



Inventive Steps

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Intellectual Property Laws Amendment Bill 2006

by VIRGINIA BENIAC-BROOKS

The *Intellectual Property Laws Amendment Bill 2006* ("the Bill") was introduced into the House of Representatives on 30 March 2006. The Bill amends the *Patents Act 1990*, the *Trade Marks Act 1995*, the *Designs Act 2003*, the *Plant Breeder's Rights Act 1994* and the *Olympic Insignia Protection Act 1987*.

Of particular interest are the proposed amendments to the Patents Act which are said to give effect to the recommendations made in the Intellectual Property and Competition Review Committee's (IPCRC) report "*Review of the Intellectual Property Legislation under the Competition Principles Agreement*" and in the Advisory Council on Intellectual Property's (ACIP) report "*Review of Enforcement of Industrial Property Rights*".

Relief for infringement of patents

The Bill amends the Patents Act to allow for exemplary damages to be awarded by a court in patent infringement actions, for example, in the case of flagrant or willful infringement of a patent. This would be in addition to the current power of the court to order either ordinary compensatory damages or an award of profits.

The proposed amendment provides that after subsection 122(1) the following subsection will read:

"(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."*

This amendment will apply to any infringements occurring on or after the commencement of the Schedule.

It is considered that allowing the award of exemplary damages will bring Australia's Patent legislation into line with the law in other jurisdictions more particularly the US and serve as a deterrent against patent infringement which will, in turn, strengthen a patentee's rights in Australia. This amendment implements a recommendation of the IPCRC report.

Springboarding and Pharmaceutical Patents – a new infringement exemption

The Bill also implements wider springboarding provisions than those currently available under subsection 78(2) of the

Patents Act. 'Springboarding' is the colloquial term, which refers to using the subject matter of a patent to collect the data required to obtain regulatory approval of a generic version of the product to which the patent relates, during the life of the patent.

Under the current provisions, springboarding is only allowed on pharmaceutical patents that received an extension of the patent term. The proposed amendment seeks to allow for springboarding on **any** pharmaceutical patent at **any time** (ie irrespective of whether the patent received an extension of the patent term) for purposes solely in connection with gaining regulatory approval in Australia or overseas.

However, the amendment does **not** provide for 'manufacturing' quantities of the pharmaceutical product for export to be produced; for a third party to "set up" prior to patent expiry so as to manufacture quantities immediately after the patent ceases or for stockpiling as such activities would be inconsistent with Australia's obligations under the TRIPS Agreement.

This amendment represents an important change to the current legislation and has the objective of encouraging generic pharmaceutical development in Australia.

Exemption of continued prior use from patent infringement

In response to the IPCRC report, the Bill seeks to amend the 'prior use' defence to infringement, which protects a person who was exploiting a product, method or process covered by a patent before the patent was filed. The proposed amendment clarifies that a prior user's rights include exploiting the product, method or process, that the prior use is only use in Australia and that the right can be assigned but not licensed.

Compulsory licensing of patents

The Bill also seeks to add a new provision to the existing compulsory licence provisions. Under the existing provisions a compulsory licence to use a patent may be granted if the patent owner is not meeting the reasonable requirements of the public in respect of the patented invention.

The new provision will add to the existing provision by providing for a compulsory licence to be granted if the patent owner has been found guilty of any proscribed anti-competitive conduct under the *Trade Practices Act 1974*.

Other changes

The Bill also amends the Trade Marks Act to provide the Registrar with the power to revoke trade marks which have been registered as a result of administrative errors or oversights, and make the majority of documents held by the Trade Marks Office more readily available to the public.

Virginia is an Associate of the firm, practicing in both our patent and legal firms.



Patentability of business methods in Australia

by NEIL MURRAY

Business methods per se are not an exclusion to patentable subject matter and are subject to the same legal requirements for patentability as applied to any other process or method. Two recent cases illustrate this fact and provide some further insight into present judicial considerations:

In *Re: Innovation patent by Stephen John Grant* (2004) APO 11 (affirmed with different reasoning *Grant v Commissioner of Patents* [2005] FCA 1100) the innovation patent related to a business scheme that took advantage of the law to protect an asset against possible loss of ownership due to a legal liability. Notably, the claimed invention did not involve the application of science or technology. The Commissioner's delegate (responsible for the initial decision) concluded that the invention did not result an "artificially created state of affairs" in the sense discussed in *National Research Development Cooperation v Commissioner of Patents* (1959) 102 CLR 252. In this respect, the Commissioner's delegate stated:

"The invention resides in the law of Australia. That law is the creation of Parliament and of the courts through common law. At one level one could say that all laws are "artificial" in that...they are the creation of Parliament or of the courts...I think it must be taken that the legislature has enacted the law in full knowledge of all of its consequences..."

and,

"The law is for the populace at large; it is not for the use of one individual to the exclusion of all others who desire to follow the law."

The Federal Court in *Grant v Commissioner of Patents* decided the matter on a different issue. Justice Branson stated: "It is clear that a manner of manufacture need not result in the production of a 'product' in the sense of a physical thing." However, he concluded that "An invention should only enjoy the protection of a patent if the social cost of the resulting restriction upon the use of the invention is counterbalanced by resulting social benefits."

In this respect, Justice Branson disagreed with the delegate's position that the subject of the patent was of economic utility and observed that "...it is [of economic] utility...only to those whose assets are ultimately protected and possibly to their professional advisors. The performance of the invention will not add to the economic wealth of Australia or otherwise benefit Australian society as a whole."

Justice Branson did not consider the existence of any principle that restricted patent protection to inventions that reflect scientific or technological developments, although this issue was the decisive point in *Re: innovation patent by Peter Szabo and Associates Pty Ltd* (2005) APO 024.

The Szabo application related to a reverse mortgage where an owner part sells an interest in their home in return for cash with settlement occurring after the death of the owner.

In prior arrangements, should an early death occur, the financier of the reverse mortgage stood to make an excessive profit. The alleged invention was an attempt to ameliorate this problem by providing a rebate determined by a specified mathematical formula should an earlier than expected death occur.

The patentee contended it was sufficient that the invention involved an "artificially created state of affairs" in the sense that the result had not naturally existed in the recognised field of endeavour prior to the invention. However, this was dismissed by the Commissioner's delegate as taking this phrase out of context. He contended that the state of affairs – not through the mere involvement of human endeavour in any manner or form".

The delegate also noted that the mere presence of science or technology in a claimed invention may not be sufficient as "there needs to be some materiality in the inter-relationship between that element and the remaining features of the claim." In this instance it was considered that a mathematical expression by itself does not provide the necessary element of science or technology.

The above excerpts demonstrate that while business methods are not excluded from patentable subject matter, they will only be patentable whilst they accord with the principles derived from §6 of the *Statute of Monopolies*.

As a result of these decisions, any patent application for a business method in Australia should include at least some material application of science or technology in the claimed implementation.

However, the economic utility principle of the balance between the social cost versus social benefit of any claimed business method will remain a difficult issue to resolve and further judicial consideration of this point will be keenly observed.

Neil Murray is a Patent Attorney who specialises in business methods and electronics.



Is it worth the risk? – getting patent specifications right

by ANDREW MASSIE and VIRGINIA BENIAC-BROOKS

Recent decisions of the Federal Court including the decision of Justice Heerey in *Wm Wrigley Jr Company v Cadbury Schweppes Pty Ltd* [2005] FCA 1035 ("*Wrigley*") send a strong message to all patent owners of the need to have their patent specification correct and in a proper order prior to commencing infringement proceedings.

In the *Wrigley* case, the patentee sued Cadbury for infringement for the importation and sale of hard coated chewing gums. By way of cross-claim Cadbury sought revocation of the patent on a number of grounds including false suggestion or representation, ie that the Commissioner of Patents was influenced in his decision to grant *Wrigley* a patent by suggestions that were false.

The *Wrigley* patent specification had been amended prior to grant to delete references to the hygroscopic sweetener Sorbitol (a "hygroscopic" sweetener is one which has a tendency to readily absorb water from its environment). However, it became apparent that those drafting the amendments had not been consistent in making the amendments.

Importantly, in a number of places the patent specification incorrectly referred to hydrogenated isomaltulose as being hygroscopic when in fact it was well known that this type

of sweetener had very low hygroscopicity. The fact that such statements remained in the specification up until the grant of the patent was crucial to his Honour's finding that the patent was obtained on a false suggestion or representation and on that basis, the patent was found to be invalid.

The offending statements could have been avoided simply if the amendments which were made prior to grant had been more comprehensive. It is also possible that the offending statements could have been corrected prior to commencement of the infringement proceedings, although this latter approach is less desirable.

The decision in the *Wrigley* case reaffirms the need for extreme care in processing amendments in Australian patent applications prior to patent grant. It also highlights the need for a patent applicant to engage a properly qualified and experienced patent attorney.

Phillips Ormonde & Fitzpatrick's training and education programs ensure that our attorneys take into account these matters for every patent application we handle.

Andrew Massie is a patent attorney (and Partner) specialising in engineering and Virginia is a lawyer and patent attorney.

Trade marks and other registered names

The Australian government's Advisory Council on Intellectual Property recently produced a report on the relationship between trade marks, business and company names and domain names.

The report identified the potential for conflict, which is exacerbated by lack of knowledge by organisations and disparate registration processes, and proposed changes that would facilitate identification of potential conflicts.

For example, the report indicated that many businesses incorrectly thought that a registered business, company or domain name provided protection against trade mark infringement action.

Pending a more harmonious system, those seeking to establish a new business or domain name would be wise to ensure that their proposed business or company name does not infringe the trade mark of another business.

Internet issues

Whilst some cyber-squatters can be successfully challenged, others have successfully registered similar domain names to websites with high levels of traffic.

By way of example, a hypothetical government department may register its web site by its acronym, www.wxy.gov.au.

An opportunistic organisation may register a business name using the letters W, X and Y and then register www.wxy.com.au.

There is merit in considering registration of variants of your brand or organisation name to avoid this problem occurring.

IP Organisers, a company owned by Phillips Ormonde & Fitzpatrick, can assist clients identify problems and register domain names.

IP Organisers can also monitor clients' company names and trade marks to ensure they are not being misused in Internet searches to direct traffic to competitor websites (eg a company using a competitor's name in sponsored links to its own site).

Last year, the Australian Competition and Consumer Commission highlighted the issue, which may infringe both the Trade Marks Act and the Trade Practices Act.

Copyright changes proposed



The Australian Government has proposed copyright reforms, in particular to bring the law up-to-date with technology.

The proposed changes will, for the first time:

- Make it legal for people to tape their favourite TV or radio program and play it (once) at another time. This exception will not allow a recording to be used over and over again or to be distributed by others.
- Legalise 'format shifting' of material such as music, newspapers, books – meaning people can put their CD collection onto iPods or MP3 players (but not the Internet or for use by others).
- Provide new exceptions allowing schools, universities, libraries and other cultural institutions to use copyright material for non-commercial purposes.
- Provide new exceptions for people with disabilities to allow access to copyright materials.
- Allow the use of copyright material for parody or satire.
- Provide new enforcement measures to combat copyright piracy including on-the-spot fines, proceeds of crime remedies, a change in presumptions in litigation to make it easier to establish copyright piracy. Larger damage pay-outs or other remedies will be available for multiple infringements.

A draft exposure bill will be released in the near future.

Copyleft!



Copyleft is a play on the word copyright and is the practice of using copyright law to remove restrictions on the distribution of copies and modified versions of a work for others and require the same freedoms be preserved in modified versions.

The concept of copyleft arose when Richard Stallman was asked by a computer manufacturer for access to a program he was working on. Stallman agreed to supply them with a public domain version of his work. The company extended and improved the program, but when Stallman wanted access to the improvements the company refused. Stallman then, in 1984, proceeded to work towards eradicating this kind of behavior, which he named software hoarding.

As Stallman deemed it impractical in the short term to eliminate current copyright law and the wrongs he perceived it perpetuating, he decided to work within the framework of existing law; he created his own copyright license, the GNU General Public License (GPL), the first copyleft license. For the first time a copyright holder had taken steps to ensure that the maximal number of rights be perpetually transferred to a program's users, no matter what subsequent revisions anyone made to the original program. This original GPL did not grant rights to the public at large, only those who had already received the program; but it was the best that could be done under existing law.

Copyleft-like ideas are sometimes being suggested for patents (so, hinging on a patent law framework instead of on a copyright law framework), such as open patent pools that allow royalty-free use of patents contributed to the pool under certain conditions (such as surrendering the right to apply for new patents that are not contributed to the pool).

From Wikipedia - see <http://en.wikipedia.org/wiki/Copyleft> for more detail



Trade mark enforcement – Customs notification

by ELIZA SAUNDERS

Owners of trade marks registered in Australia are entitled to lodge a Notice of Objection with the Australian Customs Service.

This allows Customs to seize imports of counterfeit goods bearing the trade marks that have been identified in the notice.

When items are seized, both the importer and trade mark owner (or their agent) are informed. The importer may elect to forfeit the goods; if they do not, the trade mark owner must commence civil action or the goods will be released.

While the Trade Marks Act incorporates a maximum penalty of a fine of up to \$55,000 and/or two years imprisonment, criminal prosecutions are rare. Generally trade mark owners take civil action.

Section 133 of the Trade Marks Act provides that a mark must be substantially identical with, or deceptively similar

to a registered trade mark and be used in relation to goods specifically covered by the registration for the goods to be seized.

The Government has indicated that it will consider amending the act to allow Customs to seize goods that are *similar or closely related* to the goods or services in respect of which the notified mark is registered. This “lowering of the bar” is subject to effective and cost-effective procedures being developed.

The Government has also indicated that it will consider extending seizure powers to state agencies and increasing the penalties available for counterfeiting offences.

To enquire about registering trade marks with Customs, contact eliza.saunders@pof.com.au.

Eliza Saunders is a Lawyer and Trade Marks Attorney with the firm.

Some of the 20,000 counterfeit items seized by the Australian Customs Service in 2004 in one of the biggest ever single detections (totalling nearly 3.5 tonnes).



Pharmaceutical news

TRANS-TASMAN HARMONIZATION

In 2003, the Australian and New Zealand governments agreed to establish a joint regulatory scheme for therapeutic products.

Once established, the Australia New Zealand Therapeutic Products Authority will replace Australia's Therapeutic Goods Administration (TGA) and New Zealand's Medicines and Medical Devices Safety Authority (Medsafe).

Late last month, the first series of documents detailing the scheme was released for public consultation. The closing date for submissions is 15 August 2006.

A number of documents, including a draft guideline on the transition provisions for product licensing and a draft Medical Devices Rule may interest readers.

PBS REVIEW

The Australian government has commenced consultations with the pharmaceutical sector in relation to Australia's Pharmaceuticals Benefits Scheme (PBS), which subsidises the costs of medicines to consumers.

The Government's aim is to achieve further PBS savings by making greater use of generic drugs to allow "headroom" for the expensive, but cost-effective, innovator drugs that are likely to be subsidised by the PBS in the near future.

Proposals include the preferred prescribing of bio-equivalent generic drugs, meaning that patients would always have access to medicines at pharmacies at no more than the co-payment (set) price.

IP news in brief

AUSTRALIAN BUDGET

The Australian Government has boosted support for science and technology in the annual federal budget announcement in May.

The announced commitment for science and innovation over 2006-07 amounts to A\$5.97 billion.

RESEARCH AND DEVELOPMENT TAX INCENTIVES

Australian companies may be eligible to claim 125% of their research and development expenditure as a tax deduction. There are a number of requirements, including annual registration, a minimum spend of \$20,000 in a year and an R&D plan.

Expenditure on systematic, investigative and experimental activities that involve either innovation or a high level of technical risk may be deductible and this may include associated patent search costs.

However, costs relating to commercialising the outcome of R&D, including patent and later search costs are unlikely to qualify.

This short article is not intended to constitute tax advice. More detail is available from the Industry Research and Development Board, or contact your tax adviser.

THE NEW ZEALAND PATENTS ACT – A FURTHER UPDATE

We have been advised that the Bill of the long awaited Patents Act is yet to be introduced to Parliament and this is not expected to occur until late this year. Once introduced, the Bill will then be considered by a Select Committee (possibly early 2007) and further submissions from various interest groups will be sought. Whilst it is not possible to predict when the Bill will be enacted we now expect the time frame to be early 2008. For those interested the status of the Bill (once introduced) can be tracked through the New Zealand parliament website, www.parliament.govt.nz.

NEW TRADE MARKS TREATY

A new international treaty on trademarks, to be known as the Singapore Treaty on the Law of Trademarks, was adopted on 28 March 2006 by member states of the World Intellectual Property Organization (WIPO).

The Singapore Treaty deals mainly with procedural aspects of trademark registration and licensing.

The Treaty recognizes developing needs in the branded goods industry and marks a new approach to securing investment in product differentiation. New rules applicable to all types of trademarks (visible and non-visible, such as smells and sounds) are contained in the Singapore Treaty to address those needs.

MALCOLM ROYAL RETIRES



31 March saw the end of an era with the retirement of Malcolm Royal from the firm.

Malcolm joined Phillips Ormonde & Fitzpatrick in 1970, qualified as a patent attorney in 1971 and was appointed a partner in 1972.

He was Managing Partner for 15 years, until 2005 when ill health forced him to wind his involvement back.

In addition to his key position in Phillips Ormonde & Fitzpatrick, Malcolm was an important figure in the patent attorney profession, both in Australia and internationally.

Most notably during his career, Malcolm served as President of the International Federation of Intellectual Property Attorneys (FICPI (Federation Internationale des Conseils en Propriété Industrielle)) and as President of the Institute of Patent and Trade Mark Attorneys (IPTA) of Australia.

He was a member of the Australian Government's Advisory Council on Industrial Property and a member of the Professional Standards Board for Patent and Trade Marks Attorneys for many years. Malcolm was awarded the Centenary Medal by the Australian Government for "Outstanding Service to the Advancement of Australian and International Intellectual Property".

The partners and staff wish Malcolm well in his retirement.

NEW PARTNER – ROSS MCFARLANE



Ross McFarlane has joined Phillips Ormonde & Fitzpatrick as a partner in the Melbourne office.

Ross's core expertise is in the electrical and electronic technologies, including electrical engineering, IT and telecommunications, an important area for the firm.

He holds an honours degree in electrical engineering and is a registered patent attorney in Australia and New Zealand.

We believe this is the first time in the 118 year history of the firm that a partner has been appointed from outside the firm.

Ross was employed in a more junior capacity with the firm from 1988 to 1991. He subsequently moved to Switzerland, where he was a patent attorney for the Swatch Group, before returning to Australia in 1997.

Ross will lead the Electronics, Physics and IT practice of the firm from 1 July, following the retirement from the firm of John Gibbs, who is leaving the profession to pursue other interests.

AWARDS



For the second year running, Phillips Ormonde & Fitzpatrick has been rated Best Specialist Firm in the BRW-St George Client Choice Awards.

The BRW-St George Client Choice Awards are determined from the results of a survey of more than 10,000 respondents conducted by Beaton Consulting.

More than 150 Australian professional services firms, including accountants, lawyers, management consultants and engineers, were rated.

In addition, we were the only Australian firm to be short-listed in both the intellectual property section of the most recent Australasian Law Awards and the latest Asia Law & Practice IP Awards.

VALE

Two former stalwarts of the firm passed away since the last newsletter.

Former partner, John Waters joined the firm in 1958 when there were only two partners. He was fundamental in developing the firms' chemical practice and retired from the firm in 1999.

Robert McFarlane was a member of the administration staff and a font of knowledge. He achieved a remarkable 52 years of service with the firm.

The firm's best wishes are extended to their families.