Patent privileges and the National Competition Policy – patent scope and allocation?

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This article suggests that the modern Australian policy for strengthened patent privileges has failed to adequately address the requirement to demonstrate that the benefits of the restriction on competition outweigh the costs and that the objectives of patent privileges can only be achieved by restricting competition. These requirements are the principle articulated in the Independent Committee of Inquiry into Competition Policy in Australia (Hilmer Committee) and its subsequent codification in the Competition Principles Agreement (CPA) as part of the National Competition Policy. The article concludes that applying the requirements of the CPA to patent privileges and assessing the broader debates about the appropriate patent scope and allocation is more likely to deliver a more rational patent policy that is more likely to be suited to the Australian community.

1. INTRODUCTION

Australia's economic and science policy planners assert that commercialising Australia's ingenuity, creativity and determination through patent privileges under the Patents Act 1990 (Cth) and the Trade Practices Act 1974 (Cth) will deliver an Australian future of prosperity.1 These policy initiatives to improve business investment in innovation, stimulate growth of innovative firms, strengthen commercial linkages between publicly funded research institutions and industry and take promising research to the stage of commercial viability2 are commendable. But the place of legislated patent privileges, and in particular "stronger" patent privileges,3 in achieving these policy outcomes has

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2 See for example Backing Australia's Ability, n 1, p 18.

3 The foundation document of the current government innovation policy, Backing Australia's Ability, as it was articulated in 2001, only sought to "strengthen our intellectual property (IP) management processes and increase access to global research and technologies" (Backing Australia's Ability, n 1, p 18) and makes no mention that this be achieved through a scheme that creates more certain or more comprehensive privileges for inventors. However, by 2003 the implementation of Backing Australia's Ability involved enhancing the privileges of patent holders, based on the conclusion that a "sound intellectual property (IP) protection and management are both critical for a successful innovation system" and a need for "fundamental changes to the patent system, to provide better protection and meet the needs of those using our IP regulatory regime"
failed to address the broader debates about the appropriate scope and allocation of patent privileges in demonstrating that the benefits of restricting competition to the community as a whole outweigh the costs, and that the objectives of the patent privileges can only be achieved by restricting competition. This demonstration is the founding principle articulated in the Independent Committee of Inquiry into Competition Policy in Australia (Hilmer Committee) and the subsequent codification of this principle in the Competition Principles Agreement (CPA) binding the Commonwealth, States and Territories to facilitate effective competition to promote economic efficiency and benefits for consumers, as part of the National Competition Policy (NCP).

Despite recent reviews of legislated patent privileges, set out in both the Patents Act 1990 (Cth) and the Trade Practices Act 1974 (Cth), in accordance with the CPA to expressly identify and remove unjustified restrictions on competition, patent privileges under the Patents Act 1990 (Cth) and the Trade Practices Act 1974 (Cth) have avoided a comprehensive competition analysis. This avoidance of competition analysis is an anomaly in the ferment and scope of implementing the

(Colburn, Bawcing Australia's Ability: Real Results Real Jobs – Innovation Report 2001-2002 (Big Island Graphics and Corporate Communications ISR, 2002) p 14). Thus, Bawcing Australia's Ability had evolved to offer a "range of IP initiatives that strengthen our ability to protect our ideas and better capture returns from commercialisation" (Real Results Real Jobs – Innovation Report 2001-2002, p 14).


5 Competition Principles Agreement, cl 5(1)(a); the Council of Australian Government adopted the Competition Principles Agreement on 11 April 1995; the agreement is set out in National Competition Council, Compendium of National Competition Policy Agreements (Australian Government Publishing Service, 1997).

6 Competition Principles Agreement, cl 5(1)(b).

7 Independent Committee of Inquiry into Competition Policy in Australia, National Competition Policy (Australian Government Publishing Service, 1995) pp 204-208 (Hilmer Committee report).

8 See Compendium of National Competition Policy Agreements, n 5.

9 The NCP comprises a series of agreements between the Commonwealth, States and Territories (see Compendium of National Competition Policy Agreements, n 5), legislative measures to limit anticompetitive conduct and ensure access to essential facilities (such as the Trade Practices Act 1974 (Cth)) and government bodies to oversee the application of the NCP (such as the Australian Competition and Consumer Commission and the National Competition Council; see Trade Practices Act 1974 (Cth)).


11 Intellectual Property and Competition Review Committee, n 10, pp 202-215; National Competition Council, Review of Sections 51(2) and 51(3) of the Trade Practices Act 1974 (CanPrint Communications Pty Ltd, 1999).

12 Competition Principles Agreement, cl 5(3) and (5).

13 There are the "exclusive rights" under the Patents Act 1990 (Cth), s 13: "during the term of the patent [up to 20-25 years from the application lodgment date], to exploit the invention and to authorise another person to exploit the invention" (s 13(1)) which is "personal property ... capable of assignment and devolution by law" (s 13(2)); the term "exploit", for a product invention, includes "make, hire, sell or otherwise dispose of the product, offer to make, sell, hire or otherwise dispose of it, use or import it, or a rep for the purpose of doing any of these things" (Sch 1); for a process invention, "exploit" includes "the method or process or do any act mentioned [for the product invention] in respect of a product resulting from such use" (Sch 1); there are some exceptions to these "exclusive rights" including "[h]uman beings, and the biological processes for their generation, are not patentable inventions" (s 18(2)), an invention that is "contrary to law" (s 50(1)(a)), an invention that is "a substance or a process producing such a substance by mere admixture" 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 (s 50(1)(b)), and an invention "containing a claim that includes the name of a person as the name, or part of the name, of the invention so far as claimed in that claim" (s 50(2)).

14 These are the exceptions from contravening the Trade Practices Act 1974 (Cth), Pt 4 being, "anything specified in, and specifically authorised by: (i) an Act (not including an Act relating to patents ...); or (ii) regulations made under such an Act" (s 51(1)(c)), except "the imposing of, or giving effect to, a condition of: (i) a licence granted by the proprietor, licencee or owner of a patent ... or (ii) an assignment of a patent ... to the extent that the condition relates to (iii) the invention to which the patent or application for a patent relates or articles made by the use of that invention" (s 51(3)(a)), except in the misuse of market power (ss 46 and 46A) and resale price maintenance (s 48).
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broader objectives of the NCP across the Australian economy.\textsuperscript{15} This article reviews the application of the CPA to the legislative reviews of patent privileges set out in the \textit{Patents Act 1990 (Cth)} and the \textit{Trade Practices Act 1974 (Cth)}, and to legislation amending the \textit{Patents Act 1990 (Cth)}. Part 2 reviews the key aspects of the developed NCP from its foundations in the Hilmer Committee’s report, and the legislative reviews following from the CPA by the National Competition Council (NCC) and the Intellectual Property and Competition Review Committee (IPCR Committee). These analyses find that both the NCC and the IPCR Committee relied on a particular perspective about the benefits of patent privileges without addressing the broader debates about patent scope and allocation, and through this approach fail to adequately address the CPA’s requirements. The contrasting IPCR Committee’s majority’s approach to assessing parallel import restrictions under the \textit{Copyright Act 1968 (Cth)} is then examined to highlight this contention. Part 3 reviews the Australian Government’s framework for applying the CPA’s threshold of benefit that outweighs the costs and “public interest” that warrants or justifies restrictions on competition when assessing legislation that restricts competition. The application of these criteria to legislation amending the \textit{Patents Act 1990 (Cth)} is then examined. This analysis is relevant in providing some insight into how the CPA might be applied to legislative reviews. The analysis finds that, in the few cases where competition analysis is considered, the regulation development process overlooks the controversy about appropriate patent scope and allocation. Part 4 examines the policy foundations for the “public interest” test and finds that the test is poorly characterised and uncertain in its application. This could account for the uncertain application of the test in the legislation reviews and amending legislation. However, the recent transparency requirements agreed by the Council of Australian Governments (CoAG) should assist in understanding how the test has been applied and promote further meaningful refinements in its application. Finally, Part 5 sets out the conclusions that while there is no question that patent privileges under the \textit{Patents Act 1990 (Cth)} and \textit{Trade Practices Act 1974 (Cth)} may have a role in promoting useful invention, the onus is on those advocating patent privileges to present the evidence justifying the restriction on competition. Despite the uncertain threshold of the benefit and “public interest” test in the CPA, the article asserts that it is the process of analysis that is more likely to deliver better regulation and so the debate about appropriate patent scope and allocation should be considered when addressing the CPA’s requirements. Once patent privileges have been subject to a comprehensive competition analysis, according to the requirements of the CPA, then future consideration of patent privileges is likely to deliver a more rational patent policy that is more likely suited to the Australian community.

2. THE HILMER COMMITTEE, THE CPA AND THE LEGISLATION REVIEWS

As a measure of the collective concern about the high social costs from restrictions on competition (together with the inefficiencies in the market from less than optimal allocation of resources), Australia has undertaken an extensive review of its regulations and government actions to remove anticompetitive arrangements that cannot be justified to achieve an identifiable benefit or “public interest”.\textsuperscript{16} The following sections consider the key aspects of the developed NCP from its foundations in the Hilmer Committee report and the CPA (Section 2.1) to the following legislative reviews required by the CPA and conducted by the NCC (Section 2.2) and the IPCR Committee (Section 2.3). The IPCR Committee approach to patent privileges is then contrasted with its approach to parallel import restrictions under the \textit{Copyrights Act 1968 (Cth)} (Section 2.4).

\textsuperscript{15} See National Competition Council, \textit{National Competition Policy: Some Impacts on Society and the Economy} (Australian Government Publishing Service, 1999); for an example of recent criticism about the implementation of NCP see Quiggin J, “Is Competition Policy Crazy?” (2001) 55 Arena Magazine 55.

\textsuperscript{16} This process may be traced back to the establishment of an NCP following the Hilmer Committee report, n 7, the enactment of provisions following the government response to the Hilmer Committee (\textit{Competition Policy Reform Act 1993 (Cth)}) and formal agreement of an NCP between the Commonwealth, States and Territories (see \textit{Compendium of National Competition Policy Agreements}, n 5); see Ministerial Statement, House of Representatives \textit{Hansard}, 12 March 1991, p 1761 (Prime Minister); details about the stewarding of the NCP agreement are reviewed in Harman E, “The National Competition Policy: A Study of the Policy Process and Network” (1996) 31 \textit{Australian Journal of Political Science} 205 at 208-217.
2.1 Hilmer Committee and the CPA

The Hilmer Committee undertook a broad ranging policy review of the restrictions on competition in Australia and proposed a number of reforms directed to removing barriers to competition with the aim of benefiting consumers, promoting business competition, fostering innovation and making the Australian economy more flexible, thereby "improving its capacity to respond to external shocks and changing market opportunities." 17 The Hilmer Committee report identified two aspects of intellectual property that required further review:

(a) The exemption of certain conditions in licences and assignments of intellectual property in the Trade Practices Act 1974 (Cth) – here the Hilmer Committee report expressed some concern about the existing scheme of exemptions saying "[t]he Committee was not presented with any persuasive arguments as to why intellectual property rights should receive protection beyond that available under the authorization process [in the Trade Practices Act 1974 (Cth)]." 18 The Hilmer Committee "saw force" in arguments suggesting the exemptions be reformed but concluded it was not placed to make "expert recommendations" and suggested that the matter should be examined further to "assess whether the policy reflected by the exemption is appropriate." 19 The NCC and IPCR Committee subsequently undertook the review of the exemption, and this is considered in the following sections; and

(b) The regulatory restrictions on competition contained in statutes or subordinate legislation – here the Hilmer Committee report identified the "temporary monopolies" given to protect intellectual property as a regulatory barrier to market entry. 20 The Hilmer Committee recommended that "[a] mechanism to promote reform of regulation that unjustifiably restricts competition form a central plank of a national competition policy" 21 and then recommended all Australian governments abide by a series of principles, including that:

- "[t]here should be no regulatory restrictions on competition unless clearly demonstrated to be in the public interest"; 22
- "[p]roposals for new regulation that have the potential to restrict competition should include evidence that the competitive effects of the regulation have been considered; that the benefits of the proposed restriction outweigh the likely costs; and that the restriction is no more restrictive than necessary in the public interest"; 23 and
- "[a]ll existing regulation that imposes a significant restriction on competition should be subject to regular review to determine that the restriction on competition is "clearly demonstrated" to be in the "public interest". 24

Following the Hilmer Committee report, a number of measures were initiated to put the report's broader recommendations into effect. 25 These included amendments to the Trade Practices Act 1974 (Cth) and Prices Surveillance Act 1983 (Cth), 26 three inter-governmental agreements (including the CPA), and related reforms to the electricity, gas, water and road transport industries. 27 A significant part of the CPA was that governments around Australia review the anticompetitive effects of their

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17 Hilmer Committee report, n 7, p xvi.
18 Hilmer Committee report, n 7, p 150.
19 Hilmer Committee report, n 7, p 151.
20 Hilmer Committee report, n 7, p 195.
21 Hilmer Committee report, n 7, p 211.
22 Hilmer Committee report, n 7, p 212.
23 Hilmer Committee report, n 7, p 212.
24 Hilmer Committee report, n 7, p 212.
26 See Competition Policy Reform Act 1995 (Cth); see also the Second Reading, Competition Policy Reform Bill 1995, House of Representatives, Hansard, 30 June 1995, pp 2793-2801 (Assistant Treasurer); corresponding legislative amendments were also to be introduced in the various States and Territories.
27 See Compendium of National Competition Policy Agreements, n 5.
existing legislation\textsuperscript{28} and ensure those proposals for new legislation that restricts competition be consistent with the "guiding principle":\textsuperscript{29}

that legislation (including Acts, enactments, Ordinances or regulations) should not restrict competition unless it can be demonstrated\textsuperscript{30} that:

(a) the benefits of the restriction to the community as a whole outweigh the costs; and
(b) the objectives of the legislation can only be achieved by restricting competition.\textsuperscript{31}

A timetable for reviewing legislation was agreed in 1996.\textsuperscript{32} In compliance with the CPA, and the agreed timetable for reviewing legislation, the NCC\textsuperscript{33} reviewed the exemption of certain intellectual property dealings from the pre-competition provisions of the Trade Practices Act 1974 (Cth),\textsuperscript{34} and the IPCR Committee\textsuperscript{35} reviewed most Commonwealth intellectual property legislation, including the Patents Act 1990 (Cth).\textsuperscript{36} The approach to conducting and the content of these legislation reviews under the CPA is primarily addressed in the Terms of Reference, although there may be additional considerations,\textsuperscript{37} mandatory procedures\textsuperscript{38} and guidance from other sources.\textsuperscript{39} Essentially, the objectives in conducting the legislation reviews are to assess whether the arrangements restrict competition, whether the benefits to the community as a whole outweigh the costs (including the broader assessment of the "public interest"), that it can clearly be demonstrated that the benefits exceed the costs and whether the same objectives can be achieved by other better means.\textsuperscript{40} Further, the regulation in force should be both "efficient", in terms of "minimizing compliance and other costs imposed on the community"\textsuperscript{41} and "effective" in "addressing an identified problem".\textsuperscript{42} The following sections review the approach and findings of the NCC (Section 2.2) and IPCR Committee (Section 2.3) in applying the CPA criteria. These approaches are then contrasted with the approach of the majority of the IPCR Committee to dealing with parallel import restrictions under the Copyright Act 1968 (Cth) (Section 2.4).

\textsuperscript{28} Competition Principles Agreement, cl 5(3).
\textsuperscript{29} Competition Principles Agreement, cl 5(5).
\textsuperscript{30} The construction of the Competition Principles Agreement, cl 5(1) relies on the term "demonstrated" in setting out the standard to be achieved in applying the "guiding principle" in reviewing existing legislation and proposed legislation that restricts competition, while the Competition Principles Agreement, cl 5(5) expressly requires "evidence" that proposed legislation restricting competition is consistent with the "guiding principle". While this might be construed as a lower standard for reviewing existing legislation, the preferable construction is evidence demonstrating that the guiding principle has been satisfied. That is, "legislation that restricts competition must be accompanied by evidence that the benefits of the restriction to the community as a whole outweigh the costs, and that the objectives can only be achieved by restricting competition".
\textsuperscript{32} See, eg, Centre for International Economics, Guidelines for NCP Legislation Reviews (Centre for International Economics, 1999).
2.2 National Competition Council

The NCC’s Terms of Reference provided, in part, that the NCC “have regard to the analytical requirements for regulation assessment by all Australian governments set out in the CPA”.43 However, the NCC’s task to review the exemption of certain intellectual property dealings from the pro-competition provisions of the Trade Practices Act 1974 (Cth) was complicated by the nature of the legislative scheme. The Trade Practices Act 1974 (Cth) imposes pro-competition regulation onto the conduct of firms,44 which are then relaxed by specific exemptions.45 The Trade Practices Act 1974 (Cth) is expressly stated to apply to any privileges exercised under the Patents Act 1990 (Cth) (and some other intellectual property legislation),46 with an exception for certain licence and assignment conditions “relating to” the patent.47 The exemptions sanctioned relate to anticompetitive agreements,48 exclusive dealings49 and mergers,50 but not to resale price maintenance51 or misuse of market power.52 The NCC addressed the issues by considering the exemptions from the Trade Practices Act 1974 (Cth) to constitute restrictions on competition because they restricted the operation of the imposed pro-competition regulation.53 Further, the NCC confined the scope of its review to “whether, and if so, how [the imposed pro-competition regulation] of the Trade Practices Act should regulate licensing and assignment of intellectual property rights”.54 However, a significant limitation of the NCC’s approach was based on its interpretation of the Terms of Reference to take account of existing intellectual property laws and “assume that [existing intellectual property laws] will continue to exist and provide a strong indication of the government’s preferred policy approach for the regulation [of intellectual property]”.55 Having adopted this view, the NCC could only ever examine the existing legislative provisions without challenging the broader debates about the appropriateness of existing thresholds of patent scope and allocation under the Trade Practices Act 1974 (Cth) scheme.

The NCC then accepted that general property rights and intellectual property privileges share similar attributes56 so that they are “neither particularly free from scrutiny under the antitrust laws, nor particularly suspect under them”.57 and similarly, the exercise of intellectual property privileges did not inherently conflict with pro-competition laws necessarily requiring an exemption from competition law.58 The NCC acknowledged that other jurisdictions do not provide any form of exemptions for restrictive conditions in licenses and assignments;59 However, the NCC then “accepted”60 that the existing exemption “has some continuing relevance in terms of providing businesses with greater certainty when engaging in licensing and assignment activity”61 with the benefit that “[t]his greater certainty can help reduce the costs associated with compliance with trade

43 NCC Review, n 11, p vi.
44 Trade Practices Act 1974 (Cth), Pt IV.
45 Trade Practices Act 1974 (Cth), s 51.
46 Trade Practices Act 1974 (Cth), s 51(1); although the Plant Breeder’s Rights Act 1994 (Cth) is not currently included in this exemption arrangement.
47 Trade Practices Act 1974 (Cth), s 51(3).
48 Trade Practices Act 1974 (Cth), ss 45 and 45A.
49 Trade Practices Act 1974 (Cth), s 47.
50 Trade Practices Act 1974 (Cth), ss 50 and 50A.
52 Trade Practices Act 1974 (Cth), s 46.
53 NCC Review, n 11, p 5.
54 NCC Review, n 11, p 5.
55 NCC Review, n 11, p 17.
56 NCC Review, n 11, p 149.
58 NCC Review, n 11, p 163.
60 NCC Review, n 11, p 150.
61 NCC Review, n 11, pp 150 and 167; presumably this was confined to “clarifying whether licensing conditions which have the effect of subdividing intellectual property rights may be anti-competitive” (p 167).
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practices law and encourage more licensing activity.\textsuperscript{62} This “acceptance” carried through to the analyses of the benefits\textsuperscript{63} and costs\textsuperscript{64} of the exemption, and then to the conclusion.\textsuperscript{65}

Finally, the NCC considered the various options to retaining the benefits from the exemption while minimising the costs of anticompetitive conduct. The NCC concluded, against the criteria of reducing the potential for anticompetitive conduct, minimising uncertainty, minimising costs and practical implementation,\textsuperscript{66} that “the best option is to amend [the exemption] to remove price restrictions, quantity restrictions, and horizontal arrangements from the scope of the exemption”.\textsuperscript{67} In making this assessment the NCC considered the consequences of repealing the exemption, and accepted that there was no international treaty obligation, such as the Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPs),\textsuperscript{68} on constraining how competition law might be applied to intellectual property.\textsuperscript{69}

Repealing the exemption would remove the potential that anti-competitive conduct could be exempted from the operation of the Trade Practices Act. However, the [NCC] accepts that repeal would impose some uncertainty and costs on parties in checking that their agreements do not breach [the pro-competition regulations in the Trade Practices Act], particularly in cases where it is difficult to assess the market potential of intellectual property rights or the boundaries of the markets in which the intellectual property rights might be commercialised at some future date. Guidelines may not be sufficient to fully alleviate this uncertainty, particularly in circumstances where investors need absolute certainty about the validity of licensing conditions before they may proceed to invest in research and development.\textsuperscript{70}

The NCC then recommended that the exemption be retained, “but amended to remove protection from price and quantity restrictions and horizontal agreements”.\textsuperscript{71} The NCC also recommended that guidelines be formulated to assist in determining when intellectual property licences and assignments might be exempt from, or breach, the Trade Practices Act 1974 (Cth), and what breaching conduct might be authorised under the Trade Practices Act 1974 (Cth).\textsuperscript{72}

Although the NCC did undertake a process of identifying the benefits and costs of the exemption from competition,\textsuperscript{73} the final conclusions were based on the NCC’s “acceptance”\textsuperscript{74} and “consideration”\textsuperscript{75} that, subject to price and quantity restrictions and horizontal agreements, restricting competition by patent privileges was desirable. At best the benefits were merely “greater business certainty”\textsuperscript{76} while the costs in terms of anticompetitive conduct ranged across all conduct, but with most being confined to horizontal arrangements and vertical arrangements that facilitate horizontal agreements.\textsuperscript{77}

Interestingly, the NCC posed significant counter arguments to those put to it that were not then addressed. This included the residual uncertainty about the operation of the existing exemption\textsuperscript{78} the absence of a similar exemption in other jurisdictions that does not appear to have harmed investment

\textsuperscript{62} NCC Review, n 11, pp 150 and 167.
\textsuperscript{63} NCC Review, n 11, pp 153-200.
\textsuperscript{64} NCC Review, n 11, pp 201-213.
\textsuperscript{65} NCC Review, n 11, p 213.
\textsuperscript{66} NCC Review, n 11, p 241.
\textsuperscript{67} NCC Review, n 11, p 241.
\textsuperscript{69} NCC Review, n 11, pp 227-230.
\textsuperscript{70} NCC Review, n 11, p 242.
\textsuperscript{71} NCC Review, n 11, p 243.
\textsuperscript{72} NCC Review, n 11, p 245.
\textsuperscript{73} NCC Review, n 11, pp 193-213.
\textsuperscript{74} See for example NCC Review, n 11, p 242.
\textsuperscript{75} See for example NCC Review, n 11, pp 200 and 213.
\textsuperscript{76} NCC Review, n 11, p 200.
\textsuperscript{77} NCC Review, n 11, p 213.
\textsuperscript{78} NCC Review, n 11, p 156.
in research, the minor factor favourable competition law treatment would be in any decisions about investing in innovation, and the global nature of licensing intellectual property meaning that favourable treatment in one jurisdiction may not apply in another jurisdiction thus questioning the need for favourable treatment. Each of these matters should have challenged the "acceptance" and "consideration" of benefit from excluding some intellectual property related conduct from the Trade Practices Act 1974 (Cth). Further, the NCC failed to consider that the Trade Practices Act 1974 (Cth) is directed to limiting only some anticompetitive conduct (such as some horizontal anticompetitive arrangements), and other conduct only when that conduct passes a threshold of anticompetitiveness (such as misuse of market power). In these circumstances much of the anticompetitive conduct (both unilateral and multilateral) exempted or up to the threshold set by the Trade Practices Act 1974 (Cth) will be sanctioned, even where the costs to consumers may be significant. An example of such conduct is the ability of some patent holders (and their licensees and assignees) to license the patent protected products rather than sell them to avoid exhaustion (whether regional, national or international) of the patentee's "exclusive rights", thus avoiding a competitive control on prices from second hand dealings. In these circumstances the higher prices to individual purchasers may be low, but across an economy such increased prices might be a considerable inefficiency.

Further, the NCC acknowledged that in some circumstances products protected by patents might not be substitutable (such as a newly discovered vaccine for a formerly incurable disease) thereby creating a product market in which participants might have the potential to exercise market power. The only evidence that the NCC appeared to consider in this context were arguments that repealing the exemption would then require these patent holders to seek authorisation and at some considerable cost and disincentive to further innovation. Unfortunately, the NCC did not express any specific views about this evidence, although this appears to have been "accepted" as a benefit to retaining the exemption in some form. There was, however, no assessment of the problems of substitutability in high technology markets, particularly in the pharmaceutical and biotechnology industries.

The government is still considering its response to the NCC report, although this has been overtaken by the IPCR Committee's review of the NCC's conclusions and recommendations. This is considered, in part, in the next section.

2.3 Intellectual Property and Competition Review Committee

Following on from the NCC's inquiry into the exemptions of intellectual property privileges from the Trade Practices Act 1974 (Cth), the IPCR Committee undertook a review of intellectual property

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29 NCC Review, n 11, p 196 and 200, although it was noted that in these circumstances the courts may take into account the "special features" of intellectual property when assessing whether particular conduct is anticompetitive (pp 186-187); for an analysis of the difference between the intended policy and its application by the courts in the United States, and likely application in Australia see Lawson C, "Patenting Genes and Gene Sequences and Competition: Patenting the Expense of Competition" (2003) 30 FL Rev 97 at 117-128.
30 NCC Review, n 11, p 200.
31 NCC Review, n 11, p 200.
32 Trade Practices Act 1974 (Cth), s 45.
33 Trade Practices Act 1974 (Cth), s 46.
34 Noting that the NCC accepted that anticompetitive conduct ranged across all conduct: see NCC Review, n 11, p 213.
35 Inefficient regulation imposing substantial costs on consumers through cross-subsidies and reduced incentives for firms to innovate was a general concern to the Hilmer Committee: see Hilmer Committee report, n 7, p 189.
36 NCC Review, n 11, p 172.
37 Although, the NCC considered this was only likely in "some rare cases ... [where] ... certain technologies ... will have no or few close substitutes": NCC Review, n 11, p 172; however, it is these cases where the anticompetitive effects of patents are most likely to be most pronounced.
40 This is an issue also addressed by the IPCR Committee, but again without resolution: see Intellectual Property and Competition Review Committee, n 10, p 143.
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legislation (excluding the Plant Breeder's Rights Act 1994 (Cth)), as part of the requirements under the CPA to review legislation restricting competition. The Terms of Reference provided, in part, that the IPCR Committee “shall have regard to: (a) the determination, in the CPA, that legislation which restricts competition should be retained only if the benefits to the community as a whole outweigh the costs, and if the objectives of the legislation can only be achieved by restricting competition”.

However, the Terms of Reference also included specific matters that the IPCR Committee “shall inquire into and report ... on”, including “the objectives of, including the nature and magnitude of the problems sought to be addressed by ... the Patents Act 1990”, “the nature of the restrictions in the legislation on competition”, “the likely effect of those restrictions on competition”, alternative means of achieving the same objectives, and the “costs and benefits” and “appropriateness, effectiveness and efficiency” of the legislation, restrictions on competition and alternatives. These requirements are consistent with the CPA.

The IPCR Committee set out its vision of the impact of intellectual property privileges on competition, including patents:

- it is important to recognise that competition occurs in a number of dimensions. More specifically, firms do not only compete in the prices they set but also in their ability to develop new processes and to design and market new products. This dynamic competition is of special importance. In effect, rather than simply reallocating existing resources, it expands the resources on which society can draw and allows for sustainable increases in living standards. It is also important because in practice it is the main way established market positions are over-turned, and the threat of competition made into an ever-present constraint on the conduct of firms. An effective system to define and enforce intellectual property rights is critical for this type of dynamic competition to occur on a material scale.

Importantly, the IPCR Committee expressed its view that the interaction between intellectual property and competition was "largely complementary" with intellectual property promoting innovation and competition policy “keeping markets open and effective, preserves the primary source of the pressure to innovate and to diffuse innovations”. However, recognising that intellectual property privileges do have social costs, the IPCR Committee conceded:

- Intellectual property laws must ... involve some balance between the incentives to invest in creative effort and the incentives for disseminating material that is the subject of intellectual property protection. This balance turns on determining the appropriate scope of protection, in terms of the conditions under which protection is granted, the scope and effectiveness of the exclusive privileges provided by protection, and the duration of the protection given. Balancing between providing incentives to invest in innovation on one hand, and for efficient diffusion of innovation on the other, is a central, and perhaps the crucial, element in the design of intellectual property laws. In the Committee's view, it is essential that the terms of this balance be clearly set out in the intellectual property laws themselves, so that rights owners and users can be certain about the scope and content of the grants being made.

In addressing patents specifically, the IPCR Committee rejected the notion that Australia might apply a higher threshold standard to non-resident patent applicants, and presented a particular perspective on the benefits of patents in Australia:

- effective patent protection facilitates trade in technology, both domestically and internationally. An effective patent system, accessible to foreign technology suppliers, allows Australian firms to import

93 The reasons for excluding this legislative scheme from the review are uncertain.
96 Competition Principles Agreement, cl 5(9).
97 Intellectual Property and Competition Review Committee, n 10, p 5.
100 Intellectual Property and Competition Review Committee, n 10, p 139.
101 See for example the dissenting opinion in Industrial Property Advisory Committee, Patents, Innovation and Competition in Australia (Canberra Publishing and Printing, 1984); for a recent overview of the competing theories about optimal division and scope of patents see Burk and Lemley, n 4 at 1595-1631 and the references therein.

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technology that would otherwise be unavailable, or would only be available at higher cost. This increases productivity and enhances competition in the Australian economy. The importance of technological imports is illustrated by the more than 90 per cent of patents registered in Australia, which are owned by foreigners. In addition, there are more indirect cross-border spillovers through importing of goods which embody innovations and which may be used as intermediate inputs or sold directly to end-users.\textsuperscript{102}

The IPCR Committee did, however, present some assertions in support of its perspective about the benefits of patent privileges. It argued that the private value of research and development was much less than the social value,\textsuperscript{103} and that patent privileges were the best system yet devised to balance the trade-off between maintaining incentives to invest and fostering the diffusion of new technology.\textsuperscript{104} Unfortunately these assertions, while not contentious as a generalisation, gloss over a hotly contested and disparate debate about the appropriate scope and allocation of patent privileges that the IPCR Committee itself had identified in discussing balancing incentives and exploiting intellectual property generally.\textsuperscript{105} Interestingly the IPCR Committee did cite "uncertainty as to which of several contending parties will receive patent protection and how much protection patents will afford" as "imperfections" in the existing patent privilege scheme.\textsuperscript{106} Further, the IPCR Committee's analysis and conclusions were not based on Australia's experience with patent privileges, but rather relied on international comparisons that were then assumed to be applicable to Australia.\textsuperscript{107} The IPCR Committee then concluded that patent privileges can lead to "losses in allocative and productive efficiency" but "[I]n practice ... a patent holder can rarely act as a pure monopoly, because of the availability of alternative and substitute products and processes, and also because some scope for imitation almost always exists".\textsuperscript{108} The loss of some "dynamic efficiency" in the development of derivative innovations was also acknowledged, but again, "[I]n some extent dynamic losses are counteracted by the disclosure of ideas as part of the qui pro quo of granting a patent and that the patent system itself ... facilitates the use of licensing".\textsuperscript{109} The IPCR Committee then reached an "overall" conclusion:

Overall, the Committee agrees with Scherer that "the patenting system is recognised to be an imperfect instrument. Nevertheless, it may be the best solution policy man can devise to the difficult trade-off between, on the one hand, maintaining incentives for investment and, on the other hand, fostering the diffusion of new technology's benefits to consumers and to those who might make leapfrogging inventions".\textsuperscript{110}

Having adopted this conclusion, the view that compliance with international patent standards was beneficial to Australia\textsuperscript{111} and a part of government policy,\textsuperscript{112} and its gloss on the debates about appropriate patent scope and allocation, the IPCR Committee accepted the existing legislated scheme for patent privileges and identified a number of improvements that might promote more competition in the application of the threshold tests and the duration of the patent term.\textsuperscript{113} However, these issues were examined from the IPCR Committee's particular concern about the economic effects of the certainty of the patent grant,\textsuperscript{114} both granting patents that should not be granted and not granting

\textsuperscript{102} Intellectual Property and Competition Review Committee, n 10, p 139.
\textsuperscript{103} Intellectual Property and Competition Review Committee, n 10, p 137.
\textsuperscript{104} Intellectual Property and Competition Review Committee, n 10, p 143.
\textsuperscript{105} See Intellectual Property and Competition Review Committee, n 10, p 6.
\textsuperscript{106} See Intellectual Property and Competition Review Committee, n 10, p 143.
\textsuperscript{107} Intellectual Property and Competition Review Committee, n 10, p 139.
\textsuperscript{108} Intellectual Property and Competition Review Committee, n 10, pp 27 and 139-141.
\textsuperscript{109} Intellectual Property and Competition Review Committee, n 10, pp 27 and 139-141.
\textsuperscript{110} The Terms of Reference required the IPCR Committee's deliberation to "have regard to ... the intentions and policies of the Government": Intellectual Property and Competition Review Committee, n 10, pp 216-217.
\textsuperscript{111} Intellectual Property and Competition Review Committee, n 10, p 144.
\textsuperscript{112} Intellectual Property and Competition Review Committee, n 10, pp 143-144.
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...patents that should be granted.115 From this perspective the IPCR Committee considered threshold test improvements including requiring that a specific, substantial and credible use be defined116 and that the scope of prior art be expanded for assessing inventive step.117 It was suggested that other requirements be restricted including prior use118 and compulsory licensing.119 On patent term, the IPCR Committee "believed" there was not enough evidence to extend the patent term,120 although it did suggest that raising renewal fees might be applied to "extract a lower economic rent".121 While these assessments and recommendations certainly affect competition, the IPCR Committee approach avoided assessing the contents about the appropriate balance of patent scope and allocation and how this might be countered when the social costs were judged to be too high (such as the appropriate threshold of "public interest" before a compulsory licence is to be granted).

The flaw in the IPCR Committee's approach, albeit an approach that was open to the IPCR Committee according to its Terms of Reference, was to avoid any analysis of the controversy about the most appropriate threshold requirements in the Patents Act 1990 (Cth). For example, different theories about the objectives of patent privileges propose very different threshold standards depending on what the patent scheme is intended to achieve. The IPCR Committee failed to clearly identify what patent privileges in Australia are intended to achieve122 and to consider the most appropriate test in achieving this objective.123 Comparing the "reward theory" and the "prospect theory" illustrate this contention. The "reward theory" views a patent as an incentive to undertake uncertain invention with an opportunity to appropriate greater commercial returns. This is considered to foster socially beneficial inventions, but with significant social costs on short-term inefficiencies in the market from the anticompetitive effects of the patent (primarily restricted output and higher prices) appropriating public goods (ideas) that would otherwise be used.124 In contrast, the "prospect theory" views patents as promoting the commercial development of inventions with patents granted to early stage inventions facilitating the bringing of a usable invention to the market and acting as an incentive to maximise the commercial value from exploiting the invention with relief from free-riders.125 These different theories pose significantly different consequences for short-term competition. The "reward theory" imposes high thresholds for patentability seeking to limit patents to only those inventions that would not have been made with significant concerns about the effects on competition. In contrast, the "prospect theory" imposes lower thresholds giving the patent holder control over the development process and possibly increasing the efficiency of commercialisation (that otherwise may not occur) with less concern about the effects on competition.

A further flaw in the IPCR Committee's approach was accepting that "Australia was complying with most of the current requirements of TRIPs before they were adopted and so only relatively minor...

120 Interestingly, the IPCR Committee did not consider the patent term extension provisions and their likely effect on competition: see Patents Act 1990 (Cth), ss 70 to 79A.
121 Intellectual Property and Competition Review Committee, n 10, pp 144 and 156; although it is not clear whether the IPCR Committee considered this only shortened the term for less innovative patents or also lowered the social costs by recouping the costs of administering the scheme.
122 See Intellectual Property and Competition Review Committee, n 10, pp 136-138; the IPCR Committee variously considering patent privileges seek to stimulate invention and innovation, increase the public availability of information about new technology, encourage entrepreneurs, promote investment or address free-riding on innovation in intellectual effort.
123 See Intellectual Property and Competition Review Committee, n 10, pp 154-156; the IPCR Committee considered the prior art limb of the inventive step threshold but failed to consider the non-obviousness limb and how the standard might be applied to exclude inventions that result merely from the application of labour and resources.
124 There is an extensive literature about this theory; see, eg, the Subcommittee on Patents, Trademarks and Copyrights of the Senate Committee on the Judiciary, An Economic Review of the Patent System, 85th Congress, 2nd Session (Committee Print, 1958) (also known as the Machrip Report).
adjustments to the *Patents Act* were required to make it TRIPs-compliant” as establishing that the existing *Patents Act 1990 (Cth)* set the threshold for compliance with TRIPs. In fact, many of the *Patents Act 1990 (Cth)* provisions apply standards higher than TRIPs requires; TRIPs leaves open the applicable standard of the patent threshold requirements, and TRIPs “flexibility” allows considerable scope to develop laws more appropriate to Australia’s particular economic and technological needs. This flaw was particularly apparent in the IPCR Committee’s failure to consider the expressly allowed exemptions under TRIPs and their likely effects on competition.

The IPCR Committee then examined the NCC’s report about the exemption of certain patent licence and assignment conditions under the *Trade Practices Act 1974 (Cth).* The Terms of Reference only required the IPCR Committee to “have regard to ... the conclusions and recommendations” of the NCC’s report. In addressing the Terms of Reference the IPCR Committee carefully confined its comments to the existing legislative scheme “considering the effects that (given the *Trade Practices Act* as it stands) would flow from different approaches to the coverage by the Act of conduct relating to the exercise of IP rights.” With these riders in place the IPCR Committee recommended that the *Trade Practices Act 1974 (Cth)* should be amended by applying a test of whether the relevant conditions in licences and assignments substantially lessened competition as applied in other parts of that *Trade Practices Act 1974 (Cth).* The IPCR Committee also recommended that the Australian Competition and Consumer Commission issue guidelines to clarify the types of conduct that are likely to breach the modified provision. This was significant as the IPCR Committee considered that the *Trade Practices Act 1974 (Cth)* “should come into play when intellectual property rights are used in ways that go beyond the scope of the right being granted.” Unfortunately, without addressing the appropriateness of patent scope and allocation the likely pro-competitive and anticompetitive consequences of exemptions from the *Trade Practices Act 1974 (Cth)* remain uncertain.

The IPCR Committee also accepted that so long as exercising the patent privileges was not “going beyond market power” it was an acceptable restriction on competition; the system of IP rights acts to provide to those who invest in creative effort a claim on the differential efficiency associated with the results of their investment— that is, of the social gain consequent on that investment’s outcomes. Those rights should not be used to secure a gain that goes beyond that differential efficiency through the exercise of market power. Thus, it is an inherent element in the IP right that the owner of a patent on an invention can secure an income dependent on the unique efficiency that invention allows; but it ought not to be acceptable for the owner of that patent to, say through the formation of a patent pool with owners of competing patents, effect a horizontal cartel, raise prices and secure monopoly rents. The grant of IP rights seeks to provide for creators a return on

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126 Intellectual Property and Competition Review Committee, n 10, p 141.
127 For example, Australia applies a higher standard to the granting of compulsory licences than TRIPs requires: compare *Patents Act 1990 (Cth)*, ss 133 to 135 and *Agreement on Trade Related Aspects of Intellectual Property Rights, Art 31.*
129 For an analysis of some of these options in Australia see Lawson C, “‘Flexibility’ in TRIPs: Using Patented Inventions Without the Authorisation of the Rights Holder” (2004) 15 AIP 141.
130 See *Agreement on Trade Related Aspects of Intellectual Property Rights, Art 27: ‘inventions ... necessary to protect human, animal or plant life or health or to avoid serious prejudice to the environment’ (Art 27(2)), ‘Diagnosis, therapeutic and surgical methods for the treatment of humans or animals’ (Art 27(3)(a)) and ‘plants and animals other than micro-organisms, and essential biological processes for the production of plants or animals other than non-biological and microbiological processes’ (Art 27(3)(a)).
134 Intellectual Property and Competition Review Committee, n 10, pp 11 and 215; this would include a refusal to deal (p 213).
136 Intellectual Property and Competition Review Committee, n 10, p 34.
137 Intellectual Property and Competition Review Committee, n 10, p 211.
their investment in creation—the right should not be used to secure returns that do not come from the social contribution that creation makes. 138

Unfortunately, this again fails to assess whether a patent privilege is an acceptable restriction on competition even though there has been no substantial lessening of competition. With respect, the IPCR Committee’s view that a restriction on competition only becomes a subject of concern when some anticompetitive threshold is reached is not the policy justification of the CPA, or the particular concerns of the Hilmer Committee. 139 The CPA is concerned with any restriction on competition, appreciating that even minor restrictions on competition such as unnecessary regulation, impose inefficiencies that should be removed unless they can be justified according to the CPA’s criteria. The IPCR Committee should have, at the very least, identified the theoretical justifications for its conclusions and related them to the context of the Australian community.

However, the criticism of the IPCR Committee’s dealing with patent privileges under the Trade Practices Act 1974 (Cth) must be tempered as the existing Trade Practices Act 1974 (Cth) B IV, as the IPCR Committee itself noted, was fashioned in a different economic era and probably should be subjected to its own independent review, whereupon the place of patent privileges might be more certainly addressed. Despite this reservation, the approach of the IPCR Committee in avoiding the broader debates about the appropriateness of the existing patent scope and allocation settings meant that the likely anticompetitive effects of different settings under the Trade Practices Act 1974 (Cth) scheme were not assessed.

The following section highlights the flawed approach of the IPCR Committee in assessing patent privileges by examining the IPCR Committee’s approach to assessing the anticompetitive effects of the parallel import restrictions under the Copyright Act 1968 (Cth). The significance of this assessment is to show that it was open to the IPCR Committee to challenge and analyse patent privileges, and in particular, the debates about appropriate patent scope and allocation.

2.4 Parallel import restrictions in the Copyright Act 1968 (Cth)

The IPCR Committee majority’s consideration of parallel importing under the Copyright Act 1968 (Cth)141 objected to many of the same issues that were glossed over in its analyses of the Patents Act 1990 (Cth). 142 Despite these differences, the IPCR Committee was able to structure its analysis of the issues very differently and reach a very different conclusion suggesting that the benefits of parallel import restrictions did not outweigh the detrimental anticompetitive effects and that the restrictions should be repealed entirely. 143

The majority of the IPCR Committee accepted that copyright had a “utilitarian justification of protecting and promoting investment in creative effort to secure, for the Australian community, gains associated with investment”144 so that the privileges granted needed to be “assessed in terms of whether the benefits they may bring, in improved investment in, and access to the results of, creative efforts, outweigh the costs they impose”. 145 Further, “[t]his assessment of the impact of the restrictions needs to include analysis of the wider costs and benefits associated with those impacts”. 146

The majority’s key concern about parallel import restrictions appeared to be market segmentation

138 Intellectual Property and Competition Review Committee, n 10, p 211.
139 The Hilmer Committee was quite explicit: “there should be no regulatory restriction on competition unless clearly demonstrated to be in the public interest”: Hilmer Committee report, n 7, p 190; thus here the issue for the IPCR Committee to address should arguably have been how much incentive is sufficient to promote invention in Australia and, once that had been justified (or at least set out as the IPCR Committee’s favoured theoretical perspective), whether any kind of exemption from the Trade Practices Act 1974 (Cth) would upset this incentive.
141 Noting the parallel import restrictions in the Copyright Act 1968 (Cth) on sound recordings, books and non-copyright products were also relaxed Copyright Amendment Act (No 1) 1998 (Cth); Copyright Amendment Act (No 2) 1998 (Cth).
143 Intellectual Property and Competition Review Committee, n 10, p 5.
144 Intellectual Property and Competition Review Committee, n 10, p 61.
with the ability to then charge higher prices (and possibly restrict availability) for materials subject to copyright.\textsuperscript{147} In effect, this was an assessment about international exhaustion of copyright.

From this basis the majority was able to reject arguments about economic incentives to create\textsuperscript{148} prices and availability,\textsuperscript{149} remainder books,\textsuperscript{150} marketing and services,\textsuperscript{151} censorship,\textsuperscript{152} piracy,\textsuperscript{153} and economic analysis that favoured maintaining the existing restrictions,\textsuperscript{154} because they failed to satisfy the CPA criteria.\textsuperscript{155} The most significant difference between the majority’s dealing with parallel imports and patent privileges was the detailed approach to addressing the analysis of whether a restriction on competition was justified:

The Committee started from the premise that restrictions on competition need to be justified. In other words, the Committee, consistent with the NCP and the CPA, accepts that the onus of making a case lies with those who would prevent, limit, or in other ways restrict, competitive forces from operating.

More specifically, we accept that those who would restrict competition should establish the restrictions are in the public interest, rather than merely serving the interests of particular producers. The Committee believes that this well-established principle — requiring those who would restrict competition to demonstrate the need to do so — appears to be fully justifiable.

However, experience and analysis amply demonstrate the importance of competition in promoting efficiency and underpinning prosperous, open economies. It also demonstrates the frequency with which restrictions on competition, though claimed to serve wider interests, have been used to confer above normal profits on narrow groups at the expense of the community. A presumption, albeit a rebuttable one, in favour of competition, is consequently clearly reasonable.

Such a presumption also places the evidentiary burden on those best placed to demonstrate the position. The reality is that the benefits from restrictions on competition generally accrue to concentrated groups, while the costs of these restrictions are spread widely throughout the community. Given this spreading of costs, it is far more difficult for those adversely affected by restrictions to organize themselves and present their case, than it is for the direct beneficiaries to support the restrictions.

As a result, the Committee believes that it is reasonable to expect those who would introduce or perpetuate restrictions to provide convincing evidence of why the restrictions are in the public interest.

It follows that the relevant test is whether the material made available to the Committee establishes that the restrictions these provisions impose on competition confer benefits on the community that outweigh their costs.

In cases where arguments put to us appear weak, the Committee actively sought further information and tried to analyse the arguments in the best light. As a result, we are convinced that we have provided the differing points of view with a fair and thorough hearing.\textsuperscript{156}

The different approach of the majority of the IPCR Committee in directly addressing the arguments about theoretical benefits of particular policy settings for parallel importing and the absence of this analysis for patent privileges is perplexing and unexplained. Significantly, the majority questioned the assumptions and assertions of benefit that copyright privileges under the Copyright Act 1968 (Cth) were protecting and promoting investment. Had the IPCR Committee applied a similar critical analysis of patent privileges, the debates about appropriate patent scope and allocation would probably have been more closely examined and the requirements of the CPA more properly addressed. Further, broader issues such as the high costs of patented pharmaceuticals, non-
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tariff trade barriers, ethical considerations about patenting life, and so on, may have required consideration in more broadly assessing the "public interest". With respect, this approach appears to more closely fit with the CPA and the principle articulated in the Hilmer Committee report. Further, such an analysis of patent privileges is more likely to deliver some insight into the effects of patent privileges and their likely benefits for the Australian community.

With parallels to the IPCR Committee's approach to patent privileges, the minority view of the IPCR Committee accepted the assumptions and assertions of benefit and therefore concluded that parallel import restrictions in the Copyright Act 1968 (Cth) were justified:

It is true that the ability to restrict parallel imports gives rise to an economic rent in favor of the copyright owner. However this rent encourages innovation and investment, and is precisely the foundation on which copyright is based. Allowing parallel imports reduces the incentives to innovate or invest. It is submitted that the costs incurred in removing the restriction will exceed the costs (in economic terms) of retaining that power.\(^\text{157}\)

The consequence of the minority accepting this approach, and this was certainly open to the IPCR Committee, was to avoid the broader assessment of the anticompetitive effects of copyright and a proper assessment of the criteria set out in the CPA. Significantly, these are the very same flaws as appear in the IPCR Committee's assessment of the Patents Act 1990 (Cth) and the relevant parts of the Trade Practices Act 1974 (Cth).

However, the differing approaches of the IPCR Committee highlight the problems of applying the benefit threshold criteria and "public interest" test set out in the CPA. If the IPCR Committee had conducted a more expansive review of the Patents Act 1990 (Cth) and the Trade Practices Act 1974 (Cth), how should it have addressed the CPA criteria, and specifically how broadly should it have canvassed the "public interest"? The following sections consider the CPA's benefit threshold and "public interest" test, firstly examining their application to proposed legislation (with examples from patent amendment legislation), and then to analyse how the application of the "public interest" test is evolving. In clarifying the application of the CPA, future reviews of legislation may then avoid some of the inconsistencies apparent in reviewing the patent privilege and parallel importing legislation and challenge some of the fundamental justifications for patent privileges with a view to delivering a more rational patent policy suited to the Australian community.

3. THE BENEFIT THRESHOLD OR STANDARD AND PATENT PRIVILEGES

The CPA expressly recognises, as did the Hilmer Committee report,\(^\text{158}\) that in some circumstances, the benefits of restrictions on competition will outweigh the costs, and that legislation restricting competition may be necessary. In applying the CPA "guiding principle" to reviewing existing legislation\(^\text{159}\) and proposed legislation which restricts competition,\(^\text{160}\) the CPA does provide some insight into the "public interest" that may be relevant in determining the threshold or standard necessary for the benefit to outweigh the costs.\(^\text{161}\)

Without limiting the matters that may be taken into account, where this Agreement calls:

(a) for the benefits of a particular policy or course of action to be balanced against the costs of the policy or course of action; or

(b) for the merits or appropriateness of a particular policy or course of actions to be determined; or

(c) for an assessment of the most effective means of achieving a policy objective;

\(^{157}\) Intellectual Property and Competition Review Committee, n 10, p 74.

\(^{158}\) Hilmer Committee report, n 7, pp 88 and 121; this was where economic efficiency might not be maximised by the introduction of competition, or economic efficiency might be at the cost of other valued social objectives such as equity (p 121).

\(^{159}\) Competition Principles Agreement, cl 5(3).

\(^{160}\) Competition Principles Agreement, cl 5(5).

\(^{161}\) The CPA does set out a number of matters that legislation reviews "should" consider: see Competition Principles Agreement, cl 5(9); further, there is some guidance to the formulation of the Terms of Reference: see, eg, Productivity Commission, Regulation and Its Review 2003--04, Annual Report Series (Productivity Commission, 2001) pp 78--79.

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the following matters shall, where relevant, be taken into account:

(d) government legislation and policies relating to ecologically sustainable development;
(e) social welfare and equity considerations, including community service obligations;
(f) government legislation and policies relating to matters such as occupational health and safety, industrial relations and access and equity;
(g) economic and regional development, including employment and investment growth;
(h) the interests of consumers generally or of a class of consumers;
(i) the competitiveness of Australian businesses; and
(j) the efficient allocation of resources. 162

In applying the CPA and achieving the policy objectives of the NCP, the threshold or standard necessary for the benefit to outweigh the costs is significant as the matters prescribed by the CPA are not comprehensive. 163 Further, the words of the CPA provide little guidance as to how the threshold or standard is to be methodologically determined or the boundaries within which it should be assessed. Unfortunately, the Hilmer Committee report provided no guidance, and the Commonwealth, States and Territories have very different views about the appropriate methodology for determining the relevant costs and benefits of any restrictions on competition 166 and how the "public interest" test should be applied. 165 Despite these uncertainties, guidelines have been prepared identifying legislative restrictions and many of the relevant factors to take into account, including model Terms of Reference for legislation reviews. 166 However, these guidelines do not assist in finally determining the threshold or standard of benefit to outweigh the costs and "public interest" that warrants or justifies restrictions on competition. In the case of the NCC and the IPFR Committee, where the Terms of Reference closely resemble the templates recommended by the guidance materials, 167 the appropriate threshold or standard was not articulated. 168

The approach adopted by the Australian Government when proposing new legislation is to undertake public consultation with those affected and assess the possible restrictions on competition. The Office of Regulation Review (ORR) is the Australian Government's "regulation watchdog" with the charter that "review and comment on existing regulations which restrict competition", 169 As part of its task reviewing Regulatory Impact Statements (RISs) prepared for new legislation, 170 the ORR recognises that "restrictions on competition have been singled out for special attention in RISs". 171 The key objective of the RIS is:

162 Competition Principles Agreement, cl 1(3).
163 See Competition Principles Agreement, cl 1(4); notably, the CPA's "public interest" test is different from the test applied for authorizations and notifications under the Trade Practices Act 1974 (Cth).
164 These various views were set out in submissions to the various Commonwealth Parliament Committees; see House of Representatives Standing Committee on Financial Institutions and Public Administration, Inquiry into Aspects of the National Competition Policy Reform Package (Australian Government Publishing Service, 2003); Senate Select Committee on Socio-economic Consequences of the National Competition Policy, Riding the Waves of Change (Senate Printing Unit, 2000); Senate Select Committee on Socio-economic Consequences of the National Competition Policy, Competition Policy: Friend or Fo? (Senate Printing Unit, 1999).
165 This was a commonly expressed view in submissions to the Competition Policy: Friend or Fo? report, n 164, p 101.
166 A Guide to Regulation, n 38; notably, the Terms of Reference should "(a) identify the nature and magnitude of the social, environmental or other economic problem(s) that the [legislation] seeks to address; (b) clarify the objectives of the [legislation]; (c) identify whether, and to what extent, the [legislation] restricts competition; (d) identify relevant alternatives to the [legislation], including non-legislative approaches; (e) analyze and, as far as reasonably practical, quantify the benefits, costs and overall effects of [legislation] and alternatives identified in (d); (f) identify the different groups likely to be affected by the [legislation] and alternatives"; Regulation and Its Review 2000-01, n 161, p 78.
170 See House of Representatives Committee on Financial Institutions and Public Administration, n 164, p 16; an RIS has seven key elements - the problem or issues which give rise to the need for action, the desired objective(s), the options (regulatory and/or non-regulatory) that may constitute viable means for achieving the desired objective(s), an assessment of the impact...
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Preparation of a [RIS] is a critical feature of the regulation making process, primarily because doing so formalises and evidences the steps that should be taken in policy formulation. It helps to ensure that options to address a perceived policy problem are canvassed in a systematic, objective and transparent manner, with options ranked according to their net economic and social benefits. The RIS embodies this analytical process.176

In addition to RISs, the Productivity Commission reports annually on regulation review and reform issues, including compliance by Australian Government departments and agencies with the government’s RIS requirements.177 However, the effectiveness of this scheme is questionable and what guidance it provides in assessing the threshold of benefit to outweigh the costs justifying a restriction on competition for the CPA criteria is uncertain. Of the legislation amending the Patents Act 1990 (Cth) since the CPA came into effect,178 only the Intellectual Property Laws Amendment Act 1998 (Cth) and the Patents Amendment Act 2001 (Cth) RISs have expressly considered restrictions on competition, although by no means expressly addressing the CPA criteria. The following paragraphs examine the competition considerations in these amendments and how they have been subjected to a competition analysis in the RIS.

The Intellectual Property Laws Amendment Act 1998 (Cth) extends the term on some pharmaceutical patents to 25 years from lodgment subject to costs (costs and benefits) on consumers, business, government and the community of each option, a consultation statement, a recommended option, and a strategy to implement and review the preferred option: A Guide to Regulation, n 38, p A3; although noting that the ORR’s charter is broader than merely considering competition restrictions and extends to the costs and benefits to business (and small business in particular): see, eg, Regulation and Its Review 2002-03, n 30, p 73.

176 A Guide to Regulation, n 38, p A3; although noting that the ORR’s charter is broader than merely considering competition restrictions and extends to the costs and benefits to business (and small business in particular): see, eg, Regulation and Its Review 2002-03, n 30, p 23-42.

177 See, eg, Regulation and Its Review 2002-03, n 30, p 73.

178 Italicised text within brackets indicates that the text does not appear in the original document; see, eg, “TRIPs-Plus” Patent Privileges – An Intellectual Property ‘Cargo Cult’ in Australia? (2004) 32 Franqisho's 355 at 370, although the Productivity Commission asserts “[that RIS was assessed by the ORR as adequate] even though the economic modelling only addresses the likely impact of extending patent terms where there was an issue of protecting test data: see Productivity Commission, Regulation and Its Review 2003-04, Annual Report Series (Productivity Commission, 2004) p 39.

A country's patent system is also an important factor in contributing to a company's decision on whether to invest or not. If Australia has a weak patent system, relative to its competitors, there is a risk that investment in research and development will be lost to those offering stronger patent protection.176

The concerns about not extending the patent term appear to have been the sending of a "negative signal" about the Australian climate for investment in pharmaceutical research and development,177 a reduction in the capacity for firms to invest in and develop new drugs,178 and the dissipation of the long-term investment by the government in education and research by firms moving their activities to other places.179 The resolution of these concerns was an extension of term of five years for some patents with "spring-boarding" and higher fees during the extended term in order to impose some limitations on the scope of the extension.180 This conclusion appears to have been based on the finding:

A strong patent system is an important contributor to the competitiveness of Australia's investment climate. This was confirmed by the Industry Commission, which agreed that, in most circumstances, it would be undesirable for Australia to be out of step with the periods of protection offered to most other developed countries. To do otherwise would send a highly visible and particularly strong negative signal about Australia's climate for innovation and research and development.181

Unfortunately, this RIS merely asserts that patent privileges will deliver competitiveness to the investment climate. There was, however, no evidence cited for this conclusion, and the confirming authority of the Industry Commission again relies on the same assertion that patent privileges will deliver benefits. The Industry Commission had accepted that the government was already committed to extending the effective patent life for pharmaceuticals182 and stated its belief: "[a]dequate patent protection is a critical factor for success in the pharmaceutical industry and so has an important influence on company perceptions of Australia as an investment location".183 There was no evidence to support this assertion.184 Interestingly, the Industry Commission did cite earlier views questioning the benefits of adopting intellectual property measures in addition to those minimum standards required by Australia's commitments to international agreements, although it made no further analysis of these views.185 Further, the Industry Commission's Terms of Reference did not expressly include any reference to the CPA,186 and there appears only to have been a consideration of the existing patent scheme, or its complete removal, rather than its modification to maximise competitiveness and community benefit given that TRIPs precludes its entire abolition.187

The justification for revising the regulatory regime for patent attorneys in the Intellectual Property Laws Amendment Act 1998 (Cth) was to introduce competitiveness into the patent attorney profession and drive down charges, while maintaining a profession to ensure "quality" in the patent

176 Revised Explanatory Memorandum, n 175, p 3.
177 See, eg, Revised Explanatory Memorandum, n 175, p 4.
178 See, eg, Revised Explanatory Memorandum, n 175, p 5.
179 See, eg, Revised Explanatory Memorandum, n 175, p 5.
180 Revised Explanatory Memorandum, n 175, p 8; other significant restrictions in this amendment were that it is limited to substances first registered under the Therapeutic Goods Act 1989 (Cth), products of recombinant DNA technology and the use of the substances for therapeutic purposes in humans, although applying to existing and future pharmaceutical patents (pp 8-9); a review period was set of five years for "appropriateness" of the scheme and ten years for the "efficiency and effectiveness" of the scheme (p 10).
181 Revised Explanatory Memorandum, n 175, p 8.
183 Industry Commission, n 182, p 441.
186 Industry Commission, n 182, pp XXXVI-XXVII.
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This reform was initiated in the context of the CPA and the government response to the Review of the Regulatory Regime for Patent Attorneys report. The government asserted that patent privileges were beneficial, saying intellectual property is an area where Governments in the western world have intervened for centuries with the primary aim of promoting technological innovation by protecting inventions. As a consequence complete deregulation was rejected as the “quality” of the patent attorney profession was necessary for Australia to remain competitive with major trading partners, to sustain overseas income that otherwise might be forgone through the loss of potentially valuable property and to ensure the availability of new technology through a reliable patent system. The resolution of the various regulatory options was to maintain the existing regulatory scheme for patent attorneys (except for trade mark and design matters) recognizing that “allowing unqualified persons to perform the highly specialized activity of drafting patent specifications would involve unacceptably high risks to both consumers and the public”. The significant concession was to relax the existing partnership requirements for patent attorneys and allow “mixed” partnerships with other professionals. Unfortunately the RIS does not identify the determinative factors or set out the weight that should be given to the competing factors in reaching this outcome. Interestingly, and as an indication of the likely threshold for benefit, this conclusion was reached on the understanding that patent attorneys lodged only 60% of patent applications, the remaining 40% being lodged by the inventor(s).

Then the Patents Amendment Act 2001 (Cth) put into effect some of the recommendations of the IPCR Committee and the Australian Council on Industrial Property’s (ACIP) review of patent enforcement, and the government’s commitment to strengthening and making Australian patents more certain by changing the novelty and inventive step requirements in the Patents Act 1990 (Cth). Significantly, the Minister stated that “[t]he bill reflects the government’s commitment to encouraging innovation and providing Australia with a strong intellectual property system that meets the needs of Australians”. Unfortunately, the Minister (and ACIP) made no mention of the NCP and why these amendments were justified according to the CPA and what evidence was relied on by the government in accepting this position. Further, the RIS did not address the CPA criteria or set out any evidence to support justifying “a strong intellectual property system”.

Part of the problem in requiring a demonstrated benefit to justify patent privileges may stem from the uncertain threshold necessary for the benefit to outweigh the costs under the CPA and how they are to be applied and assessed. This, in part, may account for the NCC’s and IPCR Committee’s approaches, and the unexplained difference in approach of the latter in dealing with parallel import restrictions and patent privileges. The following part considers the evolving meaning of the “public interest” test.

4. WHAT IS THE “PUBLIC INTEREST”?

There are some evolving views about the “public interest” test that might inform future analyses in applying the CPA to patent privileges. The NCC published guidelines articulating its early views about the purpose of the “public interest” test:

108 Revised Explanatory Memorandum, n 175, p 10.
109 Australian Industrial Property Organisation, n 10.
110 Revised Explanatory Memorandum, n 175, p 10.
111 Revised Explanatory Memorandum, n 175, p 10.
115 See Revised Explanatory Memorandum, n 175, p 11.
118 Second Reading, Patents Amendment Bill 2001, n 197, p 26975.
subclause 1(3) provides governments with a consistent approach to assessing whether the commitments to reform contained in the intergovernmental agreements threaten desired social objectives. The inclusion of the subclause in the CPA reflects the desire of governments to make clear their view that competition policy is not about maximizing competition per se, but about using competition to improve the community's living standards and employment opportunities.

The NCC provided further guidance by introducing concepts of "community benefit" in determining the weight to be given, if any, to the various factors:

Of necessity, assessing the public interest will require examination of issues on a case-by-case basis. This is because a broad range of considerations will apply, and not all will be relevant in every circumstance. An important message is that systematic and transparent consideration of community benefits and costs through bona fide review is a central component of the competition policy reform process. Thus, before deciding to exempt an anti-competitive activity from reform, governments would need to assess the net community benefit from the reform. However, where the net benefit to the community from the reform measure is clear, the [NCC] does not see a requirement for governments to conduct a formal assessment of public interest in terms of subclause 1(3).

As to how the "public interest" might be determined, the NCC suggested:

Examination of the benefits and costs of a particular piece of legislation could specifically have regard to factors such as: the effect of direct or indirect restrictions on competition governing entry and exit of firms or individuals into or out of markets; controls on prices or production levels; quality; level or location of goods and services restrictions; advertising and promotional activity restrictions; restrictions on price or types of inputs used in the production process; costs on businesses in complying with the legislation; the impact of the legislation on consumers; and advantages to some firms over others resulting from, for example, sheltering some activities from the pressures of competition. In conducting a review, governments might give consideration to public consultation, an analysis of the impact on different groups of the existing regulations and of alternatives, and administrative simplicity and flexibility. It is also desirable for reviews to be conducted in an open and transparent manner.

In a later review of the impact of the NCP on rural and regional Australia, the Productivity Commission recognised the ambiguity in the "public interest" test acknowledging its role in accounting for non-economic factors in applying the NCP. However, the Productivity Commission cautioned against seeking to allow equity considerations to override economic efficiency goals where other policy measures might be relied upon, such as taxation and public expenditure. In addressing how the test was to be applied the Productivity Commission stated:

The Commission considers that, as a starting point, all of the criteria have equal status. In practical terms, however, they will have differing relevance in each particular case. The relevance of each "public interest" criterion will need to be established, in terms of its contribution to the overall costs and benefits of proceeding, or not proceeding, with the particular reform. That is, once an evaluation is under way, the elements of the public interest criteria should not necessarily be afforded equal weight. And, where it is considered that a benefit related to a particular public interest criterion is relevant, it is important to assess whether the objective could be achieved in some other way.

Unfortunately, the Productivity Commission failed to articulate a further view about the scope of the "public interest" test, merely recommending "[a]ll governments should publish and publicise guidelines which: outline the purpose and scope of the 'public interest' provisions of the CPA; and
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provide guidance on how the provisions should be interpreted and applied".207 In response to this recommendation, the government stated:

The CPA establishes that jurisdictions are free to consider a broad range of factors in examining various reform options. In addition to efficient resource allocation, these issues include those associated with employment growth, regional development, the environment, consumer interests, welfare and equity. This provides for the full range of benefits and costs to be considered in establishing whether a particular course of action will provide a net benefit to the community as a whole. This process essentially embodies the public interest test.208

Review of the "public interest" test by the Senate Select Committee on Socio-economic Consequences of the NCP also failed to clarify the application of this test.209 The Senate Committee did, however, recommend "the NCC publish a detailed explanation of the public interest test and how it can be applied and produce a list of case histories where the public interest test has been applied as a regularly updated service of decisions".210 In response to this recommendation, the government noted that "[the] application of the public interest test is described in each jurisdiction's annual report on the progress made in implementing legislation review commitments and that the ORR provided an annual assessment of the Australian Government’s compliance.211 Unfortunately this provided no guidance on how either the Senate Committee or the government considers the test should be applied.

In addressing the role of the "public interest" in the NCP, the NCC has lately argued that competition is a means rather than an end in itself.212 Thus the "aim is to use competition to improve productivity, lower prices, improve standards of service and enhance the community’s living standards and employment opportunities".213 In applying the "public interest" test the NCC stated:

The public interest test was written into the NCP framework to allow all relevant factors to be considered when deciding whether restrictions on competition are warranted. The test provides for consideration of an array of public interest matters, including the environment, employment, social welfare and consumer interests as well as business competitiveness and economic efficiency ... Thus the government stated that:214 In applying the "public interest" test the NCC stated:

The public interest test was written into the NCP framework to allow all relevant factors to be considered when deciding whether restrictions on competition are warranted. The test provides for consideration of an array of public interest matters, including the environment, employment, social welfare and consumer interests as well as business competitiveness and economic efficiency ... The public interest test in clause 1(3) is neither exclusive nor prescriptive. Rather, it provides a list of indicative factors a government could look at in considering the benefits and costs of particular actions, and allows governments to also take other factors into consideration. Weighting benefits and costs involves difficult judgments which can only be assessed on a case-by-case basis. This is because a broad range of considerations will apply, and not all will be relevant in every circumstance.215

Significantly, the NCC’s later view also noted:

A challenge for review bodies and for governments is to focus on outcomes that benefit the community as a whole, rather than providing special treatment for certain groups at the expense of others. Most anti-competitive restrictions benefit someone, but where this imposes costs on others (such as forcing consumers to pay higher prices than would otherwise be necessary), it is important that each side of the argument be weighed in an objective and transparent manner.216

207 Impact of Competition Policy Reforms on Rural and Regional Australia, n 203, p 328.
209 Riding the Waves of Change, n 164.
210 Riding the Waves of Change, n 164, p 42.
211 Government Response to the Report of the Senate Select Committee on the Socio-Economic Consequences of the National Competition Policy, House of Representatives, Hansard, 14 August 2000, p 16219 (Deputy President of the House of Representatives).
212 Government Response to the Report of the Senate Select Committee, n 211, p 16219.
213 NCC Social Impacts Review, n 15, p 95.
214 NCC Social Impacts Review, n 15, p 96.
215 NCC Social Impacts Review, n 15, p 96.
216 NCC Social Impacts Review, n 15, p 97.
Recent consideration of the "public interest" test by the CoAG has the potential to significantly increase understanding of how the test has been applied and promote further meaningful refinements in its application:

In meeting the requirements of sub-clauses 1(3)(a), (b) and (c) of the CPA, which relate to the application of the public interest test, Governments should document the public interest reasons supporting a decision or assessment and make them available to interested parties and the public.

When examining those matters identified under clause 1(3) of the CPA, Governments should give consideration to explicitly identifying the likely impact of reform measures on specific industry sectors and communities, including expected costs in adjusting to change.217

Further, at the last CoAG meeting the governments' agreed to amended Regulatory Impact Statement Guidelines setting out guidance as to how to undertake appropriate RIS analysis,218 re-endorsing and strengthening the RIS requirements.219 The Legislative Instruments Act 2003 (Cth) should also complement these developments through its requirement for formal consultation where proposed regulation will affect business or competition.220

More recently, the Productivity Commission has initiated a public inquiry to report on "the impact of NCP and related reforms" and "areas offering opportunities for significant gains to the Australian economy from removing impediments to efficiency and enhancing competition."221 While this inquiry is not specifically directed at determining the "public interest" test, it has sought submissions dealing with the consequences of applying the "public interest" test and has posed specific questions about its application:

Are there procedural issues that need to be resolved for the future? For example, do current processes take appropriate account of adjustment issues? Is the current public interest test ... facilitating socially beneficial reform? Has it provided a means to avoid worthwhile reform in some areas? Have differences in the approach to legislation review and reform across jurisdictions had any significant impacts or outcomes?222

Despite these developments, how the "public interest" test is to be applied to assessing patent privileges set out in the Patents Act 1990 (Cth) and Trade Practices Act 1974 (Cth) remains uncertain, and is not really assisted by the various explanations of how to apply and determine the CPA's criteria. The experience of the NCC, IPCR Committee and the RIS process, and now the Productivity Commission's public inquiry, should provide some guidance, especially the IPCR Committee's examination of parallel import restrictions and the additional issues considered by the IPCR Committee once it had accepted that the assumed and asserted benefits needed to be challenged. But, even with the ambiguity about the application and assessment of the "public interest" test, the underlying perspectives accepted by the NCC and the IPCR Committee should have been challenged and the evidence (and reasoning) supporting their conclusions that restrictions on competition were justified transparently identified.

5. CONCLUSIONS

The policy objective set out in the CPA is to promote competition by removing unjustified restrictions on competition in Australia.223 For statute based intellectual property laws the Hilmer Committee report expressed clear concern that these regulations potentially created barriers to entry that might...

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217 Council of Australian Governments, Communiqué – 3 November 2000, n 32, att B.
222 Review of National Competition Policy Arrangements, n 221, p 9.
223 Competition Principles Agreement, cl 5(1)
restrict competition,224 and that the need for exemptions for certain licence and assignment conditions from the Trade Practices Act 1974 (Cth) were uncertain.225 This article has examined the various legislation reviews addressing patent privileges set out in the Patents Act 1990 (Cth) and Trade Practices Act 1974 (Cth) and legislative amendments to the Patents Act 1990 (Cth) to assess the foundation evidence that might satisfy the requirements of the CPA. These analyses show that important controversial issues have been glossed over, even though such an approach was open to both the NCC and IPCR Committee. Thus, a detailed competition analysis of the appropriate scope and allocation of patent privileges set out in the Patents Act 1990 (Cth) and the Trade Practices Act 1974 (Cth) has been avoided. According to this assessment these legislation reviews fail to meet the CPA's requirements.226

Perhaps the most revealing part of the Hilmer Committee report was the recognition that "[r]egulation that confers benefits on particular groups soon builds a constituency with an interest in resisting change and avoiding rigorous and independent re-evaluation of whether the restriction remains justified in the public interest".227 To address this particular constituency problem, the Hilmer Committee recommended that the onus of proving that the restriction on competition was justifiable should change from those advocating change to those advocating that the restriction on competition remain in place, or be imposed.228 This was carried through to the CPA,229 although it does not appear to have featured in the NCC's and IPCR Committee's review of patent privileges. In contrast, the IPCR Committee's majority's approach to parallel importing under the Copyright Act 1968 (Cth) expressly adopted this requirement. This suggests that a different approach and focus has significant potential to improve the assessment of patent privileges, and might be a guide to expanding the scope of analysis applied to the Patents Act 1990 (Cth) and Trade Practices Act 1974 (Cth) in future reviews.

The article suggests that assessing the controversy over appropriate patent scope and allocation is central to adequately addressing the CPA and patent privileges, although uncertainties about the threshold necessary for the benefit to outweigh the costs under the CPA and how they are to be applied and assessed leave open further superficial analyses. To address this concern in future reviews of patent privileges, further direction might be set out in the Terms of Reference expressly addressing the broader debates about patent scope and allocation. However, the significance of the IPCR Committee's assessment of parallel import restrictions under the Copyright Act 1968 (Cth) is to show that it is the approach and subsequent process of challenging assumptions of benefit that is more likely to deliver a comprehensive competition analysis under the CPA. Thus, it is undertaking the process of analysis proposed by the CPA that delivers better regulation by "questioning, understanding real world impacts, [and] exploring assumptions".230 Once patent privileges have been subject to a comprehensive competition analysis according to the CPA, including an assessment of patent scope and allocation, a more rational patent policy that is suited to the Australian community is likely.

224 See Hilmer Committee report, n 7, p 195.
225 Hilmer Committee report, n 7, p 150.
226 The recent United States Federal Trade Commission (FTC) and Antitrust Division of the Department of Justice have conducted an inquiry into the interaction between patents and competition law, although only the FTC report has been released examining the patent system maintaining a proper balance with competition law and policy: see Federal Trade Commission, To Promote Innovation: The Proper Balance of Competition and Patent Law and Policy (Federal Trade Commission, 2003); interestingly, the report states "The US economy also reflects the belief that limited exclusive rights in intellectual property—distinguish from tangible property—can encourage innovation, which also benefits consumers" (p 144), but in its analysis of the scope and allocation of patent rights, the FTC reviews the changing ascendancy of patent and competition law over the last century, but does not address the issue of the quantum of incentive and the different views about how much incentive is sufficient. This may reflect the particular circumstances of the United States as a net technology exporter with a strong interest in maintaining intellectual property privileges.
227 Hilmer Committee report, n 7, p 191.
228 Hilmer Committee report, n 7, p 190.
229 Competition Principles Agreement, cl 5(1).