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**Rural Industries Research and
Development Corporation**

Commercialisation and Management of Intellectual Property – *Guidelines for researchers and research managers*

**A report for the Rural Industries Research and
Development Corporation**

by Michael Handler and Robert Burrell

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Foreword

RIRDC manages research with a view to making its outcomes as widely available as possible so that the maximum impact is achieved. In many cases, RIRDC makes the results of its research freely available in order to achieve this goal. However, in some cases commercialisation of intellectual property is the best way to exploit research outcomes to ensure the greatest possible adoption of new technologies in the rural sector. The aim of this project is to increase awareness and understanding of issues related to the management and commercialisation of intellectual property, especially amongst researchers and research managers.

This report takes the form of a set of guidelines, which, while of general application, should be of particular interest to researchers and research managers. It provides an overview of the essential features of intellectual property, paying particular attention to the question of ownership of intellectual property rights. It then addresses the exploitation and commercialisation of intellectual property, as well as the best ways to manage intellectual property rights. It also deals with the important topic of liability and the steps that can be taken to limit it.

This project was funded from RIRDC Core Funds which are provided by the Australian Government.

This report, an addition to RIRDC's diverse range of over 1,200 research publications, forms part of our Human Capital, Communications and Information Systems Sub-program which aims to enhance human capital and facilitate innovation in rural industries and communities.

Most of our publications are available for viewing, downloading or purchasing online through our website:

- downloads at www.rirdc.gov.au/fullreports/index.html
- purchases at www.rirdc.gov.au/eshop

Peter O'Brien
Managing Director
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Executive Summary

These guidelines provide an overview of issues related to the management and commercialisation of intellectual property. While of general application, the guidelines should be of particular interest to organisations which have a stake in projects that generate intellectual property rights and which have an interest in ensuring that the outcomes from such projects are adopted.

The Essential Features of Intellectual Property and Acquiring Intellectual Property Rights

After providing a statement of the nature of intellectual property rights, the guidelines start by outlining the major categories of intellectual property rights. These are:

- Patents – the branch of intellectual property dealing with inventions, namely any device, method or process that is new, inventive or useful;
- Copyright – the branch of intellectual property regulating the reproduction and dissemination of such things as research papers, memoranda and other documents, and databases;
- Trade Marks – the branch of intellectual property dealing with words, logos and devices that traders use to distinguish their goods and/or services from those of other traders
- Plant Breeder’s Rights (PBR) – a highly specific branch of intellectual property granting parties certain exclusive rights over plant varieties that are distinct, uniform and stable.

In each case, the subject matter of the rights and detailed information about the process of acquiring the rights, both in Australia and overseas, are provided. The law of confidential information, which imposes obligations on parties receiving confidential information to keep that information confidential, is dealt with separately. This is because it is not strictly an aspect of intellectual property although it intersects with other intellectual property rights in a number of ways. Related intellectual property rights such as registered designs, internet domain names, geographical indications of origin and certification trade marks are also considered.

Ownership of Intellectual Property

Section 3 deals with issues specifically relating to the ownership of intellectual property. These are important in circumstances where a number of parties are involved in a research project, and in particular where parties are considering commercialising research outcomes. There is a tendency to view questions of ownership of intellectual property as something governed entirely by the contractual relationship between parties. This section demonstrates some of the problems with this view, and establishes why it is important to know who is entitled to own intellectual property rights at law, in order to facilitate the management of intellectual property rights within research projects.

After setting out some general rules of ownership of intellectual property rights, the section focuses in detail on the ownership of the major intellectual property rights identified in the preceding section, namely patents, copyright, trade marks, plant breeder’s rights, as well as the issue of whether confidential information can be ‘owned’. It then looks at some of the more complex issues relating to ownership, such as: what happens when a number of parties claim to have rights in the same intellectual property right; how to determine whether an intellectual property right was created in the course of employment; and what are the particular problems involved in attempting to resolve issues of ownership through contracts.

Exploitation and Commercialisation of Intellectual Property

Section 4 considers in detail the legal issues relating to the commercialisation of research outcomes. It acknowledges that commercialisation is merely one way that research outcomes may ultimately be adopted but also notes the importance of ensuring that commercialisation remains a possibility even where commercialisation as a strategy is only pursued on an *ad hoc* basis. It looks at the various ways in which intellectual property can be commercialised, namely through assignment, exclusive licences, non-exclusive licences, equity ownerships and partnerships, and the legal rules affecting each of these modes of commercialisation.

It is important to note that commercialisation is not simply a matter of contract law. There are various legal doctrines and certain legal rights that may ‘trump’ freedom of contract. These are:

- laws that a court may use to strike down a contract
- various statutes that provide special protection for creators of intellectual property rights (even where the creator is not the owner of the right); and
- situations where competition law may be used to control the way in which an owner of intellectual property can deal with those rights.

Each of these issues is considered in detail.

Enforcing Intellectual Property Rights and Related Issues

Having looked at the way in which parties may choose to commercialise their intellectual property rights, Section 5 turns to the management of intellectual property. In particular, it focuses on two issues: ensuring that intellectual property registers and databases remain accurate, and appropriate means of enforcing intellectual property rights. This latter issue is considered in detail. First, the various methods (both judicial and extra-judicial) of resolving intellectual property disputes are addressed, with particular attention paid to the procedures, costs and risks involved. The section then looks at the different remedies available to an intellectual property owner in enforcement proceedings, from interlocutory and final injunctions (which generally require the infringer to refrain from infringing the owner’s intellectual property rights) to financial remedies such as damages and accounts of profits (both money sums that the infringer must pay to the owner in compensation). It also considers the possibility of bringing criminal proceedings against infringers.

Liability Issues

In this final section, we look at some of the ways in which organisations may expose themselves to liability for their conduct and the steps that such organisations may take to limit that liability. This involves looking at other areas of the law, in particular contract law and tort law, especially the laws of negligence (covering situations where one party that owes a duty of care to another breaches that duty, causing that other party damage) and nuisance (which deals with one party’s interference with another party’s use or enjoyment of land). It also requires an appreciation of the impact of the *Trade Practices Act 1974* (Cth).

The section looks at seven broad areas of liability in the agricultural context, with practical examples given in each case:

- Making unjustified threats of infringement of statutory intellectual property rights (in particular, patents, copyright and trade marks)
- Contractual liability (for example for the provision of information goods and services under a contract)
- Liability for negligence causing property damage (such as through faulty seed handling) or pure economic loss (following the provision of defective information or advice)

- Liability for nuisance (for example through the contamination of a neighbour's land with GM seeds)
- Liability under *the Trade Practices Act 1974* (Cth) (for the supply of defective goods or services or for injuries suffered as a result of the supply of defective goods)
- Breach of labelling standards
- Non-compliance with the *Gene Technology Act 2000* (Cth)

1. Introduction

1.1 Nature of Intellectual Property Rights

1.1.1 Rights over Intangibles

Intellectual property rights provide rights over intangibles, they are incorporeal rights that are distinct from physical or tangible objects in which they may be embodied.

1.1.2 Property Rights

It is important to emphasise that intellectual property rights are a type of *property*. This has a number of consequences. Most obviously it means that for the most part intellectual property rights can be dealt with in the same way as any other form of property - they can be bought, they can be sold, they can be mortgaged. In addition, the proprietary nature of intellectual property means that the owners of intellectual property rights have a right to control who uses their property and how their property is used, they do not merely have a right to be paid for use.

1.1.3 Protection of Creators

In addition to the proprietary aspect of intellectual property rights, some types of intellectual property also create protection for the creators of the 'thing' in question. Such protection is particularly important in cases where the property vests in or has been transferred to another person. Copyright law provides the most extensive protection for creators through its system of 'moral rights'. Such rights include a right to be identified as the author of a work and the right to object to the work being subject to a derogatory treatment.

1.1.4 Registration and Creation

One key distinction that is normally drawn between different types of intellectual property right is between those rights that come into existence automatically as the subject matter is created (as, for example, is the case with copyright) and those rights that only come into existence when the subject matter is registered, that is, where the potential owner has gone through a bureaucratic process that results in the property being granted (as, for example, is the case with patents). However, not all types of intellectual property right can be neatly divided in this way. In particular, while there is a system for the registration of trade marks and while registration offers the trade mark owner a number of advantages, trade signs may be protected even in the absence of registration.

1.1.5 Absolute and Relative Monopolies

A second important distinction that is normally drawn between different types of intellectual property right is between those rights that give an 'absolute' monopoly and those rights which merely give a 'relative' monopoly. An absolute monopoly, such as a patent or a trade mark, is good against the world - there is no need to show copying or derivation from the owner. In contrast, a relative monopoly, such as copyright, is only infringed where it can be shown that the defendant copied from the owner's work.

1.1.6 Duration

Although they are a type of property, intellectual property rights are not, generally speaking, perpetual. Rather they expire a number of years after a triggering event. In the case of a patent this event is registration, in the case of copyright it is the death of the author. Trade marks can remain protected indefinitely, but they have to be periodically renewed.

1.1.7 International Conventions and Regional Harmonisation

One of the defining features of intellectual property rights is that they are national or territorial in nature. As such they do not ordinarily operate outside of the national territory where they are granted / arise. However, this has long been a potential problem for right holders whose work, inventions or brands are the subject of transnational trade. Hence, for more than a century, international arrangements have been in place and have gradually been expanded to ensure that intellectual property rights are protected on a transnational basis. These international arrangements rest on three key principles: (1) a rule of non-discrimination such that one member state must treat nationals of another member state in the same way that it treats its own nationals; (2) minimum standards of protection; and (3) where the type of right in question is dependent on registration streamlined procedures for obtaining registration in more than one country.

Over and above the process of national harmonisation there has also been a process of regional harmonisation. In particular, in the European Union there has been a move towards creating harmonised laws and pan-European intellectual property rights. These developments have had consequences for Australia and elsewhere as Europe uses its harmonised regimes as the basis for its trade negotiations with other countries.

2. The Essential Features of Intellectual Property and Acquiring Intellectual Property Rights

2.1 Forms of Intellectual Property and Their Acquisition in Australia

2.1.1 Patents

(a) Introduction

A patent is a set of exclusive rights granted under the *Patents Act* 1990 (Cth) in relation to an invention, for a limited period of time. A patent can be granted for any device, substance, method or process, which is new, inventive and useful. Patent protection is dependent upon registration. It is important to register prior to disclosing the invention to the public. After disclosure, it is, generally speaking, impossible to obtain patent protection.

(b) Subject matter

The *Patents Act* defines “patentable invention” as an invention that:

- is a manner of manufacture;
- is novel;
- involves an inventive step;
- is useful; and
- has not been used secretly.

Manner of Manufacture: The words “manner of manufacture” have come to denote either a product which can be produced by following the instructions in the patent specification; or a process or method which can be used to achieve certain results by following the specification. However, products or processes cannot be patented unless they are capable of “industrial application”.

There has been an expansion over time of what is regarded as patentable subject matter:

Year	Case	Subject Matter
1819	<i>Rex v Wheeler</i>	Cheaper or more efficient processes
1842	<i>Crane</i>	Better, cheaper articles
1914	<i>C & W</i>	Lead extractions
1943	<i>GEC</i>	Any vendible product
1947	<i>Rantzen</i>	Non-material effects (generating radio waves)
1951	<i>Standard Oil</i>	Agricultural processes (killing weeds)
1957	<i>Lenard</i>	New plant varieties
1961	<i>Swift & Co</i>	All agricultural processes, including treating animals
1961	<i>NRDC</i>	Situations of utility in the economic area
1972	<i>Joos</i>	Cosmetic treatment of humans
1976	<i>Rank Hovis</i>	Micro-organisms
1981	<i>Chakrabarty</i>	Genetically engineered organisms
1991	<i>IBM</i>	Computer programs
1994	<i>Rescare</i>	Methods of Human Treatment
2001	<i>Catuity</i>	Internet Business Methods
Future		Stem cells?

Novelty: To be patentable, an invention must be novel, or disclose something that was not previously known or used. It requires the invention not to have been anticipated prior to application. A patent will be anticipated if: the invention or information disclosing the invention has already been made publicly available anywhere in the world prior to the application; or if the invention was disclosed in an earlier patent application that becomes publicly disclosed after the date of filing.

One consequence of the way novelty is defined is that prior disclosure by the *applicant* can prejudice the application. In recognition that there are circumstances where this can operate unfairly, a recent amendment to the law allows an invention to be made public (under certain conditions) and this will not prevent a valid patent from being granted. Under the new rules, a complete application must be filed within 12 months of the disclosure. The Act also contains separate provisions dealing with situations where the disclosure is made in breach of confidence. In such circumstances, the potential owner again has 12 months to file a complete application.

Inventive step: To be patentable, an invention must involve an inventive step. This will occur when the invention involves something that is not obvious to the person skilled in the relevant art. 'Obviousness' has been described in various ways and is notoriously difficult to anticipate. However, the length of time taken to overcome a perceived problem, competition in research and development and market success are factors which may influence the Registrar and the Courts in their decisions.

Utility: The concept of utility in patent law does not mean that an invention must be socially useful in the sense of fulfilling some desirable function, but simply that the invention should attain the result that the inventor has promised.

In response to thousands of applications being filed in respect of gene sequences, the Patent Commissioner Dickinson issued examination guidelines for the utility requirement. These guidelines require that the utility be:

- specific - that is a utility that is specific to the subject matter claimed rather than a general utility that would be applicable to the broad class of the invention;
- substantial - that is a utility that defines a real world use rather than one that requires further research to identify such a use; and
- credible - that is the assertion of utility is believable to a person of ordinary skill in the art based on the totality of evidence and reasoning provided.

The implementation of these guidelines would preclude the patenting of discoveries for which a specific, substantial and credible use has not been defined.

Secret Use: To avoid depriving patentees of their rights on the basis of appropriate uses of the invention during the developmental stage prior to the filing of an application, the *Patents Act* lists certain uses which will not preclude patenting:

- use for the purpose of a reasonable trial or experiment;
- use occurring solely in the course of a confidential disclosure of the invention;
- any other use of the invention for a purpose other than trade or commerce; and
- use by the Commonwealth, a state or territory where the patentee has disclosed the invention to the Crown.

(c) The application process

Applicants: A patent can be granted to an inventor or a person who would be entitled to have a patent assigned to them, for example an employer. However, in all cases the inventor has the right to be named as such.

Application: An applicant can file either a provisional application or a complete application. A complete application must contain the following 4 key elements:

- a description of the invention (so that others can reproduce the invention from the information given)
- the claims that define the invention which the patent is to cover

- any accompanying drawings
- an abstract
- accompanied by the application fee of \$320 (\$290 if filed electronically). IP Australia suggests that each claim should:
 - be written as a single sentence;
 - define clearly what patent protection is sought for;
 - set out all the characterising technical features of your invention; and
 - be consistent with the description.

A provisional application need only contain the applicant's name, title of the invention and the description of the invention. However, it does not need to contain the claims. Provisional applications are filed to obtain an early filing date, however they do not provide patent protection. A complete specification based on the provisional application and containing the claims of the patent, must be filed within 12 months of the provisional application to take advantage of the earlier filing date of the provisional application. The filing fee for a provisional application is \$80.

The drafting of patents is a complex and difficult task normally best left to patent attorneys. One reason why patent drafting is so difficult is that patents are at once, technical, commercial and legal documents. As such, they are written with a number of different audiences in mind.

It is important to bear in mind that the various components of a patent form various roles. For example, the abstract is used both for administrative purposes and as a way of advertising the existence of a patent. Of the various elements of a patent, perhaps the most important element is the claims. The primary function of the claims is to set out the scope of the legal protection to be conferred. There are, in essence, two different types of claim, namely, a claim to a 'thing', (for example, a product or piece of equipment) or a claim to an activity (for example, a method, process or use). Typically, a patent will consist of a number of claims which will be arranged hierarchically. Patents will often commence with a widely drawn principal or generic claim. This will then be followed by a series of more specific or subsidiary claims. Claims are arranged this way because this provides patentees with flexible responses to any legal challenges made to the patent. More specifically, if claims are arranged hierarchically, this may result in only the broadest claims being severed, leaving the subsidiary claims intact.

Examination and grant: examination of the application can be requested at any stage. Often, applicants delay requesting examination, for example in order to assess the progress of the commercialisation of the invention or the value of continuing with the patent process. The request for examination fee is \$340. Examination takes approximately 9 months. If there are problems with the application, such as that the claims are too broad, then the patent examiner will notify the applicant. If the publication is accepted, it is published in the Australian Official Journal of Patents. There is a 3 month period in which parties can start opposition proceedings to show that the patent, if granted, would be invalid. Once this period expires, opposition proceedings may no longer be brought, but the validity of the patent may still be challenged in later proceedings (in particular, it is common for defendants to challenge the validity of the patent in infringement proceedings).

The rights of the patentee are enforceable back to the date of publication of the complete application.

(d) Duration

In Australia, a standard patent lasts for 20 years, although annual renewal fees are payable from its fifth year.

(e) Commercialisation and exploitation

The exclusive rights of the patentee are personal property which can be sold, licensed, mortgaged or bequeathed by will. To be effective, an assignment of a patent must be in writing, signed by or on behalf of the patent owner and the assignee. A patent can be assigned on a geographical basis with rights assigned for exploitation of the patent in a particular place or region in Australia. Importantly,

a co-owner of a patent cannot grant a licence or assign an interest in it without the consent of the other owners, subject to any contrary agreement.

A patent confers a limited monopoly in respect of the patented invention. Once the patent term has expired, the invention becomes part of the public domain and is open to anyone to use. The owner of the patent granted under the *Patents Act* obtains exclusive rights to exploit the invention or to authorise another person to exploit it throughout Australia for the term of the patent. Where the invention is a product, this allows the patentee to make, hire, sell, or otherwise dispose of the product, offer to make, sell, hire or otherwise dispose of it, use or import it, or keep it for the purpose of doing any of those things. Where the invention is a method or process, the patentee can use the method or process or do any act mentioned above in respect of a product resulting from such use.

Co-owners of a patent are each entitled to exercise the exclusive rights conferred by the patent without having to account to the others.

(f) Innovation Patents

Innovation patents were introduced into Australian law in 2001. They are intended to provide intellectual property rights for incremental and lower-level inventions that would not be sufficiently inventive to qualify for standard patent protection. Innovation patents are not required to meet the test for *inventive step*, as with a standard patent. Rather they are required only to meet a lower test of *innovative step*.

The application is in the same form as the complete standard application, but an innovation patent can contain a maximum of 8 claims. The application fee is \$180 (\$150 for an online application).

Innovation patents can be granted without a substantive examination and there is no pre-grant opposition period. However, innovation patents are only enforceable once an *examination* has been requested and paid for, and the patent is certified.

Innovation patents are granted for an initial period of 2 years and can remain in force for a maximum of 8 years, with annual maintenance fees after the first year.

2.1.2 Copyright

(a) General

Copyright protects creations in a range of fields. Protected subject matter includes books, plays, musical works, paintings, drawings, sculptures, photographs and films. It is important to emphasise that although copyright is often referred to as protecting 'artistic' subject matter the law avoids making assessments as to the artistic merits of a work and hence does not require a work to be creative in order to be protected. Consequently, business letters will be protected as literary works and technical drawings will be protected as artistic works.

(b) Meaning of 'Literary Work' under Australian law

To reiterate, the legal category of 'literary works' is not confined to works of literature but extends to cover a wide variety of subject matter. Generally speaking any work expressed in print or writing (other than a dramatic or a musical work) will be protected as a literary work. Research papers will almost certainly attract protection as literary works, even if they are very short. Databases both in print form and electronic form will also be protected as literary works. Until recently there was some doubt as to whether databases arranged according to very simple criteria (for example, where the information is arranged numerically or alphabetically) would attract copyright protection. However, it has now been held that such works do attract copyright protection in Australia, although this may not be the case elsewhere (see Acquiring Rights overseas, below).

(c) Literary Works must be Original in Order to be Protected

The *Copyright Act 1968* (Cth) provides that a literary work will only attract protection where the work is 'original'. In line with the low threshold of protection for literary works in Australia,

described above, the originality test has been set at a very low level. The law does not require that a work be novel or creative in order to attract protection. Rather, 'originality' in this context means primarily that the work be 'not copied' - works which merely reproduce an earlier work will not attract separate protection. In contrast, where a work has been substantially altered this will attract separate copyright protection (but see Subsistence of Copyright and Infringement, below).

(d) Subsistence of Copyright and Infringement

One common misunderstanding concerns the relationship between the subsistence of copyright and infringement. Generally speaking these issues must be considered in isolation - the mere fact that a work attracts its own copyright protection does not prevent it from being an infringement of an earlier underlying work. This point is perhaps best illustrated by considering the position of translations. One of the exclusive rights of the copyright owner is to control translations of the work. An unauthorised translation will therefore infringe copyright, even though translations also attract independent protection. This means, for example, that it would be no defence to an action for infringement of copyright in a database to demonstrate that a database is original because it consists largely of new material - if it can be shown that the database in question nevertheless copies a substantial portion of an earlier database it will still amount to an infringement.

(e) Acquiring Copyright

Unlike patents, copyright protection arises automatically on creation of a work. Copyright therefore subsists in both published and unpublished works and there is no need to register copyright in Australia in order to gain protection, nor is there a need to place a copyright notice (© Year, Name) on a work. It is often said that steps should be taken in order to prove when a work was created but such steps have no formal legal significance. The only 'formality' requirement for copyright protection is that the work be expressed in a material form, that it be sufficiently 'fixed' in order to allow determination of the content of the work. Modes of fixation include writing, electronic storage and sound recordings. Thus handwritten laboratory notes, notes stored on a computer and laboratory notes spoken into a dictaphone would all attract literary copyright (in the latter case there would also be copyright in the sound recording itself).

(f) The Economic Rights of the Copyright Owner and Infringement

Copyright protection confers upon the copyright owner a number of exclusive economic rights. The precise rights depend upon the nature of the copyright material, but the most important rights are to:

- reproduce the work in any material form;
- publish the work;
- communicate the work to the public (including web transmission); and
- make an adaptation of the work (including the right of translation).

(g) Infringement

Someone infringes copyright if they do an act which falls within the exclusive rights of the copyright owner without the owner's permission (express or implied). It is not necessary that the infringing act be done in relation to the whole of the work or other subject matter, rather the *Copyright Act* provides that it is sufficient if the act is done in relation to a 'substantial part' of the work or subject matter. The phrase 'substantial part' is not otherwise defined in the Act, and this has therefore been a matter for judicial interpretation. Generally speaking, however, it operates as a low threshold.

(h) Defences to Infringement

The Act provides that certain acts that would otherwise amount to an infringement of copyright are privileged and will not infringe the copyright owner's rights. These 'exceptions' or 'users rights' play an important role in protecting the interests of the public. The most important of these exceptions are the four fair dealing provisions which allow copying for the purposes of:

- research or study;
- criticism or review;
- reporting of the news and
- professional advice given by a legal practitioner or patent attorney

It is important to note that these rights of fair dealing are limited under Australian law and that great care needs to be taken when relying upon them.

(i) Duration

In Australia, the length of protection varies according to the nature of the copyright material, and whether or not it has been published. Copyright for literary works generally lasts from 70 years from the death of the author. It should be noted that the term of protection is calculated by reference to the *author's* life, even after the transfer of the copyright to another person and even if the author was not the first owner of copyright (as where the author is an employee and the work is created in the course of employment).

(j) Copyright Ownership and Exploitation

Ownership and exploitation will be dealt with in detail in a later section, but it may be worth noting some issues at this point. The basic rule as regards first ownership of literary works is that the author is the first owner of copyright. However, where a work is made by an author 'in pursuance of the terms of his employment by another person under a contract of service or apprenticeship' the work belongs to the employer. Copyright, like other forms of intellectual property, can be assigned or licensed. The Act provides that copyright assignment and licensing can be limited in respect of classes of acts, place, time, or part of Australia.

(k) Moral Rights

Over and above the economic rights given to copyright owner the author of a copyright work (who may or may not also be the copyright owner) enjoys a number of personal or 'moral' rights, including:

- The right of attribution - that is, the right to be identified as the author of a work;
- The right against false attribution - that is, the right to not be falsely attributed as the author of a work; and
- The right of integrity - that is, the right to object to derogatory treatment of a copyright work which harms the honour and reputation of the author.

In contrast to economic rights, moral rights are inalienable - that is, they cannot be assigned or licensed or waived. However, an author may grant consent to particular uses of a copyright work. The impact of these rights on the commercialisation of copyright material will be considered in detail in a later section.

2.1.3 Trade Marks

(a) Introduction

Trade marks are a shorthand way of communicating information that purchasers need in order to make informed purchasing choices. It is said that they reduce customers' costs of shopping by informing them that an item is made by the same producer as other similarly marked items that they have liked (or disliked) in the past. The information provided by trade marks is said to be particularly important in relation to so-called "experience goods", that is, goods that a consumer cannot judge merely through inspection.

(b) Registered and Unregistered Marks

Under Australian law, trade marks may be protected even without being registered when they have been used in the marketplace and enjoy consumer recognition (they are protected through the law of 'passing off'). It might therefore be asked why a trader would take the trouble of registering a mark under the *Trade Marks Act 1995* (Cth) given that this can be a costly and time-consuming process. The answer is that registering a mark confers a number of benefits on the proprietor. In contrast with relying on the law of passing off which protects unregistered marks, registration enables traders to protect their marks before they are used in the marketplace. Registration is also advantageous in that it confers greater certainty and therefore should reduce the likelihood of disputes. It also makes infringement easier and cheaper to prove. From the public point of view having a registration system is desirable because the register acts as an important source of information about what signs are protected and in which commercial spheres a mark is being used.

(c) Requirements for Registration

In order for a mark to be registrable it must be shown that there are neither 'absolute' nor 'relative' grounds for rejecting the mark.

'Absolute' grounds of refusal: these relate to the inherent characteristics of the mark. Reasons for rejecting a mark include that it is misleading (for example, 'Orlwool' for goods made of nylon) or offensive (for example, it was recently indicated in the United Kingdom that French Connection's 'FCUK' mark might be objectionable on this basis). The most important 'absolute' ground of refusal, however, is that the mark lacks distinctiveness. Distinctiveness in this context means whether the average consumer would understand the sign as indicating the trade origin of the goods. It is assumed that marks which apparently refer to the quality of the goods (luxurious, comfortable) or to their geographical origin ('English' marmalade, 'Oregon' for machinery) or to their purpose, value etc. will not be viewed by consumers as indicating that they were produced by a particular manufacturer. A secondary, but nevertheless highly important, factor in making the assessment of whether a mark is distinctive is whether other traders would honestly desire to use the mark in question or something closely resembling it. Even if a mark lacks inherent distinctiveness it may acquire distinctiveness as a result of the way it is used. The key is whether it has come to be understood as an indication of the source of the goods. Once a mark has acquired distinctiveness in this sense it will become registrable (for example, 'Oxford' for books is registrable because the average consumer now understands this to mean that the book is published by Oxford University Press and not merely that the book has been printed in the city of Oxford).

'Relative' grounds of refusal: these relate to the right of the applicant to apply for the mark, rather than the characteristics of the mark itself. The most important 'relative' ground of refusal is that the mark is identical to or deceptively similar to an earlier trade mark.

(d) Registration Process

Trade marks are registered in relation to specific goods/services. Application is made to IP Australia via an approved form (available at www.ipaustralia.gov.au in pdf format), or electronically. This application can be made by the owner of the mark, by the owner's legal representative, or by a number of parties if the trade mark is used jointly by each of them. The application must give details of the applicant (name, address and address for correspondence), provide a representation of the trade mark, and specify goods and/or services in respect of which the mark is to be registered. IP Australia uses a system where all goods and/or services are classified in 45 classes, and the applicant must ensure that the goods and/or services are grouped in their correct class or classes.

There is a fee for registration, the precise fee is determined by the range of goods and/or services for which the mark is to be registered. For a single class application the fee is \$150 for a print-based application and \$120 for an electronic application. There is a further \$300 registration fee payable within six months of acceptance of the application by the Registry.

The application will initially be examined to ensure that it can be registered. If the Registrar decides to reject the application the applicant will be given an opportunity to make a case to have this decision reversed. Third parties will also have an opportunity to object to the registration once it is accepted by the Registrar. In such a case the registrar will hear representations from both parties before deciding whether to accept or reject the mark.

(e) Duration and Loss of Registration

Trade marks have to be renewed every ten years, although there is no limit to the number of times that a mark can be renewed. There are, however, certain ways in which the right to renew may be lost. Most importantly, a registration will be liable to be removed from the register if the owner has failed to use the mark in the preceding three years.

2.1.4 Plant Breeder's Rights

(a) Criteria for Registration

Plant Breeder's Rights (PBR) are administered under the *Plant Breeder's Rights Act 1994* (Cth). A breeder of a plant variety, or a person who has acquired the right in the variety, can apply under the Act for PBR if that variety satisfies certain criteria. The plant variety must be distinct from other varieties of common knowledge, uniform, stable and it must either have not been exploited or only recently exploited.

(b) Rights Acquired

The registered owner of PBR has the exclusive right, in relation to propagating material of the registered variety, to:

- produce or reproduce the material;
- condition the material for the purpose of propagation (conditioning includes cleaning, coating, sorting, packaging and grading);
- offer the material for sale;
- sell the material;
- import the material;
- export the material; and
- stock the material for any of the above purposes

If the owner of PBR has not had a reasonable opportunity to exercise these rights in relation to the propagating material, the PBR extends to harvested material and to products obtained from harvested material.

PBR are personal property and capable of assignment or transmission.

(c) Application Process

PBR are applied for using the Application for Plant Breeder's Rights form, available from the Plant Breeder's Rights Office. The form is divided into two discrete parts. Part 1 of the form requires general information about:

- the applicant, agent and/or breeder;
- the variety (including characteristics which make this variety distinct from the most similar varieties of common knowledge and its parents/ source material);
- the origin and breeding procedure used to produce the variety; and
- the Genetic Resources Centre where propagating material will be maintained, and where the comparative growing trial (needed to establish distinctness, uniformity and stability) will take place

Part 1 is lodged with an application fee of \$300. Part 2 of the form is used to present the results of the comparative growing trial, which is used to show the evidence of distinctness, uniformity and stability as required for registration. Part 2 is lodged with the examination fee of between \$800 and \$1,400. If these criteria are satisfied, the evidence of distinctness is published in the *Plant Varieties Journal*. The registration fee is \$300.

(d) Duration of PBR

PBR begin on the day that the grant of the PBR is made. The rights last for 25 years in the case of trees and vines, and 20 years in the case of all other varieties.

2.1.5 Confidential information

(a) Information as Property

Confidential information is often treated by scientists and research managers as a form of intellectual property. Although confidential information can meaningfully be treated in this way, it is important to note that the law has refused to recognise a property right in ideas or information. Instead, the law focuses on the obligation that exists between the creator or holder of information and its recipient. This focus on the obligation of confidence rather than property in information per se has a number of important practical consequences.

One such consequence is that confidential information cannot be assigned in the same way as statutory forms of intellectual property. A further consequence is that should a recipient of information receive that information free from an obligation of confidence, they will be free to use that information in any way whatsoever. A third consequence of the law's focus on the obligation of confidence rather than the information itself is that a wide range of information can be protected by the law of confidence. The law of confidence therefore tends to be relatively unconcerned with whether the subject matter is of an appropriate type. In contrast, statutory intellectual property schemes strictly define the subject matter that can be protected.

(b) The relationship between breach of confidence and Intellectual Property rights

The law of confidence intersects with statutory intellectual property regimes in a number of ways. First, there are circumstances in which confidential information may provide an alternative method of protecting intellectual property to one of the statutory schemes. For example, there may be times at which a new production method could be protected by keeping it secret rather than by obtaining a patent over the method in question. Secondly, the law of confidence can provide protection while an idea is still at a preliminary stage (ie before the creation of a copyright work or an invention) at a time when a potential author / inventor is seeking expressions of interest and / or financial backing. Thirdly, confidential information can protect 'know-how' and as such is often the subject of technology transfer agreements etc.

(c) Elements of the Action for Breach of Confidence

In order to be able to maintain an action for breach of confidence it is necessary to be able to demonstrate three things: (1) that the information is confidential; (2) that it was imparted in circumstances importing an obligation of confidence; (3) that there has been an unauthorised use or disclosure of the information.

(d) Protectable Information

The concept of 'relative secrecy': In order to establish that the information in question is capable of being protected it is not necessary to show that the information is 'absolutely' secret. It is enough to show that the information is 'relatively' secret. Under this test information may be secret in one industry but not another, in one country but not another and at one time but not another.

The format of the information: Information can be protected irrespective of the form in which it appears. Thus the action applies equally to information contained in written format, drawings, photographs or products. It is also clear that there is no need for the information to be fixed or in a permanent form. Information communicated orally may therefore be protected.

(e) Obligations of Confidence

General: The second element that must be proved is that the recipient was under a legal (as opposed to a purely moral) obligation of confidence. In some cases an obligation of confidence will be deemed to arise automatically as a result of the type of relationship that exists between the parties. For example, the relationship between solicitor and client automatically gives rise to an obligation of confidence. In other cases an obligation of confidence will arise contractually as the result of an express or an implied term in the contract between the parties.

Employees: Special consideration needs to be given to the position of employees. Different obligations are imposed on an employee during the employment and after the employment has ended. In many cases the contract of employment will include express provisions dealing with the nature and scope of the obligation of confidence owed by the employee to the employer. During the period of employment courts will enforce the express terms of the contract. Even in the absence of an express contractual obligation courts will often imply an obligation of confidence into the employment relationship. At times the courts have imposed more onerous obligations on senior employees.

Once the employment relationship is terminated different considerations apply. In particular, courts have been concerned that obligations of confidence should not prevent employees from working in the same field in the future or create too great an obstacle to mobility in the labour market. Express terms restricting what the employee can reveal or the industries in which an employee can work therefore take effect subject to the restraint of trade doctrine. In practice this doctrine will prevent an employer from enforcing terms that would prevent the employee from exercising his or her ordinary skill and knowledge. In contrast courts will enforce terms that are aimed at protecting specific 'trade secrets'. While the line between the two is often difficult to draw, the courts have indicated that trade secrets may include chemical formulae, secret manufacturing processes, specific designs and special methods of construction. More generally, it is clear that for the information to continue to be capable of protection it must be capable of being defined with some degree of precision and it is important that the information can be isolated from other information (such as the employee's stock of knowledge, skill and expertise).

Third Parties: A person who receives information as the result of another's breach of confidence will be restrained from using or disclosing the information once they are informed or once they should reasonably have been aware that the information was imparted in breach of an obligation of confidence.

(f) Breach

In order to determine whether an obligation has been breached it is first necessary to determine the scope of the obligation. In some circumstances the obligation may be that the information should not be used or disclosed in any circumstances whatsoever. However, in the commercial context it is more normal that the recipient may only use the information for limited purposes, or for a limited amount of time. Where the recipient uses information for some other purpose or beyond the period allowed it will be reasonably easy to establish a breach. More difficult questions arise where the question is whether the recipient had an implied right to communicate the information to a third party, for example, to someone working within the same team within the recipient's organisation.

2.1.6 Other related rights

(a) Designs

As of 17 June 2004, designs are protected under the *Designs Act 2003* (Cth). This Act protects the visual appearance of articles, for example, the shape of a chair or the pattern on a teapot. It does not protect how an object is constructed or functional features. It should be noted that designs law in other countries is somewhat different. For example, in the European Union, it might be possible to protect some of the functional elements of a new machine, such as a combine harvester, by designs law in circumstances where the stringent criteria for patentability could not be met. In Australia, the nearest equivalent is the innovation patent (see Patents above).

(b) Internet Domain Names

Internet domain names allow people to access internet sites. Many companies use their trade marks within their domain names, since this provides the simplest method of locating and accessing websites. Domain names thus serve a similar function to trade marks in that they ensure that a company's goods and services can be located.

The allocation of domain names is the responsibility of the Internet Corporation for Assigned Names and Numbers (ICANN), which in turn allows various bodies in charge of different domains to

determine the conditions under which domain names are allocated. Certain domain names, such as those in the <.com> domain, are allocated on a first-come, first-served basis, without regard to pre-existing trade mark rights. However, if the owner of a domain name containing another's trade mark uses that domain they run the risk of trade mark infringement. However, trade mark infringement proceedings are rarely brought. Instead, trade mark owners often seek a transfer of the domain name through arbitration under the Uniform Domain Name Dispute Resolution Policy (UDRP), administered by ICANN. Under this policy, a domain name can be transferred if (1) it is identical or confusingly similar to a trade mark in which the complainant has rights, (2) the domain name owner has no rights or legitimate interests in respect of the domain name; and (3) the domain name has been registered and is being used in bad faith.

(c) Geographical Indications of Origin

Geographical indications are marks which identify a good as originating in the territory of a particular country, or a region or locality in that country, where a given quality, reputation or other characteristic of the good is essentially attributable to its geographical origin. Article 22(2) of the TRIPS Agreement requires Australia to allow parties to prevent the designation or presentation of goods that indicates or suggests that the goods in question originated in a geographical area other than the true place of origin in a manner so as to mislead the public as to the geographical origin of the goods.

The legal protection for geographical indications is piecemeal in Australia. Some protection is available under the tort of passing off, where traders in a product bearing the name of a particular region (eg 'Champagne') have been able to take action against traders wishing to use that name in respect of (usually inferior) products that do not originate in that region (eg, a fizzy drink called 'Elderflower champagne'). The *Australian Wine and Brandy Corporation Act 1980* (Cth) makes it an offence to sell, export or import wine with a false or misleading description or presentation. This includes a false or misleading indication of the geographical origin of the wine. This is so even if the geographical indication is registered and if words such as 'like', 'style' or 'imitation' are used with the geographical indication. The Geographical Indications Committee, established under the Act, has the power to determine a geographical indication in relation to a region or locality in Australia. Certification trade marks may also protect geographical indications of origin (see below). Actions under the *Trade Practices Act 1974* (Cth) and associated consumer protection legislation may also be used to protect geographical indications of origin.

(d) Certification Marks

Certification marks are a highly specialised form of trade mark that indicate that goods or services comply with certain standards, for example, as to safety or quality. Commonly encountered examples include the Heart Foundation's 'Tick' and the 'Woolmark' logo. Certification marks can also be used as geographical indications of origin. For example, use of the designation 'Stilton' for cheese has been controlled by a certification mark for many years in the United Kingdom. Certification marks are also particularly important in relation to organic produce in Europe where the Soil Association, for example, maintains a zero tolerance threshold for GM contamination - a stricter approach than that contained in EC law governing the marketing of products as 'organic'.

Certification marks are normally administered by an independent body or organisation that does not itself trade in the relevant goods or services. Rather, the owner of the certification mark will give permission for approved users to use the certification mark in respect of the goods and services for which it is registered. (Unusually, however, under Australian law a trader can at least in theory apply for a certification mark provided it also approves its use by other traders who meet the relevant standards).

An applicant for a certification mark must file with IP Australia a copy of the proposed rules governing the conditions under which a trader will be given permission to use the mark and how disputes governing use of the mark are to be settled. The application and the proposed rules will then be forwarded to the ACCC which must approve the application and the rules governing use, having

particular regard to the parts of the *Trade Practices Act 1974* (Cth) dealing with anti-competitive conduct, unconscionable conduct and consumer protection.

2.2 Acquiring Intellectual Property Rights Overseas

2.2.1 Acquiring Rights Internationally

As has already been noted, there has long been interest in the international harmonisation of intellectual property rights. This has led to the signing of a considerable number of international conventions relating to intellectual property rights. One of the founding principles of these conventions is 'national treatment' - that member states must treat nationals of other signatories in the same way that they treat their own nationals. However, in relation to registered forms of intellectual property this principle only entitles potential owners from other countries to apply for rights in the same way as nationals of the country in question. In recognition of the fact that this would make acquiring rights internationally expensive and time consuming, the international conventions also establish procedures to facilitate the grant of rights in more than one country. Different procedures apply to each of the major forms of registered intellectual property.

2.2.2 Patents

Patent protection overseas can be obtained in one of two ways. The first way is to file individual applications in each country where patent protection is sought. In this case, an applicant may be able to take advantage of an earlier Australian priority date if the foreign application is filed within 12 months of the Australian priority date.

The second method is to file an international application under the Patent Cooperation Treaty (PCT) selecting the countries where protection is sought. Over 100 countries are members of the PCT. The PCT application is filed with IP Australia. The priority date of the application is recognised in each country where registration is sought. Before examination, the applicant receives an International Search Report (at a cost of \$1,000), indicating whether there are similar inventions in other parts of the world. After receiving the report, the applicant may request a non-binding Preliminary Examination, to alert the applicant to any problems with the application. The International Search Report and Preliminary Examination are intended to provide the applicant with sufficient guidance to determine the value of proceeding with the application. The applicant then must within a certain period of time (31 months of filing in Australia) enter what is known as the 'national phase', where the application is considered by each country where registration is sought under that country's national laws. Rejection in one country will not affect the application as a whole.

2.2.3 Plant Breeder's Rights

International cooperation in the PBR field takes place through the International Union for the Protection of New Varieties of Plants (UPOV). UPOV has established a detailed set of general principles for the conduct of the examination of plant varieties for distinctness, uniformity and stability, and more specific guidelines for some 170 genera and species. These documents are progressively updated and extended. Their use is not limited to plant variety protection but extends to other areas such as national listing and seed certification. The most intense cooperation between members concerns the examination of plant varieties. It is based on arrangements whereby one member conducts tests on behalf of others or whereby one member accepts the test results produced by others as the basis for its decision on the grant of a breeder's right. Australian breeders are entitled to apply for protection in all other UPOV members. Breeders wishing to obtain plant variety protection must make application in that country, but, as noted above, tests conducted in one country may be accepted in others. It should also be noted that the European Union now has a Community Plant Variety which provides a unitary right throughout the Union. Where protection is desired in a number of European Union countries this will be the easiest and cheapest option.

2.2.4 Trade Marks

As with international patent applications, a trade mark owner may apply for registration of a trade mark overseas in one of two ways. The first method is simply to apply individually to each national Trade Mark Office in various overseas countries where registration is sought. The second method is

by making an international application under the Madrid Protocol, in which an applicant may apply for trade mark registration in up to 66 member countries through the one application.

Under this process, the applicant files an international application with IP Australia, based on an existing Australian trade mark application or registration for that trade mark. This international application designates certain countries under the Madrid Protocol where registration is sought. IP Australia then forwards the application to the International Bureau (IB) at WIPO. The IB makes a formalities check of the application (eg, correct fees paid, application in the correct form). If there are no irregularities, the mark is registered in the International Register, and then sent to the various designated countries for substantive examination. Each of these designated countries has a fixed period of time then to examine the application under its local laws. If these countries make objections, the IB is notified, which in turn notifies the applicant. Where no refusal is notified, or if refusal is withdrawn in a designated country, the International Registration shall have the same effect as a national registration in that country.

The key advantages of making an international application under the Madrid Protocol are convenience and the ease of amending the international registration to add new countries or to change ownership. The key disadvantages are that the scope of the international application is limited by the Australian application or registration, and that if the Australian application is rejected or the registration is revoked, this in turn will cause the IB to cancel the International Registration. Further, some of Australia's major trading partners (USA, Canada, New Zealand) are not yet members of the Protocol.

2.2.5 Copyright Overseas

As an unregistered form of intellectual property, different considerations apply to copyright. The principle of national treatment means that generally speaking there is no need to take any special steps in order to acquire copyright overseas. For example, a research paper created by an Australian author will automatically acquire copyright protection in all other signatories to the major international copyright convention (signatories include all the member states of the European Union, Canada, China, India, Japan and the United States). However, it is important to note two further points. First, copyright laws differ as to the subject matter that is protected. For example, many countries, including the United States and the European Union, have a more restrictive approach towards granting copyright in databases. Thus some works that receive copyright protection in Australia may not be protected overseas (the principle of national treatment is not implicated because these countries treat all databases in the same way). Secondly, although it is never necessary to register copyright in order to get protection overseas, some countries, including Canada and the United States, maintain a registration system. Although registration is not absolutely essential in these countries it does confer a number of benefits. For example, absent registration in the United States an owner may receive less damages and will not be awarded costs in copyright infringement proceedings.

3. Ownership of Intellectual Property

3.1 Introduction

3.1.1 The Rules Regulating Ownership

When thinking about whether and how to commercialise research outcomes it is essential that attention be paid to questions of ownership of intellectual property rights. Questions of ownership fall to be resolved in three different ways. First, there are various statutory rules governing both first ownership and transmissibility of intellectual property rights. Second, there are various common law rules governing questions of ownership. Third, questions of ownership are frequently governed by contract. There is perhaps a tendency to view questions of ownership solely in terms of the contractual relationship between the parties. However, it is also important to understand the other ways in which the law governs questions of ownership. In particular:

- When negotiating ownership contractually it is essential to understand who would be entitled to ownership in the absence of agreement - this is vital in ensuring that negotiations take place between the correct parties and that all the people who would be entitled to a share of ownership in the absence of agreement are bound by the negotiations. For example, an agreement between an RDC and a university on division of ownership will not have the desired effect if the university is not entitled to negotiate on behalf of the researchers.
- When negotiating ownership it can be extremely useful to have an understanding of how statute and common law deal with questions of ownership, since it is these legal rules that form the basis from which the parties are negotiating. There is good evidence that the agreements that parties reach are in part conditioned by their understanding of what their 'rights' are.
- Should the parties fail to reach agreement on questions of ownership (and there are circumstances where this can occur by accident) then it is the statutory and common law rules that will apply.
- The validity of certain contractual terms and conditions will be governed by statutory and common law rules.
- It is statutory and common law rules that determine what rights an owner has. For example, whilst a contract may determine that two parties are co-owners of intellectual property, it is still necessary to look to statutory and common law rules to determine what rights a co-owner enjoys.

3.1.2 Ownership: Overview

It is important to appreciate that the rules governing the ownership and transmissibility of intellectual property rights in Australia vary between different forms of intellectual property. Moreover, rules as to intellectual property ownership remain largely outside the international harmonisation of intellectual property rights. Consequently, rules on ownership vary dramatically as between different countries. Nevertheless, it is possible to identify some *very general* rules of thumb that are useful when thinking about ownership issues:

- Except where a work is made in the course of employment, the person entitled to first ownership of an intellectual property right will be its creator(s), that is, the person or group of persons most directly responsible for the production of the work, invention *etc.*
- Where a work is made by an employee in the course of his / her employment the person entitled to first ownership will be the employer.
- Intellectual property rights are a type of *property* and, generally speaking, they can be dealt with in the same way as any other form of property. Intellectual property rights can be bought and sold, licensed, mortgaged or bequeathed by will.
- Under Australian law (as in other common law jurisdictions) it is possible to assign ownership in an intellectual property right that has not yet come into existence.
- There are some rules under Australian law that regulate the form and content of agreements dealing with intellectual property rights. For example, in relation to the form of an agreement, there are rules regarding formalities for assignments of intellectual property rights (generally speaking a contract of assignment has to be in signed writing in order to take effect).

Competition law and common law rules relating to restraint of trade may impact on the content of agreements dealing with intellectual property rights. Other countries, however, go much further in regulating the content of intellectual property agreements and have special principles of contractual interpretation that have no equivalent under Australian law. In particular, many civil law countries (such as France and Germany) have special rules dealing with contracts relating to copyright. These rules are designed to protect the authors of copyright works and are intended to address an alleged inequality of bargaining power as between authors and publishers *etc.*

- A further, related, issue is that some types of intellectual property create separate protection for the creators of the 'thing' in question. In other words, even though the property may have been vested in or may have been transferred to another person, the author or inventor may retain certain rights in relation to how the property is dealt with or managed. Australian law has generally been reluctant to recognise such rights, but the position is changing. Most notably, recent amendments to the *Copyright Act* have seen the introduction of 'moral rights' for authors. Moral rights and related forms of protection overseas can have an important impact on the management and commercialisation of intellectual property rights. (This issue will be discussed in detail in the next section).

In the following sections the rules relating to each of the major forms of intellectual property are considered in more detail.

3.2 Ownership of Patent Rights

Patents are registered in the name of their owners (often described as the 'patentee,' 'patent holder' or 'assignee'). The law's starting point is that it is the inventor who will be entitled to first ownership of the patent. Inventors can therefore apply for a patent and if their application is successful they will be the patent owner. However, where an invention is made by an employee in the course of his or her duties the rule is that the invention becomes the property of the employer, unless there is an explicit agreement to the effect that the employee is to retain ownership. Even in the absence of an employment relationship an inventor may have assigned his or her rights to an invention prior to its creation or may have assigned his or her rights thereafter (for example, to a start up company or large commercial enterprise). In practice it is rare for individual inventors to be the patent owner.

It is also common practice for the basic rules relating to employee inventions to be reinforced and supplemented by specific terms in the employment contract that provide that the employer is to own inventions created in the course of employment. Difficulties arise where there is doubt as to whether the work was created in the course of employment or where there are overlapping employment relationships (see below).

It should also be noted that over and above questions relating to ownership, patent laws generally provide inventors with the right to be named as such on the patent specification. A number of countries (but not including Australia) also provide employees with an entitlement to specific rewards in recognition of the economic benefits of an invention. Such rights will be explored in detail in the next section.

3.3 Ownership of Copyright

The basic rule as regards ownership of copyright is similar to the rule relating to ownership of patents - the first owner of copyright will be the author, that is, the person who actually creates or makes the copyright work. There are a number of exceptions to this basic rule. For example, where a photograph is commissioned for private and domestic purposes the person commissioning the photograph is given certain rights under the *Copyright Act*. The main exception is virtually identical to that in patent law - where a work is made in the course of employment the first owner will be the employer, subject to any agreement to the contrary. Again, as is the case with patents, even in the absence of an employment relationship an author may have assigned his or her rights to a work and assignments relating to 'future' copyrights will be valid, provided that they identify the subject matter

with sufficient precision. Note, however, that merely commissioning the creation of a copyright work will not be sufficient to vest ownership of copyright in the commissioning party.

3.4 Ownership of Trade Marks

Trade mark law is concerned with protecting information used by consumers to make informed purchasing decisions. Consequently the justifications for the protection of trade marks are not normally said to lie in the creation of the sign as such, and rights over signs are afforded in many cases where the trade mark has not been created in the sense that we would talk about the creation of a copyright work or an invention. The rules relating to first ownership of trade marks are therefore concerned with use of the sign and not with how the sign was created. In order to be entitled to ownership of a trade mark the person must be the first to use the sign in relation to the goods or services in question or (in the case of an application for a registered trade mark prior to the commencement of trade) the person must intend to start using the mark in relation to the goods or services in question.

The rules relating to the *transmissibility* of *registered* trade marks are similar to the rules relating to other forms of statutory intellectual property - registered trade marks can be licensed, assigned *etc.* However, where a trade mark is unregistered (that is, protected by the law of passing off and related actions) a more restricted rule applies. Because a passing off action does not provide a property right in the sign as such, it is not possible to assign an unregistered mark. Rights in an unregistered mark can only be transferred with the sale of the underlying business to which the 'goodwill' in the unregistered sign is attached.

3.5 Ownership of Plant Breeder's Rights

The *Plant Breeder's Rights Act 1994* (Cth) provides that a breeder of a plant variety, or a person who has acquired the right in the variety, can apply under the Act for PBR. In practice this means that a PBR can be applied for by an individual breeder or an employer where the variety was developed in the course of employment or by an assignee. PBRs can be dealt with in much the same way as patents or copyrights, that is, that can be assigned, licensed, mortgaged *etc.*

3.6 'Ownership' of Confidential Information

When considering the 'ownership' of confidential information it should be remembered that the law has refused to recognise a property right in information *per se*. As has been seen, for this reason it is not always appropriate to think of confidential information as a form of intellectual property. The practical effect of the law's refusal to treat confidential information as property is that it is not possible to deal with confidential information in the same way as 'other' IP rights - confidential information cannot be assigned. However, it is possible to license use of confidential information (as is the case with 'know-how' agreements). In effect, the law will enforce an agreement whereby one party agrees to share information with another party in return for payment of a licence fee. Similarly, although an employer will not, in a strict sense, own confidential information generated by an employee, the law will prevent the employee from revealing that information to a third party (but subject to important exceptions relating to mobility within the labour market, that is, 'restraint of trade').

3.7 Co-Ownership of Intellectual Property Rights

Implicit in much of what has been said above is that the law allows joint or co-ownership of intellectual property rights. It is important to appreciate the rights each co-owner will enjoy.

A patent can be co-owned, either on the basis that more than one inventor applied for the patent, or that the patent has been assigned to more than one owner. Co-owners can agree as to the shares of ownership of the patent. Importantly, a co-owner of a patent is entitled to exploit the patent

independently of the other co-owners but a co-owner of a patent cannot grant a licence or assign an interest in it without the consent of the other owners, subject to any contrary agreement. This is the case regardless of each party's respective shares in the patent. If the parties own unequal shares, there will be a presumption that the parties are responsible for paying maintenance fees in accordance with their shares. Generally, one co-owner can sue for infringement of the patent, but must join the other co-owners in the proceedings.

In copyright, co-ownership may come about in one of two ways – because of the joint creation of the work, or because an interest is assigned to more than one person or organisation. Joint authorship arises where the contributions of the authors are inseparable from each other, and subject to rules governing employee works, each joint author becomes a joint owner of copyright in the work. Generally, some contribution to the actual form and content of the copyright work (rather than the contribution of mere ideas) is required for a person to be considered an author. Absent any agreement to the contrary, joint owners will be presumed to own the copyright in equal shares, however, in exceptional cases a court might conclude that they hold the copyright in proportion with their contributions. It is therefore preferable if this issue is resolved contractually. Unlike with patents, a joint owner is not entitled to do the acts comprised in the copyright without the permission of the other joint owners. Further, although one joint owner can sue for infringement, he or she can only recover compensation in respect of so much of the copyright that he or she owns.

In contrast, when the contributions of two or more authors to a work are distinct from each other (for example, separate chapters of a collection where the authors of individual chapters are identified), the authors become co-authors of the resulting work and, subject to rules governing employee works, co-owners of the copyright in the work. Co-owners only have rights in respect of the part of the work that they actually own, and can therefore only sue for infringement and assign or license rights in respect of their part of the copyright work.

3.8 Further Issues

3.8.1 Overlapping Ownership

One general difficulty is that researchers are not infrequently employed by or have connections with a number of different entities. For example, it is not uncommon for an academic to be employed by a university and have some form of commercial relationship with a CRC. In a case where a researcher works for more than one organisation, that researcher may have entered into more than one contract in which it is stated that any IPRs arising out of work done by that researcher belong to the other contracting party. For example, a university may be entitled to IPRs created by an academic in the course of employment, but simultaneously, a CRC may be entitled to an assignment of IPRs created by the academic in the course of a CRC project.

In practice, it can be difficult, if not impossible, to determine where an academic's work for a university ends and his/her work for the CRC begins. Because this is an unusual state of affairs, there is a danger that standard form commercial contracts will not adequately resolve these issues. Nor, for reasons that are explored below, can these problems be resolved merely by parties agreeing with the research provider who is to own the IPRs. Thought therefore needs to be given to mechanisms capable of dealing with this unusual situation.

The most important first step is to have a procedure for identifying all of the parties who may be entitled to a share of any IPRs, and then to ensure that all of these parties reach agreement on ownership. In the absence of such agreement, an organisation may discover that some other party is entitled to a share of ownership, or even in some cases be liable for inducing a breach of contract. Careful thought also needs to be given to the formal legal structure of the entities with which parties are negotiating. In particular, difficulties may arise in respect of unincorporated CRCs.

3.8.2 'The Course of Employment'

Even if a contract stipulates that an employer owns the IPRs of an employee, this will only be the case if the employee is acting in pursuance of his or her contract of employment when creating the IP. In many cases it will be obvious that the work was made by an employee in circumstances where the employer is entitled to ownership. There are, however, some situations where determining ownership can be much more difficult. In particular, difficulties can arise where an employee creates a work or invention tangentially relevant to the employer's business outside of ordinary office hours. Similarly, problems can arise where the employee occupies a position within an organisation where the production of works or inventions is not to be expected. Alternatively, difficulties can arise where there is some doubt as to whether the individual in question is to be treated as an employee or an independent contractor / consultant.

There is no clear way of determining when a particular course of conduct will or will not be considered to be part of an employee's course of employment. In the patent and copyright context a number of factors have been taken into account by the courts in determining this, such as:

- the nature of the employee's position in regard to the business in which he or she is employed. For example, in some cases the courts have indicated that more senior employees are more likely to be treated as having made the work for the benefit of the employer;
- what the employee was engaged and instructed to do during the time of his or her employment, in particular whether the employee was directed to apply his or her mind for the purpose of devising anything in the nature of an invention or copyright material;
- the extent to which the invention or copyright material was created during ordinary working hours; and
- whether the inventor used the materials and facilities of his or her employer.

None of these factors is determinative, and the courts have indicated that this is not an exhaustive list of factors.

Further, there is no absolute means of determining when an inventor will be an employee as distinct from independent contractor / consultant. The courts have indicated that the following indicia will generally determine whether a party is an employee:

- an employee is paid by salary or wages;
- an employee represents himself or herself as an 'emanation' of the employer;
- an employer provides and maintains equipment for employees to use;
- an employer sets the hours of work and provision for leave;
- an employer is responsible for the deduction of income tax and the payment of superannuation contributions;
- an employer has the right to delegate work; and
- an employer has the right to dismiss the employee for misconduct.

3.8.3 Resolving Ownership through Contract: Difficulties and Pitfalls

As we have already indicated, it cannot be assumed that all issues relating to the ownership of IP can be resolved through contract. In particular, there are three key issues that need to be borne in mind:

- First, it must be remembered that the law imposes obligations as to the form of certain contracts dealing with ownership of IP rights. As noted above, the general rule is that contracts for assignment must be in writing and signed, but this is merely a rule of thumb, and it is important to be aware of the specific rules dealing with each of the forms of IP.

Copyright: an assignment of copyright (including for a work that has not yet come into existence) only has legal effect if it is in writing and signed by the assignor.

PBR: an assignment of a PBR (or of a PBR that has not yet come into existence – that is, in formal legal terms a right to apply for a PBR) only has legal effect if it is in writing and signed by both the assignor and the assignee. An assignment of a PBR should be recorded with the PBR Office.

Patents: an assignment of a patent (again, including a future invention) must be in writing and signed by or on behalf of both the assignor and assignee. An assignment of a patent should be recorded with IP Australia. An important consequence of failing to register is that the true owner cannot enforce its rights until registered.

Registered Trade Marks: there is no formal requirement that an assignment of a registered trade mark or an application for registration be in signed writing. However, assignments of registered trade marks and applications for registration must be recorded by IP Australia, and IP Australia requires documentary evidence of proof of the transfer of ownership. A certification trade mark can only be assigned with the consent of the ACCC. A collective trade mark cannot be assigned.

Confidential Information and Unregistered Trade Marks: it should be remembered that confidential information and unregistered trade marks cannot in a formal sense be assigned.

Agreements not complying with the above formalities: the above does not mean, however, that oral or unsigned agreements to assign are of no effect. The law has certain mechanisms to deal with a situation where the parties have failed to comply with legal formalities – the law will often treat agreements that do not comply with necessary formalities as binding in equity, and hence you may encounter reference to ‘equitable assignments’. It is important to emphasise, however, that the recognition of such ‘equitable assignments’ is by no means automatic and that even if there has been an ‘equitable assignment’, the rights obtained are far less certain and are liable to be overridden by a third party acting in good faith in relation to the property in question.

- Second, a party can only assign what the party actually owns. It is therefore essential that all of the persons entitled at law to a share in the ownership are included in any contractual negotiations. For example, an agreement between a university and an RDC to share ownership would not have the desired effect if the university is not entitled to negotiate on behalf of the researchers. This might occur if one of the researchers is a PhD student who is entitled to retain ownership of any IP rights. Similarly, it is possible that a researcher might be employed by the university but that the work or invention is made in the course of his / her course of employment with a CRC or other organisation.
- Third, in light of the above difficulties, there might be a temptation to attempt to determine in the contract who will be the ‘inventor’ / ‘author’. For example, a contract between an RDC and a university might state that it is only academic staff and not research students who are to be treated as ‘authors’ / ‘inventors’. Again, however, this term would not have the desired effect:
- the contract could not bind individuals not party to the agreement (for example the PhD student); and
- even as between parties to the contract, there is reason to believe that the issue of who is an author / inventor is not capable of being determined by contract. Rather, these questions are to be determined by law and it is only through assignments and licences that determination of questions of ownership can be effected by contract.

3.8.4 Renegotiation of Research Contracts

A final issue here is ensuring that a person renegotiating a research contract has authority to be able to do so. The general rule is that a person is entitled to assume that someone ‘held out’ by an organisation to negotiate on that organisation’s behalf has the authority to be able to do so. This is regardless of whether or not that person being ‘held out’ does in fact have actual authority to act on his or her organisation’s behalf. It is difficult to determine when a person will have been ‘held out’: the courts have established that no assertion by the purported agent him or herself will suffice, since the holding out must come from the organisation. It will thus depend in part on the position of the purported agent within the organisation, the nature and scope of the negotiations and the parties’ customary dealings. Only if a person has notice of the fact that the agent has not in fact been held out

by his or her company will any renegotiations undertaken by the purported agent not be binding on his or her company.

Because of the lack of certainty surrounding the concept of 'holding out', organisations need to have clear rules and procedures in place as to the right of research managers to renegotiate contracts and the point at which renegotiation needs to be formally approved by more senior management and/or the legal team.

4. Exploitation and Commercialisation of Intellectual Property

4.1 Introduction

In this section we turn to consider legal issues relating to the commercialisation of research in more detail. The legal issues arising out of commercialisation can be subdivided as follows:

- 1) There are a number of different paths by which research can be commercialised. Each of these paths or modes of commercialisation takes place against a backdrop of legal rules dealing with what type of entities enjoy legal personality (and thus can enter into contracts etc. in their own right), how ownership of company or partnership property is determined and divided (including when a company or partnership is wound up) and who has the power to act on behalf of a company or partnership.
- 2) Most modes of commercialisation are ultimately dependent on the transfer of property to another entity or granting to another entity the right to use the underlying intellectual property, that is, granting a licence. As was seen in the last section, the law places some controls on the form that an assignment or licence can take and these rules apply as much to the transfer of rights to a third party as they do to the transfer of rights between the creator and the 'first' owner of intellectual property rights.
- 3) The law has certain doctrines and provides certain rights that can 'trump' freedom of contract. These can be subdivided into three categories:
 - a) First, there are various common law rules that a Court can use to strike down a contract. These rules are particularly important as between the creator of intellectual property rights and the 'first' owner. Where a contract is struck down the contract of assignment *etc.* is set aside.
 - b) Secondly, there are various statutory regimes that provide protection for the creators of intellectual property rights, even in circumstances where the creator is not the owner. As was noted in the last section, Australian law has generally been reluctant to recognise such rights, but the position is changing. Most notably, recent amendments to the Copyright Act have seen the introduction of 'moral rights' for authors. Moral rights and related forms of protection overseas can have an important impact on the management and commercialisation of intellectual property rights.
 - c) Thirdly, there are situations in which competition law can be used to control how an owner of intellectual property deals with its rights. Unlike a and b, above, competition law chiefly applies as between the owner of the right and a third party and, in particular, where the third party is seeking a licence from the owner, but the owner has refused to grant a licence or has only offered a licence on terms that the third party regards as unreasonable. It should be noted at the outset that the relationship between intellectual property rights and competition law is inherently complex. At the heart of this complexity lies mutually incompatible starting points - competition law is principally concerned with control of monopoly power, intellectual property rights are designed to grant monopolies.
- 4) The other issue dealt with in this section is the relationship between decisions not to commercialise and intellectual property rights. Decisions not to commercialise raise two, quite different, sets of issues. First, a failure to *exploit* intellectual property rights can have legal consequences. Most dramatically, a failure to use a trade mark will result in its cancellation. Secondly, and more importantly, there is sometimes a danger that a decision *not to commercialise* is treated as a reason for ignoring questions of ownership - a potentially serious mistake.

Before turning to the above issues, however, it may be worth dwelling on certain principles of commercialisation.

4.2 Principles of Commercialisation

4.2.1 Introduction

In practice decisions about whether to commercialise and, if so, the mode of commercialisation to be adopted may be determined by range of factors. Nevertheless, there are basic principles that should be remembered when designing a commercialisation strategy.

4.2.2 Deciding whether commercialisation is appropriate

There is considerable pressure on organisations to commercialise their intellectual property, but thought always needs to be given to whether a research management strategy that places emphasis on commercialisation is appropriate for any given organisation. Having a viable commercialisation strategy can impose its own costs. Most obviously, it may be necessary to employ additional staff to run the commercialisation policy. In addition it is sometimes claimed that an emphasis on commercialisation can impact negatively on the research culture of an organisation. Some publicly funded organisations have also decided that it may not be appropriate to commercialise research where this would impose additional costs on primary stakeholders. However, even if an organisation decides that commercialisation will only *sometimes* be appropriate it will still need to take steps to ensure that commercialisation will be *possible* in those cases.

4.2.3 Ensuring that Commercialisation is Possible

Given that it is often impossible to predict in advance whether a particular research project will give rise to valuable intellectual property rights, even if an organisation decides that it will only pursue commercialisation on an *ad hoc* basis, research must be managed in such a way to ensure that it is capable of being protected in cases where this is deemed desirable.

Ensuring that rights are capable of being commercialised by the organisation in question involves two key considerations: (1) the organisation must ensure that it owns the research output in question (2) the organisation must ensure that intellectual property rights are not inadvertently lost. In particular, in the case of potentially patentable inventions procedures must be put in place to ensure that the opportunity to obtain a patent is not lost through prior publication. When thinking about prior publication it is also important to understand the limits of the newly introduced 'grace period'. Some attention has been given to recent changes to Australian law which mean that an inventor will not automatically destroy the novelty of an invention by publishing his or her results. The *Patents Act* now contains a grace period, that is, a period of twelve months after publication where the inventor's disclosure will not destroy novelty and during which a patent can be applied for successfully. There are two key problems which mean that a routine reliance on the grace period would be a mistake. First, it should be noted that many other countries do not have similar provisions (for example, there is no grace period under the European patent system) and hence publication will still destroy novelty elsewhere. Secondly, it should be noted that the grace period does not extend to exclude from the assessment of novelty other published research that also reveals the invention, even if such research builds upon the inventor's disclosure.

Organisations that wish to pursue a commercialisation strategy should establish procedures that identify, as early as possible, research that may be suitable for commercialisation. This will include intellectual property from planned research (which should be identified at pre-project stage). Invariably, unexpected research results will arise after a project has started. As such, it is also important to have in place reporting mechanisms and mechanisms to monitor the progress of research throughout the duration of a project.

4.3 Modes of Commercialisation

While the mode of commercialisation will often have to be decided on a case-by-case basis, it is possible to identify some general issues that are likely to impact upon the preferred mode of commercialisation.

4.3.1 Assignment

An assignment is a transfer of ownership of the IP. As a result of an assignment, the assignee stands in the shoes of the assignor and is entitled to deal with the IP as it pleases. Although an assignment may be for payment of a royalty (as well as for a fixed sum), the nature of the assignment means that if the assignee transfers the IP to a third party, that third party takes it free of the personal agreement to pay royalties. It is important to emphasise that an assignment does not have to be of the totality of the IP. In contrast with other types of property, IP can be partially assigned by reference to times, geographical territories and classes of conduct.

One potential problem with an assignment is that it will result in the assignor losing the ability to control how the research is used and developed, and hence the assignor will be unable to prevent the intellectual property from being exploited in a manner prejudicial to the interests of its stakeholders. An assignment will therefore generally be the preferred option only where the assignor can be confident that the interests of its stakeholders will not be adversely affected, and where the financial risk is such that a commercial partner could not reasonably be expected to agree to anything less than an outright assignment. Further, the assignor will not have any rights to seek a new partner should the assignee fail to exploit the research. However, parties are free to impose conditions in assignments as to reassignment in the event of certain circumstances.

In order to take effect an assignment must be in signed writing.

4.3.2 Exclusive licence

An exclusive licence authorises the licensee, to the exclusion of all other persons, *including* the person granting the licence, to exercise the rights which would otherwise be exercisable exclusively by the owner of the IP. As such an exclusive licence is in many respects similar to an assignment. The key difference between an assignment and an exclusive licence is one of *control*. An owner of IP who wishes to permit another to exploit the IP can retain better protection by giving an exclusive licence. This is primarily because an exclusive licence is conceptualised as an ongoing arrangement between the two parties and, as such, the licensor is seen as having an ongoing interest. As such, the rights of an exclusive licensee may be limited by terms implied into the ongoing contractual relationship between the parties. In contrast, an assignment is understood as an outright sale that, generally speaking, brings the assignor's interest in the property to an end. There are, in addition, certain technical legal differences between an exclusive licence and an assignment that mean that the exclusive licensee's rights are less certain than those of an assignee, and can be defeated at the hands of a *bona fide* purchaser. Moreover, an exclusive licensee, unlike an assignee, may not always be able to grant a sub-licence or transfer the benefit of the licence to a third party.

There are no formality requirements in Australia for exclusive licences. An exclusive licensee of a patent or copyright can sue infringers on its own initiative, but must join the owner of the IP as a party to the litigation (note that an action for infringement of a PBR may only be brought by the owner of the PBR).

In some cases, it may be appropriate for an IP owner to enter into an exclusive licence with a commercialising partner. Exclusive licences are generally attractive to commercial partners and may be attractive because they make the process of monitoring exploitation much less complicated. Where an exclusive licence is granted, it would normally be expected that the commercialising partner would pay a royalty or dividend for the use of the intellectual property. In addition, the commercialising partner would be expected to market, distribute and service this technology on terms that will safeguard the interests of stakeholders.

Common provisions in licence agreements relate to:

- 'granting back' IP rights in developments to the licensed technology;
- obligations to obtain regulatory and quality approvals;
- the licensor agreeing not to challenge the validity of the licensed technology;
- keeping licensed know-how confidential;
- auditing rights;
- responsibilities to enforce the licensed IP rights; and
- various warranties, indemnities and limitations on liability.

Normally, an exclusive licence will allow the IP owner to reserve the right to bring the licence to an end should the partner cease exploiting the research.

4.3.3 Non-exclusive licence

In other cases an owner of IP will enter into a non-exclusive licence arrangement with the partner responsible for commercialisation. Under a non-exclusive licence, the licensee has the rights to exploit the IP, but the licensor retains the rights to exploit the IP itself or to license other parties to do so. In general, the commercialising partner will pay a royalty, fee, or dividend in return for the right to use the research output.

4.3.4 Equity Owner

Instead of assigning or licensing the intellectual property rights for an initial licence fee and a royalty payment, an IP owner may consider taking an equity share in a licensee company or start-up firm. The primary advantage of this approach is that it offers the IP owner the possibility of maximising its revenue stream. It runs up against the problem, however, that it increases the IP owner risk.

4.3.5 Partnerships

Another mode of commercialisation is through a partnership with another company or organisation. Partnerships are regulated by State and Territory *Partnership Acts* throughout Australia. The legal effect of a partnership agreement is to create a separate legal structure sitting above the two commercialising parties. Partners owe each other a variety of obligations, including to share profits, provide each other with full information and to avoid conflicts of interest. The problem with partnership arrangements is that in many States and Territories the partners have unlimited legal liability and, in practice, the running of a partnership formed from two or more *legal* entities (ie companies) can be extremely complex. A partnership arrangement is therefore unlikely to be an attractive mechanism of commercialisation of IP. However, it is important to understand that there are situations in which the law will imply a partnership arrangement. The factors that will lead a court to imply a partnership are complex and are therefore not capable of being easily summarised, but it is clear that an agreement to share ownership of property or revenue streams from exploitation of property (including intellectual property) will not in and of itself be sufficient.

One area in which the law of partnerships is directly relevant is in relation to unincorporated CRCs. Such CRCs amount to partnerships at law and hence legal rules governing ownership of partnership property, authority to negotiate on behalf of the partnership and what happens to partnership property on dissolution are important.

4.4 Restrictions on Contractual Freedom 1: Common Law Rules

Generally speaking common law systems such as Australia and the United Kingdom are slow to refuse to enforce contractual obligations. There are, however, a small number of legal principles that will allow a court to set aside a contract and there may be circumstances in which these principles will come into play. The most important of these principles are: 'restraint of trade', 'undue influence' and 'economic duress'.

4.4.1 Restraint of Trade

One legal doctrine that has been employed to protect creators from disadvantageous contractual arrangements is the doctrine of 'restraint of trade'. This doctrine reflects a general policy of contract law that a person should be able to practise his or her trade. Contracts which restrict this right will be scrutinised by the courts to ensure they are justified, that is, the terms must be no more than such as are reasonably required to protect the legitimate interests of the person seeking to rely on the clause. A good example of where the restraint of trade doctrine might come into play is where a researcher is prevented from conducting research in a particular field after a period of employment comes to an end. It is often difficult to say in advance when, precisely, a clause will be deemed to be invalid. Generally speaking, however, a clause will be valid if it restricts a researcher from reutilising specific trade secrets or 'know how' but will be invalid if it seeks to prevent a researcher from using his or her 'general skill and knowledge'.

4.4.2 Undue Influence

If a disadvantageous bargain is the result of the exercise of undue influence the court may set the bargain aside. An extreme example would be where a creator assigned rights because of threats made by the assignee. However, the court's power to interfere extends beyond such extremes to all situations where a "person in a position of domination has used that position to obtain unfair advantage for himself, and so cause injury to the person relying on his authority or aid".

There must thus be two elements present for the principle of undue influence to come into play: first, there must be a relationship in which one person has influence over another; and secondly, there must be a manifestly disadvantageous transaction resulting from the exercise of that influence. If undue influence exists, any contract is voidable, and any rights assigned may be revested in the creator. Undue influence might be relevant if a postgraduate student were persuaded by a senior researcher to assign rights to, say, a CRC without provision being made for adequate financial remuneration - contracts entered by young and vulnerable creators without independent legal advice are particularly vulnerable. It seems, however, that since a contract entered into as a result of undue influence is voidable (as opposed to being automatically void), *bona fide* contractual dealings before avoidance will remain binding. This should protect an organisation that, for example, deals with a CRC in good faith, not realising that the CRC has only acquired title as a result of the exercise of undue influence.

4.4.3 Economic Duress

A third avenue for some creators might be to claim that a contract has been made in circumstances of *economic duress*. One scenario where this might occur is where a would be owner attempts to force an assignment of rights after the work, invention etc. has been created and supplied and where the assignment operates as a condition for being paid. Although it will always be a matter of construction, if (i) the original agreement is merely one of supply in return for payment, and (ii) the would be owner is in effect demanding the assignment of rights as an *additional* condition by threatening not to pay in accordance with the terms of the initial agreement, and (iii) the effect of the threat is to induce the assignment, a court may find there has been an exercise of economic duress and/or lack of consideration for the contractual variation, such that the creator may be able to get the transfer set aside. Much the same principles would apply if, say, a university attempted to force a PhD student to assign his or her rights after creation as a condition of continued supervision etc or a funding body attempted to force a PhD student to assign rights as a condition of continuing to provide an agreed scholarship. In short, it will not always be possible to correct what one party considers to be a contractual defect by that party using its financial power to force a transfer of ownership.

4.4.4 Contractual Interpretation

A fourth avenue which creators may attempt to use to avoid contractual arrangements is to argue that the contract should be interpreted in a restrictive way. Strictly speaking, of course, this is not a method of 'setting aside a contract', but as a practical matter this is a method by which creators may be able to avoid certain obligations. Such attempts are perhaps most likely to be successful where there is an attempt to exploit or disseminate intellectual property rights using new technologies. For example, a contract signed in 1919 by which the author Sir James Barrie granted Famous Players

Film Co “the sole and exclusive licence to produce [Peter Pan] in cinematograph or moving picture films” was held not to cover the making of cinematographic films which had soundtracks (“talkies”). The parties could not have anticipated use in relation to films with soundtracks since the technology was not available until 1923 and not commercially usable until 1927. It might well be possible for an author of a copyright work to raise a similar argument if an assignee of 'reproduction' rights in a copyright work wishes to make a work available online and the contract was entered into prior to use of the Internet becoming widespread.

More generally it should be remembered that according to Australian law, contracts are to be interpreted in the same way as any serious utterance would be interpreted in ordinary life: by ascertaining the meaning which the words would convey to a reasonable person having all the background knowledge which would reasonably be available to the parties in the situation in which they were at the time of the contract. The language of the document is understood against the background, and while that background will usually require the words be understood as bearing their ordinary meaning, the background may be such as to require that words be read in a different way or even ignored. In addition, in cases of ambiguity, courts in Australia will sometimes apply the so-called *contra proferentem* rule. The basis of this rule “is that a person who puts forward the wording of a proposed agreement may be assumed to have looked after his own interests, so that if the words leave room for doubt about whether he is intended to have a particular benefit, there is reason to suppose that he is not.” This so-called rule is often very weak, but it can have some force as part of an overall picture. That is particularly the case where one party is a large organisation with a knowledge of the market and financial ability to employ and obtain the best legal and other advice, and the other party is a small individual with very limited funds and knowledge. However, *its limitations must be emphasised*: it only applies where conventional rules of interpretation give rise to ambiguity, that is, where the document is open to more than one interpretation.

4.4.5 Implied terms

There are also situations where courts will imply terms into a contract. There are a number of situations where this might occur:

- where an unforeseen problem arises on which the express terms of the contract are silent, and one party argues that a term should be implied in order to resolve the problem;
- where custom or trade dictates that certain terms should be included; and
- due to the previous course of dealings between the parties.

The courts have stated that terms will be implied where these are "necessary for the reasonable or effective operation of the contract in the circumstances of the case". The five key criteria to be applied are:

- the term must be reasonable and equitable,
- it must be necessary to give business efficacy to the contract so that no term will be implied if the contract is effective without it
- it must be so obvious that “it goes without saying”,
- it must be capable of clear expression and
- it must not contradict any express term of the contract.

Further, in particular industries, courts are prepared to hold that by reason of custom or usage, there are certain terms that operate in trade contracts of which all parties are expected to know.

4.5 Restrictions on Contractual Freedom 2: Statutory Protection for Creators

It was seen in the first section that in addition to the proprietary aspects of intellectual property regimes, some intellectual property systems also provide protection for the creators of the work, invention etc. Such protection is often specifically intended to protect creators against employers and other 'first' owners of intellectual property rights. As has been noted, Australia has been slow to recognise such rights but the position is beginning to change.

4.5.1 Copyright and Moral Rights

In addition to the proprietary rights created by the *Copyright Act* (which as we have seen can be transferred), Australian law also gives creators of certain works moral rights. Moral rights (the term is derived from the French *droit moral*) are intended to protect an author's non-pecuniary or non-economic interests. Such rights have been included in the provisions of the leading international convention on copyright, The Berne Convention, since its 1928 revision. However, it is only recently that such rights have been given in Australia. It is important to emphasise that such rights continue to be exercisable by the author of the work even after copyright has been assigned and that moral rights themselves are not transferable other than on the author's death.

Australian law grants three moral rights:

- 1) The right to be named as the author when a work is copied or communicated to the public (the right of attribution). Any attribution must be clear and reasonably prominent.
- 2) The right to prevent false attribution, that is, the right to prevent attribution as author in relation to a work that the author did not create. Significantly, the right against false attribution will also arise where a work that has been substantially altered is dealt with as the unaltered work of an author - in such a case it needs to be made clear that the work has been changed.
- 3) The right to prevent derogatory treatment of the work (the right of integrity). This right applies where a work has been altered in such a way as to prejudice the author's honour or reputation. Because moral rights are a recent addition to Australian law, as yet we have little guidance on when an alteration will amount to a derogatory treatment.

Although rights moral rights cannot be assigned they can be 'waived', this means that authors can agree not to enforce them. Under Australian law such waivers can only be in relation to specific actions, a general waiver will not be enforceable.

Moral rights might be particularly important in a case where an organisation wishes to amalgamate a number of research reports and present this as the work of a group of researchers. In such a case the only safe course of action is to seek specific approval from all of the researchers involved.

As a final point it should be noted that other countries, particularly civil law countries such as France and Germany, provide authors with a greater range of much stronger moral rights.

4.5.2 Protection for Inventors

Australian law provides very little protection for inventors as creators. The only right enjoyed by inventors is the right to be named as such on the patent documentation, a right that is also found in most other countries. In contrast, certain other countries provide inventors with much greater protection. In particular, some countries provide inventors with the right to share in profits. Such a right is, for example, to be found under UK law, although the statutory right in question has been given a restrictive interpretation by the courts. Perhaps the most comprehensive system of protection for inventors is to be found under German law which includes, for example, a provision that allows an employee to take title of an invention that is not being exploited by his or her employer.

While protection for inventors overseas should cause few difficulties in the vast majority of cases, when dealing with exceptionally valuable inventions for which there is a worldwide market, the existence of such rights must be remembered.

4.6 Restrictions on Contractual Freedom 3: Competition Law

4.6.1 Overview

The restrictions on contractual freedom already considered focus primarily on the relationship between the creator of intellectual property and the owner of the intellectual property. There are, however, restrictions that operate as between the owner of intellectual property and the world at large. These restrictions are generally imposed by laws against anti-competitive conduct.

As has been seen, there is some tension between competition law and intellectual property laws. IP laws grant limited monopolies in certain subject matter, in particular giving owners of IPRs exclusive rights to exploit their IP or allow people or organisations of their choosing to exploit the IP. Competition law, on the other hand, aims to prevent conduct that restricts competition, such as the

ability of one party to restrict others from trading in a particular market. The most controversial area is when an owner of IPRs refuses to licence its technology, particular when that technology is highly unusual and may open up new product markets.

To understand this tension, and how the Commonwealth has attempted to resolve it, regard must be had to Part IV of the *Trade Practices Act 1974* (Cth). This Act prohibits certain anti-competitive conduct. The most important prohibitions for present purposes are:

- s 45: entering into a contract, arrangement or understanding that has the purpose or likely effect of substantially lessening competition in the relevant market.
- s 45A: entering into a contract, arrangement or understanding that has the purpose or likely effect of price fixing, without there needing to be a substantial lessening of competition in the relevant market (nb – for joint ventures for the supply of services, there must be a substantial lessening of competition).
- s 46 - misuse of market power: the prohibition applies if an organisation has a substantial degree of power in a market and uses that power for the purpose of eliminating or damaging a competitor, preventing the entry of a person into the market, or preventing any person from competing against the organisation.
- s 47: exclusive dealing. This captures a range of conduct, including:
 - the supply of goods or services on the basis that the recipient will not acquire similar goods from other suppliers;
 - the refusal to supply goods or services on the basis that the recipient has acquired similar goods from other suppliers,

where the effect of the arrangement is substantially to lessen competition.

Penalties for contravention of Part IV provisions are severe.

However, the Act also provides an exception to much of this conduct in section 51(3) in recognition of the exclusive rights granted to owners of IP. This provision states as that a person will not contravene sections 45, 45A and 47 in one of three situations:

- (a) imposing or giving effect to a condition in any of the following:
 - a licence granted by the proprietor, licensee, owner of or applicant for a patent,
 - a licence granted by the proprietor, licensee or owner of copyright,
 - an assignment of a patent or the right to apply for a patent, or
 - an assignment of copyright,to the extent that the condition relates to:
 - the invention to which the patent or application for a patent relates or articles made by the use of that invention;
 - the work or other subject matter in which the copyright subsists.
- (b) including, in a contract, arrangement or understanding authorising the use of a certification trade mark, a provision in accordance with rules applicable under the *Trade Marks Act*.
- (c) including, in a contract, arrangement or understanding between the registered proprietor of a trade mark (other than a certification trade mark) and a person registered as a registered user of that trade mark, a provision to the extent that the provision relates to the kinds, qualities or standards of goods bearing the mark that may be produced or supplied.

4.6.2 Examples of provisions falling within section 51(3)

The chief problem with section 51(3) is that it is not clear what sort of arrangements concerning IP licensing will fall within the exception. In particular, it is unclear whether the term ‘relates to’ in (a) and (c) is to be interpreted broadly or narrowly. It has been suggested that for patents and copyright, the owner of the IP has the ability in licence agreements or assignments to exercise control over price, quantity, quality, customers and territory. Some examples of provisions in commercialisation contracts that are likely to fall within the exception in section 51(3) are:

- mutual cross-licensing agreements between IP owners;
- licensing of ‘background IP’; and

- exclusive licensing of IP owned by a number of enterprises to an incorporated entity responsible for commercialising the IP.

In each case, it is likely that the relevant licence provisions would 'relate to' the patent or copyright material in question. In these cases, the provisions will not contravene the *Trade Practices Act*, even if they result in a substantial lessening of competition in the relevant market.

4.6.3 Examples of provisions falling outside section 51(3)

Other provisions in IP licence agreements may not 'relate to' the subject matter in which the IP exists, and thus fall outside the scope of section 51(3). Some examples are:

- Certain 'tying' provisions imposed by the IP owner in a licence agreement – for example, requiring a licensee to use with the licensed product another of the IP owner's products or a third party's products. For example, an obligation to purchase in conjunction with the sale of a GM herbicide resistant crop a particular brand of herbicide would be likely to fall foul of competition law. Even here, however, there are difficult cases at the margins - it is not easy, for example, to know how to treat provisions that make a warranty conditional on the use of a particular 'related' product.
- A provision that seeks to prevent the licensee from acquiring technology that competes with the licensed product.
- A restriction on the licensee developing its own technology.

Other provisions may not fall within the section 51(3) exception because of limitations in the wording of section 51(3). The provision does not cover all forms of IP: it does not cover Plant Breeder's Rights or unregistered trade marks. Licence agreements relating to such subject matter are therefore subject to the prohibitions in sections 45, 45A and 47. Further, section 51(3) does not cover future IP rights. Thus while the licensing of background IP will likely fall within the exception, the licensing of future IP will not. Similarly, licence agreements often contain 'grant back clauses', requiring the licensee to transfer ownership of any new developments of the licensed technology to the licensor. These provisions will be subject to sections 45, 45A and 47.

This is not to say that commercialisation agreements with provisions not covered by section 51(3) will raise competition issues. Section 45 and parts of section 47 both require that the purpose or effect of the agreement is that there be a substantial lessening of competition. This requires an assessment of a range of factors, including how the relevant 'market' is to be defined, the market share and market power of the owner of the IP, the barriers of entry to the market, the extent to which the arrangement keeps competitors out of the market and the length of time of the restriction.

4.6.4 Refusal to licence

An important issue that is not resolved by section 51(3) is the extent to which an owner of IP (other than Plant Breeder's Rights) may refuse to give access to that IP. The most common example is a refusal to license. In this situation, the question will be whether the refusal to do so constitutes a misuse of market power, in contravention to section 46. The key issue here is the extent to which IP rights themselves confer market power on the owners of the IP. The present position in Australia is that IP rights alone do not do so, in part because the relevant market will always be broader than the market for the invention or copyright material the subject of the IP rights. Another factor is that the requirement the owner of market power act 'take advantage' of that power has been interpreted strictly: where an organisation enjoys a natural monopoly (for example, through technological factors or by legislation) and decides to refuse supply to a particular person, the courts have held that the corporation does not necessarily take advantage of its market power.

In respect of Plant Breeder's Rights, section 19 of the *Plant Breeder's Rights Act* requires owners of PBR to 'ensure reasonable public access to that plant variety', that is, at reasonable prices and to meet public demand. If the owner fails to do so, the Secretary of the Department of Agriculture, Fisheries and Forestry may license a person to exploit the PBR on the terms the Secretary considers would be granted in the normal course of business.

4.6.5 The role of the ACCC

The ACCC is chiefly responsible for taking action to enforce contraventions of Part IV of the *Trade Practices Act*. It can also, on the application of parties, authorise certain conduct that would otherwise be in breach of sections 45, 45A and 47.

The ACCC has been asked by the Federal Government to issue guidelines that outline the application of Part IV to intellectual property. The Federal Government has suggested that these guidelines should provide sufficient direction to owners of IP rights to clarify the types of provisions likely to result in a substantial lessening of competition.

4.7 Decisions Not to Exploit or Commercialise: Impact on Intellectual Property

Even if it is decided that a particular research output should not be commercialised, thought should still be given to intellectual property related issues. One issue that needs to be considered is what impact a decision not to *exploit* will have on any intellectual property rights that are already owned. Non exploitation can have important legal consequences. For example, a trade mark becomes liable to be revoked where there has been no use of the mark for a period of three years (or five years after first grant). While patents cannot be revoked for non use in the same way, some patent systems contain compulsory licence provisions in respect of inventions that are not being worked (for instance, such provisions exist in both Australia and the United Kingdom). A second issue that should be considered is what steps should be taken in the event a decision not to *commercialise* is taken. In particular, where the research output is of a type or in a field that might allow for the grant of a patent, thought should be given to placing research outputs in the public domain in such a way that fully discloses the research. This will prevent third parties from procuring a monopoly over any substantially identical outcome. A third, more amorphous, consideration is that a decision *not to commercialise* can lead to inattentiveness towards issues of ownership which can be a problem if another party then decides it wishes to monopolise research outputs.

5. Enforcing Intellectual Property Rights and Related Issues

5.1 Introduction

In this fourth section we consider two key issues, namely, the steps that can be taken to ensure that Intellectual Property Registers are accurate and the enforcement of intellectual property rights. We begin by considering issues relating to enforcement. This involves consideration of a number of related issues:

- 1) Thought needs to be given to the methods by which intellectual property rights can be enforced. It is widely accepted that litigation should normally only be used as a last resort. We therefore begin by considering what other steps can be taken to enforce intellectual property rights. This in turn involves considering the benefits and pitfalls of extrajudicial forms of dispute resolution and the practical steps that can be taken in order to bring pressure on an individual or organisation.
- 2) Deciding whether to pursue an action for infringement is ultimately a commercial decision, but there are a number of factors that ought to inform such a decision. Most obviously, consideration needs to be given to the likelihood of success and the cost of proceeding. In addition, thought should be given to what results can be expected from a successful action, other risks that attach to intellectual property litigation (in particular, that in the case of registered forms of intellectual property the defendant will normally attempt to have the right in question revoked) and the risks that can attach to not bringing an action (which are more significant than is sometimes appreciated).
- 3) More generally, an understanding of the processes by which rights can be enforced, including an understanding of what bringing an action for infringement will entail, can increase confidence when dealing with potential infringers and this can in turn make disputes less likely.

5.2 Methods of Resolving Disputes

5.2.1 Direct Contact

In cases where infringement is suspected a logical first step might seem to be to contact the suspected infringer in order to obtain further details and to attempt to resolve the matter directly. There are, however, good reasons for avoiding contact of this kind. First, as will be discussed in detail in the next section, there are statutory provisions that prohibit the issuing of groundless threats in relation to intellectual property rights. Uncertainty surrounding what amounts to a threat and the serious consequences that can flow from a mistaken threat to sue (and, as will be seen, these can arise even if the threat was made in good faith) mean that it is usually wise to let your legal representatives make the initial contact. Secondly, direct contact between the parties can often cause friction and lead the parties to harden their positions, thus making a settlement (such as an agreement to pay royalties) harder to achieve.

5.2.2 Extrajudicial Methods of Resolving Disputes

There are a number of methods of dispute resolution that do not involve litigation. The two most relevant are arbitration and mediation. It is important to emphasise that although arbitration and mediation are often conflated in common parlance they are fundamentally different processes.

(a) Arbitration

Arbitration is in many respects very similar to litigation. It is a process where a dispute between parties is referred to be determined by an accredited arbitrator, rather than a court of law. It is a highly formal process, regulated throughout Australia by uniform legislation. Parties to an arbitration must present evidence and argue their cases before the arbitrator, and the arbitrator must decide the dispute in a judicial manner, that is, by observing the ordinary rules of procedural fairness and evidence. The arbitrator's decision is called an 'award' and is binding on the parties to the arbitration.

Parties generally agree, either in advance or once a dispute has arisen, to refer disputes to arbitration. Care must be taken in drafting arbitration agreements to ensure that they reflect the desires of the parties – many licence agreements contain clauses requiring the parties to submit to arbitration in the event of a dispute, whereas the parties might wish only to mediate their disputes (see below).

The arbitration process is often set out in detail in a licence agreement. In the event of a dispute, one party sends a notice of dispute to the other. If the dispute is not resolved, the parties will then appoint an arbitrator (or if they cannot agree, an organisation such as the Australian Commercial Disputes Centre or a Court will nominate an arbitrator). The parties then attend a Preliminary Conference with the arbitrator, in which the arbitration process is explained and issues such as fees and time limits for the submission of evidence are discussed. From this stage, the arbitration process resembles litigation – one party puts on its Points of Claim, the other puts on its Points of Defence; both parties support their positions by written evidence; the parties then attend the Hearing where parties may give oral evidence or rely on written evidence. The arbitrator then makes the award, giving reasons. An award may be enforced by the Court in the same manner as a judgment of the Court. The parties have the right to appeal the award to a Court on any question of law.

While the arbitration process is less formal than Court proceedings, given that the parties can choose the arbitrator and that the arbitrator has greater flexibility in the manner of conducting the arbitration, it has its limitations for IP owners. The arbitration process is slow, and can be delayed by an unwilling participant at various stages. An arbitrator does not have the same degree of power as a judge, and matters such as time limits for the submission of evidence can therefore be abused. Further, it is often very difficult to abandon arbitration proceedings. If an IP owner attempts to commence Court proceedings in respect of the dispute that the parties have agreed to submit to arbitration, the other party can ask the Court to stay these proceedings. While the arbitration process is less expensive than litigation, parties are required to go to significant expense in gathering evidence and attending the Hearing, and since arbitral awards are frequently appealed, the arbitration process may ultimately be very costly.

(b) Mediation

A second, perhaps preferable, method of resolving disputes is through mediation. This is an informal process where the parties agree to meet and discuss their concerns before a mediator (who is either a party accredited by a professional body or merely a private party holding him or herself out as having mediation experience). The mediator is neutral and impartial. He or she has no power to make a decision that binds the parties or to make a determination on the merits of the parties' dispute. Rather, the mediator's role is to isolate issues and facilitate discussion between the parties so that they can resolve the dispute themselves.

Mediation is generally private, and mediators are bound by obligations of confidentiality. Further, negotiations in a mediation are generally without prejudice to the positions that the parties have taken or may take in pending or future court proceedings. Parties are therefore encouraged to speak and negotiate frankly. Unlike court proceedings, a mediation can generally be arranged quickly, for however long and wherever the parties choose, and the major expense to the parties is the mediator's fee.

Parties can agree contractually that in the event of a dispute arising between them, they will follow certain procedures, including agreeing to submit to mediation. However, as with some arbitration clauses, the enforceability of some mediation clauses is still uncertain and care needs to be taken in their drafting. Alternatively, the Federal Court has power to refer court proceedings to mediation with the parties' consent. Mediation is particularly useful in the IP context if the parties are in an ongoing relationship, for example, as a licensor of IP and a licensee. Often, disputes between such parties relate to the interpretation of terms of the IP licence agreement, which may be more easily resolved through discussion rather than litigation, particularly where the parties have to maintain a continuing working relationship.

5.2.3 Self Help Remedies

Another alternative to bringing legal action can be to use a self-help remedy. Such remedies fall into two categories. First, provision is made in the Copyright and Trade Mark acts such that an owner may notify the Chief Executive Officer of Customs in order to arrange for infringing items that are being imported to be seized. The legislation makes detailed provision as regards the procedure to be followed and customs may insist that the owner deposit a sum of money in order to reimburse the Commonwealth for expenses incurred as a result of the seizure. It should be noted that in Australia there is not a more general right to seize infringing articles at the point of sale in as is found in the legislation of certain other countries - provisions that are designed to deal with market traders. Self help remedies for copyright and trade mark infringement of this first type are likely to be important only in rare circumstances.

5.3 Bringing an Action: Procedure, Costs and Risks

5.3.1 Who May Sue

An action may be brought by the original owner of the intellectual property right, or by a person to whom the right has been assigned (subject to the comments below), or to whom an exclusive licence has been granted. As has been seen, an 'exclusive licence' is a licence that authorises the licensee to the exclusion of all other persons, including the grantor of the licence, to exercise a right which would otherwise be exercisable exclusively by the owner of the copyright. In some cases, it will be found that an infringement gives rise to concurrent rights of action by the copyright owner and an exclusive licensee. An exclusive licensee of a patent or copyright can sue infringers on its own initiative, but must join the owner of the patent or copyright as a party to the litigation. An action for infringement of a PBR may only be brought by the owner of the PBR.

It should be noted that under the *Patents Act*, the 'patentee' or exclusive licensee has the right to sue. A 'patentee' is defined under the Act as the person for the time being entered in the Register as the grantee or proprietor of a patent. This means that before commencing patent infringement proceedings, applicants should ensure that the correct party is listed as the owner of the patent on the Register.

5.3.2 Liability for Infringement: General

Who is liable for infringement of intellectual property rights? Generally speaking the legislation provides that intellectual property rights are infringed by any person who, without the licence of the owner thereof, does, or authorises another person to do, any of the restricted acts. The rights of the intellectual property owner and actions that infringe are therefore two sides of the same coin. There are circumstances in which ascertaining whether a particular act falls within one of the exclusive rights of the owner can be a complex matter. Generally speaking, however:

- Copyright will be infringed if the owner copies or communicates to the public a substantial part of the work (a low threshold), except in cases where the defendant can bring itself within one of a number of specific exceptions (such as fair dealing for the purposes of research or private study).
- Trade marks will be infringed if the defendant affixes the mark to goods, or uses the mark in relation to services or in advertisements, business letters etc.
- An action for breach of confidence (misuse of trade secrets) will lie where information is communicated to a third party without consent.
- Patent infringement occurs when the defendant 'works' the invention, for example, by making the patented product, or by using a patented process.
- Plant variety rights are infringed where the defendant produces, reproduces or sells, imports or exports the propagating material or where the person uses the name of a registered variety in relation to 'any other plant variety in the same plant class' or 'a plant of any other variety of the same plant class.'

5.3.3 Liability for Infringement: Employers

It is important to emphasise that the general rule that an employer will be vicariously liable when an employee commits a wrongful act in the course of their employment applies to infringement of intellectual property rights. It would therefore be normal to bring an action against the organisation concerned, rather than against particular individuals, but there are exceptions to this.

5.3.4 Time Limits

Delay in bringing proceedings may lead to an action for infringement being 'barred', either under statutory provisions or equitable principles. For example, an action for infringement of copyright must be commenced within six years of the infringement taking place. Similarly, in the case of patents the action must commence within six years of the infringement taking place or three years from when the patent was granted - whichever period ends later. Once begun within the requisite period, however, proceedings will only be struck out for want of prosecution if there is real prejudice to the defendant, as well as inordinate delay.

5.3.5 Obtaining Legal Representation

IP litigation is highly specialised, and care should be taken to retain legal practitioners with appropriate expertise in IP litigation, as distinct from commercial drafting alone, even if this involves retaining different firms. Further, even amongst larger commercial law firms, levels of fees differ greatly. Attention should be paid at the outset to the charging structures both of particular firms as a whole and also to the practitioners within those firms who would have carriage of the litigation. These factors could have significant costs implications for the running of the litigation. A good method of obtaining advice about appropriate legal representation is to ask other organisations as to their experiences.

5.3.6 Obtaining and Preserving Evidence

(a) Generally

A potentially important source of evidence derives from the fact that owners are able to obtain a court order requiring a person to reveal information relevant to the action. This may include the names and addresses of relevant parties, the dates and quantities of importation, and the source of goods or materials.

Orders for discovery are particularly useful in that they enable right holders to obtain access to documents in the possession or control of the other parties to the litigation. These orders are strictly regulated by the courts and it is a contempt of court not to comply with them. The discovery process may enable rights owners to locate working documents showing evidence of infringement, determine the number of infringing documents or articles and to trace the channels through which infringing goods are distributed. The process is of great value in determining the strength of a party's claims.

It should also be noted that in proceedings for infringement of a patent or a PBR, the defendant will generally cross-claim for revocation of the patent or PBR. In anticipation of such an event, it is therefore recommended that an IP owner maintain files of all documents relevant to the grant of the patent or PBR, including test results and the names of the inventors and parties that worked on the project leading to the grant of the patent or PBR. In many cases, this information is lost, which makes it more difficult for IP owners to defend cross-claims for revocation in infringement proceedings.

(b) 'Anton Pillar' Orders

To enable intellectual property right owners to preserve evidence prior to trial the courts have developed the so-called *Anton Pillar* order. In essence an *Anton Pillar* order is a search order that permits a plaintiff (and their solicitor) to inspect the defendant's premises and to seize or copy any information that is relevant to the alleged infringement. Applications for search orders are made to a judge. As the order aims to ensure that evidence is not destroyed, the application is made without giving notice to the other party. Given the potentially draconian nature of such a 'search' order, they will only be made if the matter is urgent or otherwise desirable in the interests of justice. Before an order will be granted, the courts require plaintiffs to show that they have an extremely strong *prima facie* case of infringement and that the potential damage to them is very serious. The plaintiff must

also provide clear evidence that the defendant has incriminating material in its possession and that there is a real possibility that the evidence will be destroyed. The search order is subject to a number of procedural safeguards. Failure to comply with an order is a contempt of court, which may result in imprisonment or a fine.

5.3.7 Presumptions

Because defendants can, and deliberately do, prolong proceedings by forcing plaintiffs to prove their title, that is, their ownership of the intellectual property in question, the legislation provides that certain matters relating are to be presumed to be correct until the contrary is proved. In particular:

- In relation to copyright works apparently published under the name of the author there is a presumption that the person named is in fact the author and that the author is the first owner of copyright. (But remember this is only a presumption and that it can be defeated, for example, by showing that the work was made in the course of employment such that the employer is the first owner of copyright).
- In relation to registered forms of intellectual property there is a general presumption that the registered owner was entitled to apply for the right in question.

5.3.8 Costs and Risks

(a) General

We noted at the outset that deciding whether to pursue an organisation or an individual that appears to be infringing your intellectual property rights is ultimately a commercial decision. Consequently, such a decision needs to be made in light of the costs and other risks associated with bringing an action for infringement. Equally, however, thought needs to be given to the risks associated with not pursuing infringers - risks that are sometimes ignored. When considering whether to bring an action it must also be remembered that obtaining legal advice, sending letters of demand etc. does not commit the potential plaintiff to proceeding to trial. It may sometimes be appropriate to decide at a particular point to proceed no further. For example, plaintiffs often decide not to proceed if an interlocutory injunction is refused (that is, an order made prior to the final determination of the dispute that prevents the defendant from behaving in a particular way - see below for a more detailed discussion).

(b) Costs and Risks Associated with Bringing Litigation

The costs of running litigation to enforce infringement of IP are substantial. For example, an action for infringement of a patent in the Federal Court (which will invariably involve meeting a cross-claim for revocation of the patent) will cost in the order of \$250,000. Actions for infringement of copyright or a trade mark are generally not as costly, but often exceed \$100,000. These costs increase if there is an appeal from the decision of the Federal Court. Even though the Court will generally order that the successful party's costs be paid for, only rarely does this mean that successfully parties recoup all of their costs. Generally, successful litigants in the Federal Court recoup between 50% - 70% of their actual expenses. Further, Federal Court litigation is a slow process – patent infringement proceedings, depending on their complexity, may last several years from commencement to judgment.

It will therefore be, in part, a commercial decision as to whether the potential benefits of bringing litigation to enforce IP rights outweigh the costs involved. Litigation is more likely to be an option if the IP involved is especially valuable, the argument in favour of infringement is strong and the potential recoverable damages are high. In other cases, for example involving disputes between a licensor and a licensee, alternative dispute resolution such as mediation may be more cost effective and less risky. Other issues may impact on the decision to litigate. If action is taken to enforce a patent or a PBR that is close to expiry, by the time a Court decides that the patent or PBR has been infringed, the subject matter may have entered the public domain, thus potentially affecting the damages recoverable. Finally, the political risks involved in an organisation bringing litigation, given the considerable costs involved and the inherent uncertainties as to outcome, should not be discounted.

(c) Risks Associated with Not Proceeding Against Infringers

Risks associated with a decision not to pursue an infringer fall into two categories. First, there is the danger that the owner will obtain a reputation as an organisation that is reluctant to enforce its rights. This may well embolden the potential defendant and others to ignore the owner's claims to intellectual property protection in the future. In contrast, potential defendants may choose to steer clear of organisations that are known to pursue infringers aggressively.

Secondly, certain undesirable legal consequences may flow from a decision not to enforce intellectual property rights. Most dramatically, a failure to enforce certain types of intellectual property may result in the right being lost. In particular, a failure to enforce a confidentiality agreement may result in the protected information losing its 'secret' quality, thereby destroying the protected subject matter. Similarly, a failure to enforce trade mark rights may result in the mark becoming 'generic', that is, being seen by consumers as a description of goods or services in general, rather than being seen as an indication of the trade origin of the goods or services. In such a case trade mark protection will be lost.

5.4 Civil Remedies

We now turn to consider the various forms of relief or remedy that a successful plaintiff can obtain. Generally speaking, in actions for infringement of IP rights the remedies available are the same as for interference with any other property right. Thus possible forms of relief include an award of damages, a grant of an injunction, and an account of profits.

5.4.1 Interlocutory Injunctions

Perhaps the most important and frequently sought remedy in intellectual property actions is an 'interlocutory injunction' – an order that the defendant stop infringing immediately. Such an order can only be granted if the matter is urgent and if it is otherwise desirable in the interests of justice. Violation of an injunction amounts to a contempt of court and can result in fines, sequestration orders or imprisonment.

Because the basis of the grant of relief is that the matter is urgent, such applications are necessarily disposed of quickly and usually on the basis of sworn written evidence which has not been subjected to cross-examination. Consequently, there is the real possibility that the tribunal's view at this interim stage will differ from the result when matters are aired fully at trial. Courts are therefore keen to ensure that when granting interlocutory relief they do so in a way that minimises irreparable consequences to the parties that derive from hasty views of the merits which in the end turn out to have been erroneous. *Normally, therefore, the plaintiff will be required to give an indemnity concerning damages which may result from failure to establish infringement at trial.* Not surprisingly, then, the courts are caught in a tension between whether to examine the issues raised as far as possible so as to ensure the interim decision is as close to the ultimate decision as possible; and whether to ignore the legal issues, since the evidence is necessarily inadequate, and focus largely on minimising the injustices that will ensue from incorrect preliminary intervention. Inevitably, there is debate about whether the existing law adequately reconciles the competing aims that a decision be as "speedy" as possible and as "correct" as possible.

Applications for interlocutory injunctions in Australia are usually to be assessed according to the approach set out by the House of Lords in the *American Cyanamid* case. Under this it is only necessary for the plaintiff to demonstrate a serious question to be tried: there is no need to establish a '*prima facie case*' or a probability of success. Once the plaintiff has established that its case is not frivolous, the court looks to the 'balance of convenience'. This involves detailed consideration of whether damages would satisfy a plaintiff if interlocutory relief were refused, or the defendant if interlocutory relief were granted, and the ability of the parties to pay such compensation.

5.4.2 Final Injunctions

A final or 'perpetual' injunction is usually granted to an intellectual property owner *who at trial* (that is, following the determination of the case by a judge who will review all the evidence thoroughly) proves that its rights have been infringed by the defendant. The effect of such an injunction is to order the defendant not to carry on with certain activities, and hence it is directed at the future (whereas the financial remedies, considered below, operate in relation to past acts). The injunction is a discretionary remedy and while such an order will normally be made it is not granted automatically.

The decision whether or not to grant an injunction will usually depend on the facts of the case. Nevertheless, the courts have indicated a few of the circumstances in which an injunction might be refused: where the infringement is trivial and can be estimated in money and adequately compensated by money and an injunction would be oppressive on the defendant; or where a plaintiff is only interested in money; or where the plaintiff's action is vexatious; or where the infringing act is old and there is no future threat.

5.4.3 Financial Remedies

At the final determination of an infringement action, a plaintiff will usually seek some sort of financial remedy. Typically, these may be of three sorts:

- first, damages which are intended to compensate a copyright owner;
- second, restitutionary remedies which are intended to deprive the infringer of profits wrongfully gained; and
- third, 'further damages', that is, damages over and above the amount to cover the loss suffered may be awarded in certain circumstances.

(a) Damages in Infringement Actions

As to past infringements, the most usual remedy is for compensation in damages. The damages recoverable are the same as with other torts, the aim being to restore the victim to the position he or she would have been in if no wrong had been done (not to punish the defendant). It is for the plaintiff to prove the loss, though this is not a matter of scientific precision. It is normally said that the usual measure of damages is 'the depreciation caused by the infringement of the value of the intellectual property right' but this test has also been criticised as providing little practical assistance. It is therefore common practice to calculate damages by reference to the licence fee that the owner would have been able to charge, but such an approach can itself be highly artificial and is not appropriate in every case.

(b) Account of Profits

Rather than claiming damages a plaintiff may elect for an 'account of profits'. An accounting of profits is an equitable remedy by which a defendant is deprived of any profits actually made by the defendant through his infringement of the intellectual property right. In calculating the profits, normal accounting principles are applied so that the costs normally attributable to the business in question are deducted from gross receipts. It is an alternative financial remedy to damages and cannot be claimed in addition (even in circumstances where the loss to the plaintiff and profit to the defendant are unrelated so that cumulation of the two remedies would not result in double liability). In addition, because of its historical origins, the remedy is 'discretionary', so even if a plaintiff wishes to elect for an account, the court may refuse it.

(c) 'Further' Damages

Damages additional to those discussed above may also be awarded in respect of infringement of IP rights. For example, under the *Copyright Act*, the court may award such additional damages as it sees appropriate having regard to the following factors:

- the flagrancy of the infringement;
- the need to deter similar infringements of copyright;
- the conduct of the defendant after being informed of the alleged infringement;
- whether the infringement involved the conversion of a work or other subject-matter from hardcopy or analog form into a digital or other electronic machine-readable form; and
- any benefit shown to have accrued to the defendant by reason of the infringement.

Further, the Court has inherent power to award 'aggravated' damages (to compensate the plaintiff for injury to its feelings caused by the defendant's conduct) or 'exemplary' damages (to punish the defendant for acting with outrageous disregard for the plaintiff's rights and to demonstrate the Court's disapproval of such conduct). These are rarely awarded in the IP context.

5.4.4 Delivery up of Infringing Articles

In addition to an injunction and financial remedy, the owner may apply to the court for an order that the infringing articles be delivered up. Such an order can provide an important degree of assurance that the infringing activity will come to an end.

5.5 Criminal Offences

5.5.1 Introduction

In modern times, intellectual property rights have been enforced by civil rather than criminal actions. In general, there was little demand for criminal prosecution, with rights-holders preferring the lower standard of proof associated with the civil law. Recently, however, there has been increased interest in use of existing criminal liabilities and lobbying effort to expand the scope of such liabilities and to increase sanctions. The benefits of pursuing a criminal action are partly that it provides a remedy in cases where the infringer may well be impecunious, but also the publicity that a criminal trial can attract and the deterrence effect of the sanction.

5.5.2 Offences and Penalties

Offences and penalties vary considerably as between different forms of intellectual property:

- In the case of copyright it is an offence to make a copy of a work or to sell or rent or import a copy of a work 'knowing or having reason to believe' that the copy infringes copyright. The penalty on conviction is a fine of up to 850 penalty points (at present, \$93,500) and / or 5 years imprisonment.
- In relation to registered trade marks it is an offence to falsely apply a trade mark to goods or offer services under a mark 'knowing that the trade mark is registered or reckless as to whether or not the mark is registered'. It is also an offence to intentionally sell or otherwise deal in the course of trade with goods that have been falsely marked. The penalty on conviction is a fine of up to 500 penalty points (at present, \$55,000) and / or 2 years imprisonment.
- In relation to plant breeder's rights it is an offence of strict liability (that is, there is no need to prove intent, recklessness etc.) to produce, reproduce or sell, import or export the propagating material. The penalty on conviction is a fine of up to 500 penalty points (at present, \$55,000). Note that the criminal offences do not apply to the misuse of the registered name of a variety.
- In relation to patents it is a criminal offence to falsely represent that an invention has been patented (for which there is a fine of \$6,000), but criminal offences do not apply more generally to patent infringement.
- Generally speaking, misuse of confidential information / trade secrets will not attract a criminal sanction in Australia. The position is different in many other countries.

5.5.3 Criminal Procedure and Use of the Criminal Provisions

It must be emphasised that criminal liability is in no sense confined to those normally considered to be 'pirates' and right owners are increasingly choosing to use the criminal route to pursue infringers in cases of commercial disputes. This use of criminal proceedings is proving controversial because there is concern that defendants who believe they have a strong case and who would be willing to challenge vigorously civil proceedings will capitulate when faced with the threat of criminal conviction. The threat of criminal conviction might prove to be a potentially useful weapon, particularly in relation to plant breeders' rights where the offences are general and of strict liability, but there might be a not inconsiderable political risk attached to employing the criminal provisions.

If an organisation were interested in bringing criminal proceedings it could do so either by seeking the assistance of the police, which may be advantageous because the police may obtain a search warrant and police action carries a significant social stigma or (perhaps more realistically) by bringing a private prosecution. It should be noted that even in the latter case, however, there are provisions that would allow Government to intervene. For example, Section 9 of the *Director of Public Prosecutions Act 1986* (NSW) gives the Director power to take over a prosecution commenced by another and either carry on proceedings or decline to proceed further.

5.6 Ensuring the Accuracy of IP Portfolios

5.6.1 Introduction

It is highly important that any portfolio of IP owned by an organisation is kept accurate. There are numerous problems with maintaining an inaccurate portfolio of IP. Clearly, it will have financial consequences as regards the valuation of the assets of an organisation. Perhaps more importantly, there are also increased transaction costs in handling 'non-existent' IP or IP that has no commercial potential. Rectifying errors in the recording of IP can also be time consuming. It should be emphasised at the outset, however, that there is no easy answer to the problems of maintaining an accurate register, but organisations should at least have a clear sense of what 'accuracy' in this context means.

5.6.2 Accurate as to what?

In this context, the 'accuracy' of an IP portfolio refers to various factors:

- First, it refers to the *content* of a portfolio. This is more complex than ensuring that details of registered IP are correctly recorded (a simple, yet still fundamental matter). For example, confidential information may be listed, although care must be taken to ensure that the listing refers to information that is actually confidential. Similarly, although copyright works may be listed, there is likely to be vast range of material in which copyright subsists, but which has no commercial value.
- Secondly, *ownership* details must be kept accurate. This is vital to ensure that the correct parties enter into contractual arrangements in respect of the IP. It is also important, as indicated above, for the purposes of commencing patent infringement proceedings.
- Thirdly, *renewal* details must be accurately maintained. These details should refer both to renewal dates and to fees. This is especially important in the international context, where renewal details may well differ from those in Australia.
- Fourthly, *special issues* affecting international IP should be recorded. For example, valuable copyright works should be registered in the US (see page 15). Similarly, there is a requirement of periodic proof of use of trade marks under US law that is not formally connected with renewal.
- Finally, *differing standards* of protection should be kept in mind when drawing up IP registers. The most important of these relates to the various standards for protection of databases in Australia, the EU and the US.

It is important to emphasise that the mere fact that something is listed in an IP portfolio does not mean that it has value and there is widespread concern about the 'padding' of intellectual property portfolios. As has already been suggested, particular problems can arise in relation to:

- The listing of confidential information that is briefly described and listed without giving any indication as to how it is being used.
- The listing of copyright works which have little or no commercial potential;
- The listing of innovation patents that have not been examined.

5.6.3 Miscellaneous Issues

A rather different aspect of the maintenance of IP portfolios is ensuring that only intellectual property rights that are 'wanted' by the organisation in question are kept on the register. In the commercial context there is often talk of the need to consolidate IP registers by seeking a buyer for rights (particularly patents) that an organisation has no interest in exploiting.

It is also normally said that the IP portfolio should be cross-linked with the contracts database so as to provide an early indication of what new rights are likely to arise and hence need to be added to the IP register.

6 Liability Issues

6.1 Introduction

In this final section, we will look at the ways in which organisations may expose themselves to liability for their conduct, and what steps may be taken to limit such liability. This involves an appreciation of more than liability under intellectual property law regimes. It also involves looking at areas of tort law such as negligence and nuisance, various aspects of contract law, legislation such as the *Trade Practices Act*, and other legal standards. We consider:

- Threats actions for infringement of IP rights
- Liability for information products (databases etc); GM crops / traditional varieties
- Disclaimers and other ways of limiting liability
- Liability issues and relationships with commercial partners
- Liability for transnational marketing
- The sweeping consequences of *Perre v Apand* and *Dovuro v Wilkins*

6.2 Threats actions for infringement of Statutory Intellectual Property rights

As indicated in Section 4, organisations should be careful in confronting alleged infringers of IP directly because doing so may expose them to actions for groundless threats of infringement of IP rights.

6.2.1 Trade Marks, Patents and Copyright

The *Trade Marks Act*, *Patents Act* and *Copyright Act* each make provision for groundless threats. Under each Act, if a person threatens to bring an action (ie, proceedings for infringement of the registered trade mark, patent or copyright) against another person, any person aggrieved by the threat may apply to the court against the person making the threat. These provisions were introduced because it was recognised that the cost and burden of intellectual property litigation means that the mere threat of litigation has the potential to act as a potent commercial weapon. Perhaps the most important thing to note about the provisions relating to threats is that *the mere fact that a threat was made in the honest belief that an infringement was taking place does not provide a defence*.

Actionable threats can take place in a variety of ways - most commonly, they are made through direct contact with the alleged infringer, but they can also be made via contact with the alleged infringer's suppliers or customers, or through statements in circulars or advertising. For this reason, parties other than the alleged infringer can bring actions for groundless threats, provided that they are 'aggrieved'.

The courts have interpreted what constitutes a threat liberally. There is no need for the IP owner to state explicitly that it will take action. For example, showing a retailer a copy of a provisional patent and intimating that this would give the owner enforceable rights once the full patent was granted and requesting that the retailer withdraw its goods from sale was held to constitute a threat. It is often said in textbooks that merely pointing out that a right exists will not amount to a threat to institute proceedings. While this is probably correct it must be understood that courts will pay attention to the initial impression the communication would make on a reasonable addressee. Organisations which suspect an infringement would therefore be well advised to seek legal advice before making contact with the suspected infringer.

IP owners should also be aware that while legal practitioners should know what constitutes a threat and what does not, a threatening letter sent by a legal practitioner does not protect the IP owner from an action for groundless threats of legal proceedings (although the owner might well have a legal remedy against a legal practitioner that exposed it to this form of liability suing for professional negligence is always fraught with difficulty).

A valuable way of preventing a groundless threats action for trade mark infringement from proceeding is to commence an action for trade mark infringement, provided that such trade mark infringement proceedings are commenced with due diligence. If such proceedings are brought, then the groundless threats action may not proceed.

The person threatened may obtain the following relief from the court:

- A declaration that the person making the threat has no grounds for doing so;
- An injunction restraining that person from continuing to make the threats; and
- The recovery of any damages sustained as a result of the conduct of the person making the threats.

6.2.2 Breach of Confidence and Passing Off

In contrast with the above, there are no statutory provisions that protect against unjustified threats to sue in relation to confidential information or unregistered trade marks. A person making an allegation of infringement must still be cautious, however, since a person aggrieved by a threat may be able to bring an action for injurious falsehood (part of the law of defamation) or possibly for abuse of process.

6.3 Liability Issues - Overview

In this section we look some potential liability issues that may arise in the agricultural context. In particular, we look at liability for the supply of information products, and in relation to genetically modified organisms, as well as some general issues in relation to the supply of defective products.

There are a number of situations where liability might arise in relation to the supply of information products. For example, an organisation may be involved in the provision of information through a database, or simply in a publicly available document. If that information contains errors, and is relied upon to a party's detriment, liability may arise.

Liability may also arise more generally in the agricultural sector. For example, there are a number of scenarios where liability in relation to GM products might arise:

- *Cross-pollination*: for example, where neighbouring farms grow organic and GM crops on adjacent fields.
- *Adventitious presence*: for example, when GM seeds are introduced into non-GM seed stocks intentionally or unintentionally (such as through faulty seed handling).
- *Contamination through import*: for example, non-GM seed imported from abroad is found to contain GM seeds in excess of an allowable threshold
- *Related economic loss*: Retailers decide not to purchase products from farms within a certain radius of a known site of GM contamination, regardless of any actual contamination.

Forms of damage include:

- Farmers suffering damage to their land or economic loss as a result of relying on defective information products.
- Farmers losing an organic / non GM premium or a GM farmer losing his/her certified seed premium.
- Regulatory agencies requiring seed to be destroyed or farmers to take remedial measures if they have planted the seeds.

Forms of Liability:

The type of liability to which farmers and other parties might be exposed in each situation depends to a large extent on the damage suffered. For example, the damage might be *physical damage to property*, such as failed crops or seed that must be destroyed. It may be *purely economic loss*, eg the loss of business through loss of organic status, costs in taking remedial measures, or the loss of business due to proximity to contaminated site. It might be mere *interference with land*, such as land

contamination or preventing use of land for organic or GM farming. In each case, the law classifies the type of damage differently, and a party will be liable for the damage suffered according to different legal rules and principles.

Further, there are other situations where liability might arise:

- *Supply of defective goods*: various laws regulate the supply of defective goods, which impose liability on parties other than the suppliers of the goods.
- *False or illegal labelling of GM products*: there is a range of standards and laws that regulate how food must be labelled, with particular provisions for the labelling of food containing GMOs.
- *Non-compliance with the Gene Technology Act*: it is important to be aware of the detailed provisions of the *Gene Technology Act*, and the way in which it regulates dealings with GMOs.

Liability issues are best considered according to areas of law, such as contract law, tort law and under various legislative regimes.

6.4 Contractual Liability

In some instances, information or goods and services will be provided pursuant to a contract. For example, information may be provided through a subscription-based database. In these cases, if the information or goods and services provided are in some way defective, this may constitute a breach of contract. Much will depend on the terms of the contract - what the parties agreed between themselves as to the scope of the contract, including what the information or goods and services were intended to do.

Parties can expressly exclude liability in a contract. However, if parties wish to exclude liability for wilful or 'fundamental' breaches of contract, or for negligence, this must be expressly stated. In addition, there are certain provisions of legislation, discussed below, which prevent parties from excluding liability in respect of certain consumer transactions, and allow them only to limit liability to a limited extent.

A disclaimer of tortious liability is possible even in the absence of a contract - at law this amounts to a 'voluntary assumption of risk'. The central question is whether the risk really has been voluntarily assumed. Relevant factors will include whether enough has been done to bring the disclaimer to the attention of the person to be bound by it, whether the person bound has been given any other inconsistent representation, whether the disclaimer was brought to the attention of that person etc.

One important aspect of contractual liability is that third parties cannot sue for breach of contract. For example, if a supplier supplies defective goods or information to a consumer under a contract, and those goods cause damage to a neighbour of the consumer, that neighbour cannot sue the supplier for breach of contract. That neighbour must rely on other branches of the law, such as tort or consumer protection legislation, discussed below.

6.5 Liability under Tort Law

Generally speaking, tort law is the law of non-criminal wrongs. There are a number of branches of tort law, the most important of which are the torts of *negligence* and of *nuisance*.

6.5.1 Negligence generally

There are three requirements needed to establish the tort of negligence:

- A *duty of care* owed by one party to another to avoid causing damage to that other party;
- A *breach* of that duty of care (often simply called 'negligence'); and
- *Damage* which was caused by the breach and which is not considered too remote from the breach in law.

Perhaps the most important point to note is that not all types of damage are recognised under the tort of negligence. Physical injury or damage to property are recognised. Purely economic loss and psychiatric injury are recognised, but only in very limited circumstances. But damage such as mere 'contamination' of land will be insufficient. Some further damage to property or physical injury would need to be shown, for example, that the contamination has caused loss of crops, or that as a result of being supplied with incorrectly labelled seed, the seed has to be destroyed.

Whether or not one party owes a duty of care to another is a complex question, depending in part on the type of damage complained of. Generally speaking, the question is one of reasonable foreseeability. That is, the law will impose a duty on a party to avoid acts or omissions that that party could reasonably foresee would be likely to injure another party. That other party is often called a 'neighbour', meaning someone that ought reasonably to be contemplated to be affected by the act or omission.

Where the other party has suffered physical injury or damage to property, courts will generally find a duty of care to exist – it is reasonably uncontroversial that one party should avoid causing physical injury or property damage to another. However, where the other party suffers purely economic loss, establishing the existence of a duty of care is a far more complex – it depends on the circumstances of the act or omission as to whether the party suffering the economic loss should have been in the first party's contemplation.

If a duty of care is established, the next question is whether there has been a breach of that duty. This test is again based on the concept of foreseeability. The question is whether a reasonable person would have foreseen that his or her conduct involved a real *risk* of injury to another person. If the answer to this is yes, the next question is to ask what a reasonable person would have done in the face of that risk. This calls for a consideration of factors such as:

- the magnitude of the risk
- the degree of the probability of its occurrence,
- the expense, difficulty and inconvenience of taking alleviating action; and
- any other conflicting responsibilities which the defendant may have.

The final question to be addressed is whether the negligent act or omission actually caused the damage complained of (or whether, for example, there was some intervening event). Even if the damage was caused by the negligent conduct, there is still a question of whether the damage sustained is too remote – that is, a non-foreseeable consequence of the negligent conduct.

6.5.2 Negligence causing property damage / physical injury

Examples of this type of damage in the context of dealings with information products or GM products include crop failure, or the destruction of seed as a result of contamination, or physical injury as a result of the consumption of diseased product. In such cases, the injury party would be owed a duty of care by the party whose acts or omissions led to the injury – for example, a neighbouring farmer, a seed supplier or a seed manufacturer.

The key question is whether there has been a *breach* of duty. The following are some examples of conduct that may be considered negligent, in circumstances where property damage or physical injury results:

- Provision of defective information
- Faulty seed handling
- Incorrect labelling of seeds supplied to farmers
- Planting GM seeds inside an established buffer zone

However, if the damage is caused as a result of cross-pollination, where GM and non-GM seeds have been planted in accordance with all regulations, then it would be difficult to establish a breach of duty. This is because it is in the nature of 'reasonable' GM farming techniques that cross-pollination may occur.

Whether conduct constitutes a breach of duty will always depend on the circumstances. One important factor is that what will be considered negligent by the courts depends on the state of knowledge at the time of the allegedly negligent conduct. For this reason, it would be difficult for a person to establish at the present stage of scientific development that a supplier is negligent if physical injury is caused by the ingestion of GM products.

In addition, it cannot be assumed that a disclaimer will be enough to ensure that a party does not breach its duty of care. It is sometimes assumed that where information is provided gratuitously, or provided with some disclaimer as to reliance on the information, then a party cannot be liable in negligence. This is not the case. Much will depend on the nature of the information provided and the wording of the disclaimer – many disclaimers will be sufficient, but this is not always the case.

6.5.3 Negligence causing pure economic loss

It was formerly the case that where the damage suffered is purely financial – that is, there is no physical injury or damage to any property – a party could not sue in the tort of negligence. Rather, the party would have to rely on the law of contract. This limited parties' abilities to recover where no contractual relations were present. However, the Australian law has gradually changed to allow recovery in tort for pure economic loss in limited circumstances. This is demonstrated by two key cases in the agricultural context.

In *Perre v Apand Pty Ltd* (1999) 198 CLR 180, a Melbourne company supplied potato seeds infected with bacterial wilt to farmers in South Australia. Western Australian regulations prohibited the import of any potatoes either infected with bacterial wilt or grown within a 20km of a known outbreak. Farmers within this 20km radius sued the Melbourne company, claiming they had lost profits by being unable to export their healthy potatoes to Western Australia. The farmers were unable to sue in contract – they had no contract with the Melbourne supplier – and so they sued in negligence.

The High Court held that the Melbourne company owed these farmers a duty of care not to cause them economic loss, and allowed the farmers to recover their losses. This was on the basis of a number of factors, the three major factors being:

- the Melbourne company's *knowledge* of the buffer zone;
- the Melbourne company was in *control* of the supply of products; and
- the *vulnerability* of the farmers, in that they had no way of appreciating the risk to which they were exposed.

In *Dovuro Pty Ltd v Wilkins* (2003) 201 ALR 139, the Australian company Dovuro Pty Ltd imported canola seeds from New Zealand into Western Australia. These seeds were tested in New Zealand and found to contain a low level of weed seeds, but when tested by AQIS the canola seeds complied with Australian quarantine and seed laws. After some canola seeds had been imported into Western Australia and sold to farmers, AgWest conducted its own tests and became concerned about the presence of the weeds and required all growers who had planted the seeds to take steps to eradicate them. Any threat posed by the weed seeds never materialised, but Wilkins and over 250 farmers incurred significant costs in destroying their canola seeds.

The High Court held that Dovuro owed a duty of care to the Wilkins and other affected farmers (Dovuro had in fact conceded this at trial), but that Dovuro had not breached its duty of care and was therefore not negligent.

These cases have potentially far-reaching consequences, potentially exposing parties to liability well beyond ordinary contractual liability. The special factors as articulated by the High Court in *Perre v Apand* are very general, and it is likely that liability under this area of tort law will only expand in the future.

6.5.4 Nuisance

The tort of nuisance deals with one party's unreasonable interference with another party's use of land. This includes physical damage to land. However, nuisance recognises forms of damage that are less tangible than those recognised by negligence - mere contamination of another's land may constitute a nuisance, where such damage may not be recognised under the tort of negligence. Nuisance may therefore be the most useful tort in the case of pollution caused by cross-pollination.

An important aspect of the tort of nuisance is that liability is 'strict'. Whereas under the tort of negligence, some fault needs to be established (ie, a breach of a duty of care), this is not the case in respect of nuisance. If a court finds that the interference with another's land is unreasonable in the circumstances, then taking all possible or reasonable precautions to avoid the harm will not avoid liability.

There are a number of key issues in establishing nuisance:

- the interference with land must be *unreasonable*. In the absence of physical damage to property, interference with the use and enjoyment of property is essentially a relative concept. It is concerned with how much noise, smell, etc the law considers to be unacceptable in the circumstances. Reasonable use applies a principle of 'give and take' between neighbours to determine whether a nuisance exists.
 - Where no property damage has occurred:
 - the intensity of the interference and
 - the nature of the locality
- are factors which are taken into account in the assessment of a nuisance. It has not yet been decided, but it may be the case that a farmer will have to expect some cross-pollination in an agricultural area, and that cross-pollination will not constitute a nuisance.
- Another important consideration will be whether the party complaining that their land has been interfered with is carrying out a 'sensitive use' of their land. This factor has been held by the courts to make it more likely that the interference was not unreasonable. Again, although it has not been decided, carrying out 'organic' farming may be held to constitute a sensitive use of the land.

It used to be the case that a person who brought 'dangerous substances' onto his or her land would be liable for damage caused by the spread of those substances, without proof of any fault. This rule has now been abolished in Australia, and the spread of dangerous substances would be considered under the general law of negligence.

Another important point is that it is the party who created the nuisance who is liable. Normally, this will be the owner of adjoining land. However, this is not always the case. In the NSW Court of Appeal case of *Fennell v Robson Excavations Pty Ltd* [1977] 2 NSWLR 486, the Court held that a person who creates a nuisance while present on a person's land with that person's authority can be liable. This may well extend to the supplier of information in a database which, when used, caused damage to neighbouring land.

6.6 Trade Practices Act liability for the supply of defective goods and services

The supply of defective goods and services will generally be a breach of contract as between supplier and recipient. It may also constitute negligence, as discussed above. However, a supplier may also be liable under consumer protection legislation, the most notable being the *Trade Practices Act 1974* (Cth). This legislation applies to conduct by corporations. Conduct by unincorporated associations and individuals is caught by equivalent state and territory legislation.

6.6.1 Trade Practices Act, Part V, Div 2: implied terms in contracts of supply

These provisions will be relevant where there is a contract of supply of goods and services. For example, the supply of a CD-ROM containing information would be considered a supply of goods. Similarly, a contract between a farmer and a supplier for the purchase of GM seeds would be a supply of goods.

Section 71 of the *Trade Practices Act* imposes certain conditions in contracts for the supply of goods to a 'consumer' – such contracts are defined as those where the cost of the goods or services is less than \$40,000. The conditions implied by s 71 are:

- that the goods are of merchantable quality, except if any defects are brought to the consumer's attention; and
- where the consumer makes known to the supplier any particular purpose for which the goods are being acquired, there is an implied condition that the goods are reasonably fit for that purpose.

These implied conditions cannot be excluded by contract. Under s 68 of the *Trade Practices Act*, any attempt to do so is void.

However, the supplier's liability under s 71 can be *limited*, to a certain extent. The maximum scope of any limitation on liability is:

- in the case of goods, any one or more of the following:
 - the replacement of the goods or the supply of equivalent goods;
 - the repair of the goods;
 - the cost of replacing the goods or of acquiring equivalent goods;
 - the cost of having the goods repaired; or
- in the case of services:
 - the resupply of the services; or
 - the cost of having the services resupplied.

The remedies for any contravention of Part V of the *Trade Practices Act* (such as section 71) include an injunction, damages, or other orders as the Court sees appropriate.

A well drafted contract of supply should recognise Part V, Division 2 of the *Trade Practices Act* and seek to limit liability accordingly.

The table on the following page sets out potential liability for the supply of defective information products, and what a party can do to exclude or limit its liability.

6.6.2 Liability for the supply of information products and ways in which that liability can be limited

If the product is sold to consumers:	If the product is given away:	If the product is supplied to a licensee:
(a) Contract Liability for breach of contract can be excluded, subject to (c) below	(a) Tort <ul style="list-style-type: none"> • Insurance can be obtained • Liability can be disclaimed if it can be shown that the potential plaintiff has voluntarily assumed the risk. 	(a) Contract <ul style="list-style-type: none"> • Liability for breach of contract can be excluded, subject to (c) below • Licensee can be required to take out insurance
(b) Tort <ul style="list-style-type: none"> • Liability can be disclaimed in the contract of supply • Insurance can be obtained 	(b) Contract? A contract may be formed if certain conditions are imposed on the use of the information product	(b) Tort <ul style="list-style-type: none"> • Liability can be disclaimed in the contract with the licensee • Insurance can be obtained Liability likely to arise if licensee in financial difficulties
(c) Trade Practices Act Liability for supply of defective goods or services can only be limited to the extent allowed in s 68A		(c) Trade Practices Act Liability for supply of defective goods or services can only be limited to the extent allowed in s 68A

6.7 Other forms of liability

Turning now to liability more generally in the agricultural sector, parties may be liable for conduct relating to dealings with GM organisms under other branches of law. In this section, we will look at the ways in which parties may be liable, first, for the supply of defective goods and services, secondly, for improper labelling of their products, and thirdly, for contravention of the *Gene Technology Act 2000* (Cth).

6.7.1 Trade Practices Act, Part VA: injuries suffered by individuals as a result of defective goods

Under this Part of the *Trade Practices Act*, an end user of goods can sue the manufacturer of the goods, even if there are no contractual relations between the manufacturer and user.

Section 75AD deals with liability for defective goods causing injuries to an individual. It applies where a corporation, in trade or commerce, supplies defective goods manufactured by it; and because of the defect, an individual suffers injuries. In such cases, the corporation is liable to compensate the individual for the amount of the individual's loss suffered as a result of the injuries.

Under section 75AP, any term of a contract that purports to exclude, restrict or modify such liability is void. Unlike under Part V, liability can not even be limited.

However, under section 75AK there are a number of defences available to manufacturers who supply defective goods. These are available where:

- the defect in the goods did not exist at the time when they were supplied by their actual manufacturer; or
- the state of scientific or technical knowledge at the time when they were supplied by their actual manufacturer was not such as to enable that defect to be discovered.

An important point about Part VA of the Trade Practices Act is that it does not only apply to actual manufacturers of goods. Under section 74A:

- if a corporation holds itself out to the public as the manufacturer of goods
- if goods are imported into Australia by a corporation when the manufacturer of the goods does not have a place of business in Australia,

then the corporation will be deemed to be the manufacturer for the purpose of the other provisions of Part VA.

6.7.2 Labelling standards

Liability issues may also arise in respect of the labelling of food, particularly food containing GM organisms. Liability is imposed under both the *Trade Practices Act* and equivalent state and territory legislation, and under the Food Standards Code.

(a) Australia New Zealand Food Standards Code

This new Code became operational on 20 December 2002. It establishes various standards relating to the production and marketing of food. Standard 1.5.2 deals specifically with food produced using GM technology.

- Clause 4(1) of this Standard defines 'genetically modified food' as food that is produced using gene technology which contains novel DNA and/or novel protein, or has altered characteristics. It specifically does not include a food, ingredient, or processing aid in which genetically modified food is unintentionally present in a quantity of no more than 10g/kg per ingredient.
- Under clause 5, the label on a package of genetically modified food must include the statement 'genetically modified' in conjunction with the name of that food or ingredient or processing aid.

The Food Standards Code has been incorporated into the various state and territory *Food Regulations*. These state and territory Regulations set out the penalties for non-compliance with the Food Standards Code. For example, under s 21(3) of the *Food Act 2003* (NSW), a person must not sell food that is packaged or labelled in a manner that contravenes the Food Standards Code. The maximum penalty for such a contravention is \$55,000 for an individual or \$275,000 for a corporation.

Further, various state and territories have other provisions relating to the proper labelling of food. For example, in section 15 of the *Food Act 2003* (NSW), a person must not falsely describe food if they know that a consumer of the food relying on the description is likely to suffer physical harm. An offence under this provision carries a maximum penalty of \$110,000 or 2 years imprisonment, or both, for an individual, or \$550,000 for a corporation.

(b) Trade Practices Act liability

False labelling may also incur liability under the Part V of the *Trade Practices Act*, or equivalent state and territory consumer protection legislation.

Section 52 prohibits a corporation from engaging in misleading or deceptive conduct, in trade or commerce. Labelling that is misleading or deceptive would be caught by this provision.

Other provisions may also be relevant depending on what the labelling actually states. Section 53(a) prohibits a corporation from falsely representing that goods are of a particular standard, quality, value, grade, composition, style or model or have had a particular history or particular previous use in connection with the supply or possible supply of goods or services. Section 75AZC(1)(a) (enacted in 2001) makes such conduct an offence.

Section 55 prohibits a person from engaging in conduct that is liable to mislead the public as to the nature, the manufacturing process, the characteristics, the suitability for their purpose or the quantity of any goods. Section 75AZH(1) (also enacted in 2001) makes such conduct an offence.

The remedies for contravention of sections 52, 53 and 55 of the *Trade Practices Act* include an injunction, damages, or other orders as the Court sees appropriate. However, given that contravention of sections 53 and 55 are now offences, massive fines are payable for contravention of these provisions. Breach of section 75AZC(1)(a) may lead to a maximum fine of \$1,100,000, and breach of section 75AZH(1) may lead to a maximum fine of \$220,000.

6.7.3 Non-compliance with Gene Technology Act 2000 (Cth)

Part 4 of the *Gene Technology Act* deals with the regulation of dealings with GMOs. A dealing with a GMO means to conduct experiments with the GMO, to make, develop, produce or manufacture the GMO, to breed or propagate the GMO to grow, raise or culture the GMO, or to import the GMO. Part 4 essentially prohibits dealings with GMOs, unless one of four conditions is satisfied:

- the person undertaking the dealing is authorised to do so by a GMO licence. The procedure for obtaining a licence to deal with GMOs is onerous and involves consideration of whether the dealings will involve the intentional release of GMOs into the environment.
- the dealing is a notifiable low risk dealing. This will be the case if the dealing does not involve an intentional release of the GMO into the environment, or if it is set out in the *Gene Technology Regulations 2001*.
- the dealing is an exempt dealing, as set out in the *Gene Technology Regulations 2001*; or
- the dealing is included in the GMO Register. The Gene Technology Regulator may include a dealing on the Register if the dealing is, or has been, authorised by a GMO licence, or if the GMO concerned is a thing derived from a GMO and is considered to be a GMO only because of the application of certain regulations.

Dealing with a GMO without a licence is an offence, punishable by a maximum fine of \$55,000 or 2 years imprisonment. If the commission of the offence causes, or is likely to cause, significant damage to the health and safety of people or to the environment, then the maximum fine is \$220,000 or 5 years imprisonment.