State of the Art

Key Australian IP developments

December 2021

CORRS
CHAMBERS
WESTGARTH

corrs.com.au

About Us

Corrs Chambers Westgarth is Australia's leading independent law firm.

We provide exceptional legal services across the full spectrum of matters, including major transactions, projects and significant disputes, offering strategic advice on our clients' most challenging issues.

With more than 175 years of history and a talented and diverse team of over 1000 people, we pride ourselves on our client-focused approach and commitment to excellence. Our fundamental ambition is the success of our clients, and this is reflected in everything we do.

We advise on the most significant global matters and connect with the best lawyers internationally to provide our clients with the right team for every engagement. We are also at the forefront of some of the most high-profile public international law matters in our region, assisting governments and corporations with the resolution of highly complex cross-border disputes.

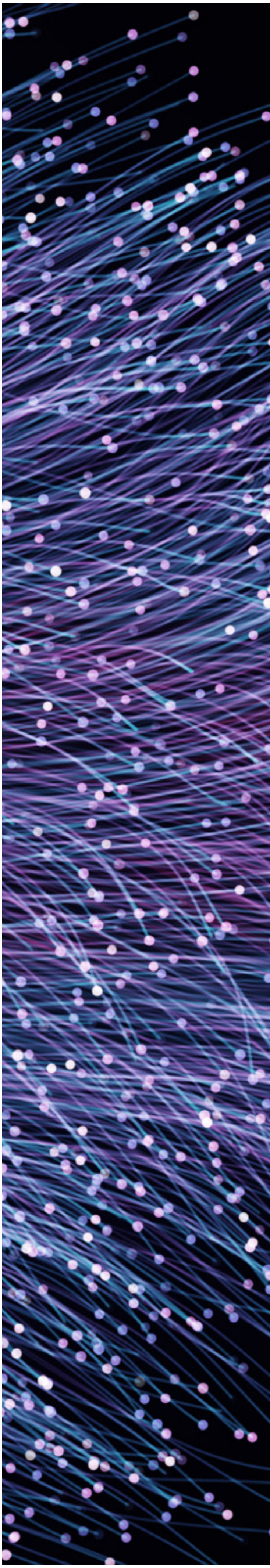
We are the firm of choice for many of the world's leading organisations, with our people consistently recognised for providing outstanding client service and delivering exceptional results.

About the Corrs IP team

Our IP team is a market leader for IP contentious, advisory and transactional work, having acted on some of Australia's most demanding and innovative IP matters for Australian and global clients.

We advise across all industry sectors with particular strength in life sciences, technology, real estate and heavy industry, a clear differentiator in the Australian legal IP market.

With 13 dedicated IP partners and a strong group of associates (many with technical qualifications), our team have the depth, experience and capacity to handle the most complex and ground-breaking IP matters.



Contents

Foreword

As we emerge from the global pandemic, intellectual property (**IP**) continues to be a focus for organisations as they execute strategies to achieve growth in the new environment. The Australian IP landscape has seen a significant level of activity in 2021, including important legislative change and key decisions.

We explore a number of these developments, and those on the horizon, in this edition of *State of the Art*. While many changes to Australia's patent system are designed to bring it into line with the position in Europe, the UK and US, there remain significant differences – such as Australia's peculiar 'best method' requirement. By contrast, recent consideration of new Australian patent requirements for 'support' and 'sufficiency' (introduced in 2013) suggests that those reforms have brought the Australian position more in line with other major jurisdictions. Australia's domain name system is likely to expand dramatically in 2022, with the introduction of direct .au Domain Names. 2021 saw changes to Australia's registered design system take effect, which will make it more user friendly. Consideration of IP licence agreements by Australian courts has also highlighted some of the key risks to be aware of when framing agreements. Finally, the increased use of digital marketing strategies raises new questions about how to comply with legal and regulatory obligations.

We look forward to working with you in 2022 and hope you enjoy this edition of *State of the Art*. Please feel free to contact us if you have any questions.

Kate Hay

Partner and
Head of Intellectual Property

+61 3 9672 3155
+61 400 628 372
kate.hay@corrs.com.au

David Fixler

Partner and Editor,
State of the Art

+61 3 9672 3173
+61 407 086 955
david.fixler@corrs.com.au

How 'best method' became a major pitfall for foreign (and domestic) patent owners in Australia

By David Fixler, Partner and Nadege Malcolm, Associate

Failure to disclose the best method known to the patentee of performing the invention,[1] has been proven to be a powerful ground of attack in Australia – if successful, it is capable of rendering all claims of the patent invalid. While other key jurisdictions have abandoned the best method requirement (it was abolished in the US in 2011, the UK in 1977 and is not a consideration under European laws), it is still a requirement under Australian patent law – despite calls for its abolition.

Given this difference between Australian law and other jurisdictions, it is important for foreign patentees to be aware of the requirement and its implications. Best method has gained significant traction as a ground of revocation as a result of recent decisions, with the effect that it is:

- not only peculiar to Australia but also more onerous than previously understood;
- more difficult to cure any 'best method' defect by amendment; and
- assessed at the *filing* date (which is often at least 12 months and can be significantly later than the priority date).

In this article, we discuss the best method requirement under Australia patent law and the reasons for its growing significance as a ground of revocation.

Best method is peculiar to Australia and more onerous than previously understood

Given differences between patent validity requirements between major jurisdictions, it is necessary for patent owners to proceed with caution when prosecuting or enforcing patents. Australia's best method requirement provides a good example.

In the case of *Les Laboratoires Servier v Apotex Pty Ltd* [2016] FCAFC 27 (***Servier***) Servier's patent was found to be invalid on the sole basis that it did not disclose the best method known to it of performing the invention. The primary judge found that the patentee's description of its best method was 'wholly inadequate',[2] and the Full Court of the Federal Court of Australia upheld the primary judge's findings. The patentee had provided a high-level description that the invention directed to arginine salt of perindopril was 'prepared according to a **classical method of salification of organic chemistry**' (emphasis added).[3] While it was common ground between the experts that it was possible to produce an embodiment of the invention claimed, this was insufficient to meet the requirement of best method as the skilled person would have had to engage in 'extensive trial and error experimentation'.[4] The court found that even though the invention was for a product and not a process, the best method obligation was not met by simply identifying the claimed compound.

The *Servier* decision reinforced the importance of satisfying the best method requirement and made clear that the requirement was more onerous than previously understood.

1 Section 40(2)(aa) of the *Patents Act 1990* (Cth).
2 *Les Laboratoires Servier v Apotex Pty Ltd* [2013] FCA 1426 [179].
3 Ibid [141].
4 Ibid [177].

Difficulties amending a patent to 'cure' a failure to disclose the best method

The ability to 'cure' a failure to disclose the best method by amending a patent depends in part on whether the request for examination of the relevant patent was before or after April 2013.

Prior to amendments made by the *Intellectual Property Laws Amendment (Raising the Bar) Act 2012* (**RTB**), patents were able to be amended to include further description, even after grant. This practice allowed patentees to amend patents in the Patent Office to include the best method and that position continues to apply to pre-RTB patents. However, where infringement / revocation proceedings are before a court, amendments can only be made by the court, and the court must exercise its discretion to allow any amendment. Experience has taught that the court is more reluctant to exercise that discretion in favour of allowing any amendment than previously anticipated.

In *Servier*, following judgment in the initial Federal Court decision, the patentee attempted to amend the patent to introduce disclosure of a method, in order to address the court's findings concerning best method. However, the court refused the amendment because of evidence that the issue had previously been flagged during the application process and the patentee had chosen not to address it.[5] The correspondence between the patentee and their Australian patent attorney during prosecution of the application showed that the patent attorney recommended the inclusion of additional disclosure even if it was not strictly necessary. The court also considered that the timing of the amendment request was relevant to its discretion – the patentee had delayed in seeking its amendment until after judgment, instead of during trial.[6]

Similarly, in *BlueScope v Dongkuk (No 2)* [2019] FCA 2117, there was a finding of invalidity for failure to disclose the best method, due to the phrase 'special operational measures' which would not have been understood by the skilled addressee.[7] In that case, the patentee applied at the outset of the court proceeding to amend to include additional disclosure in

relation to the 'special operational measures'.[8] While the amendments were technically allowable (under the old Patents Act) the court refused the amendment primarily because the patentee had 'constructive knowledge' of the need to amend the specification about 10 years earlier, as the phrase of concern was raised by Patent Offices in Australia, South Korea, Japan and the US.[9] The court found that the patentee had gained a commercial benefit by withholding the best method to the detriment of the public, and this was a calculated decision.[10]

Under the post-RTB provisions of the Patents Act,[11] amendments to the disclosure of the specification are not allowed where this would result in added matter. This essentially rules out any amendments that would correct deficiencies in relation to best method, for patents for which requests for examination were made after April 2013.

However, where a corresponding divisional patent application remains on foot it may be possible to amend that application in the Patent Office (before grant) to include the best method. This provides another good reason to maintain a live divisional patent application.

5 *Les Laboratoires Servier v Apotex Pty Ltd* [2016] FCAFC 27 [250].
6 Ibid [243] (in obiter).
7 *BlueScope v Dongkuk (No 2)* [2019] FCA 2117
8 Ibid [1336].
9 Ibid [1511]-[1512].
10 Ibid [956], [1512].
11 Section 102 of the Patents Act.

Timing – the requirement is assessed later than what would be expected

A 2018 decision of the Federal Court of Australia found that the relevant date for assessing compliance with best method is the *filing date* of a patent or a divisional patent, rather than the priority date.[12]

The timing of the assessment for best method presents a problem – the patentee has an ongoing obligation of disclosure up to the filing date. This is often 12 months following the priority date, however, in the case of divisional patent applications this can be years later. Failure to update the disclosure to include the best method known to the patentee at *that date* – which may follow subsequent research and development – can result in invalidity.

In *Dometic Australia Pty Ltd v Houghton Leisure Products Pty Ltd* [2018] FCA 1573 (***Dometic***), it was held that even where the best method is disclosed at the filing date of the parent patent, if the patentee becomes aware of a better method prior to filing a divisional application, then the divisional patent will be vulnerable to future invalidity claims. Fortunately for the patentee in that case, they were found not to have been aware of the *true* best method at the time of filing, which saved the patent from invalidity.[13]

Key takeaways

In Australia best method has gained significant traction and become a 'go to' ground of invalidity for revokers. This is a consequence of it being:

- a peculiar Australian requirement and more onerous than previously understood;
- difficult to cure failures, and;
- assessed following the priority date.

In light of this, patentees should:

- Carefully consider compliance with best method when filing Australian patent applications and before seeking to enforce granted patents. In doing so, they should ensure that this is assessed having regard to any further research or development that took place before the relevant filing date.
- For pre-RTB patents, patentees should consider whether it is desirable to remedy any failure or questionable failure to disclose the best method by amending the patent in the Patent Office.
- For post RTB-patents, patentees should consider maintaining live divisional patent applications so that they might be amended if a corresponding granted patent is vulnerable to a best method attack.

While the best method requirement remains a part of Australian patent law, it is likely to remain a 'go to' ground of invalidity by those facing or seeking to avoid infringement actions in Australia.

12 *Dometic Australia Pty Ltd v Houghton Leisure Products Pty Ltd* [2018] FCA 1573 [233].

13 Ibid [261].

What's in a name? The changing landscape of Australian domain names

By Jürgen Bebber, Partner, Melissa Chuong, Lawyer and Rachel Gibney, Lawyer

A number of developments in the domain name licensing space means that businesses will soon have a greater choice of Australian domain names at their fingertips, however, they will need to consider the relevant eligibility and allocation criteria before diving in.

Importantly, domain name registrants that have previously been eligible to hold an Australian domain name may find that they are no longer eligible to hold such domain names. In these circumstances, existing registrants should consider taking proactive steps in order to retain their entitlement to a particular domain name. Alternatively, in cases where a domain name registration is to be allowed to lapse, those registrants should be aware of the dispute process under the '.au Dispute Resolution Policy' (**auDRP**) which may be used to prevent third parties from keeping lapsed domain names that have been opportunistically taken.

Overview

The '.au Domain Administration' (**auDA**) has announced that .au 'Direct' domain names (**.au Direct Domain Names**) will be available from 24 March 2022. This is the first time that Australians will be able to register a domain name directly followed by *.au* – for example, *corrs.au* or *stateoftheart.au*.

This announcement comes almost a year after the auDA announced its revised licensing rules (**.au Licencing Rules**) for .au country code top-level domains – for example, *.com.au* and *.net.au* (**.au Domain Names**). By introducing stricter licencing requirements, the revised rules aim to ensure that .au Domain Names are reserved for those with Australian businesses or genuine connections to Australia.

This article provides an overview of the .au Licencing Rules and launch of.au Direct Domain Names, including the key implications and how the regimes can be expected to interplay.

The .au Licensing Rules

The .au Licencing Rules came into force on 12 April 2021, in effect limiting who is eligible for .au Domain Names (eligibility criteria) and w*hat* .au Domain Name that they are able to licence (allocation criteria).

Under the new rules, new and existing registrants (who are seeking to renew or transfer an existing .au Domain Name) must establish that they have an 'Australian presence' and meet specific allocation criteria in order to hold a .au Domain Name.

Interestingly, the allocation criteria for .au Domain Names is dependent on which eligibility criteria is relied upon in satisfying the 'Australian presence' requirement:

Eligibility based on Australian trade marks

One of the simplest ways for a foreign entity to satisfy the 'Australian presence' requirement is to hold an Australian trade mark registration or application which is an 'exact match' to the domain name sought. 'Exact match' requires the domain name to be identical to the words contained in the Australian trade mark. The domain name must also include all the words, appearing in the same order, as the Australia trade mark application – excluding punctuation, ampersands and articles such as 'a', 'the', 'and', 'or' or 'of'.

For example, eligible domain names being an 'exact match' for the Australian trade mark STATE OF THE ART would include:

- *stateoftheart.com.au*; and
- *stateart.com.au*.

An example of an ineligible domain name would be *state.com.au* or *art.com.au*.

Other eligibility criteria

If an applicant does not hold an Australian trade mark which is an exact match for the .au Domain Name sought, there are various other ways to satisfy the Australian presence requirement.[1] Key examples of those who would satisfy the requirement include a commercial entity that is:

- a company registered under the *Corporations Act 2001* (Cth);
- an entity issued with an Australian Business Number; or
- a partnership under the relevant Australian state or territory law.

If one of the above criteria are relied on, the applicant will be eligible to hold a .au Domain Name if the domain name sought is:[2]

- a *match* for, or an acronym of, the company name, registered business name or their personal name (**Applicant Name**);
- a *match* of the person's Australian trade mark; or
- a *match* or *synonym* of the name of a service, good, event, activity or premises provided by the applicant.

In this context, 'match' (as opposed to 'exact match') means the domain name being applied for is identical to *one*, some or *all* of the words or numbers used in the Applicant Name or Australian trade mark – again, in the same order as they appear in the Applicant Name or Australian trade mark without including any additional words or numbers.

For example, eligible domain names being a 'match' for an Applicant Name or Australian trade mark for STATE OF THE ART would be:

- *state.com.a*u;
- *art.com.au.*

An example of an ineligible domain name would be *artstate.com.au*.

Upcoming launch of .au Direct Domain Names

From 24 March 2022, potential and existing registrants will be able to apply for .au Direct Domain Names through auDA accredited registrars.

Unlike existing .au Domain Names that are subject to the strict allocation criteria set out above, new .au Direct Domain Names do **not** need to match the applicant's name, trade mark or a service, good, event, activity or premises provided by the applicant. Applicants must meet the same eligibility criteria (i.e. the 'Australian presence' requirement), however are otherwise free to register any available .au Direct Domain Name (provided it complies with Australian law and meets the relevant syntax requirements).[3]

Registrants of domain names in an existing .au namespace (e.g. *com.au* and *org.au*) will be able to apply for 'priority status' to register the exact match of their existing .au Domain Name as a new .au Direct Domain Name between 24 March 2022 and 24 September 2022 (the **Priority Allocation Period**).[4] Importantly, at the time of applying for the matching .au Direct Domain Name, eligibility to hold the corresponding existing .au Domain Name is required.

There are two 'priority status' categories depending on whether the existing .au Domain Name was created on or before 4 February 2018 (**Category 1**) or after 4 February 2018 (**Category 2**). In circumstances where more than one applicant is eligible to claim priority status for the same .au Direct Domain Name (e.g. the existing registrants of *you.com.au* and *you.org.au*), the allocation is determined as follows:

- category 1 applicants have priority over Category 2 applicants;
- between multiple Category 1 applicants, those applicants must engage in direct negotiations and agree on the allocation. If no agreement is reached, the .au Direct Domain Name remains unallocated; and
- between multiple Category 2 applicants, the .au Direct Domain Name is allocated to the applicant with the earliest created existing .au Domain Name.

If no priority status is claimed by the end of the six-month Priority Allocation Period, the .au Direct Domain name becomes publicly available on a 'first come, first served' basis.

As to disputes in respect of .au Direct Domain Names, parties will be able to file a dispute pursuant to the auDRP or a complaint with auDA under the .au Licensing Rules in the usual manner.

1 See .au *Domain Administration Rules: Licensing* (16 February 2021), definition of 'Australian presence'.
2 Ibid r 2.4.4.
3 Ibid r 2.6 ('reserved names').
4 .auDA, *The priority allocation process*, https://www.auda.org.au/au-domain-names/au-direct/priority-allocation-process.

Key takeaways

In light of the interaction between the new .au Licensing Rules and the launch of the .au Direct Domain Namespace, existing and potential .au Domain Name registrants should note that:

- Registrants of existing .au Domain Names need to review current registration details to confirm that they remain eligible to hold their existing .au Domain Name. Otherwise, their .au Domain Name may be vulnerable to cancellation or revocation pursuant to the new .au Licensing Rules (particularly at the next renewal or transfer date). Ongoing eligibility would also allow the registrant to claim priority for a corresponding .au Direct Domain Name (if desired).
- In circumstances where a registrant is no longer eligible to hold an existing .au Domain Name, those registrants should consider whether to:
    a. Take proactive steps to retain their .au Domain Name registration, for example by:
        i. updating any related trade mark application or Australian Business Name registration relied upon to meet the criteria;
        ii. applying to register a trade mark that is an 'exact match' of the .au Domain Name; or
        iii. if an Australian trade mark had been relied on to satisfy the 'Australian presence' requirement, considering alternative ways to satisfy that requirement (e.g. by transferring the .au Domain Name to a related Australian entity).
    b. Allow the .au Domain Name registration to lapse. In addition, should an opportunistic third party register the (lapsed) domain name in the future, seek advice as to the prospects of relying on the auDRP dispute process to recover (or seek cancellation of) the domain name.
- Existing .au Domain Name registrants who are interested in registering a corresponding .au Direct Domain Name should ensure that they are eligible to do so, and apply during the six-month Priority Allocation Period. If not, the 'priority status' is lost and the .au Direct Domain Name is made available to the public for registration on a 'first come, first served' basis.
- Any business or person wishing to build or expand their an online presence in Australia should consider applying for a .au Direct Domain Name. This offers broader options as they are subject to eligibility criteria (i.e. the 'Australian presence' requirement) but not the strict allocation criteria around what .au Direct Domain name can be chosen.

IP licensing – 5 lessons learned from litigation

By David Fixler, Partner, Frances Wheelahan, Partner and Melissa Chuong, Lawyer

The licensing of intellectual property (IP) rights brings many benefits to all parties involved. Aside from financial gains, IP licensing arrangements can assist with building brand exposure, risk sharing and commercialising the IP through geographical expansion.

Looking at the recent examples below, we highlight the top 5 key lessons learned from cases that have involved consideration of IP licensing arrangements. As the cases demonstrate, IP rights holders and their licensees can avoid commercial risks (including litigation) by ensuring that their arrangements are drafted with care. In particular, parties should draft their agreements having regard to:

- the significance of the underlying rights and intended purpose of the licensed use;
- particular requirements under the relevant legislation with respect to maintaining IP validity, as well as with respect to standing and enforceability; and
- the operation of statutory provisions to ensure that IP licensing arrangements do not offend competition law obligations.

1 Think about the *whole* IP picture

Licence agreements concerning branding should expressly deal with all key brand elements and the nature and purpose of the licensed use.

A decision of the Federal Court earlier this year, *Chevron Global Energy Inc v Ampol Australia Petroleum Pty Ltd*[1] concerned a dispute that arose following the termination of a trade mark licence agreement. Pursuant to the agreement, Ampol transitioned its service stations from the Caltex brand to Ampol brand during a 'work-out' (phase out) period. While successful in some respects, Caltex failed in the court proceeding to prevent Ampol's ongoing use of the 'Caltex Red' colour on the re-branded service stations. In this instance, the decisive factor was the wording of the licence agreement. Specifically, as the licence agreement required Ampol to remove 'signage and/or [any] element bearing [or displaying]' any of the licensed marks, the clause (as drafted) did not cover the red coloured canopy fascia.

Parties should ensure that all key brand elements (including any slogans, product shape, trade dress or colours) are expressly dealt with in the licence agreement. The nature and purpose of the licensed (and any restricted) use and the action required to be taken by the licensee at the end of the licence agreement should also be clearly set out to ensure that the agreement covers the intended scope.

1 *Global Energy Inc v Ampol Australia Petroleum Pty Ltd* [2021] FCA 617.

2 Maintain control over licensed trade marks

Licensors should ensure that they have, and exercise, 'actual control' over a licensee's use of a trade mark.

Lodestar Anstalt v Campari America LLC[2] serves as an important reminder that trade mark owners cannot simply rely upon the existence of a licence to prove 'authorised use' of a trade mark for the purposes of the *Trade Marks Act 1995* (Cth). The case concerned Lodestar's applications to remove two of Campari's trade marks on the ground of non-use and Campari's reliance on its licensee's use of the trade marks. While the licence agreement specified certain quality control measures and restrictions on export trade, those terms had no practical effect on the way in which the trade marks were used or how the licensee conducted its business. As there was nothing beyond the appearance of control, the licensee's use was not 'authorised use' and could not assist in defending the removal applications. The decision marked a departure from earlier cases, which held that the mere theoretical possibility of contractual control was sufficient.[3]

While the more recent decision of *Trident Foods Pty Ltd v Trident Seafoods Corporation*[4] saw an easing of the required standard in the context of 'inter-company' licencing arrangements, it does not represent a departure from *Lodestar* beyond that context.

In circumstances where a trade mark owner licences a third party to use its trade marks, and the parties do not operate within a corporate group, the owner should ensure that it is able to establish the level of control necessary to constitute 'authorised use', namely:

- the licence agreement should set out the contractual mechanisms whereby the owner exercises control over the use of the trade mark and the relevant goods or services (e.g. quality standards or pre-approval requirements); and
- during the term of the licence agreement, the trade mark owner should exercise control in practice to ensure that it maintains 'actual control' over the licensee's use of the trade mark.

3 Exclusivity as a prerequisite to enforcing patent rights

An exclusive licensee of a patent will not have standing to sue for patent infringement if any right to exploit the patent is reserved to the patentee or a third party.

In Australia only the patentee or 'exclusive licensee' may commence patent infringement proceedings. Whether or not a licence is considered to be 'exclusive' therefore has significant implications for patent enforcement and the ability to claim damages – particularly where an offshore patentee does not trade in Australia but licences a local entity to exploit the patent locally. In these scenarios, it may well be the local entity (licensee) who suffers the most significant damage from infringing conduct.

However, a licence is not 'exclusive' if it reserves to the patentee (or any other person) any residual right with respect to the exploitation of the patented invention. For example, the patentee in *Bristol-Myers Squibb v Apotex (No 5)*[5] had reserved to itself the right to manufacture the aripiprazole drug when granting the (otherwise exclusive) licence in Australia. As a result, this was not an exclusive licence and the licensee had no standing to sue for patent infringement.

The nature of an exclusive licence was further considered in *Actavis Pty Ltd v Orion Corporation* (**Actavis**),[6] a decision cited more recently in *Vald Performance Pty Ltd v Kangatech Pty Ltd.*[7] Both decisions demonstrate that an exclusive sub-licencee will not itself be considered an 'exclusive licencee' for the purposes of the *Patents Act 1990* (Cth) (**Patents Act**) as the licence has not been granted by the patentee. Further, Actavis establishes that an exclusive licence may retain its character as such in circumstances where the licensee is granted all exploitation rights and licenses back one (or some) of the rights to the patentee. This may involve agreeing to procure the product or active ingredients from the patentee and is to be distinguished from a reservation or derogation from the exclusivity of the granted licence.

2 *Lodestar Anstalt v Campari America LLC* [2016] FCAFC 92.
3 *Yau's Entertainment Pty Ltd v Asia Television Ltd* [2002] FCAFC 78; [2002] FCAFC 338.
4 *Trident Foods Pty Ltd v Trident Seafoods Corporation* [2019] FCAFC 100.
5 *Bristol-Myers Squibb v Apotex No 5)* [2013] FCA 114. The findings were upheld on appeal in *Apotex v Bristol-Myers Squibb* [2015] FCAFC 2.
6 *Actavis Pty Ltd v Orion Corporation* [2016] FCAFC 121.
7 *Vald Performance Pty Ltd v Kangatech Pty Ltd* [2019] FCA 1880.

As demonstrated by the cases above, the general position in Australia dictates that a licensee will not have standing to sue and recover damages for patent infringement unless it has been granted all exploitation rights to the exclusion of any other person (including the patentee). Where it is not commercially feasible to structure an exclusive licence in such a way, alternative options should be explored – for example:

- applying for divisional patents in various fields of use and entering into exclusive licences which then grant the right to exploit as a 'single indivisible right'; and
- a 'grant-back' approach, where all exploitation rights are granted to a licensee and the licensee grants back to the patentee one (or some) of the rights (e.g. the right to manufacture).

4 Risk of early termination

Licensors and licensees should consider the real prospect and risk that a patent licence may be terminated early pursuant to section 145 of the Patents Act.

Parties should be aware of any legislative provisions which may apply regardless of the agreed terms. To take an example, the ability to terminate a patent licence agreement pursuant to section 145 applies despite anything to the contrary in the contract. Section 145 allows a patent licensor or licensee to terminate a licence to exploit a 'patented invention' on three months' notice after 'the patent, or all the patents by which the invention was protected' cease to be in force (e.g. upon expiry or revocation).

The Full Federal Court considered this provision in *Regency Media Pty Ltd v MPEG LA, L.L.C.*,[8] where the relevant licence agreement covered a portfolio of Australian and foreign patents relating to the 'MPEG-2' standard. The Court found that Regency was not entitled to terminate the licence agreement pursuant to section 145 as some but not all of the licensed Australian patents which were the subject of the agreement had expired. The Court recognised the commercial realities of the situation, namely that the alternative construction would create uncertainty (for all parties) in relation to the duration of licence agreements. Some key considerations include:

- weighing the benefits of entering into one licence agreement in respect of a 'patent pool' or separate agreements (with separate royalty or licence fees) for each patent;
- the implications and potential risk where a licence agreement covers both Australian and foreign patents, or covers the licensing of other (non-patent) rights; and
- the commercial implications if either party invokes the section 145 termination right.

5 The intersection of IP and Competition Law

As the High Court has recognised, IP rights are often 'a very clear source of market power'.[9] While we have not yet seen a significant amount of Australian litigation concerning whether IP licensing arrangements comply with the *Competition and Consumer Act 2010* (Cth) (**CCA**), we expect that the Australian Competition and Consumer Commission (**ACCC**) would take action in an appropriate case (as it did in *ACCC v Pfizer Australia Pty Ltd* [2018] FCAFC 78 which concerned supply arrangements with pharmacies for Lipitor).

Following the repeal of section 51(3) of the CCA in 2019 (which provided a limited 'IP exemption' for some CCA provisions), IP licensing arrangements have been exposed to the same prohibitions on anti-competitive conduct under the CCA as other commercial arrangements. The 'guidelines' released by the ACCC helpfully outline a number of examples where the use or licensing of IP rights is likely (or unlikely) to contravene the CCA. Parties should consider IP licensing arrangements which may present risk, including:

- restrictions on supply or the field of use;
- patent pooling;
- cross-licensing arrangements; and
- in the context of agreements to resolve pharmaceutical patent disputes, 'pay for delay' arrangements (where a generic or biosimilar company agrees to delay launch).

8 *Regency Media Pty Ltd v MPEG LA, L.L.C.* [2014] FCAFC 183.
9 *NT Power Generation Pty Ltd v Power and Water Authority* (2004) 219 CLR 90; (2004) 210 ALR 312, 125.

Australian designs law undergoes a welcome update

By Jennifer Wrigley, Senior Associate and Chris Sgourakis, Consultant

The *Designs Amendment (Advisory Council on Intellectual Property Response) Act 2021* (**Act**) has come into force following many years of investigation, consultation and review of Australia's registered designs laws. The aim of the amendments is to allow the registered designs system to better support designers and encourage innovation in Australia. In addition to the introduction of a grace period for applying to register a design which will provide an important safety net for designers, there are a number of additional changes which aim to streamline the design application process, clarify the law and plug gaps in the existing legislation. We set out and examine the key changes introduced by the Act below.

Grace period for filing design applications

The introduction of a grace period is the most important change introduced by the Act. Currently, designers who (either inadvertently or due to ignorance of the law) publish their design before filing a design application, forfeit their right to obtain a valid registered design. This is because any use of the design or publication of it in a document anywhere in the world (without appropriate confidentiality undertakings in place) would see the design form part of the prior art base against which a design would be assessed during examination. The prior publication of the design would render the design not new and distinctive, and therefore incapable of being certified and enforced.

The new grace period is intended to prevent designers from losing their rights in this way and brings Australia into line with the designs laws of many other countries, including the EU and the United States. For any publications or uses of a design that occur on or after 11 March 2022 (when the grace period amendments are likely to take effect), designers will be permitted to rely on the 12 month grace period. The disclosures of the design which can be relied upon under the grace period provisions are disclosures by the designer/s, an employer or successor in title, an authorised party (such as a marketing company) or even an unauthorised party.

Importantly, publication by a foreign Designs Office will not allow an applicant to rely on the grace period. It is therefore important that if a person files a design application in another country, it files the corresponding Australian application within six months and claims the earlier priority date under the Paris Convention.

This significant change will give designers more flexibility during the early stages of getting registered design protection. Designers will be able to work more freely with third parties on their designs, without concerns that disclosures will inadvertently invalidate their designs. They will also be able to bring their product to market, and get a sense of whether the product will enjoy commercial success, and therefore warrant obtaining design protection. Nevertheless, as discussed below, designers should still aim to apply to register their designs as early as possible and treat the grace period as more of a 'safety net' as the Act also introduces protections for those who infringe the design during the grace period.

Infringement exemption for prior use

As a result of the introduction of the grace period, the Act now introduces a defence to infringement if a person starts using a design before it is published on the Register – that is, during the grace period. The defence applies if the third party had used a design, or had taken definite steps to do so, prior to the design application being filed. The defence continues to apply after the design has been filed, so that the third party can continue use of the design after it is registered without infringing it.

The existence of this defence highlights the risk to designers of waiting too long to file the design application after publicly disclosing the design – that is, filing it late into the 12 month grace period. Whilst the grace period offers an important and useful safety net, 'best practice' will still be to file a design application as soon as possible and, ideally, before any disclosure.

Relief from infringement before registration

Currently, there is a gap in the law that is designed to protect an innocent infringer from liability for their infringing acts. Innocent infringers are those who were not aware that the design was registered at the time they engaged in the infringing activities, and had taken reasonable steps to ascertain whether the design was registered. In cases of innocent infringement, the court is permitted to refuse to award damages or an account of profits or reduce the award of damages. However, the current law did not extend this protection to the period between when a registered design owner files their application and it becomes registered (which can be a period of several months). The changes extend the protection for innocent infringers to any time after the registered design is filed.

Right of exclusive licensee to bring infringement proceedings

The Act gives exclusive licensees of a registered design the right to bring proceedings for infringement. Currently, only a registered owner of a design can commence an infringement action. This change brings the rights of exclusive licensees of registered designs in line with the rights of exclusive licensees of patents, trade marks and plant breeder's rights. If an exclusive licensee commences infringement proceedings, it is required to join the registered owner of the design as a defendant to the proceedings, unless the registered owner is joined as a plaintiff. The registered owner will not be liable to pay costs if joined as a defendant if it does not participate in the proceedings.

Standard of the informed user

The Act introduces changes to the standard of the 'informed user', being the notional person whose knowledge and characteristics are used by an examiner or court to assess whether one design is substantially similar in overall impression to another. Currently, the distinctiveness of a design is considered by the hypothetical character referred to in the *Designs Act 2003* (Cth) as the 'informed user'. The Act clarifies that the notional person does not need to be a '*user*' of the products in question, instead the standard is that of a person who is '*familiar with*' the product or similar products. The changes will give IP Australia and the courts more certainty and clarity about the views they can consider when assessing the substantial similarity in overall impression of designs, encompassing a broader range of consumers, experts and skilled persons. This test has come into effect immediately and will be applied when examining all designs applications filed on or after 11 September 2021.

Changes to registration and publication provisions

Currently, if registration of a design is not requested at the time an application is filed, the applicant has six months to request registration. If the applicant fails to do so, the application will lapse. The Act has amended the application process so that, if registration is not requested at the time of filing or within six months, the application will automatically become registered (assuming that a formalities report was not issued and remains unanswered).

Under the existing laws, an applicant for a registered design could elect to either register it or publish it. The publication option was rarely used – a search of the online system shows that only 25 designs are currently listed as published in Australia. The purpose of publication was to put the design into the prior art base, but without obtaining any registered design protection in respect of the product. The Act dispenses with the option of publication.

Key takeaways

These amendments are designed to make the designs system more widely available, user friendly and comprehensive. This by no means represents the end of current efforts to improve the ability of innovators and designers to protect their intellectual property rights in Australia. IP Australia has recently completed a year of research and consultation in relation to Australia's design economy, and is continuing to consider issues such as iterative design protection, protection for non-physical or virtual products and product parts as well as streamlining the design protection process. As a result, the registered designs system is likely to undergo a continuous process of expansion and improvement in the coming years.

Court confirms patent rights must align with (and not extend beyond) the technical contribution

By Alex Dunlop, Special Counsel, and James Cameron, Special Counsel

In a decision that will be of interest to all users of the patent system, but in particular those in the mining industry, the Federal Court of Australia (in *Cytec Industries Inc. v Nalco Company* [2021] FCA 970) has upheld a decision of the Commissioner of Patents refusing to grant a patent on the basis that the patent claims extended beyond the technical contribution of the invention disclosed. For that reason, the patent claims did not satisfy the requirements of 'support' and 'clear enough and complete enough' disclosure.

The decision is noteworthy for many reasons, including that:

- it underscores the importance of not overreaching when drafting patent claims (even where the claims are conventional in form); and
- it serves as a reminder to patentees not to overreach when defining the scope of their invention in their claims. The claims must be supported by the specification, and not travel beyond what is disclosed in the specification. In particular, the specification must enable the person skilled in the relevant art to perform the invention across the entire scope of each claim, without undue experimentation.

It is worth noting that the requirement for the invention to be performed over the full scope of the claims was introduced by the *Intellectual Property Laws Amendment (Raising the Bar) Act 2012* (Cth), which applied to the patent in suit. Prior to that amendment, it was sufficient for the skilled person to be able to produce a result that fell within the scope of a claim.

The Patent

Nalco Company (**Nalco**), part of the global chemical company Ecolab, applied for Australian Patent No. 2012220990 for 'reducing aluminosilicate scale in the Bayer process' (**Patent**).

The Bayer process is a longstanding method used around the world to extract alumina from bauxite to produce aluminium metal. The Bayer process involves processing the bauxite through a range of equipment and, over time, a scale of aluminosilicate (an impurity in the bauxite) can build up on the surfaces of that equipment in the form of a hard, glass-like film. That scale (known as DSP) can obstruct the equipment and reduce its efficiency.

A common method of removing DSP usually involves taking the equipment offline and carefully diluting it in acid – a generally messy and expensive process.

An alternative cleaning process involves the use of chemicals in the bauxite liquor which reduces the build-up of DSP. At the priority date of the Patent, various chemicals were available for this purpose, including those manufactured by Nalco's competitor, Cytec Industries Inc. (**Cytec**). The Patent claimed a method for reducing the build-up of the DSP by adding certain chemicals to the liquor.

Cytec was partially successfully in opposing the grant of the Patent before the Australian Patents Office. Cytec appealed to the Federal Court in relation to the parts of the opposition where it did not succeed. Nalco cross-appealed.

Support

A key feature of the Patent was that unlike the chemicals used in previous chemical treatment processes, the chemicals claimed in the Patent were all small molecule scale inhibitors.

At the relevant time, section 40(3) of the Act required that the claim(s) of a patent must be 'clear, succinct and supported by [the specification].'

The requirement of 'support' is a fundamental part of the patent system, which is sometimes referred to as the 'patent bargain' or the 'patent *quid pro quo*'. That is, a patentee can only be granted a monopoly if the method for performing the claimed invention is adequately disclosed in the specification. This means that third parties reading the patent will be able to perform the claimed invention when the patent has expired. That is the 'bargain' – the patentee is granted a monopoly for a fixed period of time, in exchange for publicly disclosing how to perform its invention.

For a specification to 'support' a claim, the specification has to do more than mention the features which appear in the claim.

In this case, claim 1 provided for:

> '*A method for the reduction of aluminosilicate containing scale in a Bayer process comprising the step of:*
>
> - *adding to the Bayer process stream an aluminosilicate scale inhibiting amount of a composition comprising at least one small molecule*
> - *selected from the group consisting of compounds [(I)……(LX)]*
> - *within a product mixture formed from the reaction of [certain compounds]*'

The construction of this claim – and in particular the scope of the 'composition' to be added to the Bayer process – was disputed by the parties.

The decision turned on construction of the words 'at least one' (small molecule). Conventionally, references in a patent to 'at least one' will be interpreted to include 'only one'. Consistent with that, Justice Burley found that claim 1 included not only a complex mixture formed by the reaction of the compounds claimed, but also included a composition formed from the claimed reaction which consisted entirely of one type of small molecule. This was despite the fact that, as one expert put it:

> "*The probability of a single small molecule emerging within the reaction mixture would be like trying to win the lottery in every country in the world with the same six numbers on the same weekend.*"[1]

In finding that claim 1 included a composition which consisted solely of a small molecule, his Honour relied on the conventional practice that the words 'at least one' in the claim included 'only one'.

Although the specification disclosed how to make a composition comprising a complex mixture of molecules, it did not teach how to make a mixture comprising of one small molecule alone. Rather, his Honour found that producing a single small molecule by the reaction claimed 'would arise only by random happenstance, and not by virtue of any disclosure in the specification'.[2]

Fatally for Nalco, his Honour therefore found that 'Nalco has claimed something despite not disclosing how it is to be done'.[3]

Sufficient disclosure

A related requirement of support is that the specification must disclose the invention 'in a manner which is clear enough and complete enough for the invention to be performed by a person skilled in the relevant art' (see section 40(2)(a) of the Act). Put another way, not only must claims be supported by the specification, the specification must be capable of being understood by a person skilled in the relevant art.

The requirement for sufficient disclosure has been the subject of significant consideration by UK and Australian Courts. The standard arrived at by the UK Courts (and accepted in Australia) is to ask:

> 'Can the skilled person readily perform the invention over the whole area claimed without undue burden and without needing inventive skill?'

Relevantly, this poses the questions:

- Is it plausible that the invention can be worked across the full scope of the invention?
- If so, can the invention be performed across the full scope of the claims without undue experimentation?

Given his Honour found that claim 1 was not supported by the specification, it followed that the specification also did not enable the invention claimed to be performed across its full scope, without undue experimentation.

Amendment

Justice Burley made orders on 17 September 2021 allowing Nalco to file any application seeking leave to amend the Patent, by 20 September 2021. The Federal Court's records show that an application was filed on that date, and so it remains to be seen whether Nalco will be able to amend the Patent in a way which will overcome the matters identified by Justice Burley.

1 *Cytec Industries Inc. v Nalco Company* [2021] FCA 970 at [110].
2 Ibid [131].
3 Ibid [132].

De-risking digital marketing strategies in the COVID-19 era

By Eugenia Kolivos, Partner, Alexander Mau, Associate and Bethany Lo Russo, Associate

From TikTok ads to influencer social media posts, one of the many legacies of the COVID-19 era will be the manner and means by which we receive advertising.

Our need to stay digitally connected during the pandemic has exponentially increased our smartphone dependency, resulting in soaring rates of digital and electronic marketing. With government bodies and regulatory authorities doubling down on their enforcement efforts in this space, how can organisations ensure they remain compliant with the ever-changing legal landscape?

All forms of marketing must comply with the Australian Consumer Law (**ACL**), and digital marketing is no exception. Given its primary object is to protect consumers, the ACL contains a number of prohibitions relating to trade or commerce. Of particular importance for advertisers to note are the prohibitions against false or misleading representations and misleading or deceptive conduct (or conduct that is likely to mislead or deceive).

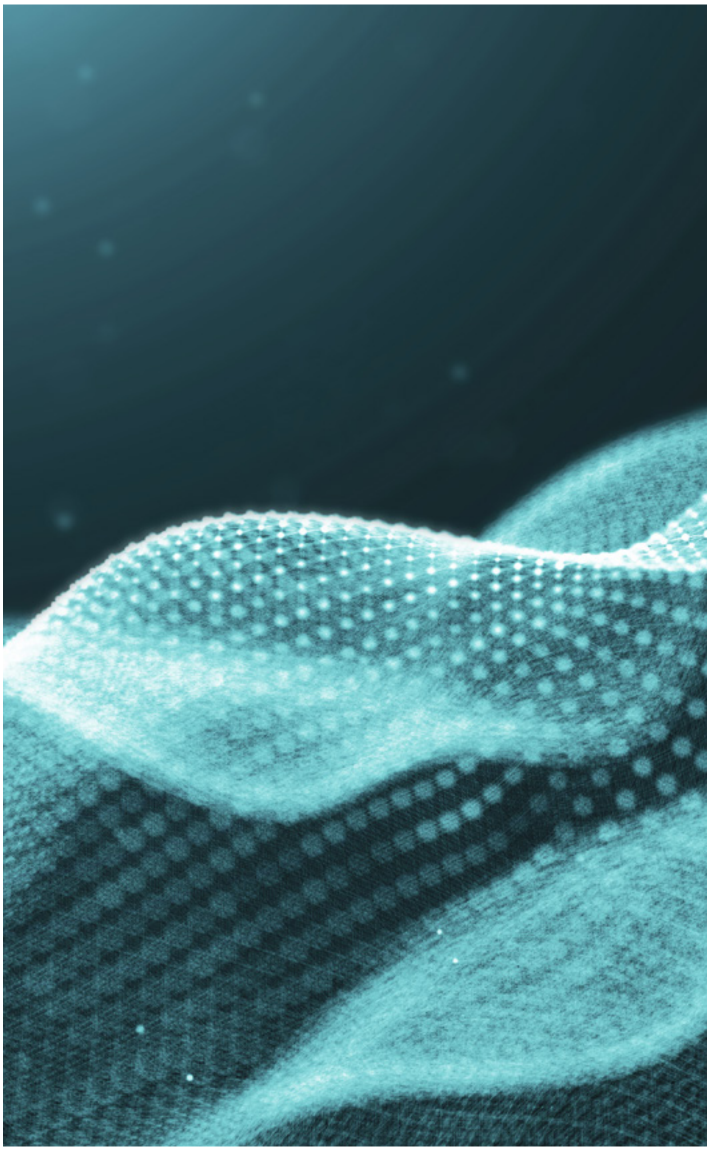
While the ACL is fairly prescriptive in relation to the former (for example, representations with respect to specific product features or characteristics), the latter can encompass a much wider range of conduct, including omitting or failing to disclose important facts or circumstances. One area where digital marketers often come undone is in failing to disclose commercial arrangements or sponsored content, particularly where the lines between advertising and genuine endorsement are blurred.

Digital marketing must appeal to short attention spans and rapid-fire fingers. For this reason, it is arguably even more crucial to ensure that the overall impression created by the ad is not misleading or deceptive. Important information should be called out in the body of the ad, not buried in a disclaimer and, if the use of a disclaimer is necessary, it should be prominent and appear on screen for long enough to be read in full. Navigating the intricacies of the ACL and understanding the key issues on the radar of the Australian Competition and Consumer Commission (**ACCC**) is no small feat. However, non-compliance with the ACL can have significant financial and non-financial consequences.

In addition to complying with statutory requirements, advertisers are typically expected to self-regulate through compliance with various general and industry-specific codes, including a number of codes adopted by the Australian Association of National Advertisers (**AANA**). The AANA codes are technology and platform-neutral, meaning they apply across all forms of digital marketing, including on existing and emerging digital and social media platforms.

At the core of the AANA's self-regulatory system is the Code of Ethics, which sets out the overarching compliance principles for advertising and marketing communications. The Code of Ethics is supplemented by several specific codes dealing with, among other things, food and beverages, environmental claims, wagering, and advertising and marketing to children (the latter being of particular significance recently).

There is no doubt that digital marketing is an effective way to reach a young demographic. However, businesses should be aware that advertising to children is generally subject to greater regulatory scrutiny, so compliance with AANA's Children's Advertising Code is crucial. The code broadly applies to advertising which is directed primarily, and has principal appeal, to audiences aged 14 and younger, and seeks to prevent advertising which goes against prevailing community standards in relation to, among other things, alcohol, safety and social values. The code also places limitations on the use of popular personalities or celebrities in advertising to children.



A number of digital and social media platforms have the capability to profile users by age. Age profiles should be used responsibly by businesses advertising on such platforms, particularly businesses that sell market restricted products. Restricting who is able to view advertisements based on age (often called 'age-gating') is a good practical measure to employ in this regard.

Many businesses may be surprised to learn that user-generated content (**UGC**) can also be subject to the self-regulatory codes. For example, UGC is subject to the AANA codes where it appears on a website or social media site that the business owns, or is endorsed or promoted by the business on an external site or platform (for example, 'liking' or 'sharing' the UGC). Businesses should closely monitor and remove any UGC that is not compliant with relevant legislation or voluntary codes as soon as practicable after becoming aware of such content.

Although compliance with the AANA (and other) codes is on a voluntary basis, businesses are expected to comply with determinations made by the Ad Standards Community Panel, and where a complaint made to Ad Standards is upheld, the offending ad must be removed or modified as soon as possible.

The power and pitfalls of big data

In today's digital world, businesses of various sizes and industries are recognising the value of big data and its ability to generate insights from customer data and create more targeted advertising campaigns. However, once this information can be used to reasonably identify individuals (such as if it is combined with names of individuals), it becomes personal information and its collection and handling must comply with the *Privacy Act 1988* (Cth) (**Privacy Act**).

Under the Privacy Act, organisations are only permitted to use or disclose the personal information of an individual for direct marketing purposes in certain circumstances, such as where the individual has consented or would reasonably expect the organisation to use or disclose their personal information for those purposes. Generally, the safest approach is to obtain express consent via opt-in mechanisms. However, many businesses try to obtain implied consent via opt-out mechanisms or assume that all of their current and previous customers would reasonably expect their personal information to be used or disclosed for direct marketing purposes. While this may maximise the reach of a marketing campaign, it may not necessarily be complaint with the Privacy Act.

Similarly, under the *Spam Act 2003* (Cth), electronic marketing messages (such as emails and text messages) generally can only be sent with the recipient's express or implied consent. These messages must also contain a 'functional unsubscribe facility'. The Australian Government recently tightened this requirement by prohibiting certain types of unsubscribe facilities that did not allow recipients to easily unsubscribe (e.g. if they required recipients to provide additional personal information, or create or log in to an account, in order to unsubscribe). Earlier this year, one online shopping destination was served an infringement notice of A$310,800 for using these types of prohibited unsubscribe facilities.

If a business sends a non-compliant email to a large mailing list, multiple contraventions of the Spam Act will simultaneously occur, attracting significant penalties as seen last year in the retail food sector.

***

With digital and electronic marketing continuing to be invaluable marketing tool in this digital era, and government authorities and regulators placing a sharper focus on this space, there is no better time for businesses to ensure that they are, to the extent possible, compliant with the ever-changing legal landscape while still achieving their marketing ambitions.

Cars24 successfully drives home defence of a court 'appeal' in auDRP process

By Stephen Stern, Partner and Rachel Gibney, Lawyer

A recent Federal Court decision, *Nagpal v Global Cars Aus Pty Ltd* [2021] FCA 1226, demonstrates the difficulties in trying to 'appeal' orders made by the World Intellectual Property Organisation (**WIPO**) Arbitration and Mediation Centre.

Cars24

Founded in 2015, Cars24 is a global online second-hand car sales business operating through the domain name www.cars24.com.

After achieving significant presence and reputation in India, Singapore and other countries, Cars24 took steps to expand its business into the Australian market.

WIPO Dispute

In December 2018, an unrelated Australian business registered the domain name www.cars24.com.au.

In accordance with the .au Dispute Resolution Policy (**auDRP**), Cars24 filed a complaint with the WIPO Arbitration and Mediation Centre disputing the Australian business' entitlement to the www.cars24.com.au domain name. The domain name dispute was successful, and WIPO ordered the www.cars24.com.au domain name be transferred to Cars24.

Australian Federal Court proceedings

Following the WIPO orders, the Australian business (which originally held the domain name) launched proceedings in the Federal Court seeking to overturn the orders made by WIPO and stop the transfer of the domain name.

During the case management hearing, and in correspondence with the Australian business, Cars24 raised the concern that the pleading did not disclose any cause of action, particularly none which enlivened the jurisdiction of the Federal Court was disclosed. Despite this, the Australian business continued with the proceeding.

Cars24 issued an interlocutory application seeking to strike out the Federal Court proceeding on the basis that the dispute was outside the jurisdiction of the court. The application was successful and not only was the proceeding struck out, but the Federal Court ordered that the Australian business should pay Cars24's legal costs on an indemnity basis.

The Federal Court decision demonstrates the significant difficulties in trying to 'appeal' an unsuccessful domain name dispute resolution policy procedure on its merits. This case, in which a domain name holder has attempted to overturn an order under the WIPO domain name dispute process, appears to be the first of its kind in Australia. It thus shows the value of auDRP (and **Uniform Domain-Name Dispute-Resolution Policy**) process.

Contacts

Kate Hay

Partner and
Head of Intellectual Property

+61 3 9672 3155
+61 400 628 372
kate.hay@corrs.com.au

David Fixler

Partner and
Editor, *State of the Art*

+61 3 9672 3173
+61 407 086 955
david.fixler@corrs.com.au

Jürgen Bebber

Partner

+61 3 9672 3260
+61 412 082 114
jurgen.bebber@corrs.com.au

Philip Catania

Partner

+61 3 9672 3333
+61 419 320 815
philip.catania@corrs.com.au

Helen Clarke

Partner

+61 7 3228 9818
+61 411 399 643
helen.clarke@corrs.com.au

Arvind Dixit

Partner

+61 3 9672 3032
+61 438 278 463
arvind.dixit@corrs.com.au

Grant Fisher

Partner

+61 3 9672 3465
+61 407 430 940
grant.fisher@corrs.com.au

Odette Gourley

Partner

+61 2 9210 6066
+61 413 186 947
odette.gourley@corrs.com.au

Eugenia Kolivos

Partner

+61 2 9210 6316
+61 407 787 992
eugenia.kolivos@corrs.com.au

Eddie Scuderi

Partner

+61 7 3228 9319
+61 419 731 560
eddie.scuderi@corrs.com.au

Stephen Stern

Partner

+61 3 9672 3148
+61 419 346 680
stephen.stern@corrs.com.au

Frances Wheelahan

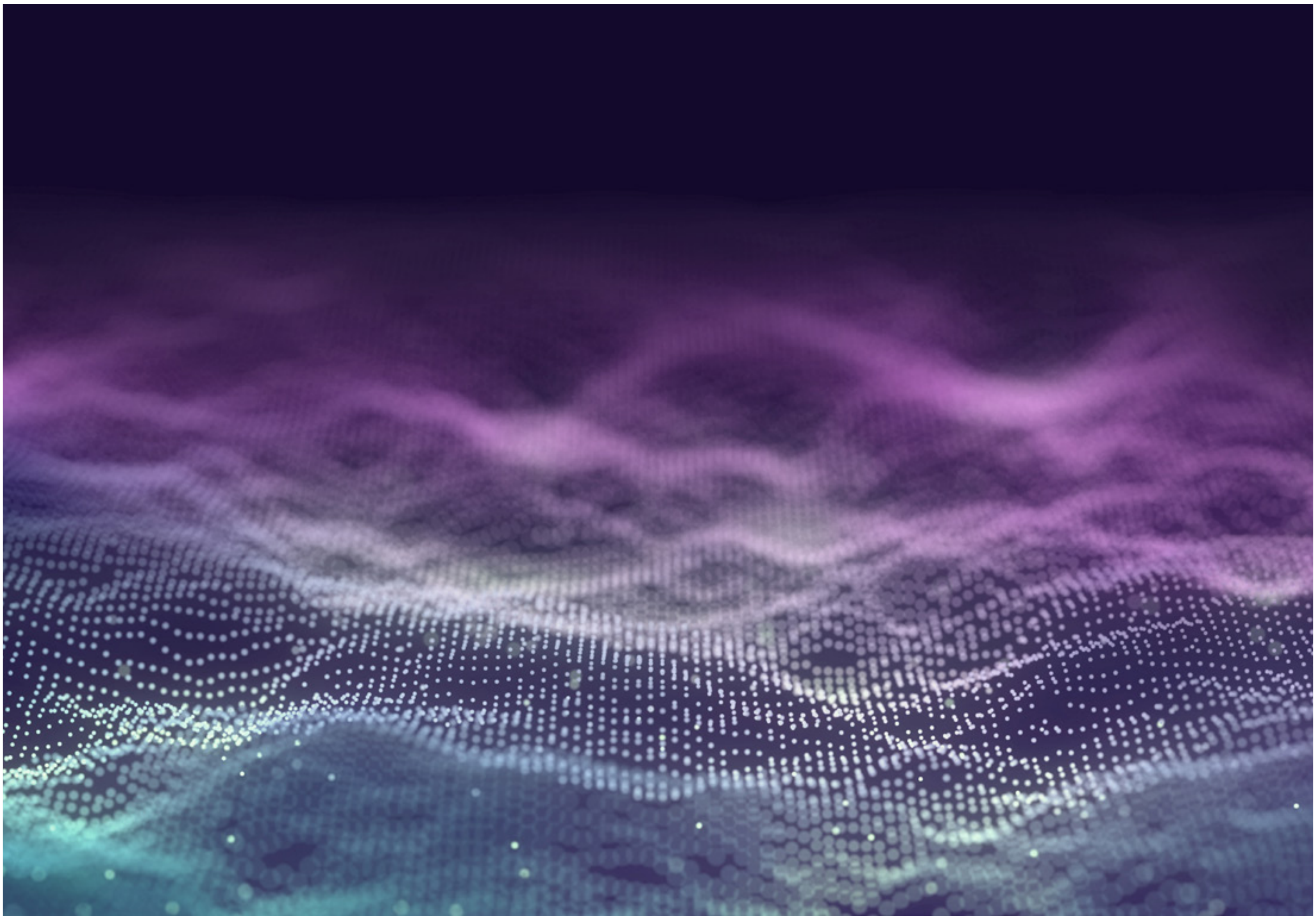
Partner

+61 3 9672 3380
+61 419 517 506
frances.wheelahan@corrs.com.au

David Yates

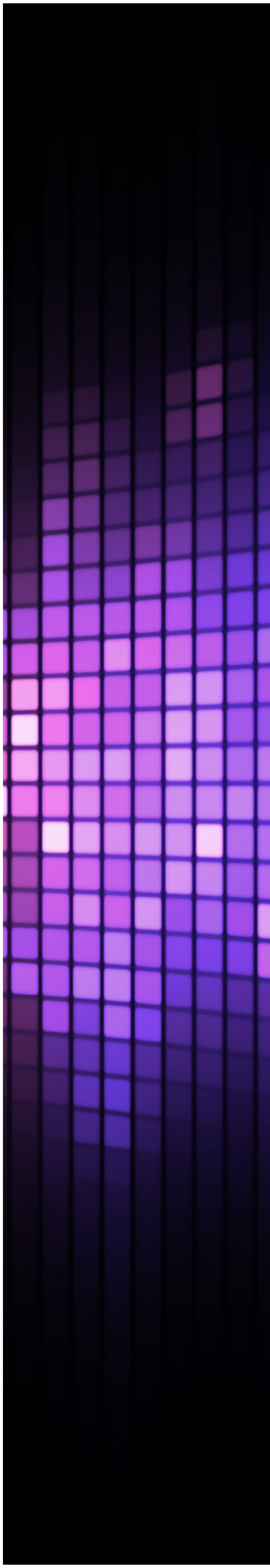
Partner

+61 8 9460 1806
+61 414 465 928
david.yates@corrs.com.au



CORRS
CHAMBERS
WESTGARTH

Sydney
Melbourne
Brisbane
Perth
Port Moresby



corrs.com.au

BRO0052