

Inspire



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Welcome

Effective management of an IP portfolio involves a wide range of activities from the administrative tasks of meeting deadlines and renewing registrations to the strategic analysis of the current and future IP needs of a business.

In this edition of *Inspire*, Alyssa Telfer writes of the importance of innovators allocating not only money, but also time, to the management of their portfolio to ensure IP strategy appropriately aligns with broader commercial goals. Depending on a portfolio's maturity, this may involve freedom to operate or prior art searching, which as Alyssa explains have very different objectives.

The recent patent office decision in *Magnum Magnetics Corporation* involved a patent applicant's belated attempt to claim priority from a related application in a complex patent family. Duncan Joiner explains how the hindsight appreciation of the possibility of claiming priority was insufficient to justify an extension of time to make that claim, particularly in the absence of evidence as to why it had been overlooked.

Meanwhile Amanda Morton and Edwin Patterson analyse the decision in *Dometic v Houghton Leisure* where a loss of corporate knowledge caused by the departure of key personnel exposed a patent to challenge for failing to disclose the best method of performing the invention.

Also in this edition, Anita Brown highlights the vigilance of the Hells Angels Motorcycle Corporation in monitoring and enforcement of an IP portfolio, Matthew Overett looks at how the patent office is applying the tests for sufficiency and support, Mark Williams plays whack-a-mole with copyright infringers, and Alexis Keating reports on some important changes to the Trade Marks Act.



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POF takes home 'Firm of the Year' award for Trade Mark Prosecution – MIP IP Stars 2019

We're delighted to announce that POF was recently awarded 'Trade Mark Prosecution Firm of the Year – Australia' as part of Managing Intellectual Property (MIP)'s IP Stars awards.

This also marks the sixth year in a row that POF has been ranked as a Tier 1 firm for Trade Mark Prosecution.

MIP is the leading specialist guide to IP law firms and practitioners worldwide. It gathers information from thousands of competing firms, IP practitioners and their clients in order to rank IP firms and leading IP practitioners.

This award is a reflection of the time and effort our trade marks attorneys put into their work, and the quality of the relationships that they have built with their clients.

We are proud to have received this award and we'd like to congratulate our attorneys on this outstanding achievement.

Getting the most out of your IP: Questions from start-ups

POF recently co-hosted the Springboard Enterprises Life Sciences Bootcamp and participated in a roundtable to address IP-related concerns from founders seeking to expand and globalise their enterprises.

Some of the common questions that arose during this event related to optimising and prioritising investment in IP, Freedom to Operate and prior art searching.

Optimisation and Prioritisation of IP Spend

We are often asked, "how do we get the most out of our IP budget and prioritise IP expenditure?"

More often than not, this question is asked by a COO, BD manager or founder who is simultaneously raising capital, managing investor relations, and overseeing R&D and compliance, all while managing the company's IP. Understandably, managing IP in this environment becomes reactive; extensions of time become commonplace and decisions to proceed with new filings and renewals are made on an ad hoc and often urgent basis.

An adequate IP budget is critical to managing important IP assets, but budgeting the time to do it effectively is equally important. More effective decisions can be made by scheduling time each month to review your IP strategy in the context of broader commercial objectives, and execute required tasks such as:

- > Reviewing innovation pipeline and evaluating IP opportunities.
- > Updating and reviewing product coverage and IP Register.
- > Competitor surveillance and analysis.
- > Freedom to Operate analysis.

- > Contract management (keeping track of employment/consultant contracts, NDAs, licenses etc).

Regularly checking in on IP issues provides deeper knowledge of threats and opportunities, and supports confident engagement with investors and other stakeholders. Importantly, it also provides for efficient communications with patent attorneys who can then advise and act on instructions more economically.

Prioritising IP resources toward product features and tasks that have the greatest commercial importance is crucial. However, technology roadblocks, market feedback, modified commercial pathways and regulatory issues can force the focus to change. Therefore, adapting IP strategy to best support current commercial goals is important to get the most out of IP budgets.

Freedom to Operate and prior art searches

Freedom to Operate (FTO) and prior art searches are often coupled together in the context of searching, however they are very different beasts.

FTO searching is undertaken to determine commercial risks arising from the existence of third party rights that could be infringed, even if a patent has been granted in respect of the product being commercialised. Because IP rights are administered on a country-by-country basis, a FTO "opinion" can only be supplied by a licensed practitioner in the country of interest. However, conducting preliminary FTO enquiries in-house, or using a local attorney, can provide a level of comfort about the competitive landscape and what IP-related commercial threats may exist. The regularity with which FTO analysis is conducted depends on the stage of development of the product and is often iterative in the early stages. Once product features are settled, FTO analysis should be updated regularly (at least twice yearly).



In contrast, a prior art search is typically conducted before filing a patent application to identify information in the public domain that could invalidate a patent for an invention or prevent a patent from being granted. There are numerous free online patent databases including those administered by WIPO and the EPO, and non-patent literature databases are also accessible over the internet. Subscription databases provide richer and more usefully searchable data and are accessible through private search companies, such as our affiliate IP Organisers, who your patent attorney may instruct on your behalf. As patent applications are not published until 18 months after lodgement, it is important to top up prior art searches until 18 months after the patent application filing date. Thereafter, there is typically no ongoing need for prior art searching. Getting the most out of your IP can be difficult, and a daunting task in particular to anybody new to the industry. If you have any particular concerns or questions that haven't been addressed in this article, please contact us to find out how we can help you.



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Chilling out over best method

A recent Federal Court decision has brought issues regarding ‘best method’ back into the spotlight. *Dometic v Houghton Leisure Products*¹ delved into the requirements of disclosing the best method of an invention. There were two key questions asked by the Court: Who had knowledge of the best method and what was the required date for disclosing it?

“
One’s possession of an encyclopaedia does not mean that one knows the content of the encyclopaedia.”

The Patent

The Patent in question was Australian Innovation Patent No. 2016101949 (the Patent) entitled “Improved air conditioning system”, a divisional application of International Application PCT/AU2015/000126 (the parent application). Dometic alleged that Houghton had infringed the Patent and in response, Houghton filed a cross-claim to revoke the Patent on a number of grounds, one of which was failure to disclose the best method for performing the invention.

The Patent was for an air conditioning system specifically for use within confined spaces, such as motor homes. The advantages provided by the invention were achieved through employment of the “Coandă effect”, which is defined as “a physical effect which causes a fluid jet to stay attached to a surface over which it is flowing”. In essence, the system included certain features on or adjacent to the air outlets that allowed it to efficiently control the flow of air, enabling it to travel a substantial distance from the outlet and increasing the cooling effect within the space. Despite this being crucial to the operation

of the invention, the specification did not contain any reference to the “Coandă effect” or the way this was utilised within the Patent.

The Ownership

The invention was developed by three inventors employed by Aircommand Australia, a subsidiary of Atwood Australia Holdings: Bruce Henshall, David Henshall and Andrew Karas. On 6 March 2014, a provisional application (the priority document) was filed by Atwood. Later in 2014, Dometic acquired all the shares in Atwood, which became a subsidiary of Dometic. The parent application (dated 6 March 2015) was filed by Atwood, and then assigned to Dometic on 18 March 2016. In between these two dates, Bruce Henshall ceased his employment with Atwood, but left his files relating to the development of the invention. On 7 November 2016, Dometic filed the Patent as a divisional innovation application, engaging different patent attorneys than Atwood had used to draft the parent application.

Court Findings

Houghton relied upon evidence by Bruce Henshall that the Patent failed to disclose the best method, specifically the use of complementary curvature on the upper and lower surfaces of the air outlets that utilised the “Coandă effect”. It was accepted by the Court that it was “likely” that Henshall had disclosed this method to the patent attorneys who prepared the parent application. Further to this, Houghton argued that the best method was found within material accessible by Dometic (the files left when Henshall ceased his employment) and therefore, Dometic was aware of the best method.

This argument was not accepted by the Court. It was determined that no specific individual under the umbrella of Dometic had the required knowledge of best method after Henshall left the employment of Atwood. It was noted that while the drawings retained by Atwood depicted the air outlets, they did not indicate any particular significance of those outlets in achieving the invention. Further to this, the Court found that control of the source of the information

was not enough to establish that Dometic had the required knowledge of best method, stating:

Control of a source of knowledge cannot be equated with knowledge of the information contained in that source. One's possession of an encyclopaedia does not mean that one knows the content of the encyclopaedia.

The Court concluded that Dometic did not have knowledge of the best method when the Patent was filed, and had disclosed the best method "known to them at the time of filing".

Other Issues

The Court also considered the relevant date for determining the disclosure of best method under s 40(2)(aa) of the Patents Act. Houghton relied on *Rescare v Anaesthetic Supplies*² to contend that the relevant date should be the filing date of the parent application, which is the effective filing date of the divisional application.

However, the Court determined that best method should be disclosed "at the time when the complete

specification was filed" and the relevant date on these facts was when the complete specification of the divisional application was filed, not the parent application. Therefore, the Patent was valid.

Take-home Points

- > The best method of performing the invention as known to the Applicant must be disclosed within a divisional application at the time of filing. Failure to do this could lead to invalidity of the patent.
- > The date for establishing best method in a divisional application is the filing date of the divisional application, not the parent application.

For more information on how you might be affected by issues surrounding best method, please contact us.



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¹ *Dometic Australia Pty Ltd v Houghton Leisure Products Pty Ltd* (2018) FCA 1573

² *Rescare Ltd v Anaesthetic Supplies Pty Ltd* (1992)111 ALR 205

Hells Angels, the silent IP enforcers, burst Redbubble

In the recent case of *Hells Angels Motorcycle Corporation v Redbubble*¹, Hells Angels has hunted down and successfully sued the online marketplace Redbubble for trade mark infringement.

In keeping with the mantra of Hells Angels member, Sonny Barge, that “The sun never sets on a Hells Angel patch”, their organisation brought both copyright and trade mark infringement claims against Redbubble - relating to the use of images of a Hells Angels membership card and registered trade marks, both featuring the clubs famous ‘death’s head’.

Redbubble operates a print-on demand website, where consumers can browse artwork uploaded to the site by artists, and then apply that artwork to merchandise such as t-shirts, caps and mugs. Redbubble arranges all facets of the transaction and uses a third party to fill the order.

Hells Angels Motorcycle Corporation (HAMC US), is the registered owner of Australian trade mark numbers 526530, 723219, 723463, 1257992 and 1257993 – which are used in Australia under an exclusive licence by Hells Angels Australia (HAMC AU).

In Australia, to establish trade mark infringement under s.120(1) of the Trade Marks Act, the registered owner must establish that the alleged infringer has used as a trade mark a sign that is substantially identical with, or deceptively similar to, the registered mark in relation to goods or services in respect of which the mark is registered.

One integer of infringement which the court considered in detail was whether Redbubble had used the death’s head sign ‘as a trade mark’.

Although Hells Angels failed to establish that the use of images featuring the death’s head had infringed copyright, the Court found that Redbubble had infringed the registered trade marks by using the marks in t-shirt designs.

Greenwood J found that the artist who uploaded the work containing the Hells Angels registered trade marks was using the sign “in the sense of a badge of origin of her work and inviting consumers to apply the work in physical relation to the goods for which the relevant marks were registered.”²

Redbubble was also found to have used the mark as a trade mark by virtue of:


“... a business model designed to enable users, in Australia (and, for that matter users in all jurisdictions in which the website is accessible), to find images through the website comprised of, in this example, Ms Troen’s image made up of the identified trade marks of HAMC US. Redbubble enables images containing the relevant trade marks to be presented to buyers of particular goods (nominated by the artists from the website categories of those goods to which the work

“

The sun never sets on a Hells Angel patch.

can be applied) expressly for the purpose of facilitating the supply of goods (clothing, in this example) to which the marks are applied. It does so by and through the functions and protocols of the website engaged by Mr Hansen (and other potential viewers of the image), in Australia.”³

Redbubble was found to be the supplier of the goods bearing the trade marks as it directly engaged in all facets of the transaction with the consumer. It also supplied the goods to customers with its own name and logo on the goods e.g. a swing tag. Thus, there was a ‘use’ and infringement was established. Despite the infringement finding, only nominal damages were awarded as Redbubble had




infringement policies in place and acted swiftly to remove the infringing images once notified.

This decision highlights Hells Angels practice of regularly scouring the web and other marketplaces for misuse of its trade marks. It demonstrates the value of investment not only in trade mark protection, but in IP monitoring and enforcement. Would-be infringers are now likely to think twice about ripping off Hells Angels trade marks, knowing the club will protect its patch and pursue them in court.



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¹*Hells Angels Motorcycle Corporation (Australia) Pty Limited v Redbubble Limited [2019] FCA 355*

²*Ibid*, at 459

³*Ibid*, at 461

Unjustified threats riskier than ever



On 24 February 2019, a suite of changes to key IP legislation came into effect, pursuant to the Intellectual Property Laws Amendment (Productivity Commission Response Part 1 and Other Measures) Act 2018. This Act amends the Trade Marks, Patents, Designs and Plant Breeder's Rights Acts. Rights holders are cautioned that additional damages are now available for unjustified threats of infringement proceedings. Further, trade mark owners now need to act faster after filing, following changes to the non-use provisions.

A number of key changes relevant to brand owners are discussed below.

Non-use applications

Section 92(4)(b) of the Trade Marks Act provides for the removal of a registered trade mark on the ground that it has not been used (or has not been used in good faith) in Australia for three years.

Previously, under section 93(2), such a non-use application could not be made until five years had passed since the trade mark application filing date. However, this period has now been condensed to three years from the date the particulars of the trade mark were entered into the Register. The amendment is intended to address concerns about the many unused marks on the Register.

The new application period applies only to trade marks with a filing date on or after 24 February 2019.

'Groundless threats' become 'unjustified threats'

References to 'groundless threats' in the Trade Marks Act have now been changed to 'unjustified threats'. This brings the Trade Marks Act into line with the terminology already used in the Patents Act and Designs Act.

Repeal of provisions preventing unjustified threats action

Previously, a trade mark owner could defeat an action for groundless threats simply by

commencing infringement proceedings. There was no requirement that the infringement proceedings be successful.

Following concerns raised about the disadvantages of this for alleged infringers, the relevant provision of the Trade Marks Act, section 129(5), has been repealed.

Additional damages for unjustified threats

Under new section 129(2A), the Trade Marks Act now provides for additional damages for unjustified threats of trade mark infringement proceedings. In deciding whether to award such damages, the court will have regard to factors similar to those considered in relation to additional damages for trade mark infringement. These include the flagrancy of the threat, the need to deter similar threats and all other relevant matters.

These new provisions address the concern that, for well-resourced businesses in particular, the benefit of making unjustified threats may outweigh any potential liability for compensatory damages incurred as a result of making the threats.

Similar provisions for additional damages for unjustified threats have also been introduced to the Patents and Designs Acts, while the Plants Breeder's Rights Act now includes additional damages provisions for both unjustified threats and infringement.

Mere notification of registered mark not a threat


New section 130A has been inserted into the Trade Marks Act, which clarifies that the mere notification of a registered trade mark does not constitute an unjustified threat under section 129.

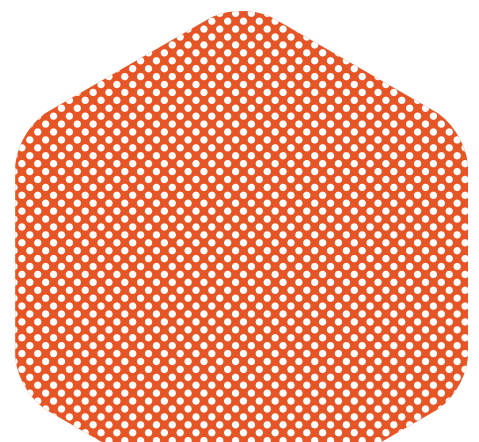
For further information on the recent amendments and how they could affect you, please contact us for a consultation.



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First Flex of revised Copyright Act “whack-a-mole” provisions

Since 2015, copyright holders have been able to seek injunctions against Internet Service Providers requiring them to block their customers from accessing sites which contain infringing content by way of section 115A of *The Copyright Act*. These provisions, equivalents of which exist in a number of other jurisdictions, have been colloquially known as “whack-a-mole” provisions – largely due to the ability for sites to pop back up again elsewhere after being shut down.

Over the last two years, there was some concern as to how effective Section 115A might actually be in practice for copyright holders. Playing “whack-a-mole” with online sites has the potential to be a full time and costly exercise and ease of use of the provision is paramount.

A review of section 115A late last year, by way of the *Copyright Amendment (Online Infringement) Bill 2018*, saw changes that attempted to broaden the scope of the provisions. There were a number of changes, but a major change was to lower the bar from a ‘primary purpose’ test for an injunction to a ‘primary purpose or primary effect’ test. Under the new provision a copyright holder now only needs to show the Court that the relevant online location infringes, or facilitates infringement, of copyright and has the primary purpose or *primary effect* of infringing or facilitating an infringement, of copyright.

The first Court judgment to address these new provisions has recently issued in *Australasian Performing Right Association Ltd v Telstra*¹.

The case related to a number of websites where a user can “rip” streaming content (typically from YouTube) into an audio format – for example, a music video or FLV file to an audio MP3 file. An excellent and amusing summary of music videos is provided by Perram J at [1] to [6] of the judgment.

Perram J, provides the following comment on the revised 115A and the “primary purpose or primary effect” test:

43. “Unlike s 115A(1)(a), s 115A(1)(b) includes no definite article and thus does not require the Applicants to show that the primary

purpose or primary effect of the online locations is to infringe their copyright, but to infringe copyright generally. Nonetheless, s 115A(1)(b) appears to be engaged largely for the same reasons as considered above in the context of s 115A(1)(a).

44. A quick inspection of the websites shows self-evidently that the online locations are specifically intended to facilitate the copying of soundtracks by members of the public from YouTube. It is likely that this is indeed their exclusive purpose and effect, and they do so flagrantly. The services provided by the online locations will only be of use to anyone where YouTube does not offer download functionality—that is, where no permission is given to make a copy of media on YouTube. In some instances, the online locations purport to inform users that the services they offer are entirely legitimate and non-infringing. For example, the web page for Convert2mp3 states:

Is it legal to download and convert videos from youtube and other video platforms? Yes, convert2mp3.net is completely legal.

45. The fact that the websites contain statements of this kind is entirely beside the point. The terms and conditions of use for the websites include a warranty by each user that they have permission from the owner of the copyright to copy the soundtrack. Thus statements of this kind, whilst technically correct, are entirely without substance and merely serve to underscore the dishonesty of the website operators.

46. In addition, the evidence shows that these websites are responsible for piracy of music from music videos on an industrial scale. There were 66.5 million visits

to Convert2mp3.net in January 2019 and 112.4 million to Flvto.biz in January 2019 alone.”

In granting the injunction against the online locations (websites), Perram J noted that the websites that were subject to the injunction were involved in industrial scale copyright infringement. Therefore, he did not need to consider the Applicants extensive evidence (which related to the websites being the subject of orders blocking access in other jurisdictions, and that the injunctions would be proportionate and in the public interest).



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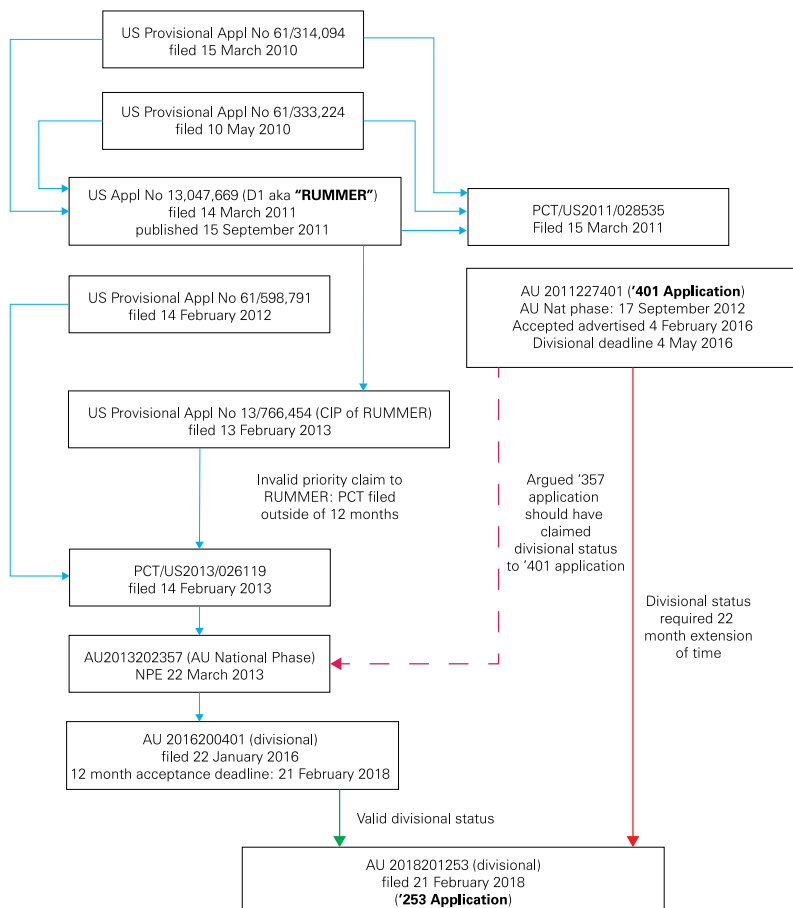
¹*Australasian Performing Right Association Ltd v Telstra* [2019] FCA 751 (3 April 2019)

Hindsight realisations fail to enliven extension of time

A recent decision of the Australian Patent Office¹ exemplified a set of circumstances which failed to satisfy the extension of time provisions under section 223 of the Patents Act. This Decision highlights the importance of formulating evidence to demonstrate the occurrence of the error or omission at the relevant time, lest the circumstances be framed as hindsight realisations which will not justify an extension of time.

Background

Reference is made to the patent family diagram, illustrated below.



The Applicant of the section 223 request had been unable to achieve acceptance in Australian application 2016200401 following one of the Applicant's own US patent applications, termed 'Rummer', having been cited as prior art.

In an attempt to eliminate 'Rummer' as prior art, Divisional application AU2018201253 ('253 application') was filed claiming divisional status to both AU2016200401 and to an earlier of the Applicant's Australian patents, AU 2011277401 (the '401 application') which held valid priority to 'Rummer'.

The claim for divisional status (indicated by the green arrow in the diagram) to AU 2016200401 was made within time and was therefore valid. However, the '401 application had been accepted some two years prior, requiring a 22 month extension of time to establish divisional status. The 'relevant act' for which an extension of time was sought was therefore the claiming of divisional status from the '253 application to the '401 application (indicated by the red arrow).

Arguments

It was argued that the '253 application's grandparent, AU 2013202357, could have and



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The evidence did not provide a full and frank disclosure or explanation of the circumstances under which the priority issue had been overlooked.”

should have been amended to claim divisional status to the '401 application (indicated by the dashed pink arrow), when Rummer was first cited as prior art in mid-2013. The relevant error or omission was attributed to the previous US Attorney for not instructing such an amendment. This error or omission led to the parent and grandparent of the '253 application not timely claiming divisional status from the '401 application.

The Applicant also pointed to a failed attempt by the previous US Attorney in 2013 to claim priority to US application 13/766454, a CIP of Rummer, in the PCT application associated with the '357 application. This demonstrated a clear intention for the '357 family to maintain priority to Rummer, notwithstanding the attempt being invalid. This failure caused a subsequent omission in not claiming priority to the '401 application. Had the Applicant been aware of the error, they would have instructed the appropriate amendment to claim divisional status.

Decision

The Delegate noted that the Applicant was aware of Rummer since mid-2013 yet no action was

taken until February 2018, with the filing of the '253 divisional. This was inconsistent with the declared intention to amend the '357 application at the time. In the Delegate's view, the evidence suggested a hindsight realisation that Rummer could be avoided as prior art with the establishment of divisional status. The argument was then formulated that an "error or omission" led to an unintentionally delayed priority claim.

The Delegate acknowledged that the failed attempt to claim priority to Rummer via US13/766454 could have logically resulted in an attempt to rectify the situation, had the Applicant been made aware. However, it was nonetheless unclear why the Applicant remained unaware of the invalid priority until 2018. The US Attorney's Instructor was involved in the patent family since its conception. The evidence did not provide a full and frank disclosure or explanation of the circumstances under which the priority issue had been overlooked by the previous US Attorney and by the Instructor.


In the Delegate's view, it was more likely that the priority realisation was formed with the benefit of hindsight. Consequently, the Delegate was not satisfied that

the failure to perform the relevant action (at the time of the failure) was due to an error or omission.

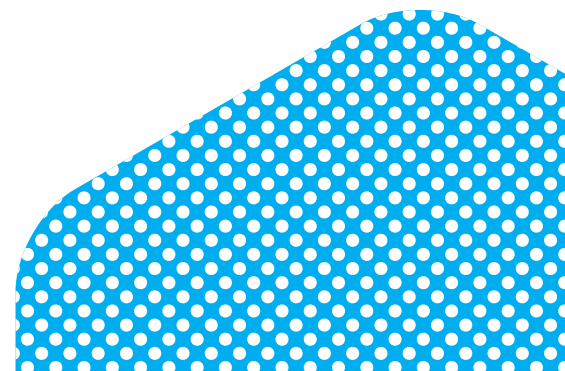


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¹ *Magnum Magnetics Corporation*
[2019] APO 3 (11 January 2019)



Clearing the bar on sufficiency and support

Amendments to the Patents Act have “raised the bar” for sufficient disclosure of an invention, and support for the claims. Central to the legislative intent was the notion that a specification should enable a relevantly skilled person to perform the invention across the full breadth of the claimed monopoly, as is required in other patent jurisdictions.

In practice, striking an appropriate balance can be challenging in ‘unpredictable’ technology areas such as chemistry, materials science, pharmaceuticals and biotechnology, where inventions are generally developed via experimentation. If the bar is too low, a patentee may obtain a disproportionate reward for their contribution to public knowledge. Conversely, if a patent is limited too narrowly around the exemplification, a worthy invention may be given away to ‘free-riders’, who are able to exploit the inventive principles while avoiding infringement.

Make it plausible

One aspect of a sufficiency enquiry relates to plausibility – does the disclosure make it credible that the invention can be worked across its full breadth? Plausibility is a relatively low threshold test, but is not satisfied by mere assertion. There must be a sound scientific basis to predict that the invention extends beyond the experimental embodiments and across its full scope. Moreover, plausibility must be evident from the specification - a speculative claim cannot be rescued by later proof of the invention’s generality. In *EvoIva SA*¹, the invention was a method for producing sweetener compounds using a polypeptide “having at least 90% sequence identity” to a polypeptide enzyme

validated by experiment. The claims encompassed functional homologues with up to 10% unspecified variation in the amino acid sequence. However, the specification provided practical

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Patent claims are “supported” if their scope does not exceed what is “justified by the extent of the description and contribution to the art”.

guidance for conservatively substituting amino acids while retaining enzymatic activity. Consequently, it was plausible that the invention could be worked with polypeptides having as little as 90% sequence identity.

Reduce the burden

The second aspect of a sufficiency enquiry asks whether the skilled person can perform the invention across its full breadth without undue burden. This relates to the nature of work involved in implementation. If the skilled

person using their expertise can achieve success via routine trial and error, there is no undue burden. If, however, the skilled person is left to undertake a “research programme” or perform inventive work, the disclosure is deficient.

In *Cox v MacroGenics*², the invention was a polypeptide coupled to a protein, which differed from a known immunogenic albumin-binding protein by three specified amino acid substitutions, but could also include unlimited further variations. The variant protein was required to be deimmunized, but retain the desirable function of extending polypeptide lifetime. Considering the enormous range of candidate variants, the unpredictable effect of any particular modification and the lack of guidance in the specification, it was considered an undue burden to ascertain which variants – beyond those with only the specified substitutions – would have the necessary properties.

In *EvoIva*, by contrast, the disclosure was found sufficient. Decisive factors included the narrower scope (via the 90% sequence identity limitation), the specification’s teaching of how to produce and evaluate functional homologues, and evidence that the skilled person could have predicted which functional segments should remain unmodified.



Calibrate claim breadth

Clearly, ambitions for a broad monopoly must be tempered by a realistic assessment of the supporting disclosure. However, generic claim features are less susceptible to narrow restriction than those relating to the inventive concept.

In *Cox v Macrogenics*, for example, the broad “polypeptide” feature was fully enabled, despite exemplification only for certain diabodies. The decision was informed by evidence that half-life extension of polypeptides using fused albumin-binding proteins was an established strategy at the filing date.

Technical contribution – a wildcard?

Patent claims are “supported” if their scope does not exceed what is “justified by the extent of the description and contribution to the art.” It might be expected that a sufficiently enabling disclosure of an invention will inherently support claims directed to that invention. However, one recent case suggests this is not always true.

In *Mars v Kraft Foods*³, the invention was a process for producing heat-resistant chocolate, in which fats and hydrated substances including dextrose monohydrate were processed below 50°C. According to the specification, the invention

relied on controlled release of water from the hydrated material. This mechanism was considered plausible, and identification of suitable temperatures imposed no undue burden. Accordingly, the disclosure was sufficient. The technical contribution, meanwhile, lay in the mechanism, corresponding also to the inventive step. However, the claims did not explicitly require controlled water release or define process conditions where this would inevitably occur. Accordingly, the claims exceeded the technical contribution and lacked support.

The surprising inference is that support may require a closer correspondence between the scope of a claim and its underlying principles than sufficiency, where the skilled person can be expected to conduct non-inventive work to implement the invention. Moreover, if a mechanism, proposed in the specification to establish plausibility, is regarded as the technical contribution, there is a risk that the claims will be limited, explicitly, with features related to this mechanism.

Conclusion

For inventions in unpredictable technology areas, the enablement obligations imposed by Australia’s patent law are best discharged by including experimental evidence, representative of the full extent of the invention, in the specification. To a limited extent, however,

applicants may legitimately extend their monopoly beyond the examples. Recent decisions provide some lessons in this regard:

- > Disclosure of a credible mechanism or principle of operation may justify a broader breadth of claim.
- > A specification should reduce the burden on the skilled person by including detailed instructions for implementing the invention as a matter of routine.
- > When resources are limited, inventors should focus their efforts on enabling the inventive and unpredictable aspects of the invention.



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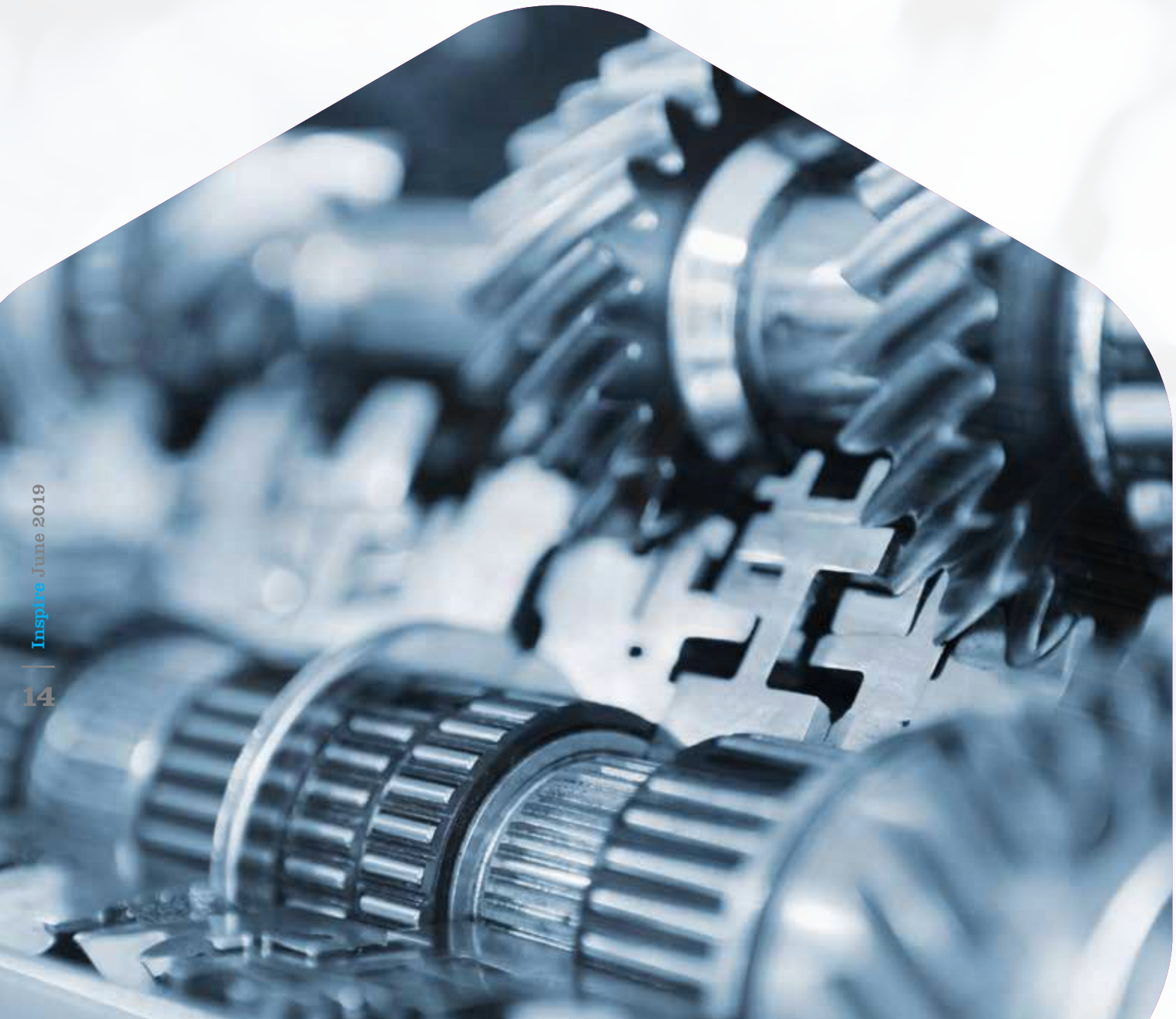
¹ *Evolva SA [2017] APO 57*

² *Gary B Cox v Macrogenics [2019] APO 13*

³ *Mars v Kraft Foods [2018] APO 62*

The 'repair defence' to design infringement

It is common to find unbranded or generic spare components for sale when it comes to complex products such as cars. Section 72 of the Designs Act, pertaining to the use of design registered parts for repair purposes in Australia, provides a complete defence against infringement – as long as the parts are components of a complex product. This is known as the repair defence.



The operation of the repair defence was considered by the Federal Court in *GM Global Technology Operations v S.S.S. Auto Parts*¹. The decision highlighted the heavy burden placed on design registration owners in proving infringement. At the same time, the decision explains that spare parts suppliers must take reasonable actions to ensure their products are used solely for 'repair' purposes.

Background

Car enthusiasts regularly seek to enhance the appearance of standard cars to make them look different and unique. However, for HSV or VE model Commodores, Australian car brand Holden implements controls over the sale of its parts to discourage these practices. Holden discovered that SSS Auto Parts (SSS) was importing and selling replica HSV and VE parts. Holden sent aggressive letters of demand to SSS, alleging that the replicas infringed its design registrations. SSS argued that its actions were within the scope of the 'repair defence' of section 72.

Holden then commenced Court proceedings alleging over 1,300 infringements. In response, SSS cross-claimed, alleging that Holden's letters amounted to an unjustified threat under section 77 of the Act. The subsequent legal proceedings considered a sample of 26 transactions.

SSS acknowledged it was importing and selling parts that fell within the scope of the design registrations owned by Holden. With SSS raising the 'repair defence', the proceedings revolved around whether SSS knew, or ought to have known, that the Holden parts were to be used for anything other than for the purpose of repair of a complex product, in this case a motor vehicle.

The 'repair defence'

Section 72 provides that a person does not infringe a registered design if the person uses, or authorises the use of, a design registered product provided the product is a component part of a complex product, and is used only for the purpose of repair, to restore its overall appearance in whole or part.

The owner of the design registration bears the burden of proving that the person knew, or ought to have known, that the use or authorisation

was not for the purpose of the repair of the complex product. Holden submitted that the number of impugned parts imported by SSS and supplied to certain customers, as well as the frequency of orders, exceeded an amount that SSS could have reasonably expected would be used for repairs – as opposed to enhancements. Holden also contended that customer conduct, and customer business names including the word 'enhancement', indicated that SSS ought to have known customers were not using the products for repairs.

In response, SSS argued that it had implemented "repair only" policies from 2012. This included labelling the relevant parts with a sticker stating "authorised for use only in repairs" and requiring all sales staff to execute a "repair only directive". Holden argued that the implementation of

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Spare parts suppliers must take reasonable actions to ensure their products are used solely for 'repair' purposes.”

these policies was reactive, and ineffective. However based on the facts, Justice Burley found that such policies represented an honest attempt by SSS to ensure that the parts were sold for repair only, and to ensure that SSS staff were aware of this fact.

Justice Burley held that the repair defence required Holden to establish on the balance of probabilities that SSS must have known, or ought to have known, that the use was not for the repair purpose. Knowledge that parts might not be used for a repair purpose was considered insufficient. Ultimately the Court held that Holden only discharged the onus of proving that SSS did not have a repair purpose in a small number of transactions. This included a transaction made to a customer with a business name "Instant Vehicle Enhancements",

where it was clear the customer engaged in enhancements and not repairs. It also included transactions where staff ought to have known that parts ordered for certain vehicles could not be used for repair.

Unjustified threats

In its counterclaim, SSS argued that Holden had made unjustified threats of infringement. The Court held that until it is asserted, a registered owner is entitled to proceed on the basis that the repair defence will not be advanced, and that threats where the defence is raised are not unjustified.

However, Holden had not certified several of its designs, and allegations of infringement of these uncertified designs amounted to an unjustified threat. Owners must ensure registrations are certified before letters of demand are sent.


Key considerations

This case highlights the onerous burden on registered design owners to prove infringement against suppliers of infringing products, where the 'repair defence' is relied on. However, suppliers of infringing products cannot expect the defence to provide an easy out. Rather, the Courts will forensically examine the conduct of the supplier, and will need to be convinced on the balance of probabilities that the supplier has made an honest and reasonable attempt to ensure parts supplied were sold for repair only. Additionally, as mentioned above, owners must ensure that registrations are certified before sending a letter of demand.



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¹ *GM Global Technology Operations LLC v S.S.S. Auto Parts Pty Ltd* [2019] FCA 97



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