Other approaches to international intellectual property cooperation can achieve their goals at lower cost and with greater flexibility.

AIPPI Australia endorses the IPC Submission in relation to this draft finding.

CHAPTER 18: Compliance and enforcement of IP rights

Draft recommendation 18.1

The Australian Government should expand the safe harbour scheme to cover the broader set of online service providers intended in the Copyright Act 1968 (Cth).

AIPPI Australia endorses the IPC Submission in relation to this draft recommendation.

Draft information request 18.1

Would changes to the jurisdiction of the Federal Circuit Court improve access to dispute resolution by small- and medium-sized enterprises? Should additional rules be introduced, such as caps on the amount of costs claimable in a case? What is the upper limit on damages claims the court should hear?

Are there resourcing impediments to the proposed reforms to the Federal Circuit Court?

Can greater use be made of cost orders in the Federal Court, including for discovery, to reduce costs further? Should additional Federal Court rules be introduced, such as caps on the amount of costs claimable in a case?

AIPPI Australia endorses the IPC Submission in relation to this draft information request.

AIPPI Australia
8 June 2016