

Australia

Managing intellectual assets in the changing IP landscape

Most companies operate in a competitive and changing environment. Those at the helm need to reassess continually the company's commercial strategy and understand the changing IP landscape and the company's freedom to operate, while at the same time seeking to strengthen the company's position through effective management of its intellectual assets. A number of Australian decisions issued this year have changed the IP landscape and have implications for the management of a company's intellectual assets, including its patenting strategy.

The strongest patent in the world? The Australian innovation patent

A blog declared the Australian innovation patent to be "the strongest patent in the world". But does it deserve such praise?

What is an innovation patent?

The innovation patent, different in concept to the Australian standard patent, became part of the Australian patent landscape in 2001. The innovation patent system aims to protect lower-level innovations by small and medium-sized enterprises.

Formal benefits

Innovation patents grant without examination (although examination or certification remains a pre-condition to enforceability) and quickly, typically within weeks of filing. In return, claim numbers are limited to five and the maximum term is confined to eight years.

Lower validity threshold

The lower validity threshold is the key benefit of the system. Although claims must be new, they require innovative step rather than inventive step. Innovative step requires a greater difference from prior art than novelty, but less than inventive step. The Patents Act 1990 requires an assessment of the variations between the invention as claimed and the prior art, and whether

this difference makes a "substantial contribution to the working of the invention". The substantial contribution requirement is based on High Court precedent, although until recently interpreting this requirement in the early 21st century remained speculative. Judicial resolution was required and the Federal Court of Australia decided the question in *Delnorth v Dura-Post Australia*.

Background

Delnorth developed a flexible roadside marker made of sheet spring steel, with some minor but useful features not described in the prior art. A separate innovation patent protected each feature. Dura-Post launched its own roadside markers and Delnorth sued for infringement. Although infringement raised some claim construction issues, novelty and innovative step over prior art were central. Novelty was established, albeit through a narrow distinction.

Regarding innovative step, at first instance the Federal Court determined that an innovation patent claim will be deemed to have innovative step unless proved otherwise. Thus, a party seeking to invalidate an innovation patent faces a challenging onus to prove a lack of innovative step.

"Substantial contribution to the working of the invention" requires a real contribution. 'Real' requires that a person skilled in the art appreciate the significance of the difference from prior art. Although the decision did not elaborate the principle, differences providing any plausible functional benefit over the prior art will likely confer innovative step. This will vary with the context and nature of the invention. *Delnorth* did not develop firm rules as to what qualifies as an innovative step.

Dura-Post's appeal failed and Australian innovation patents are now to be deemed valid, as far as innovative step is concerned, unless proved otherwise. Proving lack of innovative step requires a nuanced approach. The Federal Court has firmly rebutted any notion that innovative step and inventive step are related.

“ Those at the helm need to reassess continually the company’s commercial strategy and understand the changing IP landscape and the company’s freedom to operate, while at the same time seeking to strengthen the company’s position through effective management of its intellectual assets ”

Implications

Given the presumptive validity, companies should consider innovation patents as part of a web of protection for Australia. They are well suited to protection of incremental improvements often disregarded in an IP protection strategy.

The filing of an innovation patent separately from a standard patent application presents a powerful litigation tool and, given the presumptive validity, poses a real roadblock for competitors.

Although not explored in *Delnorth*, innovation patent claim scope is likely to be narrower than that for a standard patent. Australian courts prefer literal, or slightly broader purposive, construction of claims, although broader construction is not excluded. The evolution of innovation patent law, making it harder to establish that a variant is within claim scope, is expected. Clear tension exists between the generous validity test and the idea that variants within the common general knowledge of a person skilled in the art are within innovation patent claim scope.

Therefore, innovation patents require careful drafting to cover competitor variants and it may well become easier for competitors to avoid infringement of innovation patents in future.

Contributory infringement and staple products

In *Northern Territory v Collins* ([2008] HCA 49) the High Court decided what constitutes supply of a “staple commercial product” for the purposes of contributory infringement under Section 117(2)(b) of the Patents Act.

Contributory or indirect infringement commonly occurs when goods, materials or parts are supplied to a consumer with the intention that they be used, consumed or assembled in a way that infringes a patent.

In seeking to strike a balance between competing

interests (ie, the interests of protecting a patentee against infringement of the patent and the right of a supplier to trade its products on the market freely), “use of a product by a person” is restricted under Section 117(2) as follows:

- If the product is capable of only one reasonable use, having regard to its nature or design, it is restricted to that use.
- If the product is not a staple commercial product, it is restricted to any use of the product if the supplier had reason to believe that the person would put it to that use.
- In all other cases, it is restricted to the use of a 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.

Background to *Northern Territory v Collins*

Mr and Mrs Collins owned an Australian patent claiming methods for producing oil from cypress pine. The Northern Territory issued licences to the Australian Cyprus Oil Company (ACOC) to take timber from the cypress pine trees from a failed government plantation. The Collinses commenced proceedings in the Federal Court against the Northern Territory for allegedly supplying the timber (which was not a staple commercial product) under licence to ACOC, which had used that timber to produce blue cypress oil by means of the patented process in circumstances where the Northern Territory had reason to believe that the timber would be put to infringing use.

At issue was whether the grant of the licences to ACOC involved the Northern Territory supplying timber to ACOC for the purposes of Section 117(1) and, given the

Northern Territory's alleged belief that the timber would be put to infringing use, whether the timber was a staple commercial product for the purposes of Section 117(2)(b).

In upholding the Northern Territory's appeal of the Full Federal Court's decision, the High Court determined how the terms 'supply', 'staple commercial product' and 'product' under Section 117 should be construed.

The High Court held that there was a supply of timber since licences permitted the licensees to cut and take the timber. It was agreed that the definition of 'supply' in Schedule 1 to the Patents Act is not exhaustive and in its ordinary meaning encompasses any means by which something is passed from one person to another.

'Staple commercial product' is not defined in the Patents Act, but the High Court held it to mean a product supplied commercially for various uses, the relevant enquiry being whether the supply of the product is commercial and whether the product has various uses. The High Court ruled in the Northern Territory's favour by finding that the timber was a staple commercial product as it was a product supplied commercially for various uses, as evidenced by it having been supplied to various licensees for a variety of uses. As the timber supplied by the Northern Territory to ACOC was a staple commercial product, the Northern Territory did not infringe the patent.

Implications

Both 'supply' and 'staple commercial product' were broadly construed by the High Court and this has an impact on freedom to operate in Australia. A supplier of a staple commercial product should have greater certainty and less risk of infringement action by a patentee, unless the supplier provides instructions or induces the infringing use, or publishes or authorises the publication of advertisements of instructions or inducements. Suppliers of commercial products under licence in Australia should review these licences to see whether the product qualifies as a staple commercial product.

Copyright in compilations: the start of the Ice age

The High Court issued a landmark judgment regarding copyright in compilations and databases in *IceTV Pty Limited v Nine Network Australia Pty Limited* ([2009] HCA 14). The case concerned the taking of information from weekly television programme schedules to produce competing electronic programme guides.

Background

The Nine Network produces a weekly television programme schedule which includes columns for

starting times, programme titles, synopses and other programme information. The Nine schedules are forwarded to aggregators, which produce aggregated guides (ie, schedules of programmes to be broadcast on various television stations). These are later published in various magazines and other media channels.

IceTV provides a subscription-based electronic programme guide for downloading onto digital televisions, set-top boxes and recording devices, the *Ice Guide*. In publishing the *Ice Guide*, IceTV predicts programme time and title information based on its observations of past programming behaviour and knowledge of the television industry. IceTV's predictions are then checked against the starting time and programme title information published in the aggregated guides. Where discrepancies are identified, the *Ice Guide* is typically amended to reflect the published information.

Prior to *IceTV*, the law provided that factual information compiled through 'sweat of the brow' (ie, involving labour and expense in compiling what is essentially a list of facts without any intellectual creation or effort) could be protected by copyright. It was encouraging for database owners and compilation makers to have protection for the time and money spent producing compilations.

However, *IceTV* reversed the situation, requiring more than mere 'labour and expense' to attract copyright protection. The compilation must now involve a sufficient degree of originality or creative effort in order to attract copyright protection. For compilations which are simply a table of facts (eg, bus timetable information), the creators of that information can no longer assume to rely on copyright to protect those facts from being reproduced by third parties. Rather, only information that has required mental effort and creativity in the way that the facts or data is selected and presented will be protected.

The High Court held that the part of the Nine schedules reproduced by IceTV (the time and title information) lacked the requisite creativity or originality; hence, no copyright infringement had occurred. IceTV was therefore free to use the time and title information compiled by Nine without authorisation or payment of licence fees.

IceTV significantly scaled back the scope of copyright protection for compilations in Australia. Numerous works that had previously been protected by copyright law are now unlikely to pass the test for originality.

Implications

The decision is encouraging for businesses that wish to use compiled 'unoriginal' data for their own purposes (eg, to reproduce meteorological data or train

timetables), as use of that factual information will no longer risk infringing copyright.

Businesses which spend significant time and effort creating their own compiled data must reconsider modes for protecting their endeavours and extracting value from these intellectual assets. Protection of compilations through contracts with third parties must now be given much greater consideration. Drafting more restrictive binding contractual clauses when authorising use of compiled data by third parties is a must. While this may be more difficult when the data is publicly available (eg, train timetables on a website), requiring acceptance of terms through ‘click-wrap’ contracts can be effective.

Does your trademark evoke a geographical indication? It may be registrable in Australia

In *Bavaria NV v Bayerischer Brauerbund eV* the Federal Court held that only a mark consisting of or containing an exact recognised geographical indication is unregistrable.

Background

Bavaria NV, a well-established family-owned Dutch brewing company, sought to register as a trademark the



label used on its beer bottles (left). ‘Bavaria’, the company name, was a prominent word element in the mark, Bayerischer Brauerbund eV, an association representing the interests of Bavarian breweries, opposed the registration before the Trademarks

Office, the outcome of which was appealed to the Federal Court. Bayerischer Brauerbund owns a collective mark which includes the word elements ‘Genuine Bavarian beer’ (referred to as the Lady Bavaria mark), and is active in promoting and protecting the geographical indication ‘Bayerisches Bier’ (translated as ‘Bavarian beer’).

Recognised geographical indication

Under Australian legislation, a geographical indication is recognised in a country as a sign that indicates that the goods originated from a particular location in that country and have a characteristic attributable to that location.

The court considered the meaning of ‘recognised’ and held that recognition requires something formal in nature. Long-term use is not sufficient; nor is the mere registration of the sign as a trademark *prima facie* sufficient, as it does not demonstrate that the sign is

recognised as indicating the origin and characteristics of the goods.

The court held that the particulars of registration of the Lady Bavaria mark were sufficient for it to be a recognised geographical indication. In addition, the inclusion of ‘Bayerisches Bier’ in bilateral treaties was sufficient for the sign to be recognised, as was the registration of ‘Bayerisches Bier’ as a protected geographical indication. The court expressly declined to determine the date on which a protected geographical indication is recognised, as this question was pending before the European Court of Justice and the answer was irrelevant to the Australian proceedings.

Following the decision, only geographical indications protected by legislative instruments, the courts, government authorities or bilateral agreements will be recognised.

Did the mark consist of or contain the recognised geographical indication?

At issue was whether the Bavaria mark was registrable and whether it contained the recognised geographical indication. Bayerischer Brauerbund argued that the Bavaria mark contained a sign similar to a geographical indication or a translation of a geographical indication. The court held that: “S61(1) requires that the geographical indication itself be contained in the trade mark. The section does not refer to a sign that is substantially the same as or deceptively similar to the geographical indication, or refer to an evocation or imitation of the geographical indication.” It found that as the above trademark contained neither the Lady Bavaria mark nor ‘Bayerisches Bier’, the mark was registrable in Australia.

Implications

This decision impacts on how companies can market and brand products in Australia where there is a desire to refer or allude to the origin or geographical indication of the products (eg, in the marketing of cheese, wine or spirits). The protection of geographical indications is narrower in Australia than in Europe following this decision. Where appropriate, companies should review their marketing strategy, as it may be possible to make greater reference to geographical indications on product packaging and advertising.

The authors would like to thank Amanda Jones for her work on the chapter.



Richard Baddeley

Patent and trademark attorney,
Melbourne
Tel +61 3 9819 1664
Email r.baddeley@watermark.com.au
Watermark
Australia

Richard Baddeley is a patent and trademark attorney with a law degree specialising in intellectual property. His technological expertise lies in water treatment technology, oil and gas refining, mineral resources and engineering and automotive engineering. Working with a wide range of Australian and overseas clients, he specialises in the identification of intellectual assets and their strategic protection and management to create competitive advantage and optimum value.



Robynne Sanders

Lawyer and patent and trademark
attorney, Melbourne
Tel +61 3 9819 1664
Email r.sanders@watermark.com.au
Watermark
Australia

Robynne Sanders has worked exclusively in the area of IP creation, prosecution and litigation for the past nine years, including two years as a consultant litigator working on IP infringement matters before the Federal Court. She has considerable experience drafting licensing, manufacturing and acquisition agreements, as well as advising on confidentiality and branding. Most recently she successfully represented Bavaria NV in a Federal Court appeal regarding its major trademark.



Jill Newton

Associate and patent and trademark
attorney, Sydney
Tel +61 2 9888 6600
Email j.newton@watermark.com.au
Watermark
Australia

Jill Newton worked in immunology medical research before becoming a patent attorney. She has many years of experience in prosecuting and advising on chemical and biological patents, and in defending and opposing the grant of patents and trademarks, with a focus on protecting and managing such assets in line with commercial strategies. Ms Newton has also enjoyed working on Federal Court appeals in both patent and trademark matters.



Leanne Oitmaa

Lawyer and patent and trademark
attorney, Sydney
Tel +61 2 9888 6600
Email l.oitmaa@watermark.com.au
Watermark
Australia

Leanne Oitmaa is a patent and trademark attorney and lawyer who works with clients to protect and manage all aspects of their intellectual assets, from identification and protection of patents, trademarks, designs and copyright to commercialisation, licensing and litigation. Ms Oitmaa's technical expertise focuses on the areas of optical and photonic technologies, computer software and telecommunications.