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INTELLECTUAL PROPERTY IN ELECTRONICS AND SOFTWARE

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Australia has a well-regarded intellectual property (IP) regime that consistently ranks in the top tiers of international comparisons.¹ Australia is a member of the key international IP treaties, such as the Madrid Protocol, Paris Convention and Patent Cooperation Treaty, which provide a streamlined option for applicants seeking international protection of their IP rights. Multinational corporations can therefore transfer technology to Australia and invest in R&D and develop innovative products in Australia, with confidence as to stability and predictability of IP laws and jurisprudence.

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¹ Australia was given a regional rank of 4 and global rank of 10 in the International Property Rights Index report IPRI 2017: www.internationalpropertyrightsindex.org/countries; and ranked 17th for IP protection in the World Economic Forum's *The Global Competitiveness Report 2017–2018*, p 51.

Australia has small but active domestic electronics and software industries, principally focused on industry verticals and in particular medical technologies, mining, gaming and agriculture. The Australian IP legal framework generally reflects international best practice and affords similar protection for foreign corporations doing business in Australia and Australian corporations. There are no mandatory technology transfer regimes.

In 2016 the Australian Government tasked the Productivity Commission with undertaking a comprehensive inquiry into the Australian IP system.² The Government's response to the Commission's report is reflected in staged legislative changes which commenced in 2018³ and are expected to continue in 2019.⁴ Some key changes that the Government has already signalled it intends to implement in relation to patents that may impact on the electronics and software industries include:

- + the introduction of an objects clause to the Patents Act 1990 (Cth) (Patents Act) to provide a clear statement of legislative intent to guide the courts in interpreting the Patents Act;⁵
- + raising the bar for an inventive step under Section 7(2) and (3) of the Patents Act "to put beyond doubt that the assessment of inventive step in Australia is consistent with the [standards adopted by the] European Patent Office";⁶ and
- + the innovation patent system will be brought to end.⁷

² The Australian government directed the Productivity Commission to investigate Australia's IP arrangements and produce its report following a strong recommendation to do so by the Harper Review. The Harper Review was a major review of Australia's competition laws. The Productivity Commission's final Report was published in December 2016 and is available at www.pc.gov.au/inquiries/completed/intellectual-property%23report#report. The government subsequently announced its intention to implement many of the Commission's recommendations: see www.industry.gov.au/data-and-publications/government-response-productivity-commission-inquiry-into-intellectual-property-arrangements

³ The first stage response was the Intellectual Property Laws Amendment (Productivity Commission Response Part 1 and Other Measures) Act 2018, made on 24 August 2018, and the Intellectual Property Laws Amendment (Productivity Commission Response Part 1 and Other Measures) Regulations 2018 which commenced on 16 October 2018. Part 1 of the act repeals a provision in the Copyright Act and amends the Trademarks Act 1995 (Trademarks Act) to clarify the circumstances in which the parallel importation of trademarked goods does not infringe a registered trademark. Part 2 amends the Plant Breeder's Rights Act 1994 (PBR Act) to allow an application for essentially derived variety (EDV) declaration to be made in instances where the plant variety subject of the EDV application is not a registered Plant Breeder's Right (PBR) or undergoing application for PBR. Part 3 amends the Trademarks Act to change the period that must elapse before certain actions of non-use actions of trademark can be taken. Part 4 amends the Patents Act to remove a requirement for patentees to provide the Secretary of the Department of Health with certain data relating to pharmaceutical patents with an extended term.

⁴ In 2018, IP Australia sought public comment on the Exposure Draft of the Intellectual Property Laws Amendment Bill (Productivity Commission Response Part 2 and Other Measures) Bill 2018. IP Australia then considered submissions and published a response: www.ipaustralia.gov.au/about-us/public-consultations/consultation-intellectual-property-laws-amendment-bill-2018.

⁵ Australian Government Response to the Productivity Commission Inquiry into Intellectual Property Arrangements, August 2017, response to Recommendation 7.1. The exposure draft Intellectual Property Laws Amendment Bill (Productivity Commission Response Part 2 and Other Measures) Bill 2018 proposed a new objects clause be inserted into the Patents Act as Section 2A, stating: "The object of this Act is to provide a patent system in Australia that promotes economic wellbeing through technological innovation and the transfer and dissemination of technology. In doing so, the patent system balances over time the interests of producers, owners and users of technology and the public." The exposure draft also proposes to provide that "the term 'technological innovation' ... is not intended to narrow or change the subject matter eligibility threshold for grant of a patent" and "is intended to be interpreted broadly to mean the applications of scientific knowledge for practical purposes".

⁶ *Ibid*, response to Recommendation 7.2. The Government had accepted the Productivity Commission's recommendation to raise the threshold for inventive step, in line with the approach taken by the European Patent Office (EPO). The Government noted the EPO's filter against low-value patents by application of the so-called 'problem-solution approach'. However, the Government later noted that the EPO's 'Raising the Bar' initiative of 2010 included other measures to achieve higher patent quality. Although the exposure draft of the Intellectual Property Laws Amendment (Productivity Commission Response Part 2 and Other Measures) Bill 2019 included provisions raising the inventive step requirements, following the consultations conducted by IP Australia on the exposure draft the Government announced the Government's decision to remove this measure from the Part 2 Bill, pending further analysis and consultation with stakeholders. This may be a temporary halt, while the Government reviews the EPO's November 2018 revision to Section 3.3.1 (Artificial intelligence and machine learning) of its Guidelines for Examination. As at May 2019 it was not clear whether the Part 2 Bill when introduced into the Australian Parliament will include provisions raising the inventive step requirements.

⁷ *Ibid*, response to Recommendation 8.1; see below at 1.1. Innovation patents were introduced in 2001 and intended to stimulate innovation of small and medium-sized businesses in Australia by providing a faster and more affordable means for SMEs to protect their innovations. The system still required novelty and an innovative step, but with a lower threshold than the inventive step of a standard patent, and a shorter period of protection (eight years). Since inception in 2001, less than 5,000 innovation patents were granted. The system was criticised by the Productivity Commission for granting "too easy" protection for inventions and resulting in a "proliferation of low-quality patents", which hinders innovation, stifles competition, and needlessly shifts the burden to consumers of technology.

AUTHORS



PETER LEONARD

Consultant, Gilbert + Tobin
Professor of Practice,
UNSW Business School

T +61 2 9263 4003
M +61 411 089 003
E pleonard@gtlaw.com.au
pleonard@datasynergies.com.au



CHRIS WILLIAMS

Partner, Gilbert + Tobin

T +61 2 9263 4013
M +61 416 556 669
E cwilliams@gtlaw.com.au

OUTLINE OF NATIONAL PATENT PROCEDURE

A TWO-TIER SYSTEM – FOR NOW

Australia presently has a two-tier patent system, providing for the grant of standard patents having a term of 20 years (or 25 years for some pharmaceutical patents⁸) and ‘innovation’ patents having terms of eight years. Standard patents are required to undergo a substantive examination process before grant. Innovation patents, which are intended for low-level inventions or developments, do not automatically undergo a substantive examination before grant.

While the Government accepted a recommendation of the Productivity Commission to abolish the second-tier innovation patent system, the proposed legislative amendments will include “appropriate arrangements to maintain existing rights”.⁹ The system will continue to operate for innovation patents that are filed before amendments giving effect to the proposed phasing out the innovation patent are enacted.¹⁰ As new innovation patents filed in the 12 months following assent and prior to the commencement will benefit from an 8-year term, Australia will continue to recognise such innovation patents until 2028.

⁸ Pharmaceutical substances which have experienced a delay in market approval can receive patent extensions, granting up to 25 years’ protection.

⁹ Australian Government Response to the Productivity Commission Inquiry into Intellectual Property Arrangements, August 2017, response to Recommendation 8.1.

¹⁰ On 25 July 2019 the Intellectual Property Laws Amendment (Productivity Commission Response Part 2 and Other Measures) Bill 2019 was introduced into parliament. Once the legislation comes into effect, a commencement date will be set 12 months and 1 day after the legislation receives royal assent from the Governor General and is signed into Australian law.

¹¹ Section 67 of the Patents Act. The ‘date of the patent’ is the date of filing of a complete application. A provisional patent application (known as a ‘basic’ application in Europe) can act as a priority application, but it cannot mature into a patent in its own right and needs to be converted to a complete application in which the invention is fully claimed within 12 months. If the standard patent is derived from a PCT application, then the effective date of filing is the International Filing Date; Section 88(4) of the Patents Act.

¹² IP Australia website “Time and Costs” available at: www.ipaustralia.gov.au/patents/understanding-patents/time-and-costs.

¹³ Patent Regulations 1991 (Cth).

¹⁴ Level AU-A publication. Published patent applications are available on AusPat.

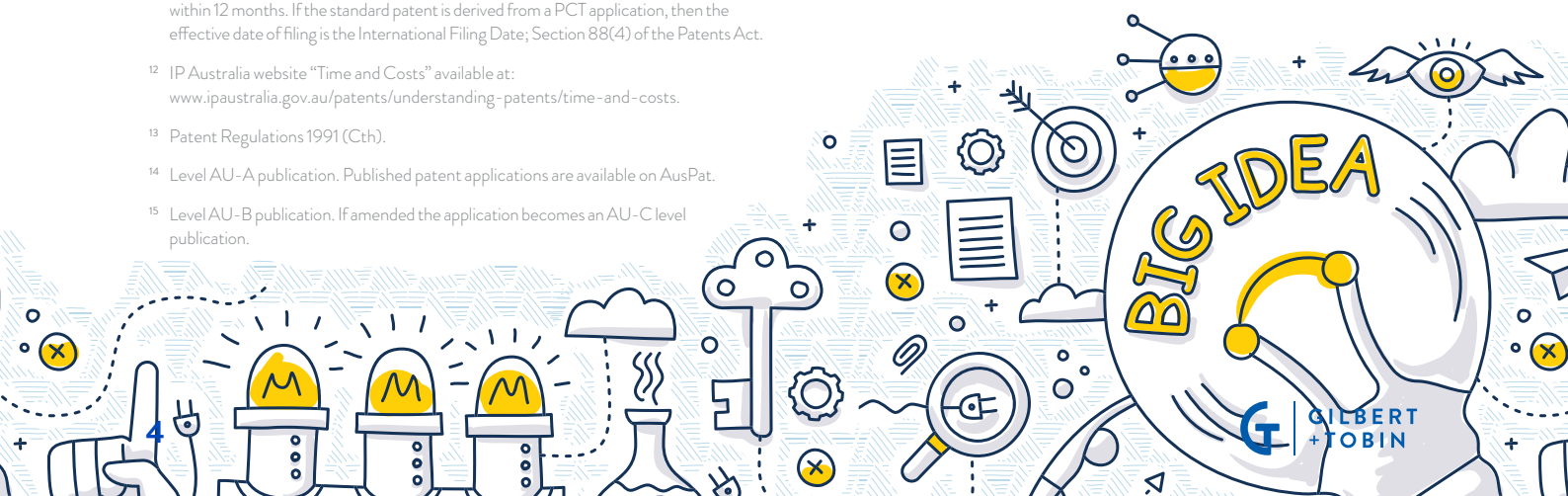
¹⁵ Level AU-B publication. If amended the application becomes an AU-C level publication.

STANDARD PATENTS

Standard patents in Australia have a term of 20 years from the effective date of filing.¹¹ Annual renewal fees are payable from the fifth to nineteenth anniversaries, inclusive. The process of obtaining a standard patent usually takes up to five years. Fees are payable at various stages during the patent prosecution process and also for annual renewals once granted. Fees incurred in the application process are set out on IP Australia’s website¹² and can otherwise be found in Schedule 7 to the Regulations.¹³

Details of the unexamined standard patent application (including the invention title) are published in the Australian Official Journal of Patents approximately 18 months after the application’s earliest priority date.¹⁴ Examination must be requested within five years of the filing date and examination times vary, but typically a reply is received within about 12 months.

In the first office action all thresholds of patentability are considered, including novelty and inventive step (non-obviousness). International Preliminary Examination Reports (IPERs) are in practice heavily relied upon by examiners for identification of relevant prior art. Following examination either an adverse report or a notice of acceptance is sent to the applicant. The applicant then has 12 months to satisfy the Office that the application is in order for acceptance. A response can be filed and a hearing may be sought to overcome objections. Once all objections are overcome and the application for a standard patent is accepted, the application is republished¹⁵ and other parties have three months within which to commence opposition proceedings.





INNOVATION PATENTS

Australia has enjoyed a relatively long history of second-tier patent protection. Australia's initial second-tier patent system, known as the petty patent, was first introduced in 1979 and this was subsequently replaced by the innovation patent in 2001.¹⁶ Innovation patents were introduced to overcome the problems experienced with the petty patent system, which the Australian Council on Intellectual Property (ACIP) had found at the time was underutilised and not providing sufficient protection for incremental innovations.¹⁷

Innovation patents have a term of eight years from the effective date of filing.¹⁸ Annual renewal fees are payable from the second to seventh anniversaries, inclusive. Innovation patents are limited to five claims.¹⁹ The principal difference in requirements is that whereas standard patents require an invention to demonstrate an inventive step over the prior art, an innovation patent need only be directed to an invention having an 'innovative step' over the prior art.²⁰ An innovative step is a very low threshold in practice and exists if the variation over the prior art makes a "substantial contribution to the working of the invention".²¹

Innovation patents can be obtained relatively quickly, within three to six months, as an innovation patent application proceeds directly to acceptance and grant without any substantive examination.²² Fees are approximately half of those associated with standard applications at each stage and for annual renewal after grant.²³ An innovation patent cannot be enforced until it has been 'certified'.²⁴ Once certified, however, an innovation patent provides the same remedies for breach as a standard patent. Innovation patents are therefore of considerable assistance to patentees particularly interested in early enforcement, their patent life-cycle management or simply obtaining shorter-term protection for inventions that represent non-inventive steps over the prior art.

As noted earlier, as at August 2019 there are current proposals that Australia abolish its innovation patent system, with legislation to that effect now introduced into the Australian Parliament.²⁵

OUTLINE OF COSTS

Costs of patent prosecution will vary depending on the type of patent applied for and how the fee is paid: that is, whether it is a standard or innovation patent application and whether the application is made online or by other means. The main official fees for filing and prosecuting a patent application by approved means as at May 2019 are:²⁶

Innovation patent

Filing fee: AU\$280 (AU\$180 if filed online)

Examination fee (optional): AU\$500

Standard patent

Filing fee: AU\$470 (AU\$370 if filed online)

Examination fee (optional): AU\$490

Acceptance fee: AU\$250 plus AU\$110
for each claim in excess of 20

Annual maintenance fees are payable on pending applications and on granted patents. For a standard patent, these start at AU\$300 from the fourth anniversary, then AU\$550 from the tenth anniversary and AU\$1,250 from the fifteenth anniversary. An innovation patent, which has a maximum term of eight years, requires payment of AU\$110 annually from the second-year anniversary through to AU\$220 from the seventh year.

¹⁶ S Moritz and A Christie, "Second-Tier Patent Systems: The Australian Experience" [2006] 4 *European Intellectual Property Review* 230.

¹⁷ ACIP *Review of the Petty Patent System* (1995), p15.

¹⁸ Section 68 of the Patents Act.

¹⁹ Section 40(2)(c) of the Patents Act.

²⁰ Section 18(1A)(b)(ii) of the Patents Act.

²¹ Section 7(4) of the Patents Act.

²² Sections 52 and 62 of the Patents Act.

²³ IP Australia website "Time and Costs" available at: www.ipaustalia.gov.au/patents/understanding-patents/time-and-costs.

²⁴ Section 120(1A) of the Patents Act.

²⁵ *Supra* note 10.

²⁶ A full list of fees is set out in Schedule 7 to the Patents Regulations 1991. Prices are in Australian dollars and payment by 'approved means' means using the Australian Patent Office's eServices facility at: www.ipaustalia.gov.au/eservices or by post.

EXAMINATION OF SOFTWARE PATENTS

PATENTABLE SUBJECT MATTER

The Patents Act provides that an invention is patentable if it:



is a “manner of manufacture”²⁷

– that is, the invention is appropriate subject matter for patent protection;



is novel;²⁸



involves an inventive or innovative step;²⁹



is useful;³⁰ and



has not been used secretly within Australia before the priority date of the patent application.³¹

These fundamental requirements apply to all patent applications, but lead to particular issues in relation to certain areas of technology.

While software code will not on its own be regarded as a “manner of manufacture”, the operative effect of that software may nevertheless be patentable. Whereas abstract information (e.g., mere schemes, algorithms, ideas or intellectual information) is not generally patentable,³² any new and inventive software application, which provides a commercially useful effect and results in an improvement in the functioning of the computer, may be patentable.³³ Where software results in an improvement to the functioning of the computer’s processor, for example, the means of achieving that result may be patentable.

The Australian Patent Office Manual of Practice and Procedure (Examiners Manual) published by IP Australia is closely followed by examiners during patent prosecution. The Examiners Manual records at 2.9.2.7 “Computer Implemented Inventions – Schemes and Business Methods” that:

*Under Australian law, there are no specific exclusions for software or methods that are implemented as computer software or a related product. However, they are only patentable if what is claimed “as a matter of substance” meets the requirements for a manner of manufacture and in particular is not a mere scheme, abstract idea or mere information.*³⁴

The Examiners Manual lists the following examples of potentially patentable computer-related inventions:

- + a processing apparatus characterised by its method of operation;
- + software or programs in a machine-readable form causing a computer to operate in a particular way;
- + a computer, when programmed with code (source or executable) to operate in a particular way; and
- + a computer-implemented method.

Despite the above guidance and as elaborated further below, the assessment and examination of patents and applications for computer-implemented inventions in Australia currently present considerable difficulties.

²⁷ Section 18(1)(a) of the Patents Act somewhat anachronistically still requires as a threshold for patentability that an invention be a “manner of manufacture within the meaning of Section 6 of the Statute of Monopolies”. This threshold test for patentability keeps alive the common law exclusions of collocations, discoveries, fine arts, laws of nature, schemes with no practical implementation, methods of treating humans, working directions, mere printed matter and others. For a comprehensive list of historical categories, see Australian Council on Intellectual Property, “Patentable subject matter – Issues paper” July 2008 at pp22–23, available at: www.ipaustralia.gov.au/sites/g/files/net856/ff/acip_final_report_patentable_subject_matter_archived.pdf. This can be contrasted with the numerous jurisdictions that expressly recite in patent legislation any non-patentable subject matter categories.

²⁸ Section 18(1)(b)(i) of the Patents Act for standard patents and Section 18(1A)(b)(i) for innovation patents.

²⁹ Section 18(1)(b)(ii) of the Patents Act for inventive step/standard patent and Section 18(1A)(b)(ii) for innovative step/innovation patent. Also see Section 7 of the Patents Act regarding prior art base. See further footnote 6 above noting the Australian Government’s proposal to amend the definition of ‘inventive step’, in line with the approach taken by the EPO.

³⁰ Section 18(1)(c) of the Patents Act for standard patents and Section 18(1A)(c) for innovation patents.

INVENTIVENESS REQUIREMENTS

An invention is taken to involve an inventive step when compared with the prior art base unless the invention would have been obvious to a person skilled in the relevant art in the light of the common general knowledge before the relevant priority date, either considered separately or together with certain specified information that is taken to be part of the prior art base.³⁵ The Raising the Bar³⁶ amendments that came into effect in Australia on 15 April 2013³⁷ removed previous parochialisms that had required that:

- + the relevant common general knowledge be limited to that which existed in Australia; and
- + publicly available information could only be considered if the skilled person could be reasonably expected to have ascertained, understood and regarded it as relevant.

The unfortunate effect of the law change is that whether the previous restrictions upon the relevant common general knowledge and prior art information continue to apply depends upon whether examination of the patent application was requested before or after 15 April 2013. It is therefore necessary to check the examination request date, so as to apply the appropriate law accordingly. As noted above, the Productivity Commission has recommended to, yet again, amend Australia's inventive step test and IP Australia has proposed amending Section 7(2) and (3) of the Patents Act in line with Article 56 of the EPC.

The test for innovative step required for an innovation patent is quite different to that for inventive step required for a standard patent. An invention does not involve an innovative step when compared with the prior art if it only varies from the "prior art information" in ways that make no substantial contribution to the working of the invention.³⁸ The assessment of the variation is made from the point of view of the person skilled in the relevant art and in the light of the common general knowledge in Australia at the priority date of the claim. In practice, the Full Federal Court has confirmed that this threshold is not a high one.³⁹

³¹ Section 18(1)(d) of the Patents Act for standard patents and Section 18(1A)(d) for innovation patents.

³² *Re Application by Honeywell Bull Inc* (1991) 22 IPR 463. See also guidelines for examination in *Australian Patent Office Manual of Practice and Procedure* at 2.9.2.7.

³³ *CCOM v Jiejing* (1994) 28 IPR 481; *International Business Machines Corporation v Commissioner of Patents* (1991) 33 FCR 218; *Encompass Corporation Pty Ltd v InfoTrack Pty Ltd* [2018] FCA 421 at [193].

³⁴ Available at: http://manuals.ipaustralia.gov.au/patents/Patent_Examiners_Manual.htm.

³⁵ Section 7(2) and (3) of the Patents Act.

³⁶ The Intellectual Property Laws Amendment (Raising the Bar) Act 2012 (Cth) took effect on 15 April 2013.

³⁷ The Intellectual Property Laws Amendment Act 2012 (Raising the Bar Act).

³⁸ Section 7(4) of the Patents Act.

³⁹ *Dura-Post (Australia) Pty Ltd v Delnorth Pty Ltd* (2009) 177 FCR 239; 81 IPR 480; [2009] FCAFC 81.



⁴⁰ Section 154 of the Patents Act gives the Federal Court jurisdiction to hear appeals from the Patent Office. The Federal Court has recognised expertise in intellectual property matters and the vast majority of patent cases are brought in the Federal jurisdiction. There are Federal Courts in the capital cities of each state and territory in Australia. The New South Wales (Sydney) and Queensland (Brisbane) Federal Court registries presently have established panels of Judges to hear and determine patent matters.

⁴¹ Section 158 of the Patents Act; Section 87 of the Designs Act; Section 195 of the Trademarks Act.

⁴² (1959) 102 CLR 252.

⁴³ At 275 (citation omitted).

⁴⁴ [2015] HCA 35.

⁴⁵ (1991) 22 IPR 417.

⁴⁶ (1994) 28 IPR 481.

⁴⁷ Cooper J also cited the UK decisions in *International Business Machines Corporation's Application* (1980) FSR 564 and *Burroughs Corporation's Application* [1974] RPC 147, which are authority for the proposition that a method embodied in a computer program, that has the effect of controlling a computer to operate in a particular way, may be patentable subject matter.

⁴⁸ *National Research Development Corporation v Commissioner of Patents* (1959) 102 CLR 252.

⁴⁹ IP Australia on its webpage titled "Patents for computer related inventions" gives the following practical test on its website: "Software inventions must be industrially applied. Software that is merely a procedure for solving a given type of mathematical problem is not patentable." Available at: <https://www.ipaustralia.gov.au/patents/understanding-patents/types-patents/what-can-be-patented/patents-computer-related>

⁵⁰ [2001] FCA 445.

⁵¹ (2006) 154 FCR 62; 69 IPR 221; [2006] FCAFC 120.

⁵² Including *Catuity and CCOM* (above) as well as US decisions: *State Street Bank & Trust Co v Signature Financial Group Inc* 149 F 3d 1368; 47 USPQ 2d 1596 (Fed Cir 1998); and *AT&T Corp v Excel Communications, Inc* 172 F 3d 1352; 50 USPQ 2d 1447 (Fed Cir 1999).

⁵³ [2014] FCAFC 150.

⁵⁴ [2015] FCAFC 177.

COURT'S APPROACH TO SOFTWARE PATENTS

The Federal Court and state and territory Supreme Courts share original (ie, first instance) jurisdiction over matters relating to the exploitation and enforcement of patent rights, including challenges to patent rights, infringement proceedings and compulsory licences.⁴⁰ All cases are decided by judges (alone). Patent cases are almost invariably brought in the Federal Court of Australia due to that Court's acknowledged expertise in IP matters and its dedicated National Practice Area having a sub-area of Patents and Associated Statutes. Appeals from a single judge of the Federal Court are made to the Full Court of the Federal Court, usually comprising three judges. The final court of appeal from all Australian courts is the High Court of Australia.⁴¹

In a landmark case regarding patentability of subject matter, *National Research Development Corporation v Commissioner of Patents (NRDC)*,⁴² the High Court of Australia held that:

*The point is that a process, to fall within the limits of patentability which the context of the Statute of Monopolies has supplied, must be one that offers some advantage which is material, in the sense that the process belongs to a useful art as distinct from a fine art ... that its value to the country is in the field of economic endeavour.*⁴³

This liberal statement by the High Court opened the gates for patents in a range of new areas, including for those regarded as 'business methods'. More recently, the High Court, in *D'Arcy v Myriad*⁴⁴ clarified that while the test in NRDC remains relevant, it is not to be applied as a rigid rule for all cases. Broader policy factors, such as whether conferring patentability in the field could result in potentially negative effects on innovation, may also be relevant. Furthermore, in determining patentable subject matter, it is appropriate to have regard to the substance of the invention rather than the form in which it is claimed.

In Australia, there were two early court decisions handed down in relation to computer software related inventions that established their patentability; the first of which was *IBM v Commissioner of Patents*.⁴⁵ The IBM case concerned the patentability of a method and apparatus for producing curves on a computer graphics display. The invention developed by IBM utilised a particular mathematical algorithm which enabled the creation of smoother and more accurate computer-generated curves. It was held that IBM was entitled to the grant of a patent as the production of an improved curved image was a “commercially useful effect” in computer graphics.

The Full Federal Court, in *CCOM v Jiejing*,⁴⁶ subsequently considered application of the reasoning in *NRDC* to claims directed to a computer-implemented invention. In that case the claimed invention involved an apparatus for assembling text in Chinese language characters. The relevant field of economic endeavour was held to be:

*... the use of word processing to assemble text in Chinese language characters. The end result achieved is the retrieval of graphic representations of desired characters, for assembly of text. The mode or manner of obtaining this, which provides particular utility in achieving the end result, is the storage of data as to Chinese characters analysed by stroke-type categories, for search including ‘flagging’ (and ‘unflagging’) and selection by reference thereto.*⁴⁷

The Full Court re-stated the test applicable to software as whether there is “a mode or manner of achieving an end result which is an artificially created state of affairs of utility in the field of economic endeavour”. This essentially is a two-step test for considering the steps or features provided in a patent application:

- + is the result an artificially created state of affairs,⁴⁸ and
- + is it useful in the field of economic endeavour?⁴⁹

This test has allowed for the patenting of business methods in certain circumstances. In a further decision involving a patent for a method and a device using smart cards to operate a loyalty scheme, *Welcome Real-Time SA v Catuity Inc*⁵⁰ the Federal Court gave prominence to the physical aspects of the scheme in finding that:

... what is involved here is not just an abstract idea or method of calculation. Moreover this result is beneficial in a field of economic endeavour – namely retail trading – because it enables many traders (including small traders) to use loyalty programs and thereby compete more effectively for business. Such competition is in turn beneficial to consumers, both in the general sense that competition is good and in the sense that they can obtain benefits in the form of discounts and free goods and services.

By contrast, in 2006 the Full Federal Court in *Grant v Commissioner of Patents*⁵¹ considered a mere scheme for protection of an asset from the claims of creditors was not patentable, stating that: “A physical effect in the sense of a concrete effect or phenomenon or manifestation or transformation is required.” In doing so, however, the Full Court expressly approved of earlier cases where the business method was implemented in a computer environment such that performance of the patented method resulted in a “change in state or information in a part of a machine”.⁵²

However, the law relating to patent-eligibility of computer-implemented inventions remains far from clear. In further and more recent decisions of the Full Court, *Research Affiliates LLC v Commissioner of Patents*⁵³ and *Commissioner of Patents v RPL Central Pty Ltd*,⁵⁴ the Full Court found that the presence of computing hardware or processing steps within a claimed method or system was insufficient to confer patentability. The effect of these decisions is that an invention which, in substance, is a mere scheme, algorithm, idea or intellectual information does not constitute patentable subject matter, notwithstanding any assertion of computer implementation in the claims.

If, for example, the specification reveals that the computer implementation asserted in the claims involves use of standard hardware or software or is not necessary or intrinsic to the process claimed, then the invention may not be a manner of manufacture.⁵⁵ Conversely, an invention that involves an improvement in the operation of, or effect of the use of, the computer or computerised process and is integral and intrinsically linked to the method or product claimed, is more likely to constitute patentable subject matter.⁵⁶

In *Encompass Corporation Pty Ltd v InfoTrack Pty Ltd*,⁵⁷ a single judge of the Federal Court applied the Full Court's decisions in *Research Affiliates LLC v Commissioner of Patents*⁵⁸ and *Commissioner of Patents v RPL Central Pty Ltd*,⁵⁹ and found in that the patents in suit did not involve a manner of manufacture because the combination of the method claimed did not result in an "improvement in the computer".⁶⁰ That decision was appealed, with the appeal heard in November 2018 by an enlarged bench (constituted by five judges) of the Full Federal Court. IP Australia intervened in the appeal hearing and submitted that a computer software invention was only patentable if programmed with 'some ingenuity'. To further muddy the waters, shortly after the Encompass appeal hearing, a judge of the Federal

Court in *Rokt Pte Ltd v Commissioner of Patents*⁶¹ reversed a Patent Office rejection of a patent for a computer-implemented invention and found that the patent translated a business problem into a technical problem of how to utilise computer technology to address the business problem.⁶² The Commissioner of Patents has appealed the decision.⁶³

⁵⁵ *Research Affiliates LLC v Commissioner of Patents* [2014] FCAFC 150 at [110]; *IBM v Commissioner of Patents* (1991) 22 IPR 417 at [16].

⁵⁶ *Research Affiliates LLC v Commissioner of Patents* [2014] FCAFC 150 at [96]–[99]; *IBM v Commissioner of Patents* (1991) 22 IPR 417 at [16]; *CCOM v Jieying* (1994) 28 IPR 481 at 292–3.

⁵⁷ [2018] FCA 421.

⁵⁸ [2014] FCAFC 150.

⁵⁹ [2015] FCAFC 177.

⁶⁰ *Encompass Corporation Pty Ltd v InfoTrack Pty Ltd* [2018] FCA 421 at [192]–[197].

⁶¹ [2018] FCA 1988.

⁶² *Rokt Pte Ltd v Commissioner of Patents* [2018] FCA 1988 at [207].

⁶³ As well as the *Encompass* and *Rokt* appeals, there are other appeals currently before the Federal Court in respect of IP Australia Patent Office decisions refusing applications for patents on computer-implemented inventions: *Aristocrat Technologies Australia Pty Ltd v Commissioner of Patents* (NSD1343/2018) is an appeal from *Aristocrat Technologies Australia Pty Limited* [2018] APO 45, and is scheduled to be heard on 2–4 September 2019. *Repipe Pty Ltd v Commissioner of Patents* (WAD323/2018) is an appeal from *Repipe Pty Ltd* [2018] APO 42, and was heard on 25–27 June 2019 (decision pending).



PATENT OFFICE PRACTICE

These recent decisions of the Full Court and the *Encompass* decision have regrettably provided little clarity for patent applicants regarding patent-eligibility of computer-implemented inventions. To further confuse matters, the Patent Office (IP Australia) has been applying an adaptation of the England and Wales Court of Appeal's four-step test for patentable subject matter, as set out in *Aerotel Ltd v Telco Holdings Ltd*.⁶⁴ The 'Australianised' test set out in the Examiners Manual is:⁶⁵

- + construe the claim;
- + identify the substance of the claim (ie, the alleged or actual contribution);
- + ask whether the substance of the claim lies within established principles of what does not constitute a patentable invention (eg, a scheme, plan, rules of gameplay, intellectual or genetic information); and
- + if not, consider whether the substance otherwise lies outside of existing concepts of manner of manufacture and is to be treated as a 'new class' of subject matter.

The correctness of this approach in the absence of clear judicial support remains questionable. The Examiners Manual further sets out a number of considerations that may be relevant to whether a computer-related invention is in substance a manner of manufacture, including:⁶⁶

- + whether the contribution of the claimed invention is technical in nature;
- + whether the invention solves a technical problem within the computer or outside the computer or whether it results in an improvement in the functioning of the computer, irrespective of the data being processed;
- + whether the claimed method merely requires generic computer implementation;
- + whether the computer is merely an intermediary or tool for performing the method while adding nothing of substance to the idea;
- + whether the ingenuity in the invention is in a physical phenomenon in which an artificial effect can be observed rather than in the scheme itself;
- + whether the alleged invention lies in the way the method or scheme is carried out in a computer; and
- + whether the alleged invention lies in more than the generation, presentation or arrangement of intellectual information.

In practice, the application of this approach has led to the rejection of many computer-implemented inventions by the Patent Office on subject matter grounds. In view of numerous recent decisions, applicants seeking patent protection in Australia should be cautious as to their prospects of success.

⁶⁴ [2006] EWCA Civ 1371.

⁶⁵ 2.9.2.2 Principles for Examination – Examination Practice.

⁶⁶ Examiners Manual, 2.9.2.7 Computer Implemented Inventions – Schemes and Business Methods.



INFRINGEMENT

CLAIM INTERPRETATION

Infringement is determined by reference to the claims of the patent.⁶⁷ The approach to claim interpretation in Australia has been influenced by UK authorities. The ‘pith and marrow’ doctrine and the need for a purposive construction propounded by the House of Lords in *Catnic Components Ltd v Hill & Smith Ltd*⁶⁸ have long been recognised by Australian courts. Even though a product or process may not fall literally within the words of a claim, a purposive interpretation may still lead to a finding of (non-literal) infringement under Australian law.⁶⁹

A non-literal infringement will result under a purposive interpretation when:

- + a variant does not have a material effect upon the way an invention works;
- + that variant would have been obvious at the date of publication to a person skilled in the art; and
- + the person skilled in the art would not have understood from the language of the claim that strict compliance with its primary meaning was an essential requirement.

However, the Full Court of Appeal has confirmed that a purposive construction does not mean that one is extending or going beyond the definition of the technical matter for which the patentee seeks protection in the claims.⁷⁰

ACTS OF INFRINGEMENT

Whilst ‘infringement’ is not defined in the Patents Act, Section 13 gives the patentee “the exclusive rights, during the term of the patent, to exploit the invention and to authorise another person to exploit the invention”. For a patentee to enforce a patent for direct infringement therefore requires proving that an alleged infringer has ‘exploited’ the claimed invention or authorised another to do so.

The term ‘exploit’ is defined in the Dictionary⁷¹ to the Patent Act as follows:

‘exploit’, in relation to an invention, includes:

- (a) where the invention is a product – make, hire, sell or otherwise dispose of the product, offer to make, sell, hire or otherwise dispose of it, use or import it, or keep it for the purpose of doing any of those things; or
- (b) where the invention is a method or process – use the method or process or do any act mentioned in paragraph (a) in respect of a product resulting from such use.

Infringement will typically require consideration of whether there has been a ‘making’⁷² or ‘using’⁷³ of a patented device or method. The central question in any enforcement action will be whether the respondent, in exploiting the patented invention, has “taken all of the essential features or integers”⁷⁴ of one or more of the claims. Whereas early judicial decisions considered ‘authorise’ to have a narrow meaning of “to give legal or formal warrant to (a person) to do; to empower, permit authoritatively”,⁷⁵ later cases have approved a wider meaning comparable to expression found in Australia’s copyright legislation of “sanction, approve or countenance”.⁷⁶ Those factors include: the extent (if any) of the person’s power to prevent the doing of the act concerned; the nature of any relationship between the person and the person who did the act concerned; and whether the person took any reasonable steps to prevent or avoid the doing of the act, including whether the person complied with any relevant industry codes of practice.



CONTRIBUTORY INFRINGEMENT

Under Australian law, a person may, in certain circumstances, be liable for contributory infringement if that person supplies a product to another, where the use of that product would infringe a third party's patent rights.⁷⁷

Section 117 of the Patents Act 1990 (Cth) provides:

117 Infringement by supply of products

1. If the use of a product by a person would infringe a patent, the supply of that product by one person to another is an infringement of the patent by the supplier unless the supplier is the patentee or licensee of the patent.
2. A reference in subsection (1) to the use of a product by a person is a reference to:
 - (a) if the product is capable of only one reasonable use, having regard to its nature or design – that use; or
 - (b) if the product is not a staple commercial product – any use of the product, if the supplier had reason to believe that the person would put it to that use; or
 - (c) any case – the use of the product in accordance with any instructions for the use of the product, or any inducement to use the product, given to the person by the supplier or contained in an advertisement published by or with the authority of the supplier.

Contributory infringement has been upheld in cases where a product has been supplied with instructions or inducements to a third party to infringe a patent.⁷⁸ Further guidance on the operation of the section was provided in the High Court's decision, *Collins v Northern Territory of Australia*:⁷⁹

- + 'supply' is to be interpreted in an intuitive and common-sense fashion;⁸⁰ and
- + if a product is supplied commercially and has several uses, it will be considered a 'staple commercial product'.⁸¹

CROSS-BORDER ISSUES

Although IP rights are territorial, Australian courts have demonstrated a readiness to find jurisdiction in cases that involve conduct in or by persons from Australia. The High Court of Australia held in a leading defamation case⁸² that material that had been written in New York, uploaded to a server in New Jersey, United States and downloaded in Victoria, Australia, was nevertheless defamatory in Australia, where the reputation of the individual was ultimately damaged. In the case of rights that are exercised through the use of the Internet, such as the right of communication to the public, Australian courts have found (infringing) use of such rights where at least some of the relevant activity takes place geographically within Australia or on Australian computer network assets. For example, in *Cooper v Universal Music Australia Pty Ltd*⁸³ it was found that the transmission of copyright content from a jurisdiction outside Australia into Australia constituted an infringement of the communication right in Australia and therefore an infringement of Australian copyright law. Although the full extent of the territorial reach of Australian courts in IP cases has not been fully tested, it has been suggested by some commentators that Australian courts may be both capable of and prepared to extend the type of jurisdiction over extra-territorial copyright infringements, as the UK Supreme Court acknowledged in *Lucasfilm Limited v Ainsworth*.⁸⁴

Where a territorial nexus is established, Australian courts have been receptive to providing litigants with the means to effectively enforce internationally protected IP rights, which are being infringed in a number of locations including Australia.⁸⁵



⁶⁷ *Décor Corp Pty Ltd v Dart Industries Inc* (1988) 13 IPR 385 at 400.

⁶⁸ [1982] RPC 183 at 242–3 per Lord Diplock; *Kirin-Amgen v Hoechst Marion Roussel* [2005] RPC 9.

⁶⁹ See ‘Improver’ or ‘Protocol’ questions in *Improver Corp v Remington Consumer Products Ltd* [1990] FSR 181; *Populin v HB Nominees Pty Ltd* (1982) 41 ALR 471 at 475.

⁷⁰ *Kimberly-Clark Australia Pty Ltd v Multigate Medical Products Pty Ltd* [2011] FCAFC 86 at [14]; and see also the similar finding of a differently comprised Full Court in *Australian Mud Company Pty Ltd v Coretell Pty Ltd* [2011] FCAFC 121 at [69]–[72].

⁷¹ Schedule 1 to the Patents Act.

⁷² *Schutz (UK) Ltd v Werit (UK) Ltd* (2013) 100 IPR 583.

⁷³ *Bedford Industries Rehabilitation Association Inc v Pinefair Pty Ltd* (1998) 42 IPR 330; *Noakes v Meharey* (1915) 32 RPC 307.

⁷⁴ *Populin v HB Nominees Pty Ltd* (1982) 41 ALR 471 and *Fresenius Medical Care v Gambro* [2005] FCAFC 220 at [49].

⁷⁵ *Advanced Building Systems Pty Ltd v Ramset Fasteners (Aust) Pty Ltd* (1995) AIPC 91–129, 39,200; *Bristol-Myers Squibb Co v F H Faulding & Co Ltd* (1998) 41 IPR 467, 488.

⁷⁶ Section 101(1A) factors listed in the Copyright Act 1968; see Bennett J in *Apotex Pty Ltd v Les Laboratoires Servier (No 4)* [2010] FCA 1202 at [14]; and *Inverness Medical Switzerland GmbH v MDS Diagnostics Pty Ltd* (2010) 85 IPR 525, 568 at [194]. Authorisation under Section 13(1) may also extend to circumstances that satisfy the requirements for the common law doctrines of joint-tortfeasorship through procurement or in pursuance of a common design.

⁷⁷ Contributory or indirect infringement has been a feature of Australian law since the introduction of the Patents Act in 1990. The stated legislative intention was to harmonise Australian contributory infringement law with the contributory infringement law of major trading partners, and particularly with that of the United States. *Dunlop Pneumatic Tyre Co Ltd v David Moseley & Sons Ltd* [1904] 1 Ch 612.

⁷⁸ *Bristol-Myers Squibb Co v FH Faulding & Co Ltd* (2000) 46 IPR 553.

⁷⁹ [2006] 70 IPR 614.

⁸⁰ *Id* at [55] per Hayne J (with whom the majority of other judges effectively agreed), finding that a licence to cut and take timber was to be regarded as a ‘supply’ of the timber.

⁸¹ *Id* at [145] per Crennan J. As liability cannot arise under Section 117(2)(b) if the product supplied is a “staple commercial product”, the contributory infringement claim failed and the Northern Territory Government’s appeal was allowed.

⁸² *Dow Jones & Company Inc v Gutnick* [2002] HCA 56.

⁸³ [2006] FCAFC 187; (2006) 156 FCR 380.

⁸⁴ [2011] UKSC 39; the Supreme Court held that Mr Ainsworth’s replica stormtrooper costumes infringed Lucasfilm’s US copyrights, and ruled that those rights are enforceable in the United Kingdom with respect to activities outside of the United Kingdom.

⁸⁵ *Sony Dadc Austria AG & Anor v Digital Digest Pty Ltd & Anor* Federal Court Proceeding No NSD417/2007.

```

$bar = new ProgressBar(
$bar->setFormat('debug');
$bar->setBarCharacter('<comment>=</
$bar->setBarWidth(50);
$bar->start();

$prod_path = public_path('imgs/prod
$products = Product::select('id',
->where('cat_id', 162)
->where('mirror', 0)
->get();

foreach ($products as $product) {
    $img_cuts = explode( delimiter: '
    $img_cut = $img_cuts[0].'.'. $im
    $min_file = glob( pattern: $prod_
    $big_file = glob( pattern: $prod_
    rename(current($min_file), new
    rename(current($big_file), new

if(!file_exists( filename: public.
DB::table('products')->where
} else {
DB::table('products')->where
}
    
```

OWNERSHIP, INVENTORSHIP AND COMPENSATION

Section 15(1) of the Patents Act provides that a patent for an invention may only be granted to a person who is the inventor or a person who has taken an assignment or derives title to the invention from the inventor. That is, the primary person to whom a patent will be granted is the inventor and all other rights to the invention are derived from the inventor. There is no statutory definition for inventor,⁸⁶ but it is clear from case law that the word has its ordinary English meaning.⁸⁷

In identifying the inventor, a court will identify the inventive concept of the invention by reference to the terms of the whole of the relevant specification, including the claims; and ascertain the timing of the invention and the identity of the inventor by reference to that inventive concept.⁸⁸

The timing of the invention will be assessed by reference to the date when the inventive idea or concept was developed, rather than the date of its reduction to practice.⁸⁹ There may be multiple contributors to the inventive concept and multiple inventive concepts in a single invention.⁹⁰ The Full Court has in recent times held that failure to correctly nominate all inventors will not invalidate a patent.⁹¹

⁸⁶ *Davies Shepard Pty Ltd v Stack* (2001) 51 IPR 513.

⁸⁷ *Atlantis Corp v Schindler* (1997) 39 IPR 29.

⁸⁸ *University of Western Australia v Gray* [2009] FCAFC 116, drawing on *Polwood Pty Ltd v Foxworth Pty Ltd* [2008] FCAFC 9 and *Kafataris v Davis* [2016] FCAFC 134.

⁸⁹ *UWA*, *ibid* at [249].

⁹⁰ *Polwood Pty Ltd v Foxworth Pty Ltd* [2008] FCAFC 9.

⁹¹ *University of British Columbia & Anor v Conor Medsystems Inc* (2006) 70 IPR 248 per Emmett, Stone and Bennett JJ, overturning the decision of Finkelstein J that the patent ought be revoked due to a failure to name all inventors in *Conor Medsystems, Inc v The University of British Columbia (No 2)* [2006] FCA 32; see also *Sigma Pharmaceuticals (Australia) Pty Ltd v Wyeth* [2011] FCAFC 132 per Yates J at [270]–[291], Bennett J agreeing at [125]–[126].

COPYRIGHT PROTECTION

COPYRIGHT PROTECTION OF SOFTWARE AND DATABASES

The Copyright Act 1968 (Cth) protects original literary works, dramatic works, musical works, artistic works, sound recordings and films.⁹² A work is original if it has not been wholly copied from another work and originates with the author.⁹³ Copyright protection is automatic and does not require registration. Literary, dramatic, musical and artistic works are protected for the life of the author plus 70 years.⁹⁴

‘Computer programs’ – “a set of statements or instructions to be used directly or indirectly in a computer in order to bring about a certain result” – are protected as a type of ‘literary work’.⁹⁵ Copyright protection extends to software is embedded in firmware and built into devices.⁹⁶

Other material protected by copyright includes artistic works such as the design of graphical user interfaces, multimedia elements, computer and app icons, written material, tables and compilations. There is no *sui generis* statutory protection in respect of databases. Claims in respect of copying of data and databases have often been unsuccessful in Australia.⁹⁷ Although facts and data are not protected by copyright, a collection of data, a dataset, metadata, or a compilation of numerous items of data or metadata records may be protected by copyright if sufficiently original. Originality is determined having regard to application of independent intellectual effort by the authors, which may involve the exercise of skill, judgment, or creativity in selecting, presenting, or arranging the information.⁹⁸ Literary works are defined as including “a table, or a compilation, expressed in words, figures or symbols (whether or not in a visible form)”. Data compilations may therefore be ‘literary works’.¹⁰⁰

Where a data compilation is sufficiently original to be protected by copyright, copyright applies to the form in which the information has been compiled, arranged, or presented, not to the data itself.¹⁰¹ Any computer program underlying a database may also be protected by copyright as a (separate) literary work. The Full Federal Court in *Acohs v Ucorp*¹⁰² noted that it was possible that even an information tag, if it is original, sufficiently substantial, and functionally separate from the program of which it forms a part, might constitute a separate copyright work. In *CA, Inc v ISI Pty Ltd*¹⁰³ macros developed by the respondents to replace the applicant’s macros were found to reproduce substantial parts of the applicant’s database management system.

In addition to the requirement of originality that the relevant work not be copied and result from independent intellectual effort directed to expressing the work in its final form, the recent Australian cases as to copyright in data compilations and computer-generated works have placed significant stress upon the requirement for a plaintiff to prove that the work originated from an identifiable human author.¹⁰⁴ Authorship may include establishing a framework for the contents of a database, selecting certain data, assembling the contents, making decisions about defining fields and indexes, devising the schema of the database, and perhaps adapting software that provides the access and search capability. It is clear that more subjective selections, such as listing in order of importance, selecting sub-topics after exercise of creativity, or settling a directory where the selected universe is not obvious, may involve sufficient intellectual effort.¹⁰⁵ However, the relevant contributions of each human author may need to be proven, creating significant evidentiary difficulties for plaintiffs in many software and databases cases.



If an author produces software during the course of his or her employment,¹⁰⁶ any copyright vests in the author's employer.¹⁰⁷ If there is an agreement¹⁰⁸ about the creation of software (for example, a commissioned software development agreement), ownership will be determined by reference to the agreement. Assignment of copyright under an agreement may be express or inferred¹⁰⁹ but will not be inferred merely from making a payment for a commissioned work.¹¹⁰ In many cases where an assignment cannot be so inferred, a licence in favour of the commissioning party will be inferred for use of the created work for the purpose for which it was commissioned.¹¹¹

The author or authors of a compilation work are the persons who gather or organise the collection of material and who select, order or arrange for its fixation in material form, not those who individually created or supplied the individual parts.¹¹² Separate copyrights may subsist in individual parts of the whole from the compilation or collection copyright in the assembly of those individual parts to create the whole.

Where there is more than one creator of a copyright work the work will, in the absence of agreement to the contrary, be a 'work of joint authorship' if the contribution of each creator to the collaboration cannot be distinguished from the contribution of the other creator or creators.¹¹³ In these circumstances, each creator will usually own an indivisible share of the copyright in the work, with the consequence that no one creator may exercise the rights without the permission of the other creator or creators.¹¹⁴

¹⁰⁶ Section 32 of the Copyright Act. Also see Section 10(1) definitions for literary, artistic and dramatic works.

¹⁰⁷ *Data Access Corp v Powerflex Services Pty Ltd* (1999) 202 CLR 1; *Ice TV v Nine Network Australia* (2009) 239 CLR 458

¹⁰⁸ Section 33(2)–(3) of the Copyright Act.

¹⁰⁹ Subject only to an important exception in relation to circuit layouts discussed in the next section of this chapter.

¹¹⁰ See *Data Access Corp v Powerflex Services Pty Ltd* (1999) 202 CLR 1; *Desktop Marketing v Telstra Corporation* (2002) 119 FCR 491; *Nominet UK v Diverse Internet* (2004) 63 IPR 543; *IceTV Pty Ltd v Nine Network Pty Ltd* (2009) 239 CLR 458, (2009) HCA 14; *Telstra Corporation Limited v Phone Directories Company Pty Ltd & Ors* [2010] FCA 44; *Acohs Pty Ltd v Ucorp Pty Ltd* [2010] FCA 577; *Acohs Pty Ltd v Ucorp Pty Ltd (No 2)* [2012] FCAFC 16; *Dynamic Supplies Pty Ltd v Tonnex Pty Ltd* [2011] FCA 362; *CA, Inc v ISI Pty Ltd* [2012] FCA 35; *JR Consulting & Drafting Pty Limited v Cummings* [2016] FCAFC 20.

¹¹¹ See in particular *IceTV Pty Ltd v Nine Network Pty Ltd* (2009) 239 CLR 458; (2009) HCA 14 per French CJ, Crennan and Kiefel JJ at [33] and [48], Gummow, Hayne and Heydon JJ at [99]; also *Telstra Corporation Limited v Phone Directories Company Pty Ltd* [2010] FCAFC 149 per Keane CJ at [57], Perram J at [99] and Yates J at [133].

¹¹² Section 10(1) of the Copyright Act.

¹¹³ The 'originality' requirement frequently arises in the context of compilations and is often problematic. See *University of London Press Ltd v University Tutorial Press Ltd* [1916] 2 Ch 607; *Desktop Marketing Systems Pty Ltd v Telstra Corp Ltd* (2002) 55 IPR 1; *IceTV Pty Ltd v Nine Network Australia Pty Ltd* (2009) 239 CLR 458.

¹¹⁴ *Victoria Park Racing & Recreation Grounds Co Ltd v Taylor* (1937) 58 CLR 479; *Autodesk Inc v Dyason* (1992) 173 CLR 330.

¹¹⁵ *Acohs Pty Ltd v Ucorp Pty Ltd (No 2)* [2012] FCAFC 16.

¹¹⁶ *CA, Inc v ISI Pty Ltd* [2012] FCA 35. Comment lines to source code that instruct the operator and are not converted to the object code have been held within the definition of 'computer program': *CCH Australia Ltd & Anor v Accounting Systems 2000 (Developments) Pty Ltd & Ors* (1991) AIPC 90–801.

¹¹⁷ *Telstra Corp v Phone Directories* (2010) 194 FCR 142; *Acohs Pty Ltd v Ucorp Pty Ltd* (2012) 95 IPR 117.

¹¹⁸ See further Andrews and Cameron, "Copyright in computer-generated work in Australia post-*IceTV*: Time for the Commonwealth to act" (2011) 22 AIPJ 29; Anne Fitzgerald and Natasha Dwyer, *Copyright in Databases in Australia*, 2012, available at <http://eprints.qut.edu.au/50425/>; Peter Knight, "Copyright in databases and computer programs: Why is it so hard to understand?" (2010) 21 AIPJ 118; Jani McCutcheon, "When sweat turns to ice: The originality threshold for compilations following *IceTV* and *Phone Directories*" (2011) 22 AIPJ 87.

¹¹⁹ "... in pursuance of the terms of his or her employment by another person under a contract of service or apprenticeship": Section 35(6). Note that this statutory vesting does not apply in respect of commissioned software developed by independent contractors or works created by an employee outside their scope of employment. See *EdSonic Pty Ltd v Cassidy* [2010] FCA 1008 at [41] and *Insight SRC IP Holdings Pty Ltd v The Australian Council for Educational Research Limited* [2012] FCA 779 at [40]. Whether a person is an employee is determined applying general principles of employment law.

¹²⁰ *Redrock Holdings Pty Ltd v Hinkley* (2001) 50 IPR 565.

¹²¹ Section 35(4) of the Copyright Act.

¹²² Section 196(3) of the Copyright Act. See *Murray v King* (1984) 4 FCR 1.

¹²³ An intention to effect an assignment of copyright must be evident. See *Larrikin Music Publishing Pty Ltd v EMI Songs Australia Pty Ltd* (2009) 81 IPR 584.

¹²⁴ *Beck v Montana Constructions Pty Ltd* (1963) 5 FLR 298; *Achoh Pty Ltd v R A Bashford Consulting Pty Ltd* (1997) 37 IPR 542.

¹²⁵ *IceTV Pty Limited v Nine Network Australia Pty Limited* (2009) 239 CLR 458 and (2009) HCA 14 per Gummow J and per Gummow, Hayne and Heydon JJ at [99].

¹²⁶ Section 10(1) (definition of 'work of joint authorship').

¹²⁷ *Seven Network (Operations) Ltd v TCN Channel Nine Pty Ltd* (2005) 66 IPR 101.



EXCLUSIVE RIGHTS AND INFRINGEMENT

Owners of copyright in software have a number of exclusive rights,¹¹⁵ including the right to:

- + reproduce the software in a material form, such as copying the program to storage devices or typing the source code of the program;
- + publish the software, such as offering the program to the public for the first time;
- + make an adaptation of the software, such as making versions in different languages or code; and
- + communicate the software to the public, such as making it available for download.

‘Adaptation’ in relation to a computer program is defined to mean “a version of the work (whether or not in the language, code or notation in which the work was originally expressed) not being a reproduction of the work”.¹¹⁶

The rights of a copyright owner are infringed where an infringing act is done in relation to ‘a substantial part’ of the work or other subject matter.¹¹⁷ In determining whether any reproduction is of a ‘substantial part’, greater weight is given to the quality of the taken part than to the quantity.¹¹⁸ The courts have adopted a qualitative as well as a quantitative approach which is to be applied in determining whether a ‘substantial’ part of a copyright work has been copied. In one case a court held that a ‘look-up table’ which formed part of a piece of software was a substantial part of that software: the fact that the look-up table was not of itself software did not mean it could not form a substantial part of a computer program. In another case, a court held that an error text table in a piece of software was not a substantial part, apparently on the basis that the error table was not an essential element of the program and the software could function without an error text table.

There will be a direct infringement only if a person, not being the owner and without a licence, does or authorises the doing of any act that the copyright owner has the exclusive right to do.¹¹⁹ It is also an infringement for a person other than the copyright owner to ‘authorise’ the doing of an act comprised in the copyright. ‘Authorise’ has been interpreted as “sanction,

approve, countenance”.¹²⁰ In determining whether a person is liable for ‘authorising’, the court considers the extent (if any) of the person’s power to prevent the doing of the act concerned; the nature of the relationship existing between the person and the person who did the act concerned; and whether the person took any reasonable steps to prevent or avoid the doing of the act, including whether the person complied with any relevant industry codes of practice. In *JR Consulting & Drafting Pty Limited v Cummings*¹²¹ the alleged infringers included an individual (Gianni Pacione) and two companies of which Pacione was a director and shareholder. The courts considered whether Pacione was liable for authorising the copyright infringing acts of those companies. The courts found he was liable by reason of his position as a director and the economic owner of the companies. The companies were under the control of his guiding mind, he knew they had no right to engage in the infringing conduct and while he could have stopped them from engaging in that conduct, he took no reasonable steps to do so and in fact consciously facilitated the infringing conduct and obfuscated having done so.

A licensee cannot pursue an infringement action unless the licensee is an exclusive licensee.¹²²

EXCEPTIONS

Copyright in computer programs is not infringed by any of the following:



making reproductions (copies) for normal use or study,¹²³



making back-up copies;



making copies to obtain information to make interoperable products;



making copies to correct errors; and



making copies for security testing.¹²⁴

The copies must be made by, or on behalf of, the owner or licensee of a non-infringing copy of the computer

program. In addition, if the copy is used for a purpose other than in accordance with these provisions, the defence does not apply.¹²⁵ For the purposes of the defences, ‘computer program’ includes any literary work that is incorporated in, or associated with, the program so long as it is essential to its effective operation.¹²⁶

The defence of ‘normal use or study’ is confined to making a reproduction incidentally and automatically as part of the technical process of running a program for the purpose for which it was designed. In this context, and the back-up copy defence, ‘reproduction’ has a special narrow meaning and does not include a version of the work in source code that has been derived from object code by any process, including decompilation.¹²⁷ By contrast, a broader definition of ‘reproduction’ of computer programs applies for other defences.¹²⁸

In specific circumstances it is not an infringement of copyright in a computer program to make a reproduction, or an adaptation of, a program for the purpose of obtaining information necessary to make independently another program or article, to connect to and be used together with, or otherwise integrate with, the original program. However, the reproduction or adaptation may be made only to the extent necessary to obtain the relevant information which is not readily available from another source.¹²⁹

A reproduction or adaptation may be made for the purpose of correcting an error in the original copy of a program that prevents it from operating as intended by its author, or in accordance with any specifications or documentation supplied with it. The reproduction or adaptation must be made only to the extent reasonably necessary to correct the error. The defence does not apply if another copy of the program without error is available within a reasonable time at an ordinary commercial price.

A reproduction or adaptation may also be made for the purpose of testing in good faith, the security of the original copy of the program or of a computer system or network of which it is a part or investigating or correcting a security flaw. However, the defence is limited to testing of the original to ascertain its security from unauthorised access or against hacking or other electronic invasion, and is not available where the testing

process was for disaster recovery and business continuity purposes.¹³⁰

In 2016 the Productivity Commission¹³¹ recommended the introduction of a US-style fair use exception into Australian law. The Government noted that recommendation but indicated that further consultation is required before the government will consider amending the suite of existing copyright exceptions.¹³²

¹²⁵ Section 31(1) of the Copyright Act.

¹²⁶ Section 10(1) of the Copyright Act.

¹²⁷ Section 14(1) of the Copyright Act.

¹²⁸ *Data Access Corp v Powerflex Services Pty Ltd* (1999) 202 CLR 1; *SW Hart & Co Pty Ltd v Edwards Hot Water Systems* [1985] HCA 59. The originality expressed in the part taken is also often a key factor.

¹²⁹ Sections 13(1), 36(1) and 101(1) of the Copyright Act.

¹³⁰ See *The University of New South Wales v Moorhouse & Anor* (1975) 133 CLR 1 per Gibbs J at 12–13, also *Roadshow Films Pty Ltd v iiNet Pty Ltd* [2012] HCA 16 per French CJ, Crennan and Kiefel JJ at [42] and *JR Consulting & Drafting Pty Limited v Cummings* [2016] FCAFC 20.

¹³¹ [2016] FCAFC 20. See in particular the review of relevant authorities at [320]–[361].

¹³² An assignee is able to bring an action for infringement and a partial assignee may also do so as far as the assignee’s part. However, an assignment of copyright “does not, without more, carry with it accrued rights of action for infringement”: *Insight SRC IP Holdings Pty Ltd v The Australian Council for Educational Research Limited* [2012] FCA 779 at [104]. Section 120(1) provides that if the copyright owner and exclusive licensee have concurrent rights of action in relation to an infringement, neither the copyright owner nor the exclusive licensee is entitled, except with leave of the court, to proceed with the action, unless the other party (the copyright owner or the exclusive licensee) is joined as a plaintiff or added as a defendant. Where the other party is not joined as a plaintiff but added as a defendant, the other party is not liable for any costs in the action unless he enters an appearance and takes part in the proceedings: Section 120(1)(b) of the Copyright Act. This does not affect the granting of an interlocutory judgment on the application of the copyright owner or the exclusive licensee: Section 120(2). See further Sections 119(a) and 120(1).

¹²³ Sections 40 and 103C of the Copyright Act.

¹²⁴ Sections 47B–47F of the Copyright Act.

¹²⁵ Section 47G of the Copyright Act.

¹²⁶ Section 47AB of the Copyright Act.

¹²⁷ Section 21(5)(b) of the Copyright Act.

¹²⁸ Section 21(5) of the Copyright Act.

¹²⁹ Section 47D of the Copyright Act, considered in *CA, Inc v ISI Pty Ltd* [2012] FCA 35.

¹³⁰ *Software AG (Australia) Pty Ltd v Racing & Wagering Western Australia* (2009) AIPC 92–334.

¹³¹ Productivity Commission Inquiry Report, Intellectual Property Arrangements, No 78 September 2016, available at www.pc.gov.au/inquiries/completed/intellectual-property/report.

¹³² Australian Government Response to the Productivity Commission Inquiry, August 2017, response to recommendation 6.1, available at www.pc.gov.au/inquiries/completed/intellectual-property/intellectual-property-government-response.pdf.

TECHNOLOGICAL PROTECTION MEASURES

Technological protection measures (TPMs) are technical locks that copyright owners may deploy to stop their material being accessed or copied. Examples include passwords, encryption software and access codes. Access control TPMs may prevent a person from being able to read, listen to or watch material. Copy control TPMs may allow a person to read, listen or watch material but prevent a person from making a copy of the material.

The Copyright Act supports the use of TPMs as a means of practical protection of copyright owners. There are also provisions in the Copyright Act that give copyright owners the right to take legal action against people who make, supply, distribute or import devices to circumvent TPMs. In some cases, distribution of devices or services to circumvent TPMs is a criminal offence.

In particular, there are sanctions against:

- + circumventing an access-control TPM;
- + manufacturing or supplying a device to circumvent an access-control TPM; and
- + providing a service to circumvent an access-control TPM.¹³³

Under the Copyright Act, actions may be brought by the copyright owner or exclusive licensee against a person who makes or commercially deals with a device capable of circumventing, or facilitating the circumvention of, a TPM. The provisions are complex and have proven difficult to interpret and apply. In the leading case in the area, *Stevens v Kabushiki Kaisha Sony Computer Entertainment*,¹³⁴ on ultimate appeal the High Court of Australia accepted the trial judge's construction that "a 'technological protection measure', as defined, must be a device or product which utilises technological means to deny a person access to a copyright work [or other subject matter], or which limits a person's capacity to make copies of a work [or other subject matter] to which access has been gained, and thereby 'physically' prevents or inhibits the person from undertaking act which, if carried out, would or might infringe copyright in the work [or other subject matter]". An access code system which had the purpose

of discouraging copying but did not effectively prevent it did not satisfy the requirement that "the protective devices are designed to function, by their own processes or mechanisms, to prevent or hinder acts that might otherwise constitute an infringement of copyright".

Both civil remedies and criminal penalties are available where a person circumvents a TPM. A TPM is only protected by the scheme where it is used:



by, or with the permission of, the owner or exclusive licensee of the copyright;



on material which is protected by copyright (ie, TPMs on public domain material are not protected);



in connection with the copyright owner's exclusive rights (ie, to reproduce, communicate etc); and



to control access to the work (eg, by requiring a password or some other process for access).

The scheme specifically excludes TPMs that control geographic market segmentation. As a result, consumers can bypass region coding measures to play overseas purchased DVDs or computer programs on Australian devices. It also excludes TPMs which restrict the use of after-market goods or services, such as supply of spare parts or repair or maintenance services by third parties.

Additional exceptions are provided for in Schedule 10A to the Copyright Regulations. These additional exceptions are subject to review and relevantly include:

- + reproduction of computer programs to make interoperable products;
- + reproduction and communication of copyright material by educational and other institutions assisting people with disabilities;
- + reproduction and communication of copyright material by libraries, archives and cultural institutions for certain purposes;
- + access where a TPM is not operating normally and a replacement TPM is not reasonably available; and

- 
- + access where a TPM damages a product, or where circumvention is necessary to repair a product.
 - + The Productivity Commission recently recommended amending the TPM provisions of the Copyright Act to:
 - + make unenforceable any part of an agreement restricting or preventing a use of copyright material that is permitted by a copyright exception; and
 - + permit consumers to circumvent technological protection measures for legitimate uses of copyright material.

The Government has indicated some support for these recommendations and is presently consulting further with stakeholders.¹³⁵

ELECTRONIC RIGHTS MANAGEMENT INFORMATION (ERMI)

ERMI is information that has been embedded or attached to copyright-protected material. ERM can include details about the material, the copyright owner and related data: for example, details embedded in the metadata of an MP3 file, or the watermarking and other data embedded into an image or video file.

A copyright owner can take action against someone who alters or removes such data with the aim of enabling, concealing or facilitating infringement of that material.

¹³³ Division 2A of Pt V of the Copyright Act 1968.

¹³⁴ *Kabushiki Kaisha Sony Computer Entertainment v Stevens* (2002) AIPC 91-814 (Sackville J at first instance) at pp37, 953; in the *High Court Stevens v Kabushiki Kaisha Sony Computer Entertainment* (2005) AIPC 92-140

¹³⁵ Australian Government Response to the Productivity Commission Inquiry, August 2017, response to recommendation 5.1.

CONFIDENTIAL INFORMATION

Although there are jurisprudential views in Australia as to the basis for an action for wrongful disclosure of confidential information or trade secret information that significantly differ from the English cases, in practice the formulation of the basic principles and their application is usually similar to the *English Coco v Clark* formulation. This requires the establishment of three elements:¹³⁶

- + the information must have the necessary quality of confidence;
- + the information must have been imparted in circumstances identifying an obligation of confidence; and
- + there must be an unauthorised use of that information to the detriment of the person who claims the confidence.

To be confidential, information must be capable of being given the attribute or quality of confidence; that is, it must be something which is not within the public knowledge.¹³⁷ Disclosure under conditions of confidentiality may preserve its character as confidential information, “even if the dissemination was via mass media or the internet. It is a question of degree

in each case”.¹³⁸ In *Medic-Care*,¹³⁹ Finn J noted at [631] that the basis of the equitable jurisdiction attaching to abuse of confidential information in Australian law lies “in the notion of an obligation of conscience arising from the circumstances in or through which the information was communicated or obtained”.

In the High Court of Australia, the dissenting judgment of Gummow J in *Corrs Pavey Whiting & Byrne v Collector of Customs* summarised the relevant law and proposed additional elements to the test:

*It is now well settled that in order to make out a case for protection in equity of allegedly confidential information, a plaintiff must satisfy certain criteria. The plaintiff: (i) must be able to identify with specificity, and not merely in global terms, that which is said to be the information in question; and must also be able to show that (ii) the information has the necessary quality of confidence (and is not for example, common or public knowledge); (iii) the information was received by the defendant in such circumstances as to import an obligation of confidence; and (iv) there is actual or threatened misuse of the information. ... It may also be necessary... that unauthorised use would be to the detriment of the plaintiff.*¹⁴⁰

Notwithstanding this judgement being a dissent, the judgment has thereafter been applied and accepted in Australia as defining the elements of a breach of confidence action.¹⁴¹

Actions for breach of confidential information may be brought in any court in Australia exercising equitable jurisdiction, including the State and Territory Supreme Courts and the Federal Court of Australia. Equitable relief may include injunctions restraining further use or disclosure of the information, orders for search and seizure of documents in preservation of evidence, account of profits or compensatory damages.¹⁴²

¹³⁶ *Coco v AN Clark (Engineers) Ltd* (1968) 1A IPR 587 as applied, in particular, in *Commonwealth v John Fairfax & Sons Ltd* [1980] HCA 44; (1980) 147 CLR 39 at 51. In the context of computer programs, see in particular *CA, Inc v ISI Pty Ltd* [2012] FCA 35.

¹³⁷ *Saltman Engineering Co Ltd v Campbell Engineering Co Ltd* [1963] 3 All ER 413 at 415.

¹³⁸ *CA, Inc v ISI Pty Ltd* [2012] FCA 35 per Bennett J at [376]. The term ‘relative secrecy’ has been used to describe this concept: see *Franchi v Franchi* [1967] RPC 149 at 153; *Australian Medic-Care Co Ltd v Hamilton Pharmaceutical Pty Ltd* [2009] FCA 1220 at [633] per Finn J; and *Interfirm Comparison (Australia) Pty Ltd v Law Society of New South Wales* [1975] 2 NSWLR 104 at 119.

¹³⁹ [2009] FCA 1220 at [631] per Finn J, citing *Moorgate Tobacco Co Ltd v Phillip Morris Ltd (No 2)* (1984) 196 CLR 414 at 438.

¹⁴⁰ *Corrs Pavey Whiting & Byrne v Collector of Customs (Vic)* (1987) 74 ALR 428 at [437]. See also *Moorgate Tobacco Co Ltd v Philip Morris (No 2)* (1984) 156 CLR 414 at 438 per Deane J; 59 ALJR 77; 56 ALR 193.

¹⁴¹ See eg, *Rapid Metal Developments (Australia) Pty Ltd v Anderson Formrite Pty Ltd* [2005] WASC 255; *Ekaton Corporation Pty Ltd v Chapman* [2010] SADC 150 per Brebner J at [17].

¹⁴² The High Court of Australia has applied equitable principles in a number of important decisions to require wrongdoing fiduciaries to disgorge all profits causally related to the breach of fiduciary duty, and not only the direct benefits or gains from the wrongdoing. See *Warman International Ltd v Dwyer* [1995] HCA 18; (1995) 182 CLR 544 particularly at 557–558; and *Ancient Order of Foresters in Victoria Friendly Society Limited v Lifeplan Australia Friendly Society Limited* [2018] HCA 43. Where there is shown to exist a causal connection between a fiduciary’s breach of fiduciary obligation and a benefit or gain to the fiduciary or knowing participant, the onus shifts to the defendant to establish that it is inequitable to order that the defendant account for the value of the whole of the identified benefit or gain.

IMPORTANCE OF SPECIFICITY IN IDENTIFYING WHAT IS CONFIDENTIAL

Justice McMeekin in *Deeson Heavy Haulage Pty Ltd v Cox*¹⁴³ stressed that “the plaintiff must be able to identify with specificity, and not merely in global terms, that which is said to be the information in question”.¹⁴⁴ There has been consistent application of this ‘fourth element’ in Australian breach of confidence claims.¹⁴⁵ In the context of commercial disputes the courts have been particularly reluctant to extend the protection of the law of confidentiality to a broad suite of non-specific information.¹⁴⁶ The policy position behind this trend is the maintenance of free enterprise and competition.

In the 2013 decision of *Streetscape Projects (Australia) Pty Ltd and Another v City of Sydney*¹⁴⁷ the New South Wales Court of Appeal made the following comments at [159] about determining whether the information on the subject of the claim had the requisite quality of confidence:

The need for specificity in the identification of the information said to be confidential in respect of which relief is sought comes from the fact that the court must make an assessment of the quality of that information, that is, whether it is in truth of a confidential nature. An aspect of that inquiry may turn on whether the whole or some part has become the subject of general disclosure or notoriety. Precise delineation of the subject matter is accordingly essential. The task of a plaintiff, in this respect, is, in the words of Gummow J in Smith Kline & French Laboratories (Australia) Ltd v Department of Community Services and Health (1990) 22 FCR 73 at 87; 95 ALR 87 at 102, “to identify with specificity, and not merely in global terms, that which is said to be the information in question”.

The consistent emphasis on specificity has significantly raised the threshold in this jurisdiction for satisfying the elements in a breach confidence action.

¹⁴³ (2009) 82 IPR 521.

¹⁴⁴ *Id.*, at 556; See also *Corrs Pavey Whiting & Byrne v Collector of Customs (Vic)* (1987) 14 FCR 434 at 443.

¹⁴⁵ See also *Smith Kline & French Laboratories (Aust) Ltd v Secretary, Dept of Community Services & Health* (1990) 22 FCR 73 at 86–7 per Gummow J in the Federal Court; and *Del Casale v Artedomus (Aust) Pty Ltd* (2007) 73 IPR 326 per Hodgson, McColl and Campbell JJA in NSW Court of Appeal.

¹⁴⁶ *Ibid.*

¹⁴⁷ (2013) 295 ALR 760 per Meagher, Barrett and Ward JJA.

BREACH OF CONFIDENCE RELATING TO SOFTWARE

Application of the principles in a software context is well illustrated by the case of *CA, Inc v ISI Pty Ltd* [2012] FCA 35. In that case CA's claim was based not on a readily identifiable single one letter, client list or technical document. Rather, the case concerned complex programming information about complex systems that existed not only in the source code but also in the information about Datacom software, the way in which it works and in the information given to licensees to enable them and their employees and/or contractors to work with Datacom. Bennett J concluded that having regard to the nature of the information and the context of complex computer systems, she was satisfied that CA had sufficiently identified the confidential information: "the question arises whether, in the circumstances, a reasonable person standing in the shoes of [the relevant defendant's employees] would have realised that the information that they were receiving while working on ISI's behalf for Macquarie, Beta and other licensees was being given to them in confidence or, alternatively, whether the information was imparted for what was known or ought reasonably to have been known to be only for a particular purpose".¹⁴⁸

As to the necessary quality of confidence, CA submitted that the CA Information:

- + was created by research, the considerable expenditure of time and money and the application of skill and ingenuity;
- + was inherently confidential by its nature;
- + was intrinsically valuable to CA and its customers (and would be to CA's competitors);
- + was subject to stringent security measures limiting relevant disclosures, including various internal security measures and also external security measures implemented in respect of Datacom licensees, including licence notices on Datacom tapes, discs and the Key CA Manuals and the entering into of SLAs (or other forms of licence agreement) before a licensee is supplied Datacom and the Key CA Manuals.

Bennett J concluded that CA had:

*taken all reasonable and practical steps to ensure that the CA Information was created in confidence, maintained in confidence and understood to be confidential by those granted access to it. There is, by the nature of the CA Information, the need to disseminate it. However, as that dissemination is to persons engaged in an industry and in a section of that industry where it is generally understood that programs and certain information about them are confidential, this does not alter the inherent confidentiality of the CA Information.*¹⁴⁹

In then considering whether the information was imparted in circumstances of confidentiality, the judge noted that there is no single test for determining when the communication of confidential information will import an obligation of confidence: however, the "obligation may come into existence by reason of the terms of an agreement, or what is implicit in them, by reason of the nature of the relationship between persons, or by reason of the subject-matter and the circumstances in which the subject-matter has come into the hands of the person charged with the breach".¹⁵⁰

¹⁴⁸ *CA, Inc v ISI Pty Ltd* [2012] FCA 35 per Bennett J at [466], applying *Medic-Core* per Finn J at [636]–[637].

¹⁴⁹ *Ibid*, at [463].

¹⁵⁰ *Ansell Rubber Co Pty v Allied Rubber Industries Pty Ltd* [1967] VR 37 at 40 per Gowans J.

OTHER MEANS OF PROTECTION

REGISTERED DESIGN PROTECTION

The Designs Act 2003 (Cth) enables the owner of a ‘new and distinctive’¹⁵¹ design to apply for the exclusive right¹⁵² to use the design through a registration system.

‘New and distinctive’ essentially means that a design must look different to the eye when compared with other products available on the market and that it must not be publicly disclosed or advertised before an application is filed.¹⁵³ The relevant prior art base¹⁵⁴ is:

- + designs publicly used in Australia;
- + designs published in a document within or outside Australia; and
- + designs in relation to which each of the following apply, being: the design is disclosed in a design application, the design has an earlier priority date than the designated design and the first time that documents disclosing the design are made available for public inspection in Australia is on or after the priority date of the designated design. The priority date may be in another signatory country to the Paris Convention.

Design law protects the ‘overall appearance’ through ‘visual features’ of products, including shape, pattern, configuration and ornamentation.¹⁵⁵ The visual appearance can also serve a functional purpose: however, protection is not given for the functional aspect.¹⁵⁶ Design protection is not available for methods or principles of construction (although those aspects may be protected by patent law).

The Designs Act protects the visual appearance (not the function) of the design for up to 10 years.¹⁵⁷

(a) Copyright/design overlap

Designs that could have been registered in the Designs Act will often be denied copyright protection due to contentious copyright/design overlap provisions. The overlap provisions are designed to prevent dual protection under the Designs Act and the Copyright Act: that is, copyright protection is lost where the artistic work is registered or capable of being registered as a design. The provisions also limit copyright protection for utilitarian three-dimensional products

that are incapable of registration (eg, because they are not ‘new’ or ‘distinctive’).

Copyright in an artistic work in two dimensions may be infringed by an unauthorised reproduction of that work in three dimensions, and vice versa.¹⁵⁸ However, Part III Division 8 of the Copyright Act prevents the owner of copyright in an artistic work that has been exploited as a three-dimensional design from relying on copyright protection to prevent another person making an identical or a substantially identical product, if the design is:

- + registered as a design;¹⁵⁹ or
- + not registered but more than 50 products made to the design have been produced.¹⁶⁰

In other words, the overlap provisions provide a defence to infringement where the making of a product (i.e., the ‘non-infringing product’) would otherwise involve an unauthorised reproduction of the artistic work. The overlap provisions also provide a defence to copyright infringement of the artistic work by reproducing the work in two dimensions provided the reproduction is derived from a three-dimensional product and was made in the course of making the non-infringing product.¹⁶¹ This is intended to cover reverse engineering situations where a product manufacturer takes a product and uses it to create a plan drawing which is then used to manufacture their own product. It does not protect against an infringement which involves direct copying of an artistic work.

¹⁵¹ Section 15 of the Designs Act.

¹⁵² Section 10(1) of the Designs Act.

¹⁵³ Section 15(1) of the Designs Act.

¹⁵⁴ Section 16 of the Designs Act.

¹⁵⁵ Sections 5 and 7 of the Designs Act.

¹⁵⁶ *Kestos Ltd v Kempat Ltd* (1935) 53 RPC 139; *Dalgety Australia Operations v F F Seeley Nominees Pty Ltd* (1985) 5 IPR 97.

¹⁵⁷ Section 46 of the Designs Act.

¹⁵⁸ Section 21(3) of the Copyright Act.

¹⁵⁹ Section 75 of the Copyright Act.

¹⁶⁰ Section 77 of the Copyright Act and Regulation 17 of the Copyright Regulations 1969 (Cth).

¹⁶¹ Section 77A of the Copyright Act.

SEMICONDUCTOR TOPOLOGIES

The Circuit Layouts Act 1989 provides a *sui generis* scheme of protection in Australia for original computer chip layouts, such as those used in audio players and games consoles, digital watches and calculators, computers and tablets, white goods and motor cars.

To be protected by the act in Australia the circuit must be an 'eligible layout' as defined by Section 5 of the Circuit Layouts Act, being:

- + a circuit layout within the meaning of the act;
- + original (i.e., resulting from the designer's own creativity, skill and labour);
- + the creator was either an Australian citizen, national or resident or an Australian corporation, or the circuit layout was first commercially exploited in Australia or in an eligible foreign country.¹⁶²

Eligible foreign countries include all member countries of the World Trade Organisation (WTO).¹⁶³

'Circuit layout' means "a representation, fixed in any material form, of the three-dimensional location of the active and passive elements and interconnections making up an integrated circuit". 'Material form', "includes any form of storage (whether visible or not) from which the layout, or a substantial part of it, can be reproduced". 'Integrated circuit' means "a circuit, whether in a final form or an intermediate form, the purpose, or one of the purposes, of which is to perform an electronic function, being a circuit in which the active and passive elements, and any of the interconnections, are integrally formed in or on a piece of material".

'Original' is not defined but interpretation of the term is affected by Section 11, which provides that a circuit layout shall be taken not to be original if its making involved no creative contribution by the maker or it was commonplace at the time it was made.

A circuit layout is taken to have been 'commercially exploited' if the layout or an integrated circuit made in accordance with it is by way of trade imported for the purpose of sale, hire or other distribution, sold, hired or otherwise distributed, or imported for the purpose of sale, hire or other distribution, in or into Australia or a WTO member country.¹⁶⁴ Accordingly, sale in a WTO member country of an electronic device incorporating the eligible circuit layout will be a relevant commercial exploitation that satisfies this condition.

The act grants automatically to the owner of an original circuit layout, for the duration of the 'protection period',¹⁶⁵ certain rights to:

- + copy the layout, directly or indirectly, in a material form;
- + make an integrated circuit in accordance with the layout (that is, a three-dimensional copy of the layout); and
- + exploit the layout commercially in Australia.¹⁶⁶

'Material form' covers masks but may not cover computer code used to fabricate an integrated circuit by direct laser.

The protection period is 10 years from first commercial exploitation. The first commercial exploitation must occur within 10 years of creation of the layout, or 10 years from when it was made. It follows that the maximum possible protection period is 20 years from the year of making an eligible layout.

¹⁶² Sections 5 and 10(a) of the Circuit Layouts Act 1989.

¹⁶³ Regulation 3 (Eligible Foreign Countries) of the Circuit Layout Regulations.

¹⁶⁴ Section 8(1) of the Circuit Layouts Act 1989.

¹⁶⁵ Section 5 of the Circuit Layouts Act 1989.

¹⁶⁶ Section 17 of the Circuit Layouts Act 1989.

¹⁶⁷ Section 6 of the Trademarks Act defines a 'sign'.

¹⁶⁸ Section 17 of the Trademarks Act.

¹⁶⁹ Section 7(3)-(5) of the Trademarks Act.

¹⁷⁰ Section 72 of the Trademarks Act.

¹⁷¹ Section 77 of the Trademarks Act.

¹⁷² The full text of the Australian Consumer Law is set out in Schedule 2 to the Competition and Consumer Act 2010 which is the new name of the Trade Practices Act 1974.

¹⁷³ See eg, the many cases cited in Ray Steinwall, *Annotated Competition and Consumer Act 2010*, LexisNeis Butterworths, 2012.



TRADEMARKS AND UNFAIR COMPETITION

The Trademarks Act 1995 (Cth) enables any person to register a mark or sign¹⁶⁷ used in connection with their goods or services in the course of trade.¹⁶⁸ The owner of a registered trademark has the exclusive right to use, and authorise others to use,¹⁶⁹ the trademark for 10 years.¹⁷⁰ Trademarks can then be renewed for potentially indefinite periods of 10 years.¹⁷¹

Although Australian law includes torts of unfair competition and in particular the tort of passing off, there has been limited development of jurisprudence as to these torts in the last few decades. To the extent that unfair competition is by way of a competitor taking action or otherwise facilitating or creating confusion by any means of its products or business with the business, products or the business activities of a competitor, generally the unfair practices provisions in Part 3-1 of the Australian Consumer Law¹⁷² may be invoked by a plaintiff against a commercial competitor.

For example, Section 29 of the Australian Consumer Law prohibits any person, in trade or commerce, in connection with the supply or possible supply of goods or services or in connection with the promotion by any means of the supply or use of goods or services from making a false or misleading representation:

- + that goods are of a particular standard, quality, value, grade, composition, style or model or have had a particular history or particular previous use;
- + that services are of a particular standard, quality, value or grade;
- + that goods are new;
- + that a particular person has agreed to acquire goods or services;
- + that purports to be a testimonial by any person relating to goods or services;
- + concerning a testimonial by any person, or a representation that purports to be such a testimonial relating to goods or services;
- + that goods or services have sponsorship, approval, performance characteristics, accessories, uses or benefits;

- + that the person making the representation has a sponsorship, approval or affiliation;
- + with respect to the price of goods or services;
- + concerning the availability of facilities for the repair of goods or of spare parts for goods;
- + concerning the place of origin of goods;
- + concerning the need for any goods or services;
- + concerning the existence, exclusion or effect of any condition, warranty, guarantee, right or remedy; or
- + make a false or misleading representation concerning a requirement to pay for a contractual right that is equivalent to a statutory right that a person has under Federal or State or Territory law or an automatic condition, warranty, guarantee, right or remedy.

Section 29 was adapted and re-enacted to replace Sections 52 and 53 of the Trade Practices Act 1974 (Cth) and the very extensive body of case law developed under those provisions continues to be relevant and applied in relation to Section 29.¹⁷³ As a result, it is generally not necessary to invoke the traditional common law torts of unfair competition, which relevantly protect a trader against:

- + false allegations in the course of trade of such a nature as to discredit the business, products, or commercial activities of a competitor;
- + indications or allegations the use of which, in the course of trade, is likely to mislead the public as to the nature, the manufacturing process, the characteristics and the suitability for their purpose;
- + passing off, being a representation in the course of trade by one trader which damages the goodwill of another trader. To succeed in an action for passing off, a plaintiff must show three things: goodwill in its business; a misrepresentation by the other trader; damage to its goodwill as a result of the misrepresentation.

COUNTERFEITING

Under the Trademarks Act 1995 and the Copyright Act 1968, a trademark owner, an authorised user of a trademark, a copyright owner, or the owner's exclusive licensee may lodge a Notice of Objection with the Australian Customs Service objecting to the importation of:

- + products that have a trademark applied to them which is substantially identical with or deceptively similar to an Australian registered trade mark that is nominated in the Notice of Objection;¹⁷⁴
- + nominated copyright material, if those copies would have constituted an infringement of copyright if the copies had been made in Australia by the importer.¹⁷⁵

A Notice of Objection provides Customs with correct details of trademarks or copyright material and details of who owns the trademarks and/or copyright material.¹⁷⁶ Where a product or its packaging includes both an Australian registered trademark and copyright material, both Notices of Objection may be given.

A Notice of Objection is valid for four years, but may then be re-lodged.¹⁷⁷ Each notice may refer to multiple trademarks and/or copyright material.

If a Notice of Objection has been lodged and Customs becomes aware of a product shipment that Customs suspects is counterfeit and that it believes is intended for commercial use (sale, lease or hire), Customs may seize and hold the goods for 10 working days, enabling the objector to either commence legal proceedings or come to an arrangement with the importer. At the end of 10 working days the products will be released to the importer unless the objector has initiated legal proceedings and has obtained an appropriate order from the court.¹⁷⁸

If counterfeit products are voluntarily forfeited, Customs will dispose of the goods by destruction or donation to a charity or in accordance with an order of the Court. Alternatively, if proceedings are commenced, the Court will make an order regarding the goods at the conclusion of any legal proceedings that may be initiated.

Generally, a written undertaking to repay the Commonwealth's expenses of seizure will be required.¹⁷⁹ Customs may require payment of security sufficient to meet the expenses of seizing goods incurred by Customs. If Customs requires any payment for its expenses, Customs will not be obliged to seize any goods until payment has been made.¹⁸⁰

Of course, to the extent that parallel importation provisions permit importation of some categories of products that were legitimately produced in the place of origin,¹⁸¹ Customs is not able to seize such categories of products.

¹⁷⁴ Section 132 of the Trademarks Act.

¹⁷⁵ Section 135 of the Copyright Act.

¹⁷⁶ Sections 37 and 135(7) of the Copyright Act; Sections 132, 133, 133A and 141 of the Trademarks Act and Australian Customs Notice No 95/31. Importation of counterfeit products for sale, hire or distribution with knowledge that they are counterfeit is a criminal offence: Section 132AH of the Copyright Act and Section 148 of the Trademarks Act. An example of successful use of the seizure provisions is *Jemella Australia Pty Ltd v Vosiliatis* [2010] FCA 331 (23 March 2010). Many recipients of seizure notices voluntarily forfeit infringing products without legal action.

¹⁷⁷ Section 132(4)–(5) of the Trademarks Act; Section 135(5) of the Copyright Act.

¹⁷⁸ Sections 133–140 of the Trademarks Act; Section 135 of the Copyright Act; Regulations 22, 22A and 23 of the Copyright Regulations.

¹⁷⁹ Section 133(3) of the Trademarks Act.

¹⁸⁰ Section 135AJ of the Copyright Act.

¹⁸¹ Section 123 of the Trademarks Act; *Montana Tyres Rims & Tubes Pty Ltd v Transport Tyre Sales Pty Ltd* (1998) 41 IPR 301; Sections 37, 38, 102 and 103 of the Copyright Act; *Interstate Parcel Express Co Pty Ltd v Time-Life International (Nederlands) BV* (1977) 138 CLR 534.

ENFORCEMENT

OBTAINING INFORMATION

The identity of a patent infringer may not be known until access is obtained to relevant information and documents not in the patentee's possession. In such circumstances, an order for pre-trial or 'preliminary' discovery can be sought that requires a person to give information about possible infringers to a patentee. The person concerned may not end up being a respondent, but merely someone who has relevant information or documents.

Preliminary discovery is available under the Federal Court Rules (2011) (Cth).¹⁸² Division 7.3 of the Rules provides for two forms of preliminary discovery:

- + to ascertain the identity or whereabouts of a prospective respondent;¹⁸³ and
- + to assess whether or not to commence proceedings against that other person.¹⁸⁴

The first type of application is available where a patentee may have a right to relief and seeks information from a person who is likely to know the identity of the prospective respondent or have documents in his or her control that would help ascertain the prospective respondent's description.¹⁸⁵

The second type is designed to enable a patentee to assess prospects and take a decision whether to sue the prospective respondent. To obtain such a discovery order, it must first be demonstrated to the court in accordance with Rule 7.3, that the applicant:

- (a) reasonably believes that he or she may have the right to obtain relief in the Court from a prospective respondent whose description has been ascertained, and
- (b) after making reasonable inquiries, does not have sufficient information to decide whether to start a proceeding in the Court to obtain that relief, and
- (c) reasonably believes that:
 - (i) the prospective respondent has or is likely to have or has had or is likely to have had in the prospective respondent's control documents directly relevant to the question whether the prospective applicant has a right to obtain the relief; and
 - (ii) inspection of the documents by the prospective applicant would assist in making the decision.

¹⁸² Preliminary discovery is similarly available under rules for the Supreme Court and under Rules 5.2–5.3 of the Uniform Civil Procedure Rules (UCPR).

¹⁸³ Rule 7.22.

¹⁸⁴ Rule 7.23.

¹⁸⁵ See eg, *Pfizer Ireland Pharmaceuticals v Samsung Bioepis AU Pty Ltd* [2017] FCAFC 193.

¹⁸⁶ *Smith Kline Beecham plc v Alphapharm Pty Ltd* [2001] FCA 271.

Where trade competitors seek such orders, the court may make an order for preliminary discovery subject to an undertaking by the applicant to respect the confidentiality of discovered information.¹⁸⁶

AVAILABILITY OF INTERIM RELIEF

Interim injunctions restraining infringing conduct can be obtained by a patentee through the Australian Courts, either with or without notice to the infringer. Interim injunctions are usually ordered for short periods of time, often just a few days, after which the parties are required to attend court to determine whether or not the injunction should be continued at an ‘interlocutory’ hearing.

The relevant principles governing the exercise of the Court’s discretion to grant interlocutory relief are well established. The applicant must demonstrate that:

- + there is a serious question to be tried or a prima facie case such that if the evidence remains the same there is a probability that at a final hearing it would be entitled to relief;
- + it will suffer irreparable harm for which damages will not be adequate compensation, unless an injunction is granted; and
- + the balance of convenience favours the granting of an injunction.¹⁸⁷

The above conditions should not be considered in isolation of each other but should be seen to apply concurrently with greater weight focused on one or more conditions depending on each of the circumstances of the case.¹⁸⁸ In a patent case, the first factor requires the applicant to establish that there is a serious question to be tried on the issue of infringement despite whatever evidence has been led on the issue of invalidity.

Australian courts traditionally demonstrated reluctance to impose interlocutory restraints on an alleged infringer unless the patent in suit had either been judicially held to be valid or stood unchallenged for many years.¹⁸⁹ However, the recent approach of Australian courts in granting interlocutory injunctions have widened significantly to allow for greater application of this remedy, especially in relation to pharmaceutical related patents.¹⁹⁰

While interlocutory injunctions remain infrequently granted in technology patent cases, in the high-profile decision between Apple and Samsung,¹⁹¹ the Federal

Court continued its trend of granting interlocutory injunctive relief. In that case Apple was able to satisfy the above criteria and restrain Samsung’s Galaxy Tab 10.1 shortly before Christmas. The injunction was subsequently overturned, however, by the Full Court on appeal six weeks later when the Full Court reassessed the balance of convenience.¹⁹² The Full Court’s decision was carefully reasoned and provides a timely reminder to applicants that such extraordinary remedies are to be reserved for extraordinary circumstances. It is also important to note that in such cases acquiescence towards infringement or delay in instituting an application for an interlocutory injunction may be a decisive factor in a court’s refusal to exercise its discretion.¹⁹³

Finally, it is possible in extreme cases for interim injunctions to be ordered on an ex parte application (i.e., without notice) to either prevent a respondent removing assets or documents from Australia (sometimes referred to as a *Mareva* injunction) or to obtain civil search and seizure orders (sometimes referred to as an *Anton Pillar* order).

UNJUSTIFIED THREATS

All Australian IP statutory regimes provide that it is unlawful to improperly threaten to initiate proceedings for infringement, even though it may be honestly believed that infringement is occurring.¹⁹⁴ By contrast, the mere notification of the existence of a patent, or a patent application, will not of itself constitute a threat of infringement proceedings.¹⁹⁵

A person aggrieved by a threat of infringement proceeding may apply to a court for a declaration that the threat is unjustifiable, an injunction against the continuance of the threat, and the recovery of any damages sustained as a result of the threat.¹⁹⁶ A prerequisite to the operation of the unjustified threats provisions is that a person be ‘threatened’ with an action or proceedings which have not yet been brought.¹⁹⁷ Once infringement proceedings have actually commenced, the threat to commence proceedings no longer exists and the provisions do not generally apply.¹⁹⁸

The following key considerations are relevant to establishing liability under the Patents Act’s unjustified threats provisions:

- + The ‘aggrieved party’ must establish that a threat of legal proceeding has been made in relation to an Australian patent and that the conduct complained of occurred within Australia.¹⁹⁹
- + A threat arises where the language used directly or impliedly conveys to a reasonable person that the author of the letter intends to bring infringement proceedings against the person threatened.²⁰⁰
- + It is not, however, a threat to make:
 - a communication merely notifying a person of the existence of a patent or patent application;
 - a statement that any suggestion that the recipient is entitled to replicate the invention is not maintainable; or
 - a communication seeking confirmation that no improper or wrongful use or infringement of the patent has occurred.²⁰¹
- + Once it is established that a threat has been made, it is prima facie unjustifiable unless the person making it establishes that it was justifiable.²⁰² In this context, threats are only justifiable if the relevant conduct is shown to be actually infringing.²⁰³
- + The grant of relief is discretionary.²⁰⁴

In the decision of *Bell v Steele (No 3)*,²⁰⁵ Collier J of the Federal Court provided examples of compensable damages flowing from threats, including: losses arising from the readiness of third parties to do business with the applicant;²⁰⁶ losses arising from threats to the applicant’s customers;²⁰⁷ lost sales or lost potential sales;²⁰⁸ and the cost to the applicant of instituting relief – such as a declaration – following receipt of the threat.²⁰⁹ Collier J also added that the following were not compensable damages: damage to the threatened party flowing from the actual commencement of legal action by the party who made the threats; and rumours which may spring up but are not attributable to the party making the threat.

The Full Court most recently considered unjustified threats in a patent case²¹⁰ and emphasised the importance of demonstrating that the threats are causative of any loss claimed rather than as a result of legal proceedings.²¹¹ The Full Court in that case reversed a multi-million-dollar award of damages and costs.

¹⁸⁷ *Hexal Australia Pty Ltd v Roche Therapeutics Inc* (2005) 66 IPR 325 at [17].

¹⁸⁸ *Tidy Tea Ltd v Unilever Australia Ltd* (1995) 32 IPR 405 at 416.

¹⁸⁹ See eg, *Beecham Group Ltd v Bristol Laboratories Pty Ltd* (1968) 118 CLR 618 at [6] (High Court).

¹⁹⁰ See *Sigma Pharmaceuticals (Australia) Pty Ltd v Wyeth* (2009) 81 IPR 339; *Interpharma Pty Ltd v Commissioner of Patents* (2008) 79 IPR 261; *GenRx Pty Ltd v Sanofi-Aventis* [2007] FCA 1485; *Merck & Co inc v GenRx Pty Ltd* (2006) 70 IPR 286; and *Pharmacia Italia SpA v Interpharma Pty Ltd* (2005) 67 IPR 397.

¹⁹¹ *Apple Inc v Samsung Electronics Co Limited* [2011] FCA 1164.

¹⁹² *Samsung Electronics Co Limited v Apple Inc* [2011] FCAFC 156 per Foster, Dowsett and Yates JJ.

¹⁹³ See eg, *Apple Inc v Samsung Electronics Co Ltd* [2011] FCA 1164 at [219]–[225].

¹⁹⁴ See Sections 128–132 of the Patents Act; Section 202 of the Copyright Act 1968; Section 129 of the Trademarks Act 1995; Sections 77–81 of the Designs Act 2003; and Section 46 of the Circuit Layouts Act 1989. Also see *Skinner & Co v Perry* (1893) 10 RPC 1.

¹⁹⁵ Section 131 of the Patents Act. Ultimately whether a particular communication amounts to a threat will depend on whether the language would convey to a reasonable person that the author intended to bring proceedings for infringement. See *JMVB Enterprises Pty Ltd v Camoflag Pty Ltd* (2005) 67 IPR 68; *Occupational and Medical Innovations Ltd v Retractable Technologies Inc* (2007) 73 IPR 312.

¹⁹⁶ Section 128 of the Patents Act.

¹⁹⁷ Any threat of infringement proceedings will automatically be regarded as unjustifiable where an innovation patent application has not been certified under Sections 128 and 129A(1)–(2) of the Patents Act.

¹⁹⁸ *Nine Network Australia Pty Ltd v IceTV Pty Ltd* [2007] FCA 1172 at [230]–[231]. Similarly, whilst damages compensate for any loss that a person threatened has sustained as a result of those threats, such damage must flow from the making of the threats, not from any legal proceedings that may be subsequently commenced. See also *Australian Mud Company Pty Ltd v Coretell Pty Ltd* [2017] FCAFC 44 at [27].

¹⁹⁹ *Australian Steel Co (Operations) Pty Ltd v Steel Foundations Ltd* (2003) 58 IPR 69 at [16]; *Townsend Controls Pty Ltd v Gilead* (1989) 16 IPR 469 at 474.

²⁰⁰ *U & I Global Trading (Australia) Pty Ltd v Tasman-Warajay Pty Ltd* (1995) 60 FCR 26 at 31.

²⁰¹ Section 31 of the Patents Act; *Australian Steel Co (Operations) Pty Ltd v Steel Foundations Ltd* (2003) 58 IPR 69 at [17].

²⁰² The onus is now on the defendant to prove that the acts complained of amounted or would amount to an infringement of a patent claim whose validity the applicant has not been able to challenge per Sections 129 and 129A(3) of the Patents Act.

²⁰³ An action for threats will therefore depend on whether the defendant can ultimately establish infringement, or whether the applicant may be able to preclude such a finding by showing the patent’s invalidity. See Section 130 of the Patents Act for counterclaim for infringement and counter-counterclaim for revocation. Also see *U & I Global* at 32–33; *Doric v Lockwood* [2001] FCA 1977.

²⁰⁴ *Townsend Controls Pty Ltd v Gilead* (1989) 16 IPR 469 at 475; *Occupational and Medical Innovations Ltd v Retractable Technologies Inc* (2007) 73 IPR 312.

²⁰⁵ [2012] FCA 246.

²⁰⁶ *World of Technologies (Aust) Pty Ltd v Tempo (Aust) Pty Ltd* [2007] FCA 114 at [124].

²⁰⁷ *Avel Pty Ltd v Intercontinental Grain Exports Pty Ltd* (1996) 143 ALR 533 at 542.

²⁰⁸ *Cowan, B S & Anor v Avel Pty Ltd* [1995] FCA 546 at [25].

²⁰⁹ *Nine Network Australia Pty Ltd v IceTV Pty Ltd* [2007] FCA 1172 at [234].

²¹⁰ *Australian Mud Company Pty Ltd v Coretell Pty Ltd* [2017] FCAFC 44.

²¹¹ *Id* at [27].

REMEDIES

Section 122 of the Patents Act provides for relief for infringement in the following terms:

- (1) The relief which a court may grant for infringement of a patent includes an injunction (subject to such terms, if any, as the court thinks fit) and, at the option of the plaintiff, either damages or an account of profits.
- (1A) A court may include an additional amount in an assessment of damages for an infringement of a patent, if the court considers it appropriate to do so having regard to:
 - (a) the flagrancy of the infringement; and
 - (b) the need to deter similar infringements of patents; and
 - (c) the conduct of the party that infringed the patent that occurred:
 - (i) after the act constituting the infringement; or
 - (ii) after that party was informed that it had allegedly infringed the patent; and
 - (d) any benefit shown to have accrued to that party because of the infringement; and
 - (e) all other relevant matters.
- (2) On the application of either party, the court may make such order for the inspection of any thing in or on any vehicle, vessel, aircraft or premises, and may impose such terms and give such directions about the inspection, as the court thinks fit.

An injunction is the principal relief available to a patentee to protect its monopoly. The infringer cannot then conduct infringing activities without first obtaining a licence from the patentee. Damages compensate the patentee for the loss suffered as a result of the infringement,²¹² whereas an account of profits will require an infringer that has sold or benefited financially from infringing goods, to pay to the patentee a sum equivalent to the profits wrongfully made.²¹³

Although additional damages are available in Australia under Section 122(1A), there is scant authority for the grant of such an award.²¹⁴ By contrast, additional damages are routinely awarded in copyright cases²¹⁵ where flagrancy is demonstrated. Additional damages have also been awarded in a designs case.²¹⁶

²¹² *General Tire & Rubber Co v Firestone Tyre & Rubber Co Ltd* [1976] RPC 197.

²¹³ Profits made by the defendant as a result of the infringement will be assessed according to the principles in *Colbeam Palmer Ltd v Stock Affiliates Pty Ltd* (1968) 122 CLR 25 and *Dart Industries Inc v Décor Corp Pty Ltd* (1993) 179 CLR 101.

²¹⁴ *Pacific Enterprises (Aust) Pty Ltd v Bernen Pty Ltd* [2014] FCA 1372; 321 ALR 715 at [13]-[14]; and *Gram Engineering Pty Ltd v Oxworks Pty Ltd* [2019] FCA 689 [113]-[124].

²¹⁵ Under Section 115(4) of the Copyright Act (1968) (Cth); see eg, *Raben Footwear Pty Ltd v Polygram Records Inc* (1997) 75 FCR 88; *Aristocrat Technologies Australia Pty Ltd v DAP Services (Kempsey) Pty Ltd* (in liq) [2007] FCAFC 40; *Allam v Aristocrat Technologies Australia Pty Ltd* [2012] FCAFC 34 (Special Leave granted); *Facton Ltd v Rifai Fashions Pty Ltd* [2012] FCAFC 9.

²¹⁶ Under Section 75(3) of the Designs Act 2003 (Cth); see *GM Holden Ltd v Paine* [2011] FCA 569.

²¹⁷ *Welcome Real-Time SA v Catuity Inc* [2001] FCA 445.

²¹⁸ The Australian Productivity Commission's final report on its Inquiry into "Australia's Intellectual Property Arrangements" was publicly released on 20 December 2016 and is available at: www.pc.gov.au/inquiries/completed/intellectual-property/report (Inquiry Report).

HOT TOPICS

COMPUTER-IMPLEMENTED BUSINESS METHODS

Patents for business methods remain a vexed issue under Australian law. While business methods that are implemented in a computer or other physical environment are patentable,²¹⁷ simply interpolating the operation of a computer into a process will not necessarily make a business method patentable.

There is an entire spectrum of possible uses of technology in the implementation of new processes, including business methods. Whether a computer-implemented process is eligible for patent protection will therefore depend where it falls within that continuum between, on the one hand, being an incidental or insignificant use of technology, and on the other, it having a “concrete effect or phenomenon or manifestation or transformation”.

See further our detailed discussion on page 6

PRODUCTIVITY COMMISSION REVIEW

Following the reforms introduced under “Raising the Bar” in 2013, the Australian Government asked the Productivity Commission in August 2015 to conduct an inquiry into Australia’s IP system. In particular, the Commission was asked to consider whether the current arrangements provide an appropriate balance between access to ideas and products, and encouraging innovation, investment and the production of creative works.

In December 2016, the Productivity Commission published its Inquiry Report on “Intellectual Property Arrangements”.²¹⁸ The Inquiry Report came after extensive consultation with various stakeholders including IP professionals, economists and IP owners and users.

The Productivity Commission's key recommendations to patents²¹⁹ included:

- + incorporating an objects clause in the Patents Act 1990;²²⁰
- + a further raising of the inventive step standard to equal or above the European patent system and including a statement in the Explanatory Memorandum that a 'scintilla' of invention is an insufficient threshold. The Productivity Commission has suggested Australia adopt the European 'obvious to try' test;²²¹
- + abolishing the innovation patent system in its entirety;²²²
- + a requirement to identify the technical features of the invention;²²³
- + raising selected patent fees to discourage maintenance of 'low-value' patents, including specific recommendations that renewal fees should rise each year at an increasing rate, and to increase fees for applications with many claims.²²⁴

The Productivity Commission considered that the above recommendations would increase the quality of Australian patents such that it is on a par with the European patent system and reduce 'low-value' patents. From a patentee's perspective, the likely effect of these recommendations is that it will make patents more difficult and costly to obtain, enforce and maintain. Despite submissions from the profession²²⁵ to keep the innovation patent system and that the change to inventive step was premature so soon after the Raising the Bar changes, the Productivity Commission has maintained its position and it is anticipated that the Australian Government will soon introduce draft legislation to this effect.

Regarding software and business methods patents, the Productivity Commission did not recommend any blanket exclusion to patentability as possibly thought but rather considered that the combined effect of the recommendations (inclusion of an objects clause, raising the inventive step requirement, and requiring the identification of technical features to be present in the claims) will better balance the patent rights of software innovators and users.

²¹⁹ See chapters 7 and 8 of the Inquiry Report.

²²⁰ Recommendation 7.1 of the Inquiry Report.

²²¹ Recommendation 7.2 of the Inquiry Report.

²²² Recommendation 8.1 of the Inquiry Report.

²²³ Recommendation 7.3 of the Inquiry Report. Section 40 of the Patents Act presently requires that claims must define the invention, be clear and succinct and supported by the matter disclosed in the specification, not rely on references to descriptions or drawings unless absolutely necessary to define the invention, and relate to one invention only.

²²⁴ Recommendation 7.4 of the Inquiry Report.

²²⁵ For example, Institute of Patent and Trademark Attorneys (IPTA) of Australia.



