Inspire!

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intellectual property

Patents | Trade Marks | IP Research | Designs | Legal Services

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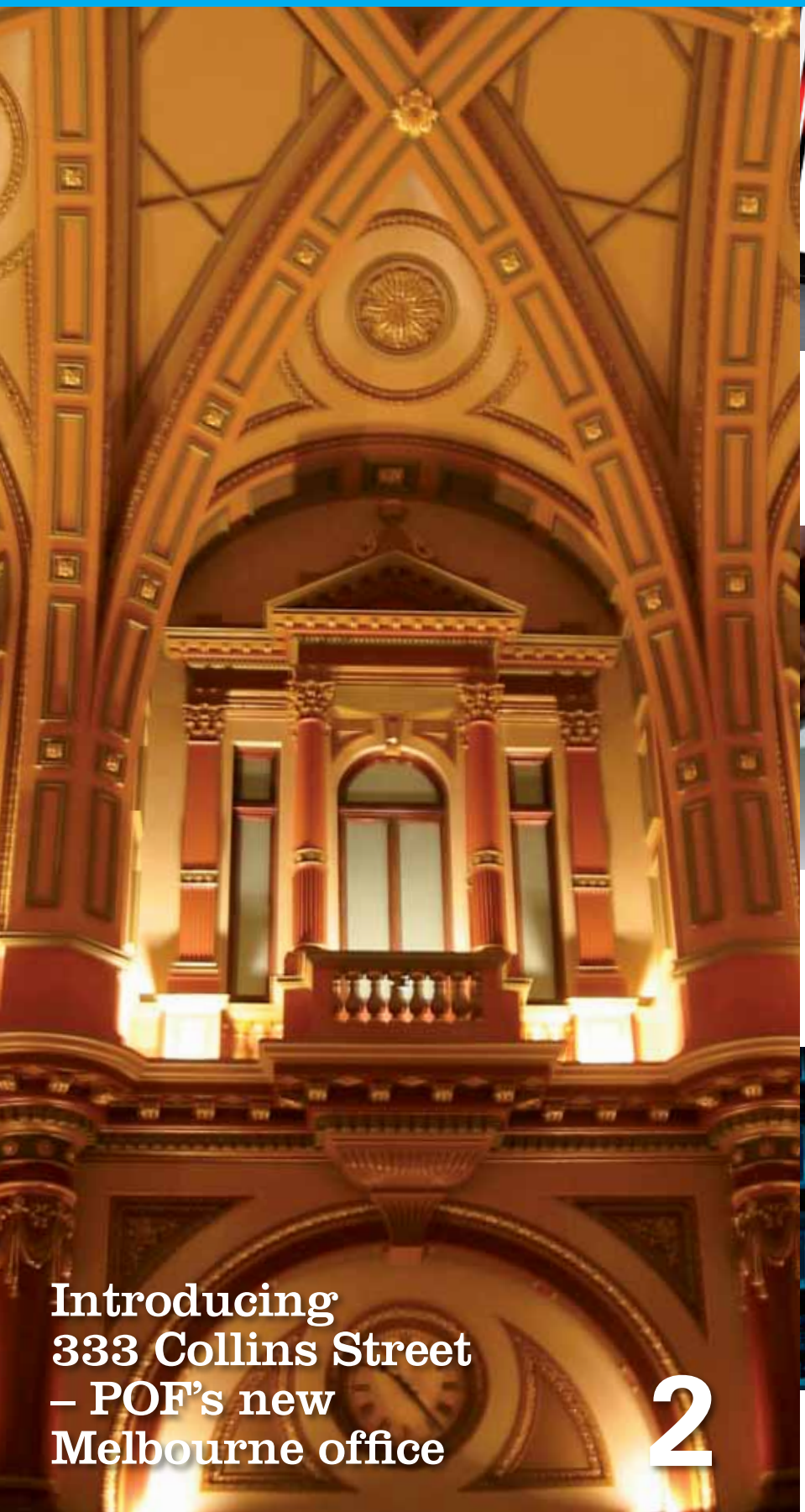

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Editorial

Chris Schlicht,
Partner

Welcome to the June edition of *Inspire!*

The past few months have been a particularly busy and exciting time for Phillips Ormonde Fitzpatrick, because after 38 years at our previous address, we have relocated our Melbourne office to 333 Collins Street, Melbourne (page 2). In addition, two of our trainees, Dr Leigh Guerin and Duncan Joiner, have qualified as patent attorneys, and we have a new patent attorney joining our Sydney office, Dr Jon Wright (page 7).

In this edition, Anita Brown takes a look at the recent Australian Federal Court case which gained a lot of attention in the Australian press. In *Dallas Buyers Club LLC v iiNet Ltd*, the Court ruled that the Australian internet service provider, iiNet, must release the names of account holders who had illegally downloaded the Dallas Buyer's Club movie through BitTorrent and other peer-to-peer file sharing networks. Dallas Buyers Club is now in a position to send letters of demand to account holders (page 4).

George Biernacki discusses the highly unorthodox decision of Tesla Motors to make their patented inventions freely available for others to use. Tesla finds itself in an unusual situation where it is seeking to develop a whole new market and move the automotive industry from fossil fuels to electric, which is not an easy task. In this instance, the potential theft of Tesla's ideas is not the problem (page 6).

Adrian Crooks considers the issue of the registrability of a design in the recent decision in Bitzer Kuehlmaschinenbau GmbH [2015]. The hearing officer in that decision placed a lot of weight on the role function played in the appearance of features of a refrigeration compressor. The decision is a useful reminder of the breadth of articles that can be protected by a registered design (page 3).

Also in this edition, David Longmuir discusses common issues that arise in the application for, maintenance and enforcement of Plant Breeders' Rights (page 12). Neil Ireland discusses the national security implications that can arise when individuals in different countries collaborate on inventions (page 10), and Annette Rubinstein discusses the top ten myths about copyright, including the popular myth that you can use someone else's work as long as you change 10% (page 8).

We hope you enjoy this edition of *Inspire!*, and we look forward to welcoming you to our new Melbourne office!

We have moved! Phillips Ormonde Fitzpatrick's Melbourne office has relocated to 333 Collins Street

We are delighted to announce that after 38 years at our previous address, we have relocated our Melbourne office to 333 Collins Street. Our new offices have improved working arrangements for all personnel, as well as additional and more flexible areas for client meetings, seminars and functions. This move marks a strategic step forward for POF, as we continue to improve and strengthen our service offering to clients.

Originally built in the 1890s land boom, the lobby of 333 Collins Street, known as The Dome, is the former Banking Chamber and entrance vestibule of the Commercial Bank of Australia. The Dome features granite columns and arches, a barrel vaulted ceiling and intricate mosaic tiles. It is still recognised by the British Society of Architects as the finest structure of its type in the world. In 1990, a twenty-nine storey tower was added above The Dome, and today it is one of Melbourne's most distinctive skyscrapers.

We look forward to showing you around our new offices when you're next in Melbourne.

We would also appreciate it if you could update your records with our new contact information. Our post office box number and our phone and fax numbers will remain the same.

Our new office address:
Phillips Ormonde Fitzpatrick
Level 16, 333 Collins Street
Melbourne VIC 3000

Other contact information that will remain the same:
Tel: +61 3 9614 1944
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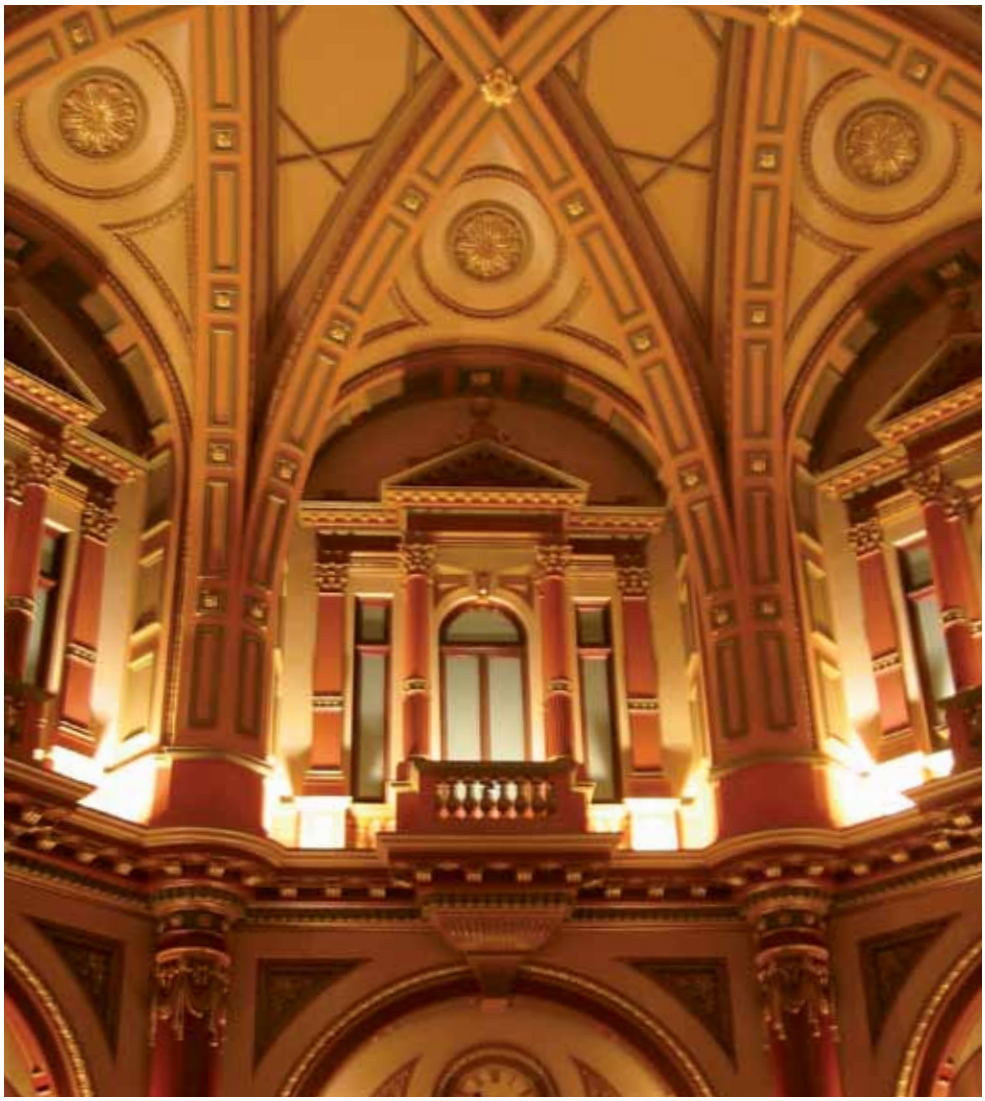
LinkedIn: http://www.linkedin.com/company/phillips-ormonde-fitzpatrick
Twitter: @pofip

If you have any questions about our move, please contact your POF attorney directly, or email us at attorney@pof.com.au



The Dome at 333 Collins Street, Melbourne

When function trumps form in design registrations

Adrian Crooks, Partner

Registered designs protect the overall appearance of products resulting from their visual features. Whilst it is the appearance rather than the functionality of a product which is protected, a functional product may nevertheless be the subject of design registration. Indeed, section 7(2) of the *Designs Act 2003* specifically provides that a visual feature may, but need not, serve a functional purpose. The recent decision in *Bitzer Kuehlmaschinenbau GmbH* [2015] ADO 1 suggests that not only are functional products registerable, but that functionality may play a role in determining whether a design is new and distinctive.

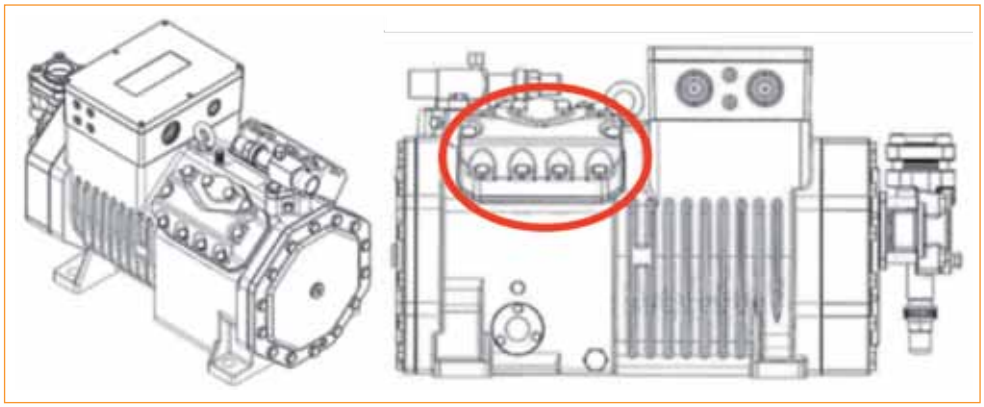


Figure 1

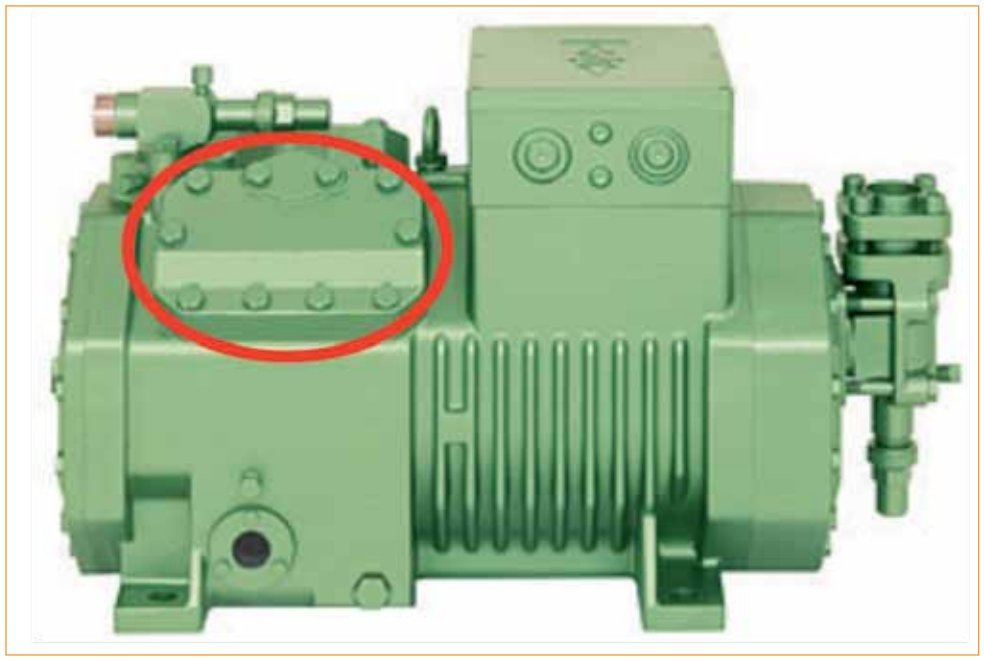


Figure 2

The decision arose after the applicant requested a hearing during the examination of a number of designs for refrigeration compressors. The representations for one such design are shown in Figure 1. During examination, an objection of lack of distinctiveness was raised based on the prior art (Figure 2).

The similarities between the design and the prior art are readily apparent, however, the applicant put forward a number of submissions as to why its design was not substantially similar in overall impression to the prior art.

Firstly, it was said that there were significant constraints placed on the designer due to the requirement that the product be interchangeable with existing models of compressor. In order to perform its intended function, the design needed to have certain features arranged in a specific and predetermined way. It was accepted by the delegate that the limited freedom to innovate explained many of the similarities between the design and the prior art.

Secondly, it was said that there were important differences between the design and the prior art. In particular, it was said that the piston head cover (circled) of the prior art had a stepped outer profile comprising two planar surfaces with fastening bolts located flush to each of the planar surfaces. By comparison, the design was said to be characterised by piston covers having a convex outer shape with recessed portions about the lower and side edges for receiving bolts.

It was further submitted that an informed user of such a compressor would be aware that the design of the piston head cover was important in terms of operation and maintenance of the compressor.

In concluding that the designs were registerable, the delegate stated:

> *Given the constraints on the designer, the considerable art base, the specialised nature of the informed user who typically looks first to function, then only to form with an eye as to whether the compressor will fit the proposed application, I consider the differences Mr Bowman has highlighted sufficient to confer the Designs with the requisite distinctiveness.*

The decision suggests that visual features of a design should be given greater prominence in circumstances where the informed user would consider those features to be functionally (but not necessarily visually) important. In this instance, it is difficult to understand why the informed user would focus on the functionality of the piston head covers as opposed to any other functional feature of the compressor which contributes to its appearance. Even if the piston head covers were the most important feature from a functional perspective, it is surprising that differences in that feature alone could result in a finding that the design was not substantially similar in overall impression, particularly in the absence of a statement of newness and distinctiveness directing attention to that feature.

Nevertheless, the decision provides an important reminder of the extent to which registered designs can be used to provide protection for highly functional products. Registered designs can be particularly useful in protecting against counterfeit products where differences in appearance are likely to be minimal.

Adrian Crooks *BEng(Civil)(Hons) LLB LLM FIPTA* is a Lawyer and Patent and Trade Marks Attorney representing clients in a range of patent infringement matters, particularly in relation to engineering technologies. Adrian also regularly acts for Australian and overseas clients in opposition proceedings before the Patent Office.
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(Non) Buyers Beware: Internet Service Providers forced to release download details in landmark case

Anita Brown, Associate

In the recent Australian Federal Court case of *Dallas Buyers Club LLC v iiNet Limited*[1], the Court ordered that iiNet and five other Internet Service Providers (ISPs) provide details of individual customers associated with particular IP addresses said to have been used to downloaded the Dallas Buyer's Club movie.

This decision signals a shift in tactics by copyright holders in the film and television industry whose previous attempts to curtail online piracy by suing the ISPs themselves for authorising copyright infringement have failed[2]. For example, in *Roadshow Films Pty Ltd v iiNet Ltd*, the copyright holders unsuccessfully sued ISPs for infringement on the basis the ISPs had authorised the illegal copying of films by individual subscribers.

The Dallas Buyers Club (DBC) case suggests that copyright holders are now turning their attention to these individual subscribers, the 'mums and dads', who download and share films using file sharing software, rather than ISPs. The DBC case has attracted considerable media attention in Australia where according to figures released in 2014, almost one third of Australians aged 18–64 are downloading film and television content illegally.[3]

Background

In this case, Dallas Buyers Club LLC (DBC) brought an application for preliminary discovery against six Australian ISPs, including iiNET Limited and Dodo Services Pty Ltd., before Justice Nye Perram. Preliminary discovery is sought in cases where a party is unable to identify the person it wishes to sue and it seeks the Court's assistance to allow it do so.

DBC sought to identify some 4,726 individuals or Internet Protocol (IP) address holders who it alleges infringed its copyright by sharing the blockbuster film, *Dallas Buyers Club*, online using BitTorrent, a peer-to-peer file sharing network.

DBC argued that the ISPs could identify the account holder associated with each IP address from which the film was shared online. DBC intended to use this information to track down the identity of the actual infringers of the copyright, who may or may not be the account holders.

Ultimately, the court ordered the ISPs to release the names and physical addresses of the account holders of the 4,726 IP addresses. However, the court order was only granted subject to conditions including that any letter DBC wished to send to the account holders had to be reviewed by the Court first. This condition was designed to prevent DBC from engaging in a practice known as 'speculative invoicing'.

Speculative invoicing

Also known as 'Pay now or else letters', speculative invoicing is the practice of a copyright holder or its legal representatives writing to an individual downloader, demanding a large payment to avoid being taken to court for copyright infringement. Often, the parties negotiate to settle for a smaller payment which is typically more than would be recovered in infringement proceedings.

In the DBC case, the ISPs argued against the order of preliminary discovery on the basis there was evidence that DBC were going to engage in speculative invoicing of the Australian account holders if provided with their names and contact details. In particular, the ISPs referred to DBC's actions in the US where it had sent letters to individual accountholders demanding settlement amounts of around AUD5000.

Whilst speculative invoicing is well-known in the US, it is not common in Australia. This may be due to the different remedies available for copyright infringement in these jurisdictions.

Damages under US copyright law

Under the US Copyright Act[4], a copyright infringer is liable for either:

1. the copyright owner's actual damages and any additional profits of the infringer that are attributable to the infringement and are not taken into account in computing the actual damages, or
2. statutory damages.

In certain specific circumstances, additional damages are also available.

A copyright owner may elect at any time before the final judgement in a lawsuit to recover an award of statutory damages, rather than actual damages and profit, in the amount of between USD750 and USD30,000 for any one work.

If the infringement is found to be wilful, this amount increases to up to USD150,000.

As a result, US individuals who have used peer-to-peer file sharing to share copyright songs have been stung by hefty statutory damages awards. For example, in *Capitol Records, Inc v Thomas-Rasset*[5], a home internet subscriber was ordered to pay USD222,000 for sharing 24 songs using the file sharing software Kazaa.

It is against this legal backdrop that the practice of speculative invoicing, regarded by many as a bullying tactic, has developed. Media reports suggest that in some cases recipients of the threatening letters will simply pay up regardless of whether a copyright infringement has occurred, resulting in windfalls for the copyright holder.

Damages under Australian copyright law

Under the *Copyright Act 1968* (Cth), no statutory damages are awarded for copyright infringement. Damages are compensatory. As the ISPs argued in the DBC case, this means that the amounts to be awarded in any case against the infringers were so trivial that it was unlikely that litigation would be pursued. In each case, the value of each copy of the film was estimated at less than $10.

However, Justice Perram did not consider that a suit by the copyright owner naming individuals would be economically pointless, as the ISPs contended. In the case of multiple downloaders, he said it was plausible that a copyright owner could obtain additional (non-compensatory) damages under the s.115(4) of the *Copyright Act 1968* (Cth).

This section requires the court in assessing whether it is appropriate to award additional damages to consider factors including:

(i) the flagrancy of the infringement
(ii) the need to deter similar infringements, and
(iii) all relevant matters.

Perram J noted that it was a possibility that damages of a sufficient size to warrant launching proceedings, might be awarded in an appropriately serious case to deter people from the file sharing of films. He did not speculate what amount these damages might be. However, his comments suggest there may be some cases where it is worthwhile pursuing individuals. As has occurred in the US, speculative invoicing might be the tactic adopted in such cases.

Is it legal to send a speculative invoice in Australia?

Parties sending speculative invoices may face some challenges under Australian law. As Perram J noted in his decision, 'pay now or else' letters may result in the sender being found to have engaged in misleading and deceptive conduct under section 18 of the Australian Consumer Law as a result of making a misrepresentation to a consumer that he/she has liability for copyright infringement or that the liability is higher than is realistic. He also suggested that the conduct may amount to unconscionable conduct under s.21 of the Australian Consumer Law or s.12CB of the *Australian Securities and Investments Commission Act 2001* (Cth).

Lawyers' professional conduct rules may also prevent the practice. For example, in the state of Victoria, a lawyer must not in any communication with a third person on behalf of a client:

> *… make any statement that is calculated to mislead or intimidate the other person and which grossly exceeds the legitimate asserts of the rights or entitlement of the practitioner's client.*[6]

Despite the media attention focused on this case and the scaremongering by certain stakeholders, as the Court must review any letter sent by DBC, it is unlikely that 'mum and dad' copyright infringers will be required to pay large sums. However, it will be interesting to see if other copyright holders follow DBC's lead and start targeting individual infringers.

Watch this space.

References

1 [2015] FCA 317.
2 *Roadshow Films Pty Ltd v iiNet Ltd* [2012] HCA 16.
3 New Research: Film & TV Piracy Increasing – More Pirates, Stealing More Frequently, Media Release, October 15, 2014, IP Awareness Foundation.
4 17 U.S.C. § 504.
5 692 F. 3d 899, 907 (8th Cir. 2012).
6 Rule 28.1 and 28.2, *Professional Conduct and Practice Rules 2005*, Law Institute of Victoria Limited. Similar provisions will apply under the Uniform Legal Practice Rules to come into force on July 1, 2015.

Anita Brown *BA LLB MIPLaw* has a Master of Intellectual Property Law and specialises in trade mark searching, prosecution, registration and enforcement. She also advises on trade mark assignments and licensing. Before joining POF, Anita worked as a journalist and then as a lawyer at a firm specialising in advertising and marketing law.
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Congratulations to our newly qualified patent attorneys, Duncan Joiner and Dr Leigh Guerin

Congratulations to our newest patent attorneys, Duncan Joiner and Leigh Guerin, who registered on 15 May 2015.

Duncan Joiner

Duncan started with POF in our Melbourne office in March 2012 after completing a Bachelor of Aerospace Engineering (honours) and a Bachelor of Laws (honours) at Monash University. As part of his law studies, Duncan spent two semesters of this degree studying abroad at Monash University's campus in Prato, Italy. Duncan's academic achievements include his publication in the Journal of Applied Optics for his research into the characterisation of liquid surface acoustic waves using laser optical diffraction methods, and his role as an Assistant Research Engineer at the Monash University Accident Research Centre (MUARC).

Duncan is an invaluable member of POF's Engineering team, with expertise in physics, aerospace, automotive, civil, material, mechanical and nautical engineering.

Duncan also qualified as a trade marks attorney in July 2014.

Dr Leigh Guerin

Leigh started with POF in our Adelaide office in July 2011 following on from his PhD in Medicine and Immunology and work as a Postdoctoral Research Fellow in the department of Stem Cells and Regenerative Biology and Molecular and Cellular Biology at Harvard University. Leigh has liaised and collaborated with researchers and research teams across a multitude of research facilities including Massachusetts Institute of Technology (MIT), Brigham and Women's Hospital (Boston), Dana Farber Cancer Centre (Boston), University of Adelaide, Hanson Institute and the University of South Australia.

Leigh is an invaluable member of POF's Chemistry and Life Sciences team and has experience with a large range of biomedical technologies including diagnostics, methods of therapeutic treatment and both protein and peptide therapeutics. He also has a strong research background in immunology and mechanisms of immune tolerance, reproductive technologies and developmental biology.

From everyone at POF, congratulations to Duncan and Leigh on this significant achievement!

Patents

Why Tesla gave away its patents

George Biernacki, Partner

Last year, Tesla Motors, the makers of premium electric cars, made news after the company's CEO, Elon Musk, boldly announced that Tesla Motors is treating its patents as open source. Musk said, 'Tesla will not initiate patent lawsuits against anyone who, in good faith, wants to use our technology.'

When one considers the patent wars in the mobile space where the likes of Apple and Samsung battle it out over multibillion dollar patent issues, this decision appears highly unorthodox and seems contrary to the very purpose of a patent.

A patent rewards an inventor with a temporary monopoly for an invention they might otherwise attempt to keep secret. A definite patent term, usually 20 years, encourages the inventor to fully exploit the market for their intellectual property. Without this exclusivity innovation would in most cases be discouraged.

Tesla has taken the gambit of not seeking to protect its inventions because it is a very unusual situation. The highest hurdle that an innovative company like Tesla faces may not be theft of their ideas, but rather the development of new markets.

Given that new annual vehicle production is approaching 100 million per year and the global fleet is approximately 2 billion cars, it is impossible for Tesla to build electric cars fast enough to address the carbon crisis. By the same token, the market is enormous. Tesla's true competition is not the small trickle of non-Tesla electric cars being produced, but rather the enormous flood of petrol fuelled cars pouring out of the world's factories every day. Zero-emission vehicles account for less than one percent of the world's total new car production. There are literally billions of potential customers, and the real challenge for Tesla is to persuade them to abandon petrol fuelled cars for electric cars. By utilising its ideas, Tesla's competitors would improve the product and marketing so that all electric car manufacturers could sell more vehicles and establish new markets.

Tesla also stands to benefit if its roadside charging stations become the industry standard. Currently, Tesla has a small network of superchargers across the United States, so a lack of stations is an obstacle to long-distance travel in an electric car. But with other manufacturers using Tesla technology and making cars that could plug in at Tesla Superstations, Musk's company could make a fortune simply from giving away its blueprints to 'competitors'.

Only time will tell if Tesla's invitation to others to use its technology will work. The drag on an innovative company like Tesla is credibility and trust. How many people are waiting on the sidelines before buying a Tesla because of other companies' failure? The fledgling electric car industry as a whole would certainly benefit if this technology becomes more popular and widespread. So why not share the knowledge?

Tesla's wall of patents before the bold announcement

George Biernacki *BSc(Hons) GradIEAust MIREE FIPTA* holds a science degree with majors in electronics and physics and an honours degree in electronics. He has extensive experience in drafting, prosecuting and conducting oppositions for patent applications in electrical, electronics, communications, audio-visual and computing fields. He has specialist experience in optics, communications and lasers.
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Legal Services

Made in Australia? The Government announces consultation process into country of origin labeling

Margaret Ryan, Special Counsel

The Australian Government has announced a consultation process with industry, business and consumers into country of origin labeling.

This has been a vexed question. Currently food can be labelled 'made in Australia' without containing any Australian ingredients. Concerns have been expressed about the statement 'made in Australia from local and imported ingredients'. Some consumers want to know exactly where the ingredients come from.

The Government has issued a proposal which differs depending on whether the product is domestic or imported. For domestic goods it is suggested that there will be graphic and prescribed text which will "clearly explain what is done in Australia and the proportion of Australian ingredients". For imported goods no graphic is proposed but the prescribed text is to match the domestic text as closely as possible.

Examples of the proposed graphics have been given showing the percentage of local ingredients. Submissions for this close at the end of June 2015.

Margaret Ryan *BA LLB(Hons)* is a Lawyer and Trade Marks Attorney with over 20 years' experience in all areas of IP law practice. Margaret represents clients in both litigious and commercial matters. Margaret was awarded the University Medal in Law and has been a co-author of the copyright section of The Laws of Australia.
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Slag granulation spins a landmark deal for CSIRO

Dr Edwin Patterson, Partner

POF client Commonwealth Scientific and Industrial Research Organisation (CSIRO), has recently signed a landmark collaboration agreement with Chinese company Beijing MCC Equipment Research and Design Corporation Ltd (MCCE) for the mineral resources flagship dry slag granulation (DSG) technology.

The new agreement and co-operation mark a heightened level of collaboration and interest in CSIRO technologies and expertise from China, which has the largest mining and mineral processing industry in the world.

Dry slag granulation (DSG) technology

The CSIRO dry slag granulation process is fitted to blast furnaces and includes a spinning disc and granulation chamber that separates molten slag into droplets under centrifugal forces. It uses air to quench and solidify the droplets, and extracts a granulated slag product as well as heated air.

The 'glassy' slag product is ideal for cement manufacture, and has significantly lower associated greenhouse gas emissions than cement produced by conventional methods. The recovered heat can then be used for drying, pre-heating or steam generation. The process saves water and eliminates underground water pollution that can be associated with alternative wet granulation processes.

The process is the subject of a number of granted and pending patent applications filed in a number of jurisdictions, including China, the United States, Europe, Japan, South Korea and Australia.

Environmentally friendly DSG agreement

According to CSIRO's Director of the Mineral Resources Flagship, Jonathan Law, the agreement for DSG industrial-scale demonstration is a landmark collaboration for Australia-China research and for environmentally-friendly metal production.

'Our collaboration is an exciting step towards the uptake of an innovation with real prospects of transforming the productivity and environmental performance of global iron smelting,' Mr Law said. 'The benefits from wide uptake of DSG technology on blast furnaces will be profound in helping the global industry to reduce water and energy use and greenhouse gas emissions while sustaining metal production.'

The agreement is the culmination of more than a decade of DSG technology development by CSIRO and industry partners including Arrium Ltd and BlueScope Ltd. Under the agreement, MCCE is to scale-up and demonstrate the technology at industrial scale and, upon success, commercialise it in China and then potentially worldwide.

Dr Edwin Patterson *BEng(Hons) PhD MIPLaw FIPTA* is a Patent Attorney and Chemical Engineer with specialist experience in numerous technologies from simple mechanical devices through to complex industrial processes. His focus is on new developments in industrial processes, metallic and mineral processing and chemical and material engineering.
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POF welcomes a new staff member to our Sydney office – Dr Jon Wright

POF would like to extend a warm welcome to our new patent and trade marks attorney, Dr Jon Wright, who joined our Sydney office in June 2015. Jon brings invaluable international and local IP-related experience to POF. His experience extends to seven years scientific research work in Japan, intellectual property management in the UK, and broad-ranging patent and trade marks attorney experience in both Sydney and Melbourne.

Jon has a broad range of expertise across a number of major technical fields including chemistry, medical devices, mechanical engineering, software and business methods. Jon also specialises in inkjet printing technology, specifically, micro/nano-fabrication techniques, biosensor technologies and polymer chemistry.

Jon completed a Bachelor of Sciences with first class honours from the University of Essex, a PhD in Chemistry from the University of Manchester, and a Masters of Intellectual Property from the University of Technology in Sydney. Jon has also published over 30 international peer-reviewed scientific journals.

In addition to Jon's outstanding academic achievements, he has worked as an Intellectual Property Manager for Xennia in the UK, where he was responsible for managing their IP portfolio and identifying key areas of inkjet printing related technology for exploitation.

Jon has also spent a number of years in private practice where he was responsible for managing large patent portfolios for clients across a wide range of technologies.

Jon says, "I am particularly excited about joining a firm with such well established credentials as POF, and am relishing the prospect of being able to work with so many experts in the field."

Jon's interests include football, cricket, and any other sport that he and his fellow English compatriots have long since given up hope on of achieving glory.

Kellogg has copyrighted Chocolate Crackles: ten of our favourite myths about copyright

Annette Rubinstein, Partner

Myth 1 You need to register copyright.

Reality In Australia, and many other countries, you can't register copyright because there is no register. Even in countries such as China and the United States where there is a register, you can enforce your copyright without registration, although there are advantages in having a registration when suing infringers.

Myth 2 You can protect your idea by writing it down and sending it to a trusted friend.

Reality Copyright protects expression, not ideas. This procedure provides evidence that you had your idea by a certain date, but that won't stop anyone using the same idea if they think of it independently, or copying your idea once you make it public. If you are only going to disclose your idea to a few people, you can ask them to sign an agreement that they won't use or disclose it without your permission. The only way to protect ideas from being copied once they are made public is through the patent system, if they comply with the requirements for patentability.

Myth 3 You can copyright the name or advertising slogan of a product.

Reality Names and slogans are normally too insubstantial to be the subject of copyright, as the owner of the copyright in the song *The Man who Broke the Bank at Monte Carlo* found out when it sued the makers of a film of the same title which did not otherwise make use of the song. However, if the name or slogan forms part of a logo, the logo may be an artistic work, and be protected by copyright. Names and advertising slogans may be protected by registering them as trade marks, and Kellogg has indeed registered CHOCOLATE CRACKLES as a trade mark for products that include chocolate coated snack foods made from rice or cereals. However, trade mark registration does not prevent other people using the words, descriptively, or in a non-commercial context. Other people can also the use same words as a trade mark in relation to goods and services that are not similar to the ones the trade mark is registered for, unless the trade mark is so well known that the other use is likely to cause confusion.

Myth 4 You paid for the material to be created, so you own the copyright in it.

Reality This can be a very expensive mistake. If an employment agreement doesn't mention copyright, employers will own copyright in material created by employees, provided creating the material was part of the employee's role. If a personal assistant comes up with a great logo for the business, the business won't own it without an express agreement. Copyright in material created by independent contractors (such as advertising or design firms), usually does not belong to the customer without an express agreement, although the customer has the right to use the material for the purposes it has been commissioned for. Without a written assignment or exclusive licence from the creator, the customer won't be able to stop other people using the material. The creator may demand more money if the customer expands the use of the material (for example, by franchising).

Myth 5 It's alright to use someone else's work providing you change 10% (or 25%) of it.

Reality Another expensive myth. Unless a specific exception in the *Copyright Act* applies, you will infringe copyright if you reproduce a substantial part of a work. There is no specific measurement of what is 'substantial'. It depends on both the amount taken, and how important that part is to the work that has been copied. In general, if using the other work has saved you time, money or trouble, you have probably infringed. Another test is whether the original work can still be identified in the later work. Adding your own material to what has been copied does not help with avoiding infringement.

Myth 6 You bought a painting, so you can do what you like with it.

Reality Two major errors in thirteen words. First, buying the painting normally doesn't mean you have bought the copyright, and if you haven't, you can't reproduce it (or a substantial part of it) without the artist's consent. Secondly, even if you have bought the copyright, the artist still has moral rights in the artwork under the *Copyright Act*, which prevent you destroying it, subjecting it to derogatory treatment (e.g. copying it on tea towels) or claiming that you painted it, among other things.

Myth 7 Copying other people's original product designs always infringes copyright.

Reality This is one of the messiest areas of copyright law! Usually there is no copyright in three dimensional products themselves (unless they are sculptures or 'works of artistic craftsmanship' such as some jewellery or ceramics). However, there is copyright in design drawings for products, and in any artistic works on the surface of the product. Once a design for a three dimensional product has been used to make and offer for sale products on an industrial scale (fifty or more items), anyone may copy the shape of the product without infringing copyright in the design drawings, provided:

- the design is not the subject of a current design registration under the *Designs Act* (which only lasts for ten years), and/or
- the product is not one of the exceptions in the Copyright Act (including buildings and works of artistic craftsmanship).

Warning: No matter how many products have been offered for sale, you can't copy surface decoration until it is out of copyright! Nor can you copy labels, packaging or instructions.

Myth 8 If you are just a reseller, you won't infringe copyright.

Reality You can indirectly infringe copyright by selling products that were made in Australia which include copyright material (such as books,

DVDs and textiles with graphic designs) if you knew or should have known that making them infringed copyright. Imported products are riskier. You can infringe copyright by importing products or selling imported products without the consent of the copyright owner, if you knew or should have known that the importer did not have the right to make them in Australia. This applies to both genuine and counterfeit imported products. If you buy genuine designer printed t-shirts made overseas from an importer who tells you (falsely) that it has been licensed by the manufacturer to distribute the t-shirts in Australia, you will infringe copyright if you resell them. In this situation you would be an 'innocent infringer' and not have to pay damages (although you may still have to cough up any profits you made).

Myth 9 You need permission to sell photographs you take of the Sydney Opera House.

Reality Although the Sydney Opera House, like all buildings, is defined by the *Copyright Act* as an artistic work and is protected by copyright, the *Copyright Act* permits the making, publication and sale of a painting, engraving, drawing or photograph of a building without the permission of the copyright owner.

Warning: you can still get into legal difficulties (including under the Australian Consumer Law) unless you make it absolutely clear that you don't have a commercial connection (such as a licence) with the Sydney Opera House.

Myth 10 A copyright owner can only recover damages if the infringement has caused it to lose sales.

Reality There are several ways that a court can compensate a copyright owner for infringement. If the copyright owner would have granted the infringer a licence if asked, the court can award damages equal to the licence fee. If the infringer has used the copyright work in a way that damages the reputation of the copyright owner, such as reproducing it on inferior products, damages can be granted for that. The court can order the infringer to pay the profit it made from the infringement to the copyright owner. If the infringer has behaved particularly badly, it may be ordered to pay all or part of the value of the infringing products to the copyright owner, or to pay 'additional damages' which can be many times greater that the copyright owner's loss.

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The benefits of Australian innovation patents

Andrew Massie, Partner

Innovation patents were introduced over 10 years ago, and continue to provide a powerful tool for patentees in Australia.

It is the low validity level of innovation patents which provides benefit to patentees. However, there are additional benefits including the speed of grant and the relatively low cost involved.

What is an innovation patent?

Innovation patents can protect innovations or developments that would not be protectable by standard patents. Innovation patents last for eight years. They were originally set up for the protection of lower level innovations or developments, but it soon became apparent they could also be extremely useful in the protection of inventions that could validly be protected by a standard 20-year patent.

Innovation patents vs standard patents

Standard patents require both novelty (newness) and inventiveness (non-obviousness) for validity. In contrast, while innovation patents also require novelty, they do not have the same requirement in relation to inventiveness. Innovation patents require a much lower step over the prior art, which is an 'innovative step'. An innovative step requires the invention to have at least one difference from the prior art, and the difference must be one which contributes 'substantially' to how the invention works. The innovative step requirement is often satisfied by an invention that simply has a difference from the prior art. The difference does not need to be great, and can be a difference that would have been obvious to make or adopt based on the prior art or the general knowledge of the inventor.

Despite the low requirement for validity, innovation patents provide a very powerful tool for patent owners. This arises because challenges to the validity of a patent are often made to avoid a finding of patent infringement. That is, if the infringer can successfully show a patent to be invalid, then the patent becomes unenforceable. For standard patents, an infringer will often look for close prior art and then argue that the step from the prior art to the patented invention is obvious, so that the invention lacks an inventive step. However, for innovation patents, this argument is not applicable. In practice, it is generally necessary for the infringer to find prior art that is more than just close, it needs to be a direct knock-out. Prior art of this kind is usually far more difficult to locate.

Innovation patent validity

The major case that relates to innovation patent validity remains *Dura-Post (Australia) Pty Ltd v Delnorth Pty Ltd* [2009] FCAFC 81 (30 June 2009). In this case, Delnorth secured an innovation patent for a roadside post which required, among other things, formation out of sheet spring steel which would allow the post to be elastically bendable through 90 degrees. Spring steel is well known to be elastic, and therefore the requirement to be bendable through 90 degrees seems unremarkable. Accordingly, had the court been considering a standard patent, there is a high likelihood that this feature would have been found to be obvious or lack an inventive step. However, in this instance the court was considering an innovation patent, therefore questions of obviousness or inventive step were not relevant.

In applying the 'innovative step' test for innovation patents, the court asked:

1. What are the differences between the claimed invention of the innovation patent and the prior art?, and
2. Do the identified differences make a "substantial contribution to the working of the invention"?

The court found that spring steel was not used in prior art roadside posts. The use of spring steel was therefore a difference between the invention of the innovation patent and the prior art, which satisfied question 1.

The court then established that the use of spring steel made a substantial contribution to the working of the invention, because without spring steel, the post would not bend as required, which satisfied question 2.

The Delnorth innovation patent was therefore found to be valid, despite the fact that the invention relied on a known characteristic (elasticity) of a common material (spring steel).

Recommendation

It follows that to maximise the strength of patent protection in Australia, clients should consider filing for innovation patent protection either in place of, or in addition to, standard patent protection.

If you have any questions relating to innovation or standard patents, please contact us.

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National security implications of international collaborations

Dr Neil Ireland, Partner

Globalisation and improvements in communication technology mean that it is now common for corporations, universities and research institutions to collaborate on research across the globe.

Accordingly, situations occur in which inventions are being made in multiple jurisdictions by inventors with multiple and/or different nationalities or countries of residence. In many countries, there are national security requirements that an invention be filed in the country of residence or nationality of the applicant/inventor before it is filed elsewhere.

Overview of the law: national security provisions

The patent laws of many countries contain security provisions that either (i) require the filing of a patent application in that country before the filing of a patent application in another country, or (ii) require the applicant to obtain a foreign filing licence (if possible) prior to filing in another country. These provisions aim to ensure that technology that could harm national security is not exported without first being reviewed.

A country may fall into one of three categories:

1. countries with no security provisions
2. countries with security provisions which only relate to defence related technology, and
3. countries with security provisions which apply irrespective of subject matter.

Whenever an invention results from an international collaboration, there is the potential to fall foul of one or more of these security provisions.

Countries with no security provisions

A number of countries do not contain any national security provisions of this type. As such, in these countries there are no restrictions that prevent inventions either made in that country or by residents and nationals of that country from being initially filed in another jurisdiction without first obtaining a foreign filing licence.

Although this list is not exhaustive, countries of this type include Argentina, Australia, Austria, Brazil, Hong Kong, Indonesia, Ireland, Japan, Liechtenstein, Mexico, Monaco, New Zealand, Philippines, Poland, South Africa, Sri Lanka, Switzerland, Taiwan, Thailand and Venezuela.

Collaborations with residents or nationals of any of these countries in developing patentable subject matter should not cause any difficulty from a national security sense.

Countries with security provisions which only relate to defence-related technology

In many countries, security provisions are limited and only apply to inventions that are considered to be in the areas of defence or areas where the publication of the technology would be prejudicial to the national interest.

In the United Kingdom, there is a requirement for first filing in the United Kingdom for applications by residents.[1] This requirement applies to any application that either relates to military technology or is such that its publication would be deemed prejudicial to national security. Unfortunately, the Patents Act provides little guidance as to what constitutes an invention that would fall foul of this provision.

Security provisions that restrict defence-related technology or technology the publication of which may be seen as being prejudicial to the national interest apply in the patent laws of Belgium, Bulgaria, Czech Republic, Denmark[2], Finland[3], Germany[4], Israel[5], Korea[6], Luxembourg, Sweden[7] and Turkey.

Countries with security provisions which apply irrespective of technology

There are a number of countries that apply restrictions on applicants irrespective of technology.

In China, it is stipulated that in relation to any invention made in China, the applicant must obtain security clearance with the patent administration department prior to filing in a foreign country.[8] Failure to comply with this requirement can lead to the Chinese Patent Office (SIPO) refusing to grant a patent for the corresponding Chinese application. This is similar to the USA, whereby the applicant for an invention made in the USA must obtain a foreign filing licence before filing in a foreign country unless the application was filed first in the USA and a period of six months has expired.[9] As with China, failure to comply with this requirement may lead to invalidity of the corresponding US patent, unless the failure to procure the licence was through error and without deceptive intent.[10]

Countries that apply restrictions irrespective of the technology include Armenia, Belarus, Cyprus, Kazakhstan, Spain, France, Greece, India, Italy, Malaysia, Portugal, Russian Federation, Singapore and Vietnam.

Methods used to determine whether the security provision applies

If there is inconsistency as to how each country determines whether provisions apply, the security provisions can be divided into three groups:

(a) countries in which the provision applies based on the nationality of the applicant, inventor or beneficial owner;

(b) countries in which the provision applies based on the residency of the applicant, inventor or beneficial owner; and

(c) countries in which the provision applies based on the jurisdiction in which the invention was made.

In some countries, such as Spain and Greece, the provisions apply to nationals of those countries irrespective of where the invention is made. In other countries, the provision applies to residents of the country. Countries that impose a residency requirement include Belgium, Bulgaria, Denmark, Finland, UK, India, Malaysia, Portugal, Singapore, Turkey and Vietnam.

Finally, in certain jurisdictions the security provision will only apply if the invention was made in that country. This is the case in Armenia, Cyprus, Russian Federation and the USA.

What can I do if the security provisions apply to my invention?

In many of the countries that have security provisions, it is possible to obtain a foreign filing licence should the need arise.

Unfortunately, there are a number of countries with security provisions that do not make allowances for the provision of a foreign filing licence. Russian Patent Law states that where an invention is developed in Russia, the patent application should be first filed in Russia.[11] There is no mechanism for obtaining a foreign filing licence without first filing in Russia, and so where at least a part of an invention is made in Russia, then the Russian patent office must be the office of first filing.

Dealing with the issues in a practical way

As previously discussed, the need to obtain a foreign filing licence for any particular invention will depend upon either (1) the location(s) in which the invention took place, or (2) the residency (and possibly nationality) of the inventors, applicants or beneficial owners, or both.

Whenever you are conducting collaborative research across multiple jurisdictions, the locations of the research facilities as well as the nationalities and residence of the applicants and inventors should be assessed to determine if any action is required.

Conclusion

Security laws vary widely from jurisdiction to jurisdiction, are constantly changing, and the penal provisions for non-compliance range from loss of protection in the jurisdiction to significant criminal sanctions for the inventor or applicant. If you have any questions relating to this topic, please contact us.

References

1 Section 23, UK Patents Act, 1977.
2 Section 70, *Patents Act* and *The Consolidate Secret Patents Act*.
3 Section 2, *Act on Inventions of Importance to the Defence of the Country*.
4 Section 52, *Patent Law*.
5 Article 98, *Patents Law, 5727–1967*.
6 Article 41, *Patent Act*.
7 Section 4, *Defence Inventions Act*.
8 Article 20, *Patent Law of the People's Republic of China*, as amended 1 October 2009.
9 35 USC 184.
10 35 USC 185.
11 Article 35, *Patent Law No. 3517-I*.

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The history of Rubik's Cube

Rodney Chiang-Cruise, **Partner**

Many of us who were around in the 1980s will have grown up with a Rubik's Cube, and will remember how difficult and frustrating they are to solve.

Rubik's Cube originated in the mind of Hungarian designer Erno Rubik in 1975. Erno was an instructor of Interior Design and Architecture at the Academy of Applied Arts and Crafts in Hungary.

The story goes that Erno Rubik created the puzzle, not as a puzzle per se, but rather a method of creating blocks that could move independently of each other without the entire model falling apart. He coloured each side of his prototype a different colour, and after some time of moving the independent cubes from their original position, realised he could not get it back to the original colour coded starting position. Rumour has it that it took Erno over four weeks to finally 'solve' his own puzzle.

Rubik may have been living in a communist country at the time, but he certainly understood the importance of patent protection, having been granted a Hungarian patent HU170062 for his 'cube' in 1975. Unfortunately, he did not gain patent protection beyond Hungary.

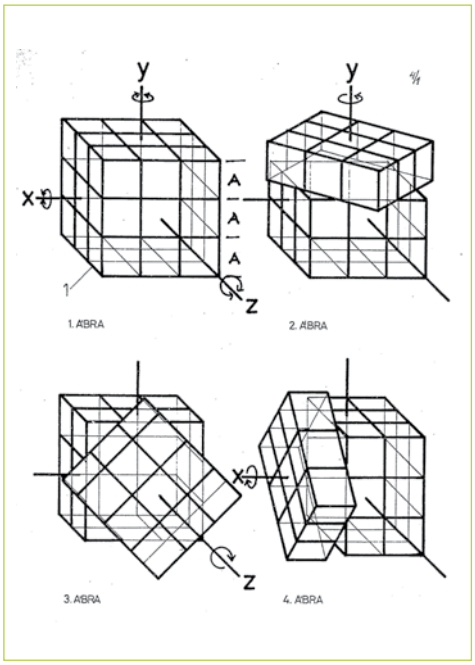
The first 'toy' was sold in Hungarian toy stores in 1977, but by 1979 Rubik had signed a deal with an international toy company, 'Ideal Toys' to market the toy around the globe.

The original 'Rubik's Cube' only adopted that name in 1980. Prior to that it was called the 'Magic Cube'. The trade mark is still registered in a large number of countries including Japan, Austria, Germany, Denmark, Sweden, France, Canada, Hong Kong, Portugal, Sweden, Switzerland, Poland, Norway, Spain, United Kingdom, Italy and the USA. Interestingly, the mark 'Rubik's Cube' has never been registered in Australia, although the mark 'Rubik's' is (528156).

In 2010, Seven Towns Limited (who manages the Rubik's Cube brand) secured registration in Australia of the shape mark 1302648 for 'Three dimensional puzzles; cube shaped puzzle games'.

1302648

More recently in January 2013, the Israeli Trademark Office allowed the registration of the 3D (three dimensional) shape of the Rubik's cube for 'puzzles' in Class 28.



The original 'Rubik's Cube' has inspired many similar toys and puzzles over the years, but none have emulated the success or indeed mass frustration as Erno Rubik's 'Magic' cube.

Timeline of Rubik's Cube

1974 Erno Rubik creates first prototype of the 'cube'
1975 Erno Rubik obtains Hungarian Patent for the 'cube'
1977 First 'Magic Cube' sold in a Budapest Toy Store
1979 Distribution License signed
1980 'Magic Cube' is re-branded 'Rubik's Cube'
1982 1st International Rubik's Cube Championships are held
1990 Erno Rubik becomes President of the Hungarian Engineering Academy
2015 Adults and Children around the world are still frustrated that they can not solve it.

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Plant Breeders' Rights (PBR): enforcement of rights in Australia

David Longmuir, Senior Associate

This article provides brief comments on common issues that arise in the application, maintenance and enforcement of Plant Breeders' Rights.

Non-propagation agreements

Plant Breeders' Rights (PBR) legislation in Australia does not prescribe how the commercialisation of PBR varieties should occur, and in general, breeders seek to commercialise their varieties through contractual arrangements. For example, it is common practice for PBR owners to set the terms under which they allow a grower to use PBR protected material by way of a non-propagation agreement. These agreements may also set out the terms of any royalties payable in respect of the propagation of the protected variety.

Within the industry however, there are many different forms of non-propagation agreements, many of which are poorly drafted, or standard contracts which have not been updated for many years. Confusion as to the terms of any agreement can be a source of dispute between growers and PBR owners, with reports suggesting that disregard for the terms of non-propagation agreements is widespread in some industries.

Whilst disputes are not frequent within the industry, breaches of the agreement and/or infringement of a granted PBR can have significant consequences. One example of this is the decision in *Zee Sweet Pty Ltd v Magnom Orchards Pty Ltd* [2003] VSC 486, in which the Australian Federal Court ordered the respondent to destroy all its significant number of trees of the protected variety as a result of a breach of the Grower Agreement.

The Zee Sweet case continues to be a reminder that parties should understand their rights and obligations of any PBR related contracts. For breeders, it is important to regularly audit contractual arrangements to ensure they remain in force and relevant to their business. For growers, it is crucial that they properly understand the terms of any agreement or conditions by which they may grow protected varieties.

Genetic resource centre

Under PBR legislation in Australia, propagating material of the variety must be deposited at a Genetic Resource Centre (GRC), where germplasm material may be maintained. This is so the variety can be preserved for breeding and other testing.

Plant breeder's rights are granted in a new plant variety. Unlike patent rights, validity and infringement are not assessed on the basis of the detailed description of the variety. This is because a variety's phenotype will be affected by its environment, and as a consequence, a variety's description is likely to differ between locations and time.

Whilst a variety's distinctive essential characteristics should be reproducible in the same environment used for the distinctiveness, uniformity and stability trial carried out in support of the application and set out in the detailed description, it is important that access to a clear source of the protected variety be available in order to replicate or carry our new trials.

Accordingly, it is important for breeders to ensure that the nominated GRC is properly maintained, particularly during any changes to the business during the term of the PBR and where the GRC is an area or part of a nursery rather than a formal GRC.

Entitlement to make PBR application

Legal ownership of, or access to, the source population of a variety is not an eligibility requirement for PBR protection of the new variety, although legal issues as to the ownership of a source population may arise separately. It remains the case however, that only a breeder of a plant variety is entitled to make any application for the grant of a PBR in the variety.

Although it is common practice for PBR applications to be made in the name of the

legal entity carrying on the nursery business, the entity will not automatically be considered the breeder under the PBR legislation.

The breeder can be an incorporated or unincorporated body, but only where the variety was bred by person in the course of performing duties or functions as a member or employee of the body. Whist this will cover most situations that commonly arise, PBR owners should ensure that they conduct regular reviews of contractual or other arrangements in place covering the development of new varieties to ensure that there is a proper basis for a claim to ownership.

If you have any questions about PBR, please contact us.

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