



ADVISORY COUNCIL ON INDUSTRIAL PROPERTY

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**Submission to the Intellectual Property  
and Competition Review**

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**November 1999**

# Advisory Council on Industrial Property Submission to the Intellectual Property and Competition Review

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## **1 Executive Summary**

Intellectual property (IP) laws create property and not monopoly rights and are subject to ordinary market forces, including the principles of competition.

A well functioning IP system is essential for the promotion of innovation, investment and competition, particularly in a knowledge based global economy. If Australia is to remain globally competitive, it must therefore maintain and enhance a robust IP system and continue to play an influential role in international IP policy and law making.

As Australia moves towards a global knowledge based economy and impediments to business and competition are removed, our IP system is likely to come under increasing pressure to deliver clear and enforceable rights, particularly in the areas of new technologies. We therefore need to work towards removing any 'bottlenecks' to improve the current system and to ensure that Australia has a flexible and progressive system which fosters and promotes innovation and competition in the future.

## **2 ACIP**

The Advisory Council on Industrial Property ('ACIP') was established in 1994 to advise the Minister for Industry, Science and Resources and IP Australia on matters relating to the strategic administration of IP Australia and on industrial property policy. ACIP is the successor-in-time to the Industrial Property Advisory Committee ('IPAC'). A brief description of IPAC's activities is outlined below.

The Council has up to 11 members drawn from industry, academia and the legal/attorney professions. Their background and experience reflect the diversity of users of the industrial property system. The Council also includes two ex-officio members, one from the Department of Industry, Science and Resources, and one from IP Australia.

While industrial property (patents, trade marks and designs) is ACIP's primary area of interest, issues are usually considered in a wider intellectual property (IP) context. For this reason, unless specified, this paper refers to intellectual property generally.

ACIP has published a number of reports, which are referred to in Appendix 2. The following reports are of particular relevance to the current Review:

- Review of the Petty Patent System (1995)
- Review of Enforcement of Industrial Property Rights (1999)
- IP Australia's International Strategy (1998)

In addition, ACIP has also undertaken considerable work to assist IP Australia with the development and implementation of its current marketing strategy.

ACIP has established a number of working parties to research and report on various topics of interest. The following working parties are of particular relevance to the current Review:

- Benchmarking IP Australia's performance;
- Developing input for the World Trade Organisation's review of the Trade Related Aspects of Intellectual Property Agreement; and
- Review of enforcement of trade marks.

## **2.1 *The Industrial Property Advisory Committee ('IPAC')***

ACIP's predecessor-in-time, IPAC, was established in 1978 by the then Minister for Productivity. IPAC's charter was to consider references from the Minister on specific industrial property issues and to make recommendations for change, to better position Australia's industrial property regime to meet the needs of industry.

IPAC undertook a number of reviews and issued the reports listed in Appendix 2. IPAC's most significant review was directed towards the patent system, the outcomes of which led to the revised Patent Act of 1990. The review took into account a wide range of issues associated with both the patent system and its intended uses including competition law, transfer of knowledge, local manufacture and compulsory licensing, patents and trade practices, and the interaction of patent law and competition law. Extensive industry discussions and consultations were undertaken and submissions were received from 63 parties. IPAC also commissioned several independent and comprehensive studies surrounding the competition and economic effects of the patent system on innovation in Australia.

The outcomes of IPAC's review were reflected in 46 recommendations to government for change in Australia's patent regime. The majority of these were accepted and, as discussed, formed the basis of legislative changes.

IPAC also issued a number of reports and made recommendations for changes in trade marks, designs and enforcement of industrial property rights.

### **3 Background**

ACIP believes that a strong IP system is fundamental to economic growth in modern economies and is of particular importance in the emerging global knowledge based economy. As wealth creation and innovation depend increasingly on an ability to compete for information and knowledge, managing the resulting intellectual outputs is one of the principal challenges facing individuals and enterprises. Intellectual property laws provide a framework for managing these outputs and are vital for securing investment capital.

If Australia is to remain competitive within a global knowledge based economy it must play an active role in delivering clear enforceable intellectual property rights, particularly in the areas of new technologies. ACIP believes that a strong IP system ensures that Australian enterprises continue to compete on a domestic level, by encouraging investment and innovation and are in a position to compete on a global level, by encouraging investment and technology transfer.

Where we refer to the 'IP system' we include not only the laws and regulations, but also its administrative, legal and enforcement procedures. We also use the expression to include Australia's interaction with the global intellectual property environment.

#### **3.1 Intellectual Property Laws and Competition Policy**

The interaction between IP laws and competition principles was most recently considered by Professor Allan Fels<sup>1</sup>, Chairman of the Australian Competition and Consumer Commission, in an address to the Intellectual Property Society of Australia and New Zealand Inc on 22 July 1999. In his address, Professor Fels stated that:

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<sup>1</sup> *The Role of Competition Principles in Intellectual Property*, Intellectual Property Society of Australia and New Zealand Inc, Victorian Branch, 22 July 1999.

*Intellectual property laws encourage innovation by granting statutory exclusive property rights. Without intellectual property laws, third parties might copy the goods produced through the application of intellectual property, thus reducing the incentives to create further intellectual property.*

*It was once believed that intellectual property laws gave the owners of intellectual property a legal or economic monopoly over a particular piece of intellectual property. This led to concern that the unrestrained application of competition law to intellectual property may undermine the intellectual property rights.*

*It is now accepted that intellectual property laws do not clash with competition laws because they do not create legal or economic monopolies. Intellectual property laws create property rights and the goods and services produced using intellectual property compete in the marketplace with other goods and services.*

ACIP strongly supports Professor Fels' contention that IP laws create property and not monopoly rights. Professor Fels' statement clarifies the role of IP laws and dispels many misconceptions. IP rights do not isolate their owners from market forces, including the principles of competition, and apart from the limited exceptions in section 51(3) of the *Trade Practices Act 1974*, are subject to the operation of general competition laws.

### **3.2 The role of IP in Australian innovation**

A robust intellectual property system is an important mechanism for protecting investment in knowledge-based developments and stimulating innovation by providing the legal framework within which commercial returns can flow. At the same time, a competitive marketplace engenders both rivalry and a need for differentiation, both of which provide powerful incentives for promoting innovation.

*"Laws for the protection of intellectual property provide security in the sense that they provide a protective barrier against third parties who seek to appropriate the work of the innovator and take a free ride on that work. Without this barrier*

*innovation is like a crop in an unfenced field, free to be grazed by the competitors who have made no contribution to its cultivation."*<sup>2</sup>

One of the primary purposes of intellectual property laws is to provide incentives to the creator, usually in the form of a limited exclusive right to exploit the intellectual property for an economic return on investment.

For patents and designs, the incentives are provided in return for disclosure of the innovation. The result is a searchable database of up to date technology and historical information. Such a resource enables others, including competitors, to research from and build on existing knowledge. Without such a process, information would not be so readily shared, in fact many inventions would remain 'secret' and competition would be hampered.

For trade marks, recognition and protection of the rights and reputation of the owner are complimented by provision to the consumer of a means of differentiating and identifying the origin and quality of goods and services.

ACIP believes that intellectual property laws and competition policy play different but complementary roles, sharing a common purpose of fostering and promoting innovation.

The effectiveness of current intellectual property laws to secure the objectives outlined above will vary across industry sectors and will depend on the type of intellectual property rights involved. Empirical studies have demonstrated the critical importance of patents in the pharmaceutical and biotechnology industries. However in other industries, the role of patents as an incentive to innovation performance is less pronounced. For example, Mansfield<sup>3</sup> conducted a survey of 100 R&D active manufacturing firms in the USA. The survey asked about the number of innovations that would not have been developed without patent protection. The results indicated that 60% of the innovation in the pharmaceutical industry would not have been developed without the prospect of patent protection, while the motor vehicle industry reported it would have nil impact.

With the emergence of knowledge based economies, competitive advantage will become increasingly dependent on IP rights and therefore the importance of securing these rights is expected to increase. We also expect that in industries where IP protection has been

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<sup>2</sup> *The Role of Intellectual Property in Innovation*, Volume 1, 1993. Prime Minister's Science and Engineering Council. AGPS.

<sup>3</sup> Mansfield, E. (1986). "Patents and Innovation: An empirical Study". *Management Science* 32:173-81

traditionally under-utilised, the future market leaders will be those that are aware of the importance of IP, and use the IP system to help obtain a competitive advantage.

ACIP's view is that a well functioning IP system is essential to promoting innovation, investment and competition, particularly in a knowledge-based, global economy. With the advent of new technologies, reduced product life-cycles and increasingly dynamic markets, the efficacy of the IP system as a prime catalyst for innovation will become even more critical. Any tendency for the system to hamper innovation, such as through dysfunctional operation or undue complexity, needs to be addressed.

In framing its recommendations in this submission, ACIP has been cognisant of the strong inter-relationship between intellectual property laws and competition policy in promoting and stimulating Australia's future innovation performance.

### ***3.3 The role of IP in a global economy***

ACIP believes that if Australia is to remain globally competitive it must take a leading role in influencing international IP policy and laws, and it must work with the international IP community to achieve greater harmonisation of laws and procedures. Australia should also work with our trading partners, and where required, help establish and maintain robust IP systems.

A strong Australian intellectual property system will encourage foreign investment and the transfer of technology into Australia. This can only strengthen the innovation cycle and hence competition within Australia. Conversely, it is also in the interests of Australian enterprises that their investment in foreign economies is secure and generates revenue streams back to Australia.

In this context, Australia's participation in and adherence to the Agreement on Trade Related Aspects of Intellectual Property ('TRIPs') and various IP Conventions and Treaties (referred to in Appendix 3 of the IPCR's Issues Paper) is extremely important. It is vital to Australia's ongoing competitiveness that we continue to participate in and influence debate on new international IP initiatives, such as well-known trade marks, geographical indications, traditional expressions, biodiversity and harmonisation discussions. In the absence of

Australian participation, we are in danger of having our interests subjugated to those of our trading partners, particularly the US and the European Community.

Further, Australia must both foster and promote the services provided by IP Australia. Australia's ability to administer IP rights for Australian enterprises is an important mechanism for it to control its own destiny, within a global framework. IP Australia is also in a strong position to offer its services offshore and thereby generate its own revenue stream for Australia. It is critical that Australia retains and enhances its domestic IP administration system to protect Australian enterprises and maintain the ability to effectively participate in international forums and projects, such as Australia's prominent role in the current Patent Law Treaty negotiations, and its leading role in assisting Indonesia to develop their IP system.

#### **4 Matters raised by the IPCR committee relevant to ACIP**

ACIP makes the following comments on the specific matters raised in the IPCR's issues paper.

To what extent, if any, should government policy in regards to IP foster other forms of co-operation between the bodies which respectively administer intellectual property law and competition law?

This issue is addressed in section 5.1 of this paper.

- Measured in conventional terms, Australia is a net importer of technology and other IP material. At the same time, imported technology is a prime source of domestic competition, and provides an indispensable basis for an efficient, internationally competitive economy. In the light of Australia's position, what effect do the obligations under TRIPs have on the Australian market? Should Australia's position as a net importer affect its negotiating stance on TRIPs, and if so, in what way?
- Although the Committee does not seek to review Australia's current international obligations, submissions are invited on issues relevant to Australia's position in terms of issues scheduled for review under TRIPs.

ACIP believes that Australia's international obligations are essential to our ability to compete in a global context. For more detailed comment, refer to section 3.3 of this paper.

#### **4.1 PATENTS**

The test of what is patentable material is currently defined by s.18 of the *Patents Act 1990* as “a manner of manufacture within the meaning of section 6 of the Statute of Monopolies” (the English Act of 1624). Is this test suitable for the needs of technologies such as computer software and biotechnology? Should the test apply to service industries and business schemes? What is the correct interface between patent protection and other types of IP rights in these areas, for example with copyright for computer software?

ACIP believes that the current 'manner of manufacture' test for patentability is suitable and has an in-built flexibility to be applied to new technologies.

ACIP considers that the very nature of the patent system allows it to be adapted to new technologies. In particular, ACIP believes that patents are a more efficacious vehicle for the protection of new technologies than copyright. ACIP believes that the patent system is flexible and has the ability to deal with changes in technology. While the language may be old, the courts have consistently interpreted the words broadly; eg, computer software. We don't believe that the words 'manufacture' are limiting, as has been demonstrated by IP Australia and the courts. We see no reason that the test can't be expanded to include service industries and business schemes, provided that the basic criteria for patentability are met.

Section 18 of the Patents Act involves three primary tests - an invention must be new, inventive (not obvious), and capable of industrial application. The first two requirements of novelty and invention are the subject of express grounds of invalidity under the Patents Act. The third test, industrial capability, arises from the reference to section 6 of the Statute of Monopolies and the words "manner of ...manufacture" The overall effect is that an invention must belong to the 'useful' arts (or be an industrial application) rather than to the fine arts, such as an artistic or literary output.

Over the last 350 years the courts have interpreted and applied the concept of 'manner of manufacture' in an expanding and generally non-selective fashion. To the extent that there has been a focus on the manufacturing industry, this has accorded with the expansion of technology and industrial activity and the needs and understanding of the times. However, as

industrial activity has expanded into areas such as biotechnology, computer software and services industries, the courts, particularly in Australia, and IP Australia, have shown themselves willing to expand the concept of "manner of manufacture" to accommodate these new applications.

ACIP would not like to see any further shift in the interface towards copyright for the protection of new and emerging technologies, believing that the patent system is the most appropriate vehicle to handle these, for the reasons discussed above. The underlying principles of the copyright system are founded in protection of perceived 'natural' rights of the creators of literary and artistic works. They therefore tend to provide rights which are measurable in terms of the life time of the author and dependents, rather than on the 'just right balance' between incentive to innovate and freedom to use. Using copyright to protect technology innovation would risk losing this balance.

Rightly or wrongly, the world chose to follow the copyright route as a 'quick fix' solution to the problem of software. In our view, this has resulted in an imbalance which is being exacerbated by movements, particularly in Europe, to further extend the terms of copyright protection to other industrial applications. ACIP believes that to the extent that it is possible to do so, Australia should resist an expansion of copyright protection to industrial and commercial applications. This is manifest not only in the field of software but also in other areas, such as design/copyright overlap, where copyright protection of software has led to over protection of what are essentially industrial products. See also our comments in section 5.5 of this paper.

<p>One of the justifications of the patent system is that the patentee must fully describe the invention so that others may build on this knowledge and further innovate. How well does the process of describing the invention and the availability of patent information generally meet the objective of providing information about new inventions or technology?</p>
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ACIP agrees with the proposition that a patentee must fully describe an invention, as part of the balance between protecting investment in innovation and stimulating new innovation. See our comments in 3.2 of this paper.

Patent documents generally contain the most up-to-date information. They also contain information which may not necessarily be divulged in other forms of literature: for example,

an investigation by the U.S. Patent and Trade Mark Office showed that from 1967 to 1972 as much as 70% of technology disclosed in U.S. patent documents had not been disclosed in non-patent literature<sup>4</sup>. The current system works well for researchers, particularly in relatively new industries such as biotechnology, where patent literature is particularly important.

The standard patent term under TRIPs is 20 years. Is this an appropriate term or is it in Australia's interests to argue for a shorter term in any relevant TRIPs re-negotiations?

International agreement on this issue has been largely established after significant debate. Therefore in the interest of harmonisation, ACIP supports maintaining a 20 year patent term. We also note that the Australian government has accepted the introduction of an innovation patent, which will have a maximum term of 8 years (see section 5.2.4 of this paper).

The effective scope of a patent is also determined by the breadth of the patent granted. Some concern has been expressed about the very broad rights granted recently in new technologies, particularly in biotechnology. The Committee would welcome views on whether such concerns are justified and, if so, how this could be remedied.

ACIP believes that the current legislation in this area is adequate, provided that appropriate rigour is applied during the examination phase. However it should to be recognised that the protection afforded to new and emerging technologies (ie: in the absence of established prior art) may be justifiably broader than that afforded to more established technologies. We also note that this is a long-standing issue in the history of the patent system.

Should the patent right allow for parallel importing of patented goods into Australia?

ACIP notes that parallel importation is a highly contentious area with strong arguments for and against. Although largely untested, Australia's current patent law allows for the parallel importing of patented goods into Australia in certain circumstances. At this stage, ACIP

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<sup>4</sup> *Patent information - what is it and how useful it is for technology development or technology transfer.* WIPO National Roving Seminars on the Patent System and the use of Patent Information for Technological Development, World Intellectual Property Organization, WIPO/PI/IND/93/2, April 1993.

believes that the current position is appropriate and does not believe that there is sufficient justification for change.

The Committee would welcome views on how the quality of Australian search and examination processes compares with those of overseas IP offices:-

- Does the quality of Australian patent examination processes generally meet comparable overseas benchmarks and achieve the correct balance between cost and quality? If not, how can the desired outcome be achieved?

- In particular, should the search process be more rigorous or are the associated costs likely to outweigh potential benefits?

- Should there be a greater requirement placed on the applicant to disclose prior art, including in terms of penalties for failing to comply?

IP Australia has achieved significant productivity improvements and fee reductions in recent years. In comparison with other jurisdictions, Australia's official fees are relatively low: for example, a study by IP Australia in May 1999 compared the official fees for 23 countries and found that Australia ranked as the seventh lowest in terms of the total official fees required to obtain and maintain a patent for 20 years (the study looked at the 16 highest users of the IP system in the world, in terms of numbers of applications and grants, plus the major users of the IP system in our region).

ACIP is particularly interested to ensure that the quality of IP rights granted is not compromised by an over concentration on fee reductions. In the end there must be a balance between the fees charged and the provision of adequate services leading to clear enforceable rights. Granting quick, cheap but weak or unenforceable rights will not enhance innovation or competition. ACIP would not like IP owners to have to rely on Australian Courts to confirm the status of their granted rights. It is recognised that a natural consequence of this position is that there may be circumstances where a higher fee is charged. ACIP believes that such a position is justified where a more robust IP right is the result. ACIP's *Review of Enforcement of Industrial Property Rights* ('Enforcement Report') concluded that a low presumption of validity is a major factor leading to the uncertainty of outcomes of enforcement action. The report makes clear recommendations in this regard, to ensure that strong and enforceable patent rights result from a rigorous examination process.

ACIP recently commissioned a study to benchmark the quality of IP Australia's outputs against the IP offices of other countries. We expect that this should give a better indication of how Australia compares in terms of quality. ACIP should complete the study next year.

The Enforcement Report also specifically addressed disclosure of prior art. The report recommended an amendment to the Patents Act:

*"to require an applicant, or where the applicant is a corporation, a person employed by that applicant who is at the relevant time, concerned with the preparation or prosecution of the application, to disclose to IP Australia any prior art material that has come to their attention in the course of preparing or prosecuting the patent application, and in any corresponding patent application in other countries."*

The issue of costs and the quality of IP rights is discussed further in section 5.1.2.2 of this paper.

As the patent system becomes increasingly harmonised internationally and as electronic commerce becomes more widely available, what changes might this cause to the efficient administration of patent rights in Australia in the longer term? How can Australia best capture the benefits of these changes?

This matter is discussed in section 5.1.2.3 of this paper

Currently the "benefit of the doubt" is given to the applicant during examination when an examiner is unsure whether a particular requirement of the Act has been satisfied for granting the patent. Concern has been expressed that this may cause patent rights to be granted that are not justified. This issue may be related to the presumed lack of validity of the granted patent in any subsequent court proceeding. The committee would welcome comment on each of these issues, and their possible interaction, particularly as they affect the effectiveness of the patent right and the efficiency of its enforcement.

ACIP considered this matter as part of its Enforcement Report and recommended that there be an amendment to:

*"section 49 (1) of the Act to the effect that in considering whether there are lawful grounds of objection, the consideration should be objective and the rule giving the*

*benefit of doubt to the applicant should be abrogated in so far as it relates to novelty and obviousness."*

This matter is also discussed in section 4.5 of this paper.

The compulsory licensing provisions of the Patents Act have very rarely been used. Does this mean that they are redundant? Should they be repealed or amended? To what extent would the need for these provisions be reduced if the exception in favour of IP were removed from s.44B of Part 111A of the TPA?

While the compulsory licensing provisions of the Patents Act have rarely been used, we believe they serve as a useful fall back provision should free market negotiations fail to resolve an issue. Their existence helps to ensure that equitable commercial arrangements are made, without the need to resort to litigation.

Where a patent would otherwise give rise to extreme monopoly power, it may be necessary to conform to the economic objectives of competition law, for the patentee to grant a license on reasonable terms and conditions. We see no reason why the court should not have the discretion to order a compulsory license if the patentee does not grant a suitable licence voluntarily.

Our view was reinforced at an ACIP workshop held in Canberra on 12 October 1999, where we invited a cross section of Australian industry and academic IP experts to provide input in preparation for the forthcoming round of World Trade Organization multilateral negotiations. These negotiations will include an examination of the provisions of the TRIPs agreement. The issue of compulsory licensing was specifically addressed at the workshop, which concluded that these provisions should remain in TRIPs, and hence, they should be reflected in Australian legislation.

Are there any other means by which the effectiveness and efficiency of the patent system, in so far as it bears on competition, could be significantly improved?

This issue is discussed in section 5 of this paper.

## 4.2 DESIGNS

The Committee would appreciate views as to whether the interface between copyright and design protection continues to cause concern and in which circumstances.

There is also an interface between designs and patents. Some have suggested that designs should protect functional elements as well as appearance. The Committee invites submissions on whether this interface has been adequately resolved by Government proposals for the innovation patent.

The Committee would welcome views on the protection of spare parts under the designs provisions. In particular, do the current arrangements provide an appropriate balance between providing incentives for producers to develop new designs for spare parts and the interests of consumers in after-markets?

The Committee invites comments on whether the parallel importation of products protected by the Designs Act should be allowed.

ACIP believes that the current designs system is seriously flawed, with specific problems concerning the:

- validity of Australian designs, (following the CIPEC<sup>5</sup> decision)
- restrictive interpretation on the scope of rights granted (eg, 'chinese copies')
- continuing uncertainty and confusion of the copyright/designs overlap; and
- unresolved issue of spare parts.

These issues have been exhaustively examined in the Australian Law Reform Commission's (ALRC) report and we welcome the governments announcement on the recommendations.

The further issue of the patent/design overlap is also dealt with by the ALRC and by ACIP in its Petty Patent Report. ACIP is of the view that while mere functionality of an article should not be afforded design protection, it should also not be a bar to design protection, if the article includes a unique shape. Functionality may however be appropriately protected under the proposed innovation patent system, which affords protection to elements which would not

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<sup>5</sup> *Compagne Industrielle de Precontrainte et D'Equipment des Constructions SA v First Melbourne Securities Pty Ltd* [1999] FCA 660

otherwise meet the requirements for a standard patent. We do not believe that the design system should be extended to cover functional elements.

### **4.3 TRADE MARKS**

Under TRIPs, all GIs must receive protection, and for those relating to wines and brandy even the term “style” cannot be used. There are currently moves in the TRIPs renegotiation’s for the protection of “style” to apply to all GIs. Views on what should be Australia’s position in such renegotiation’s would be welcomed.

Under Article 22 of TRIPs, protection is afforded to Geographical Indications (GI) generally against any misuse which may mislead the public as to the geographic origin of the product. The special provisions of Article 23 relating to wines and spirits provides absolute protection for GI irrespective of whether or not their use is misleading and irrespective of whether they are used in translation or with de-localising expressions such as ‘kind’, ‘style’, etc.

Whilst there may be special characteristics of the wine industry in relation to matters such as climate, soil, aspect of production methods and other elements which predicate special treatment for wines, these factors may not be present in relation to other products. Thus there cannot be justification for the general application of those special provisions. There may be industries where similar factors apply, but these should be dealt with on a case by case basis.

So far as Australia is concerned, the absolute protection provided for GI pursuant to the Australian/European Union wine agreement for wine, and the consequent provisions of the *Australian Wine and Brandy Corporation Act 1980*, goes beyond that mandated by TRIPs. Australia has not, for example, taken advantage of the provisions of Articles 24(3) and 24(5) of TRIPs to preserve pre-existing trade mark rights. ACIP believes that it would be quite inappropriate to extend other products the protection presently afforded to wine indications without very clear demonstrated advantage to Australian industry.

A domain name is a unique identifier name that corresponds with an internet protocol address. The domain name can be both easy and intuitive to remember. A domain name can be registered as a trade mark provided it meets the requirements of the Trade Marks Act. Are there are areas of overlap and likely confusion between trade marks, domain names, business and company names? Views on whether this is so and the likely effect on competition are welcomed.

This issue is discussed in section 5.3.1 of this paper.

The absence of the requirement to disclaim non-distinctive elements of a trade mark in the current legislation may be an issue of concern. Does this create uncertainty in the marketplace? Is it an issue likely to have a significant effect on competition?

ACIP strongly supports a requirement to disclaim non-distinctive elements of a trade mark. A failure to disclaim non-distinctive elements creates great uncertainty as to the scope of protection afforded by a trade mark registration with a serious burden placed on other traders to know what is protected by the registration. As such, it can have a detrimental effect on competition and tends to result in an increased cost to business.

The Committee would welcome comments on the effectiveness and efficiency of the administrative and enforcement aspects of the trade mark system and on the resulting impacts on competition.

ACIP reiterates its comments in relation to the balance needed between fees charged and the strength of rights granted, as discussed in relation to patents above.

ACIP has, at the request of the Parliamentary Secretary to the Minister for Industry, Science and Resources, commenced a review of the enforcement of trade marks. The Council expects to complete the review next year.

#### **4.4 SECTION 51 (3) TRADE PRACTICES ACT 1974**

What does s.51(3) protect in practice?  
What would be the consequences of repeal of s.51(3)?  
What would s.51(3) protect if amended in the manner recommended by the NCC?  
Are there other approaches to obtain the benefits of s.51(3) that are more appropriate?

ACIP supports the retention of section 51(3) of the *Trade Practices Act 1974*. The section performs an important function as a regulator or deterrent. We are concerned that if this section is removed, as originally proposed by the National Competition Commission, it would create a potential to escalate costs as a consequence of changes to licensing practices.

We would also not like to see a highly prescriptive approach to licensing along the lines which operates in Europe introduced to Australia. ACIP believes these restrictive provisions are overly complex and costly.

#### **4.5 ENFORCEMENT**

In what ways does the current enforcement environment affect the effective access to the IP rights by smaller firms?

Is there any scope for addressing enforcement issues in a way that would better protect IP rights, and promote competition?

What are the implications for enforcement arising from the issues raised in this Issues Paper?

As discussed previously in this paper (see sections 2 and 4.1), ACIP undertook an extensive examination of patent enforcement in its Enforcement Report. A fundamental consideration throughout the review was the impact of the patent system on small to medium enterprises/firms. The Enforcement Report noted that Australian patent owners face a major problem in effectively defending their rights against infringement. The major concern is substantial uncertainty regarding the outcomes of enforcement action. Some of the factors which contribute to this problem are the:

- low level of knowledge as to what a patent right entails and how it should be managed
- low presumption of validity of patents
- cost and time involved with taking enforcement action in the courts
- high degree of uncertainty of outcome in legal proceeding in patent matters
- fear that parties with more resources can abuse the system and force an unfair outcome on smaller parties

The Enforcement Report, presented to the Government in March 1999, made 12 recommendations directed at improving patent enforceability. Those recommendations were:

*1. IP Australia -*

- A. develop and deliver education programs designed to help owners of IP rights understand what their right entails, and how to manage their right, including enforcement strategies,*

- B. *encourage business and IP education providers to include IP management elements in courses,*
  - C. *encourage industry associations to provide IP information opportunities for their members,*
  - D. *work with industry and professional associations such as AMPICTA, IPTA, LCA and LES in the delivery of these programs, and*
  - E. *work with the Australian Institute of Judicial Administration to develop IP awareness programs for the judiciary.*
2. *Amend section 49 (1) of the Act to the effect that in considering whether there are lawful grounds of objection, the consideration should be objective and the rule giving the benefit of doubt to the applicant should be abrogated in so far as it relates to novelty and obviousness.*
  3. *The Act should be amended to state that a patent is presumed valid.*
  4. *Amend IP Australia examination practice so that where there is a claim to priority from an Australian provisional specification, examiners will examine the broadest claim in the patent application to check that it complies with the first leg of the Mond Nickel rules, ie, an examination of whether the subject matter of the claim is broadly described in the provisional documents. Where the examiner has a doubt then they should object to it and give the applicant an opportunity to amend the specification.*
  5. *In order to correct the tendency in a number of recent decisions by the courts to overly restrict the permissible ambit of claims, replace the 'fairly based' provisions in section 40 of the Act and the relevant regulations with provisions along the lines of s14(c) of the UK 1977 Patents Act. The amendment should clearly express that the claims are not to be confined by a particular disclosure, but may extend to all legitimate expressions of the concept of the invention disclosed.*
  6. *Amend the Act to remove the jurisdiction of state and territory supreme courts to revoke a patent.*
  7. *Encourage the Federal Court to promote further specialisation of IP judges, with initiatives including: specialist judges sitting interstate where there is not a specialist judge in that registry; and programs to assist specialist judges keep up to date with international trends.*
  8. *Amend the Act to require an applicant, or where the applicant is a corporation, a person employed by that applicant who is at the relevant time, concerned with the preparation or prosecution of the application, to disclose to IP Australia any prior art material that has come to their attention in the course of preparing or prosecuting the patent application, and in any corresponding patent application in other countries.*

9. *Establish an appeal board within IP Australia which reports directly to the Director General of IP Australia, to replace the current hearings function, with the Director General having the same powers that the Commissioner of Patents currently has.*

10. *Provide the Director General, the Commissioner of Patents and an appeal board with the power to restrict access to commercial-in-confidence information provided as evidence at hearings to hearings officers and legal counsel or other specified or agreed persons.*

11. *Provided most of the recommendations in this report regarding strengthening patent validity are implemented, amend the Act to insert provisions for exemplary damages along the lines of section 115 (4) of the Copyright Act 1968. This is in addition to the courts' ability to order either ordinary compensatory damages or an account of profits.*

12. *Give consideration to amending the Act to reflect the importation of infringing goods provisions of Part 13 of the Trade Marks Act 1995 so that similar provisions apply to infringing patented material. This should include indemnity and seizure provisions.*

The report also discussed the advantage of access to a federal magistracy for minor IP infringement actions. ACIP believes that access to an inferior court would be particularly beneficial to smaller firms who may be reluctant to engage in costly litigation in the superior courts. Prior to publication of its Enforcement Report, ACIP was not optimistic that the government would establish such a court in the short to medium term. However, since publication, the Attorney General has announced that the government will establish a federal magistracy. ACIP recommends that the government appoints magistrates with IP qualifications and experience to enable it to most effectively handle IP matters.

The Parliamentary Secretary to the Minister for Industry Science and Resources has advised ACIP that the government is considering the report. We urge the government to accept and implement the report's recommendations.

ACIP is currently conducting a separate review into trade marks enforcement.

## **5 Opportunities to improve Australia's IP system**

As a whole, ACIP strongly supports the operation of Australia's current IP system.

ACIP also recognises that as Australia moves towards a global knowledge based economy and impediments to business and competition are removed (eg: tax reforms), our IP system is

likely to come under increasing pressure to deliver clear and enforceable rights, particularly in the areas of new technology. We therefore need to work towards removing ‘bottlenecks’ to improve the current IP system and to ensure that Australia has a system that fosters and promotes innovation and competition into the future.

## **5.1 General**

### **5.1.1 Evolution of the IP system to deal with changes in technology**

Looking to the future, it will be increasingly important to maintain a broad view of the IP system (see our reference to ‘IP system’ at section 3 on page 3 of this paper). In this regard, there may be a need in the future to move away from the current practice of strictly categorising IP rights (ie: patent, copyright, etc). While this categorising has served us well in the past, the convergence of existing technologies and the evolution of new technologies and business practices is challenging this concept. Australia also needs to remain cognisant that international developments may place further stress on traditional categories, resulting in economic or competitive impediments.

From a user's perspective there is an increasing need to address intellectual property in a broad rather than in a specific manner. This should help to avoid what in recent years has become ‘piece-meal’ developments to address new issues.

### **5.1.2 Administration of the IP system**

Before dealing with specific aspects of administration, ACIP notes at the outset that we believe that IP Australia has responded admirably to challenges in recent years, resulting in strongly customer focussed, quality services.

#### **5.1.2.1 Coordination of IP policy**

Australian IP rights are currently the responsibility of the following agencies:

- Department of Industry Science and Resources, incorporating IP Australia - industrial property
- Attorney General's Department (AGD) - copyright and circuit layouts

- Department of Communication, Information Technology and the Arts (DOCITA) - copyright and IT
- Department of Agriculture, Fisheries and Forestry - plant breeders' rights
- Department of Foreign Affairs & Trade – international and trade aspects
- various agencies - indigenous rights (including the Aboriginal and Torres Strait Island Commission, DOCITA, AGD and IP Australia.)

This division of responsibility is not necessarily a problem for most day to day aspects of IP administration, such as issuing IP rights. ACIP believes, however, that the position could be strengthened by a central body to coordinate and drive IP. The role of such a body would be to:

- elevate the role of IP in national policy debate by providing a greater focus and coordination of IP activities;
- ensure that overlaps and convergences of technologies and agencies (eg: in the area of IT) are managed effectively; and
- assist the development of policies with respect to emerging issues which do not currently fit neatly within existing agencies, such as indigenous rights.

One possible approach would be a senior level body along the lines of the Ministerial Council on Biotechnology. A coordination and driving body such as this is likely to become more important as the definition and scope of IP broadens and the various ‘categories’ converge.

#### 5.1.2.2 Access to the system – costs/quality

As discussed in section 4.1 of this paper with respect to patents, the official fees for registering patents, trade marks and designs have reduced significantly in recent years: for example, IP Australia's fees and charges have reduced by around 31% in real terms over the past 5 years. This has been the result of a large increase in demand for IP rights, coupled with significant productivity improvements. ACIP acknowledges that it is important that individuals and business can access the system.

However, while ACIP commends IP Australia for its performance, we are concerned to ensure that productivity improvements are not sought at the expense of quality. There are

perceptions that IP Australia is applying insufficient rigour in its examination processes. While an applicant can readily obtain an IP right, there is increasing uncertainty about their validity, which casts doubt on the owner's ability to effectively enforce the right (this is discussed in more detail in section 4.5 of this paper).

While ACIP recognises that absolute certainty of an IP right is not realistically achievable, we believe that a high level of certainty is crucial, and without it, the system is of limited value. Weaker rights will ultimately disadvantage IP owners, by failing to provide a security for their investment. A weak IP right may also disadvantage the consumer, as increased uncertainty can lead to increased costs.

The cost of securing IP rights should be viewed as part of the overall investment in innovation and not merely an added cost. ACIP notes that Australia's official fees usually comprise a small part of the overall cost of obtaining an IP right, this is particularly the case when IP rights are sought in a number of countries. Furthermore, the cost of obtaining an IP right comprises a small part of the cost of commercialising a new product or service. The whole process of commercialising a product or service can be placed in jeopardy however, if cost constraints restrict appropriate IP protection.

ACIP recently commissioned a study to benchmark certain aspects of the quality of IP Australia's services against IP offices in other countries. The study should allow us to determine more effectively how Australia is performing in terms of the quality of an IP right.

#### 5.1.2.3 The use of new technology to improve the system

ACIP notes that developments in technology enable significant gains to be made in the delivery of a quality, cost effective and timely IP system. We acknowledge that IP Australia is relatively advanced in its use of technology when compared to other IP offices. It is improving in some areas of its operation, and is actively pursuing matters such as electronic filing of applications, database searching and website access.

ACIP believes however that there is still ample scope to usefully apply technology to offer greater benefits to users of the IP system. In particular, we consider that greater use of technology in the various stages of processing an application (including examination) is crucial to maintaining quality, uniformity and access to the system. In this regard, IP Australia (and other administrative bodies) must continue to commit resources to technology

and maintain close contact with client groups to ensure that technology developments meet their needs.

#### 5.1.2.4 The relationship between various registers

A common area of confusion for Australian enterprises is the interrelationship between business names, company names, trade marks and domain names.

With some exceptions, a business must register its trading name as either a company name with the Australian Securities and Investment Commission (ASIC), or as a business name with the relevant state government agency. However, unlike a trade mark, the registration of a company or business name does not necessarily provide propriety rights for the use of the trading name.

A number of cases have come to light where people register either a business or company name and commence trading under that name, only to find out at a later stage that they are infringing a trade mark. Often the only practical solution is to forgo the reputation gained from trading under that business name, and rename their business. In some cases, the owner of the business name is sued for costs, damages and account of profit for their inadvertent infringement of a trade mark.

Internet domain names has now become another factor which further confuses the situation. This aspect is addressed below in section 5.3.1.

IP Australia includes this matter as part of their education and awareness program targeted at small to medium businesses. Their efforts include providing a relevant brochure, through ASIC and the state government agencies responsible for business names, to all applicants for business names and company registrations. The brochure encourages people applying for a trading name to check to see if there is a trade mark registered or pending which may be similar to their proposed trading name.

The body currently responsible for issuing internet domain names in Australia, Internet Names Australia, has IT systems which are linked to IP Australia's trade mark data base. When an applicant wishes to register a domain name, they can automatically check to see if there is a trade mark with the same name as the domain name. The check has problems as it is a literal search and does not check for similar marks.

The ASIC and the state government agencies' IT systems, however, are not linked with IP Australia's trade marks data base. ACIP believes the confusion may be reduced if the business names/company names registers were linked with the trade marks data base, so that possible conflict with a trade mark is automatically raised when a person seeks a business or company name.

#### 5.1.2.5 Effective use of retained earnings

As noted above, increased demand and productivity improvements have allowed IP Australia to reduce its fees and charges. Despite the fee reductions, IP Australia has developed a significant reserve of funds. While we generally applaud the reduction in official fees, subject to our previous comments with respect to the quality of rights granted, we believe that any surplus of funds should be directed back into the system to enhance and strengthen the quality and certainty of rights granted.

We are concerned that while IP Australia has achieved significant productivity improvements in recent years, too much emphasis has been placed on passing back cost savings to customers, compared with reinvesting back into the system. IP Australia's accumulated earnings and any future productivity gains provide an opportunity to focus on addressing quality issues, particularly through investing in technology as outlined above. In addition, funds should be directed into areas such as infrastructure, training and education and in the important area of stimulating public debate on IP issues, such as occurred recently at the TRIPs Workshop in Canberra. Such reinvestment will strengthen Australia's IP system, and ultimately benefit IP owners and users of the system.

#### 5.1.3 Education and awareness of IP

ACIP strongly supports programs aimed at increasing the awareness and understanding of IP. We believe that the more that Australians are aware of IP, the more efficient and effective the system will be. This can subsequently result in reduced costs for innovators.

To operate effectively within a knowledge based economy, enterprises need to be aware of:

- what IP is and what it means
- IP data bases and their uses (eg, to identify patent literature, registered trade marks etc)

- their options for securing IP rights
- how and when to register their IP rights,
- how to strategically manage their IP rights

ACIP's Enforcement Report concluded that many managers and businesses have little knowledge of the IP system, and that even IP owners often have fundamental misunderstandings about how the IP system works. Knowledge of IP management is particularly important since there are significant costs associated with addressing infringement and enforcement issues, even before litigation.

ACIP has developed, and continues to work with IP Australia to further develop, awareness and education strategies. This has resulted in a number of programs targeted at various sectors of the community, with an emphasis on small to medium businesses. We fully support the ongoing development and implementation of awareness strategies, such as those already planned for business advisers, secondary schools and tertiary institutions. ACIP believes that additional resources should be allocated to ensure that the implementation of these key programs is expedited.

We also believe that a central coordination body along the lines of that proposed above at section 5.1.2.1, would help to focus awareness activities and help tie-in the various elements of IP.

#### **5.1.4 An excess of IP Law**

ACIP believes that the IP system should maintain its focus on the central aims of securing and promoting creation and innovation. With the expansion of the IP system into 'non-traditional' areas, there is a risk that this focus may be lost. ACIP strongly believes that the IP system is not the appropriate mechanism for addressing moral and ethical issues, such as those raised in the biotechnology and indigenous fields.

## **5.2 Patents**

*"The Patent System... added the fuel of interest to the fire of genius".*  
(Abraham Lincoln, 1859)

### **5.2.1 Enforcement of patents**

This issue is dealt with extensively in ACIP's Enforcement Report and section 4.5 of this paper. ACIP would like to reiterate its comments on this issue.

### **5.2.2 Prior publishing research results "grace periods"**

ACIP sees a number of conflicts between the need to publish the results of research and the need to keep the results secret, before filing an application for IP protection.

On the one hand, researchers in public research institutions, particularly universities, find the choice between publication and IP protection a difficult one to balance, given competing time lines: eg, at the time of making a discovery, its commercial potential may not be apparent or realised, or it may be necessary to test the market before going ahead in developing a product and seeking protection for it.

There is strong support within the research community for a "grace period" to overcome this difficulty. This would allow a period of time in which a person or firm could file an application, after initial publication, without losing their rights because of that publication. The effect would be similar to the current arrangements relating to exhibiting inventions and designs at officially recognised exhibitions.

On the other hand, the type of grace period discussed above would only be an advantage in Australia and the United States. In fact it would be to their detriment in other countries. This is because all other countries (other than the US) have a "first to file" regime and any prior publication of the invention would mean that a patent or registered design would not be granted. As the United States "first to invent" regime, prior disclosure would not affect the granting of rights.

IPAC<sup>6</sup> considered the arguments and concluded that the issue would have to be approached globally, as any unilateral approach would lead to loss of right for Australians overseas. It considered that the provisional application procedure went some way to addressing the needs of those that wish to have a "grace period."

Discussions have taken place to introduce grace periods throughout the world. Unfortunately these have not progressed as this issue is seen as a trade-off for the United States giving up its "first to invent" regime.

ACIP considers that there is still a need for a grace period, and like IPAC, we recognise that it would need to be introduced in most other countries before it could have a significant advantage for researchers. While we also recognise that a quick turn around in the position of other countries on this issue is unlikely, we recommend that Australia lobby other nations to encourage support for the introduction of a grace period.

### **5.2.3 Awareness of international IP systems**

A matter related to "grace periods" is an understanding of (or failure to understand) the different requirements of IP systems in various countries.

From our experience, some researchers, particularly at universities, seem largely unaware of requirements such as the need to keep an invention confidential prior to filing a patent application, or the need to keep appropriate records to substantiate a priority date for a US patent application, which only recognises "first to invent". This lack of understanding of fundamental IP protection principles can result in Australian enterprises/universities failing to secure rights to exploit the results of their research.

ACIP encourages awareness campaigns which address these issue. As discussed above at section 5.1.3, IP Australia has developed awareness strategies that target tertiary institutions. We recommend that sufficient resources be allocated to allow IP Australia to implement awareness programs for tertiary institutions, which include elements on how to comply with the provisions of various IP systems in Australia and other countries.

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<sup>6</sup> Patents, Innovation and Competition in Australia. p51. Industrial Property Advisory Committee, 29 August 1984.

#### **5.2.4 The petty patent and the innovation patent**

ACIP carried out an extensive review of the petty patent system during 1994/1995 and provided its report to the then Minister on 28 August 1995. The report recommended that the government abolish the petty patent system and replace it with a new form of industrial property right, the innovation patent, for incremental innovations.

The government announced its response to ACIP's report on 20 February 1997. It has accepted most of the 15 recommendations in the report, and will implement the innovation patent system recommended by ACIP. In particular, the government agreed that the:

- inventive level for innovation patents should be lower than for standard patents;
- term of the innovation patent should be eight years; and
- maximum number of claims allowable should be five, but there should be no restrictions on the type of claim.

In the absence of the innovation patent system, there is currently a gap in the Australian patent system. The gap relates to the functional innovations that are not sufficiently inventive under the present standard or petty patent systems to warrant protection. The innovation patent system will encourage Australian individuals and businesses to invest in the development and marketing of their ideas on the domestic market.

Despite the government accepting most of the recommendations of the petty patent review, ACIP is concerned by the time span taken to implement the new system. This delay is penalising those involved in incremental innovation, and is discouraging individuals from commercialising their ideas.

We urge the government to take action as soon as possible to finalise the legislation to implement the new system.

#### **5.2.5 Opposition practices**

ACIP would like to see a more flexible time line for lodgement of the *Statement of Grounds and Particulars* in patent opposition proceedings, based on a justified approach for extensions. ACIP believes that the current three month period for filing the *Statement* is too onerous, given the amount of work and research required to produce this document. The

tight deadline appears to be inconsistent with the periods of time allowed for filing evidence generally in opposition proceedings.

### **5.2.6 Sections 117 and 119 of the Patents Act 1990**

In ACIP's view, there are problems with the provisions of section 117 of the *Patents Act 1990* as a result of the Rescare decision of the Federal Court<sup>7</sup>. This provision was introduced to provide a means to control "contributory infringement", eg, the facilitation of infringement by another by the supply of a non-patented component for use in a patented combination or process. The effect of the Rescare decision was to render this provision largely ineffective. Whilst recent decisions of the Federal Court in relation to the question of joint tort-feasance may have reduced the need for these provisions in some cases, we recommend that the matter be further studied with the object of providing legislation to implement the intent of the provision.

With regard to section 119, this provision was introduced to safeguard the rights of third parties who may independently have used an invention before the priority date of an application for a patent but are not able to oppose or invalidate the application or patent because the use was not public use. The rights given by the provisions of section 119 are very restricted and are not capable of assignment or license otherwise than in conjunction with the business concerned. The rights are therefore of little value where the third party is, for example, a university or research organisation whose only opportunity to exploit its work is by licensing or assignment. The matter raises very difficult questions of the balance between the rights of the patentee and the third party and requires further and deeper study. It is one of great importance to research-based organisations and ACIP recommends that it be the subject of urgent consideration and discussion.

## **5.3 Trade Marks**

### **5.3.1 Domain names**

ACIP views the Internet as simply another media in which trade marks are used. ACIP believes that trade marks have a legitimate role in the Internet and cannot be ignored when domain names are registered and used.

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<sup>7</sup> RESCARE Ltd and: Anaesthetic Supplies Pty Ltd. [1992]. FCA 881. 25 IPR 119.

The problems that we see with the current domain name system are:

- the dilution of trade mark rights (ie. the erosion of brand equity through the proliferation of domain names)
- public confusion and uncertainty as to the inter-relationship between trade marks and domain names
- the operation of different systems in different countries for registration and administration of domain names
- the lack of any reconciliation between domain names and the trade mark system

ACIP recognises that the operation of the Internet generally and domain names in particular is a fluid issue. Nevertheless, Australia needs to stay at the forefront of the debates surrounding domain names, by actively participating in relevant international discussions, to ensure that valid trade mark rights are not prejudiced.

### **5.3.2 Well known marks**

Australia has an established system for the protection of well-known marks under both the *Trade Practices Act 1974* and sections 120(3) and 120(4) of the *Trade Marks Act 1995*. Both the jurisprudence and our experience on the applications of the Trade Marks Act is however extremely limited and it is too early at this stage to say how they will work in practice. There is ongoing international debate as to the appropriate extent of the protection of well known marks and the definition of what is ‘well-known’.

Australia should continue to actively participate in international discussion on this issue, to ensure that the interests of Australian enterprises are represented.

### **5.3.3 Dilution of marks**

The concept of ‘well-known’ marks is strongly aligned with the principles of dilution. In addition, an appropriately formulated dilution regime would serve to address some of the concerns raised in section 5.3.1 of this paper in relation to domain names. In a global market where brand image transcends product categories, there should be some recognition of the attraction of ‘free-riding’ and the consequential damage to the image of a mark from this practice.

To date Australia has not sought to adopt a dilution regime, however ACIP believes that serious consideration should be given to the issue. There are a number of approaches to the problem eg; the US doctrine of misappropriation; the US Federal Dilution Act of 1995; and European Union law of unfair competition.

ACIP believes that Australia should formally inquire into the various approaches with a view to formulating an approach for the future.

#### **5.3.4 Opposition practices**

ACIP believes that closer attention should be paid to the enforcement of prescribed time lines for opposition proceedings. The current practice makes it relatively easy to obtain extensions of time, without sound justification, particularly during the earlier stages of an opposition. This can lead to protracted disputation, resulting in uncertainty and increased costs for both users and owners of IP rights.

ACIP believes that a reassessment of the balance between competing interests needs to be reviewed (ie: the public interest in having access to an accurate Trade Marks Register and the private commercial interests of individual owners).

#### **5.4 Designs**

ACIP is pleased to note that the government has accepted significant parts of the Australian Law Reform Commission's review of the designs registration system. As outlined in section 4.2, we believe that the current designs system is almost totally ineffective. We welcome the introduction of a new system which we expect will include higher threshold and broader infringement tests, making a design right harder to obtain but easier to enforce.

We welcome the proposed consultation with industry on the exposure draft. We would be concerned however, at any delay in implementing the new system, particularly in light of the delay in implementing the innovation patent system. We urge the government to take action as soon as possible to finalise the legislation to implement the new system.

## **5.5 Copyright**

ACIP has a number of concerns with the current copyright system. Copyright was originally developed to protect literary and artistic works. The system has evolved so that it now includes aspects outside these original parameters. We are concerned at the broadening of the scope of what is currently included under copyright protection, and particularly the tendency to use copyright to embrace inappropriate industrial applications. As discussed in section 4.1, the use of copyright for industrial applications can tend to create an imbalance between the incentive to innovate and the freedom for others to use that knowledge.

A significant factor contributing to this imbalance is the duration of copyright compared with other IP rights. While we do not wish to comment on the duration of copyright for traditional literary and artistic works, we do believe that the current duration of copyright protection for a work which has industrial application, such as software, is totally inappropriate and inconsistent when compared to a similar work which is patented.

ACIP also believes that widening the scope of copyright can create uncertainty as copyright is not a registered and therefore easily identifiable right.

We believe that the government should resist further expansion of the scope of copyright law into industrial and commercial applications, as distinct from artistic applications.

## 6 Recommendations

ACIP believes that it is critical for Australia to maintain and develop a strong, high quality and cost effective national IP system. In this respect, Australia should:

1. play an active role in shaping and administering its own IP system and developing the international IP system;
2. ensure that further IP Australia fee cuts are not made at the expense of quality or certainty;
3. ensure that any IP Australia cash surplus is invested back into the IP system;
4. establish a senior body to coordinate and drive IP issues in Australia;
5. use the industrial property system, not copyright, for new technologies;
6. consider the ACIP enforcement report as a matter of priority;
7. lobby other nations to encourage support for the introduction of a grace period for patents to allow prior publishing of research papers;
8. implement the innovation patent as a matter of priority;
9. give urgent consideration to the provisions of section 119 of the *Patents Act 1990*;
10. pursue linking business names and company names registers with the trade marks data base;
11. allocate resources to ensure implementation of key IP awareness programs;
12. actively participate in international discussions on domain names to ensure valid trade marks are not prejudiced;
13. actively participate in international discussions to determine a definition of a 'well-known' marks to ensure that the interests of Australian enterprises are represented;
14. consider adopting a trade mark dilution regime;
15. implement the new designs system as announced by the government as a matter of priority.

## Appendix 1

### *ACIP membership*

(Membership at the time this report was submitted)

<i>Member</i>	<i>Position</i>	<i>Position on co</i>
Mr Owen Malone	Vice President, Intellectual Property, Foster's Brewir Group	Chairman
Dr John Baxter	Director, AE Bishop & Associates Pty Ltd	Member
Dr Malcolm Campbell	Proprietor, ASBAN Pty Ltd	Member
Professor Paul Greenfield	Deputy Vice Chancellor (Research), University of Queensland	Member
Dr Shirley Lanning	Consultant	Member
Ms Jane Perrier	Deputy IP Counsel, Telstra Corporation	Member
Mr John Slattery	Patent attorney, Davies, Collison Cave	Member
Dr Ian Heath	Director General, IP Australia	Ex officio men
Mr Michael Holthuyzen	Deputy Chief Executive Officer, DISR	Ex officio men

Additionally, Mr Des Ryan, a member of ACIP until July 1999, contributed to this paper as a special adviser to ACIP.

## Appendix 2

### *List of reports produced by ACIP and IPAC*

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#### **Industrial Property Advisory Council**

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Report on proposed petty patents legislation	November 1978
Report on amendment of regulation 7B of the Patent Regulations	February 1979
The Trade Marks Act and importation of goods bearing a registered trade mark	October 1980
Extensions of the convention period under the Patents Act	January 1981
The economic implications of patents in Australia	November 1981
Report on the registration of service marks under the Trade Marks Act 1955 and protection of company and business names	December 1981
The economic effects of the Australian patent system	April 1982
The commercial implications of the Australian patent system	August 1982
Monash University Law School report to the Industrial Property Advisory Committee	February 1983
Patents, innovation and competition in Australia	August 1984
Report on the provisions of the Designs Act 1906 relating to infringement by articles imported from abroad	March 1985
Patent information for smaller Australian enterprises	August 1986
Qualifications for professional practice in trade mark matters	December 1987
Legal protection of character merchandising in Australia	March 1988
Practice and Procedures for enforcement of industrial property rights in Australia	March 1992

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#### **Advisory Council on Industrial Property**

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Review of the petty patent system	October 1995
IP Australia's international strategy	December 1998
Review of enforcement of industrial property rights	March 1999

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## **Appendix 3**

### ***List of ACIP's current projects***

- Develop a submission to the IP review, including an analysis of the economic importance
- Develop a submission for the TRIPs review
- Develop IP promotion/marketing strategies
- Supervise a benchmarking/quality study by IP Australia
- Develop strategies on how to influence the policy process and IP's visibility
- Identify IP issues related to new technologies and business practices
- Review the enforcement of trade marks