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## Craft beer, banks and fastcards: case note of opposition proceedings

*Lucy Davis OWEN DIXON CHAMBERS WEST*

This article comments on three opposition decisions from the Trade Marks Office. They serve as a reminder of the following points for practitioners:

- In many cases, it will be necessary to adduce evidence as to the state of affairs as at the relevant priority date.
- Descriptive words are unlikely to distinguish a trade mark.
- It will be difficult to establish a reputation for the purposes of an opposition grounded under s 42(b) or s 60 of the Trade Marks Act 1995 (Cth) with use of less than 12 months.

### **PACIFIC ALE word mark: Intellectual Property Development Corp Pty Ltd v Fermentum Pty Ltd (13 July 2017)**

In the next instalment of the fight for Pacific Ale: a brand or descriptor, the applicant, Fermentum Pty Ltd, previously called Stone & Wood Pty Ltd (Stone & Wood) applied to register the word mark PACIFIC ALE in class 32 in respect of Pilsner; Ale; Lager; Draught Beer; Bitter Beer in August 2011, application number 1541641 (opposed mark).<sup>1</sup> Stone & Wood operates two craft breweries in NSW producing and distributing craft beers throughout Australia.

Intellectual Property Development Corp Pty Ltd (IPDC) opposed the registration on the basis that the mark was not capable of distinguishing Stone & Woods goods from others goods and/or that it should be refused on the basis of a third partys prior mark PACIFICO, under ss 41<sup>2</sup> and 44 of the Trade Marks Act, respectively. IPDC was unsuccessful on both grounds but it has filed an appeal in the Federal Court.

IPDC and Stone & Wood are also embroiled in separate court proceedings currently pending a decision from the Full Court. In those proceedings, Stone & Wood claimed that Elixir Signature Pty Ltd, a company related to IPDC, had engaged in misleading or deceptive conduct, made false representations and/or engaged in passing off relating to its Thunder Road beer which included Pacific Ale as a component of the label.

Stone & Wood was unsuccessful at first instance.<sup>3</sup> The decision was influenced by the fact that the court found that Pacific Ale had a descriptive element and had come to be descriptive of a beer style namely, made from hops from Australia and New Zealand.

In the trade mark opposition, IPDC submitted that the opposed mark was not capable of distinguishing Stone & Woods goods from others because it indicated a beer style and/or it was descriptive of the geographical region from which the product originates. Both parties recycled the evidence adduced in the Federal Court matter. However, the delegate did not consider himself bound by the statements of the Federal Court in relation to the alleged descriptiveness of Pacific Ale given the statements were subsidiary to the courts decision and were made in a different legal and procedural context. Further, the courts findings that Pacific Ale had come to be associated with a particular style of beer did not necessarily reflect the position at the priority date, namely 2 August 2011. This was because the evidence in court concerned the use of the phrase at the date of the proceedings (2015/16) and only established this descriptive use as a recent phenomenon. By contrast, there was no evidence of any other party supplying beer under the name Pacific Ale at the priority date. Further, the delegate considered that Pacific was too vague and non-specific to function as a geographical indicator.

IPDCs claim under s44 was also unsuccessful as the delegate was not satisfied that the opposed mark was deceptively similar to PACIFICO given the significant and sufficiently memorable aural, visual and conceptual differences.

In the absence of IPDC producing further evidence going to the descriptiveness of Pacific Ale at the priority date, it seems to be facing an uphill battle. However, to the extent that the term has become descriptive or generic Stone & Wood may face further revocation action on the basis that it is no longer capable of distinguishing its goods.

### COMMUNITY FIRST MUTUAL BANK and COMMUNITY FIRST BANK: Bendigo and Adelaide Bank Ltd v Community First Credit Union Ltd (21 July 2017)

The applicant, Community First Credit Union Limited (CFCU), applied to register two word marks COMMUNITY FIRST MUTAL BANK, application number 1541594, and COMMUNITY FIRST BANK, application number 1541620, both in respect of financial and associated services in class 36, on 1 March 2013 (opposed marks).<sup>4</sup>

Bendigo and Adelaide Bank Ltd (Bendigo and Adelaide Bank) opposed both marks on several grounds including under s 44 of the Trade Marks Act. The delegate found that the s 44 opposition was successful and therefore did not consider the other grounds.

Bendigo and Adelaide Bank relied on its registration for COMMUNITY BANK in respect of financial and associated services in class 36 with an earlier priority date to support the s 44 opposition. CFCU conceded that the services claimed were similar for the purposes of s 44.

The delegate considered the similarity and differences between the opposed marks and the opponent's mark and noted that the two words of the opponent's mark were included in both opposed marks, the common word "community" was the first word of each of the marks and this word's prominence was increased given it had the greatest number of letters and syllables. He also found that each of the marks conveyed the idea of a local/communally-owned financial institution and that the addition of the words "first" and "first mutual" in the opposed mark were descriptive by nature. Therefore, the delegate found that they were unlikely to distinguish the opposed marks.

The delegate considered that the relevant class of people was a large class with customers ranging from astute to gullible, given the reach of the customer base for financial services. He was unpersuaded to consider a more limited class in circumstances where CFCU stated that its customers were all members given the specification for the opposed marks was not so limited.

On this basis, it was found that there was a real danger of confusion. CFCU was unable to establish prior continuous use and/or honest concurrent use. CFCU produced evidence of a number of marks used, including COMMUNITY FIRST. However, the delegate found that the absence of the word "bank" and words "mutual bank" in each of these prior uses substantially affected the identity. The delegate recognised that this "mildest difference"<sup>5</sup> was significant as the word "bank" conveyed a notion of security particularly in the context of the highly regulated financial services industry in Australia.

### POWERED BY FASTCARD device mark: Cabcharge Australia Ltd v E2Interactive (28 July 2017)

e2Interactive Inc (e2) applied to register the device below in respect of a number of goods and services in classes 9, 35, 36, 38, 40 and 41 including relating to prepaid cards and associated services on 30 August 2011, application number 1446021 (opposed mark).<sup>6</sup>



e2 is part of an international group that develops, designs and manufactures prepaid cards for third parties. The cards can be redeemed for the third parties' goods and services such as downloadable games and music. The group first sold cards bearing the opposed mark to an Australian retailer on 22 September 2010.

During the examination process the Trade Marks Office's citation of the prior marks were overcome by e2 providing evidence of prior use.

Cabcharge Australia Ltd (Cabcharge) has been a financial service provider to the taxi industry in Australia for over 4 decades including providing taxis' electronic payment systems. Cabcharge opposed the registration of the opposed mark on the basis of ss 42(b), 44, 60 and 62(b) of the Trade Marks Act. Cabcharge's only success was to narrow the specifications due to its prior registrations under s 44, but this was limited because e2 established prior continuous use in respect of some of the overlapping goods and services.

Cabcharge supported its opposition with evidence of its use of FASTCARD on its Cabcharge cards, which also feature the CABCHARGE mark, since 2010 and advertising promoting those cards.

The delegate found that the grounds under ss 42(b) and 60 were not established as the evidence adduced by Cabcharge did not establish the required reputation at the priority date. The decision was influenced by the fact that Cabcharge's use of FASTCARD was slightly less than 12 months which "is a short period of time in which to establish the type of reputation contemplated",<sup>7</sup> there was only limited advertising and the revenue figures provided did not provide the specific amount attributable to the FASTCARD trade mark which was always used in conjunction with the CABCHARGE mark.

The delegate also dismissed Cabcharge's claim that e2's application was defective because it had made statements that were false in material respects. The evidence in the opposition proceedings only established e2's prior use of the opposed mark in respect of cards

that could be redeemed for online gaming content. Cabcharge alleged that the material put forward by e2 in the application process indicated that e2's use was in respect of a broader class of goods. The delegate found that even if the declaration was false in material respects, there was no causal connection between the statements identified and the acceptance of the trade mark.

Cabcharge was partially successful as it established that the opposed mark was deceptively similar to its registered marks for FASTCARD and CABCHARGE FASTCARD<sup>8</sup> with earlier priority dates. The delegate was satisfied that the opposed mark was deceptively similar given both of Cabcharge's marks included FASTCARD as an essential, distinguishing and memorable feature and FASTCARD was a dominant feature of the opposed mark due to its relative size and emphasis given by the additional words. The delegate did not give any weight to distinguishing features of the device and therefore concluded that it was likely that traders and consumers could be deceived or confused. However, while the delegate found that the specification in classes 9 and 36 and some of the services claimed in the specification in class 35 were similar and/or closely related to goods and/or services claimed by the Cabcharge's marks, e2 was able to establish prior continuous use of the opposed mark in relation to cards and associated services for prepaid game cards (a narrower specification of the goods and services claimed).

The delegate found that e2's 14 months of use in Australia prior to the priority date of Cabcharge's marks was not enough to establish honest concurrent use in the absence of evidence of sales and/or advertising expenditure.

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**Footnotes**

1. *Intellectual Property Development Corp Pty v Fermentum Pty Ltd* (2017) 128 IPR 349; [2017] ATMO 68; BC201711910.
2. Note that as the relevant date is 2 August 2011, the applicable form of s 41 was its form prior to the amendments made to the Trade Marks Act by the Intellectual Property Laws Amendment (Raising the Bar) Act 2012 (Cth).
3. See primary decision: *Stone & Wood Group Pty Ltd v Intellectual Property Development Corp Pty Ltd* (2016) 120 IPR 478; [2016] FCA 820; BC201606024.
4. *Bendigo and Adelaide Bank Ltd v Community First Credit Union Ltd* (2017) 128 IPR 374; [2017] ATMO 73; BC201711896.
5. Above, at [35].
6. *Cabcharge Australia Ltd v E2Interactive* [2017] ATMO 76.
7. Above, at [57].
8. e2 unsuccessfully opposed the registration of CABCHARGE FASTCARD on the basis of ss 58, 59 and 60. See *E2Interactive v Cabcharge Australia Ltd* [2017] ATMO 62.

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# Avenues for IP litigation

*Gautam Mukherji* VICTORIAN BAR

## Takeaway tips

- There are a variety of judicial bodies, prescribed by legislation, which are able to hear disputes involving intellectual property (IP) in Australia.
- A party seeking to commence litigation has a choice to issue proceedings in a number of different forums, with the exception of patent matters which must be determined by the Federal or Supreme Courts.
- Concerns about the level of experience of particular forums in dealing with these matters are unfounded. Whilst the majority of IP continue to be litigated in the Federal Court of Australia (FCA), the Federal Circuit Court of Australia (FCC) and the Supreme Courts hear many disputes associated with and involving the enforcement of IP rights. Decision-makers in all jurisdictions are both well-qualified and significantly experienced.
- Key matters to consider include:
  - case load of the forum and the corresponding timing implications
  - costs: both generally and recoverable
  - availability of technology and resources to assist the hearing
- In some instances, non-judicial bodies such as Victorian Civil and Administrative Tribunal (VCAT) may also be appealing. These bodies have limited jurisdiction, and caution needs to be exercised to ensure a proper basis before proceeding.

A client has arrived at your door with instructions about a rogue business showing all the signs of being a pirate. Your client's IP is being plundered, and they need it to stop. You know that the best possible result is always going to be the one where you send a terse letter of demand and the pirates quickly retreat. However, you also know that it is all too common that such letters go ignored. With this in mind, you need to begin preparing and planning for further action.

The prudent litigator is constantly looking to perfect the strategy that will obtain the most cost- and time-effective results for their client. So in that initial meeting, when the client describes the problems faced and

the nature of the dispute and you map out the way this matter will proceed, how do you decide on a suitable jurisdiction for issuing proceedings?

In this article I discuss some of the matters to consider in providing such advice. First I review the different avenues available, referencing the relevant legislation which confers jurisdiction. I then consider other relevant factors such as timing, costs and logistical considerations that may influence the ultimate decision.

## The law

The first question is that of jurisdiction. The Trade Marks Act 1995 (Cth), Designs Act 2003 (Cth) and the Copyright Act 1968 (Cth) each allow for proceedings to be issued in any of the FCC, the FCA and/or Supreme Court.<sup>1</sup> The Patents Act 1990 (Cth) provides for proceedings to be issued in the FCA and the Supreme Courts.<sup>2</sup>

A closer look at legislation is warranted in some circumstances in order to ensure that the relief sought is not precluded due to an exception. For example, s 131A of the Copyright Act specifically excludes the Supreme Court from hearing applications for injunctions against carriage service providers (telecommunication/internet service providers) that provide access to online locations outside of Australia. Such an injunction can only be sought in the FCA.

In practice, the vast majority of claims are brought in the FCA.<sup>3</sup> There is sometimes a concern expressed by practitioners that IP matters should be heard only by judicial members who are specifically experienced in IP matters. The theory goes that judges not well-acquainted with the operation of the monopoly rights granted by IP legislation may allow competition law principles, which would almost always consider a rights holder's conduct as being anti-competitive, to infect their reasoning. There is no basis for this fear.

Firstly, the case databases show that both the FCC and Supreme Courts around the country regularly deal with proceedings that involve disputes about IP and associated rights. Secondly, the Supreme Court of Victoria (VSC) has a list devoted to dealing with IP disputes.<sup>4</sup> The FCC also maintains a specialised procedure for IP matters.<sup>5</sup> Decision-makers in each jurisdiction are therefore not only well-experienced, but they also possess the required specialised knowledge.

## The position of Civil and Administrative Tribunals

The cost benefit and the simplicity of procedural steps make tribunals an attractive option for small disputes. However, tribunals have limited jurisdiction in hearing matters related to IP disputes, and before commencing any litigation in a tribunal you should be sure that the tribunal is empowered to hear the dispute in question.

The following comments are focused on the provisions and decisions made in the VCAT. Unlike courts, the VCAT has no inherent jurisdiction. The VCAT is a creature of statute and as such, any grant of jurisdiction must be traced back to a statute. None of the relevant IP legislation nominates the VCAT as a proper venue for determination of disputes.

There is a common misconception that small claims tribunals can accrue jurisdiction. That is, for example, a proceeding is issued in the VCAT in relation to a dispute between a trader and consumer (to be treated as a small claim) which also happens to consider issues such as infringement of some IP rights. The law in this regard is clear, the VCAT has no accrued jurisdiction to deal with the IP issues.<sup>6</sup>

Confusion sometimes also arises because of a misunderstanding in relation to differences between the power of the VCAT to order remedies which deal with IP rights and other equitable remedies,<sup>7</sup> and the VCAT's jurisdiction to hear disputes in relation to IP rights.

The question of jurisdiction is always the primary question. That is, you should be certain that there is some legislation which places the dispute squarely within the jurisdiction of the VCAT. Confusion will arise when one seeks to answer the question of the proper forum for a dispute by considering the result hoped to be achieved and looking only at which forums are empowered to provide these remedies.

So for example, a contractual dispute between a graphic design agency and one of its clients will remain a consumer and trader dispute, and therefore within the VCAT's jurisdiction, despite the fact that the breach of contract itself arises from unauthorised use of copyright material. This is because the VCAT's jurisdiction has been clearly engaged by the fact that it is a dispute between a trader and a consumer. The fact that an aspect of that dispute also involves copyright infringement does not disqualify it as a consumer and trader dispute.

## Practical considerations

Practical considerations are a significant factor to be considered in each individual situation.

## Urgency

Where the client seeks to protect IP rights fundamental to their business, the speed of the outcome is of paramount importance. Long-lasting brand damage and significant ensuing losses can result from breaches involving the sale of nothing more than a few illegal copies of protected material.

A pirate trading on your client's branding may quickly tarnish your client's hard-earned reputation by selling inferior goods or providing poor services that bear substantially identical or deceptively similar trade marks or branding. The ramifications may reverberate for years to come, and your client may thus demand decisive pre-emptive action.

Similarly, where the core value of the client's product or service stems from its exclusive nature, a few copies or knock-offs entering the market can significantly diminish the market value of the originals. In fact, a common strategy of pirates is to time the infringing conduct to ride the wave of crucial promotional periods where the original rights holder had planned to make the most of its sales.

When immediate action is required, an application for an urgent interlocutory injunction becomes paramount.

Each of the FCC, FCA and the various Supreme Courts offer this relief. If the matter is less urgent, or an application for an injunction is unlikely to succeed, a client will need a final decision before any relief can be obtained. The time involved in obtaining this decision must be considered in the client's strategy.

The time taken between application and decision may vary significantly between forums for several reasons. Some are out of the litigator's control — including the degree of complication of the dispute or the attitude to participation of the respondent/defendant.

## *Other factors that can be relevant to consider*

The availability of the chosen court can be a major factor. Each of the FCC, FCA and various Supreme Courts have registries which provide an indication of how quickly a matter is likely to get before a judge and to then a final hearing. Each jurisdiction is certainly well-resourced and, depending on case loads, the difference here may not be significant.

It is helpful to be aware of certain efficiencies that have been built into specific courts for faster decision-making. The FCA offers expedited procedures which allow a case to be streamlined and to proceed to a final decision more rapidly. Similarly, Supreme Courts in each jurisdiction offer variations of a managed list system in order to progress matters to final judgment more quickly<sup>8</sup> or to fast track option proceedings.<sup>9</sup>

In New South Wales, IP cases are dealt with by the equity division of the Supreme Court.<sup>10</sup> In Western Australia, it is possible to have a matter entered into the Commercial and Managed Cases (CMC) List if, amongst other things, in the opinion of a CMC List Judge or Master, it is suitable for more intensive case management for any other reason (such as the need for expedition, the complexity of the issues, the likely length of trial).<sup>11</sup> IP cases are dealt with in the Supreme Court of Queensland in its Commercial List.<sup>12</sup>

While the FCC does not offer any “fast track” or expedited list for IP matters, Practice Direction No 1 of 2017<sup>13</sup> notes that the court anticipates proceedings issued in the FCC to be heard within 8 months of filing.

### *Costs and fees*

Legal costs and fees are always a significant concern for participants in litigation. It is worthwhile noting that there are differences in the issuing fees in Supreme Courts, the FCA and the FCC.<sup>14</sup> In the context of litigation costs as a whole, however, these variations in fees may make little ultimate difference.

More significant to note is the difference in recoverable costs and the manner in which they are calculated between courts. Costs awarded in both the FCA and various Supreme Courts will be calculated pursuant to a scale of costs.<sup>15</sup>

In the ordinary course, costs awarded in the FCC will be awarded according to a lump sum calculation set out in the schedule based on a number of defined stages which have been completed in the proceedings.<sup>16</sup> This can result in significant differences between the costs actually incurred and the recoverable costs. This is particularly true where there has been some specific aspect of the litigation which has necessitated significant additional work, for example, where the discovery process has involved numerous interlocutory steps which would not be required in the ordinary course.

Finally, it is worth noting that unlike the courts, VCAT is generally considered to be a no costs jurisdiction. That is, unless there are compelling reasons demonstrated, each party will bear its own costs.<sup>17</sup>

### *Logistics and technology*

All courts now offer technology designed to assist with making litigation more efficient and cost-effective.

Each relevant court has the capacity to, and will often encourage, the parties to use electronic document management and electronic discovery.

One factor which may become relevant where the parties are likely to be spread around Australia, or witnesses are likely to be interstate, is the availability of remote facilities. Here, it is this writer’s opinion that both the FCA and the FCC, as national courts, enjoy a distinct advantage. There are some practical logistical advantages in arranging for evidence to be given from a remote (that is, outside of the court building or courtroom itself) location because the court itself regularly utilises these services and has a facility in each state and territory. Both tribunals and the Supreme Courts are limited to the resources available to them within the state or territory.

So in summary, how should one choose?

- Call the registry of each available court to find out how busy they are and get an indication of how long until a matter is likely to wait before being listed.
- Consider whether the matter is appropriately filed in an expedited proceedings list (fast track, etc) or in a managed list in a jurisdiction to allow the interlocutory steps to be dealt with more efficiently.
- Consider what steps are likely to be taken in the litigation and whether these will incur significant legal costs for your client. The answer to this question will inform whether the recoverable costs structure offered in the FCC will leave your client significantly out of pocket even after success.
- Consider the likely life of the proposed litigation to determine whether the difference in issuing fees between the jurisdictions is likely to form a significant part of the total cost of legal proceedings for your client.
- Consider whether the technology and resources available at the various courts will significantly increase costs associated with prosecuting the proceeding.

## Details of the relevant fees as at January 2018

Court	Jurisdiction	Expedited/urgent applications	Costs	Logistics
<b>Federal Circuit Court</b>	Trade mark, copyright and design	Yes, power to make interlocutory injunctions. No expedited list for IP matters however it is expected that matters will proceed to trial within 8 months	Lump sum per Sch 1 in Federal Circuit Court Rules <i>Filing fees</i> for an application are \$1485 for a corporation and \$615 for others	National Court — many registries — large number of judges
<b>Federal Court</b>	Trade mark, copyright, design and patents	Yes, power to make interlocutory injunctions as well as expedited cases process	Costs calculated pursuant to scale as set out in Sch 3 of Federal Court Rules <i>Filing fees</i> for an application are \$3745 for a corporation and \$1290 for others	National Court — many registries — large number of judges
<b>Supreme Courts</b>	Trade mark, copyright, design and patents	Yes, power to make interlocutory injunctions as well as expedited cases or managed cases processes	Costs calculated pursuant to scale (see for example Sch 3 App A of Supreme Court (General Civil Procedure) Rules <i>Filing fees</i> <b>ACT:</b> \$3338 for a corporation and \$1669 for others <b>NSW:</b> \$3014 for a corporation and \$1101 for others <b>NT:</b> \$2302 for a corporation and \$1194 for others <b>Qld:</b> \$1873.30 for a corporation and \$947.70 for others <b>SA:</b> \$3489 for a corporation and \$2472 for others <b>Tas:</b> \$2999.25 for a large corporation, 1999.50 for a medium corporation and \$899 for a small corporation and others <b>Vic:</b> filing fee (including entry into a specialised list) is \$4163.60 <b>WA:</b> \$2389 for a corporation and \$1226 for others	Large number of judges; availability of electronic discovery and technology to assist in electronic case management; video conferencing facilities available, however facilities limited to within the state or territory

<b>Tribunals (eg, VCAT)</b>	Very limited — no reference to VCAT being a proper forum for litigation in any of the legislation	Generally provide a quick turnaround; no expedited process	Generally no costs recoverable per s 109 of the VCAT Act	Facilities vary depending on venue; capable of facilitating video link and also electronic document management
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## Footnotes

- Trade Marks Act, s 190; Designs Act, ss 83, 83A and 84; and Copyright Act, ss 131A–131D.
- Patents Act, ss 154 and 155.
- Based on searches conducted in May 2018 using the Australasian Legal Information Institute (AUSTLII) databases and search terms likely to identify litigation involving substantial questions arising from IP rights.
- IP list within the Commercial Court as set out in: VSC *Commercial Court: Practice Note SC CC 1* (January 2017) [www.supremecourt.vic.gov.au/law-and-practice/practice-notes/practice-notes-archive/practice-notes-trial-division-archive/sc-1](http://www.supremecourt.vic.gov.au/law-and-practice/practice-notes/practice-notes-archive/practice-notes-trial-division-archive/sc-1).
- FCC *Practice Direction No 1 of 2017: Intellectual Property Practice Direction — Melbourne* (May 2017) [www.federalcircuitcourt.gov.au/wps/wcm/connect/fccweb/rules-and-legislation/practice-directions/2017/012017](http://www.federalcircuitcourt.gov.au/wps/wcm/connect/fccweb/rules-and-legislation/practice-directions/2017/012017).
- See *Re Boulton; Ex parte Construction, Forestry, Mining and Engineering Union* (1998) 73 ALJR 129; 85 IR 468; and *National Parks & Wildlife Service v Stables Perisher Pty Ltd* (1990) 20 NSWLR 573 at 585.
- For example, VCAT has the power to grant injunctions — an equitable form of relief — pursuant to s 123 of the VCAT Act 1998 (Vic).
- For example, see: Supreme Court of Western Australia *Consolidated Practice Directions* (2009) (as updated on 20 July 2018) s 4.1.2 [www.supremecourt.wa.gov.au/\\_files/Consolidated\\_Practice\\_Directions.pdf](http://www.supremecourt.wa.gov.au/_files/Consolidated_Practice_Directions.pdf).
- For example, the Fast Track Stream in the Supreme Court of South Australia.
- See Uniform Civil Procedure Rules 2005 (NSW), Sch 8.
- Above n 8, s 4.1.
- See Supreme Court of Queensland, Practice Direction No 3 of 2002: Commercial List, 2002, [www.courts.qld.gov.au/\\_\\_data/assets/pdf\\_file/0010/86383/sc-pd-3of2002.pdf](http://www.courts.qld.gov.au/__data/assets/pdf_file/0010/86383/sc-pd-3of2002.pdf).
- Above n 5.
- Details of the relevant fees as at January 2018 are set out in the table at the end of the article.
- In the Federal Court, see Federal Court Rules 2011 (Cth), Sch 3; in the VSC, see Supreme Court (General Civil Procedure) Rules 2015 (Vic), Sch 3 App A.
- Federal Circuit Court Rules 2001 (Cth), Sch 1.
- VCAT Act, s 109.

# Considerations relating to drafting the patent specification

*Michael Zammit SHELSTON IP*

## Practical tips

- Whilst there is no definition of “invention” in the Patents Act 1990 (Cth) (the Act), an invention is generally understood as the generation of a new idea or knowledge which aims to solve a specific technical problem that is tied to a potential commercial opportunity. A patent specification defines the invention, and is one of the most difficult legal instruments to draw with accuracy. In this article, I discuss the three main reasons why patent specifications are complex to draft.
- There are not likely to be any hard and fast rules to mitigate the complexities that arise during drafting of a patent specification, but rather it can often come down to the attorney’s skill and experience in judiciously deciding what to include and what to leave out, how broadly to pitch the claims, what terminology to use and what to avoid and importantly, the essential features of the broadest claim.
- Ideally, prior to drafting the specification the applicant has a clear problem they are solving, and clearly understands the inventive concept and the advantages it provides over the prior art, and how it is particularly suited to address that problem. It is also highly advantageous for the inventor to have all the required experimental data that supports the full width of the claims. Further, from a commercial perspective, it is ideal if the applicant has some understanding of how the product will be commercialised, so the claims can be tailored to suit the commercial objectives.

## Introduction

Financial resources can and do provide a real impediment to moving forward with any business opportunity, but a well-drafted patent specification should be considered as an investment, especially as the cost is quite minor in comparison to the amount of money required to commercialise the invention. Drafting a patent specification is a complex task which courts have noted is one

of the “most difficult legal instruments to draw with accuracy”. This complexity arises due to several factors which, for convenience, have been grouped into three in this article, namely:

- there being a lack of clarity around the inventive concept to begin with
- insufficient data to support the claims at the outset of the drafting process
- the inherent complexity in drafting the patent specification itself

## Types of patent applications and requirements of the patent specification

To file a patent application, a patent request must be filed with IP Australia along with a patent specification. The patent application can be in respect of a provisional application or a complete application,<sup>1</sup> and the associated patent specifications are termed a provisional specification and complete specification, respectively. The patent specification is defined as the description, claims and drawings contained in the relevant patent application.<sup>2</sup>

Section 40(1) of the Act defines the requirements relating to a provisional specification, which must “disclose the invention in a manner which is clear enough and complete enough for the invention to be performed by a person skilled in the relevant art” (disclosure requirement).

Section 40(2) of the Act defines the requirements relating to a complete specification. They include the disclosure requirement, and to include the best method known to the applicant of performing the invention.<sup>3</sup> The complete specification must end with claim(s) defining the invention,<sup>4</sup> which must:

- “be clear and succinct” (clarity requirement)
- “supported by matter disclosed in the specification”<sup>5</sup> (support requirement)
- “relate to one invention only”<sup>6</sup>
- “not rely on references to descriptions or drawings unless absolutely necessary to define the invention”<sup>7</sup>

The best practice guide<sup>8</sup> provided by IP Australia suggests that the patent specification should be arranged with a title and the description, followed by:

- the claim(s) (optional for a provisional application)
- an abstract
- drawing(s) (if applicable)
- the sequence listing (if applicable)

## Patents protect inventions

A patent is a legal document granting its holder the exclusive right to exploit the invention, as set forth in the patent's claims, within a limited area and time by preventing others from, among other things, making, using or selling the invention without authorisation.<sup>9</sup> Patents may be granted to protect inventions that are, among other things, new, involve an inventive/innovative step and are capable of industrial application.<sup>10</sup>

The purpose of the patent is twofold — to provide the public with details of the new invention and to reward the inventor with a time-limited monopoly<sup>11</sup> in return for making public the details of the invention. This is reflected in the specification itself, which is basically a two-part document comprising a description, which is largely technical in nature, and the claims which frame the concomitant legal monopoly the applicant seeks in return. The parts not only need to fulfil their respective functions but need to do so in a consistent manner.

The term “invention” is not defined in the Act but is understood to have several possible meanings.<sup>12</sup> However, it is generally understood that an invention is defined as the generation of a new idea or knowledge which aims to solve a specific technical problem.<sup>13</sup> As the specific technical problem being solved is typically associated with a perceived need in the marketplace, patents are inherently tied to a potential commercial opportunity.

## Drafting the patent specification

To draft a patent specification a patent attorney requires tertiary qualifications in scientific or engineering disciplines relevant to the technical problem<sup>14</sup> and relevant legal qualifications in intellectual property law and practice.<sup>15</sup> Given that an invention is aimed at solving a commercially relevant problem in the marketplace, an attorney should also have some understanding of how products and services are commercialised in order to properly frame the patent specification and draft the claims, and so that the patent ultimately meets the applicant's commercial objectives. The work of patent attorneys therefore spans science, law and commerce.

Patent specifications are complex to draft, even where the inventive concept has already been crystallised and a client's commercial objectives have already been given deep consideration, let alone in cases in which the inventive concept is still its initial stages and the scope of it is more “nebulous”. Indeed, courts have marvelled at how difficult it is to draft a patent application. For example, the US Supreme Court explained that drafting of “the specification and claims of a patent ... constitute[s] one of the most difficult legal instruments to draw with accuracy”.<sup>16</sup> Further complicating matters is that the patent specification is often drafted under a tight time frame as there may be, for example, an imminent public disclosure. It is often difficult for patent applicants to determine at an early stage the level of resources that should be invested in supporting the drafting of an application.

It is interesting to explore the reasons why patent specifications are complex to draft. The following discussion is aimed exploring why, from a practical perspective, this is the case and what can be done in some cases to mitigate these complexities. The issues generally fall into three main areas:

- lack of clarity around the inventive concept
- insufficient data to support the claims
- drafting the patent specification itself

### *Lack of clarity around the inventive concept*

In practice, it is not uncommon for an attorney to find themselves in the position where an applicant presents them with an inventive concept that is somewhat of an unfinished idea, or is perhaps still a work in progress, in which case the attorney must work to foreshadow many embodiments and alternatives in the specification to cover as much ground as possible around that “preliminary” inventive concept. Drafting a patent specification around an inventive concept that has not yet fully crystallised requires a generous measure of creativity and skill on the attorney's part.

In some cases, the inventor thinks the inventive concept relates to, for example, a particular relationship between components of a composition, and the specification is drafted accordingly. However, with the passage of time, and with more experimental data generated, it becomes apparent that the inventive concept actually relates to some other relationship. A shift in the understanding of the inventive concept will necessarily cause a shift in the focus of the patent specification.

In other cases, the inventor may have developed something interesting, but may not have a clear problem in mind that is being solved, making the drafting of the patent specification difficult as the attorney needs to peer into their “crystal ball” and contemplate what problems

could be applicable. Alternatively, sometimes inventors create a solution for a very specific purpose, and have not fully considered whether the solution could be applied to other fields, in which case the patent attorney again must contemplate other possibilities.

Not all inventions stem from a good idea. In some cases, applicants are commercially driven to protect valuable niches in the commercial space. In cases such as this, where the invention is market-driven rather than technology-driven, the invention may be technically and legally tenuous but commercially valuable.

These complexities are some the practical realities patent attorneys face on a daily basis, and there are not likely to be any hard and fast rules to mitigate these issues. If the inventive concept has shifted radically over time it may be easier to redraft the specification from scratch, rather than recasting the existing specification and adapting it for the new inventive concept. This can be important as it can avoid the mix of different terminologies, which can cause clarity issues during prosecution, or can cause a terminology originally intended to define a particular feature to have different meanings, and therefore affect the intended claim scope. Drafting a specification from scratch can also avoid a seemingly disjointed patent specification, which can diminish its value to the applicant as a “sales” document.

### *Insufficient data to support the claims*

Sometimes, there may be insufficient data at the time the patent application needs to be filed to support the entire breadth of the claims and meet the disclosure and support requirements, in which case drafting the specification is especially difficult as the attorney needs to balance what is exemplified with what claim breadth can be reasonably supported. If the claims are drafted too broadly, and only something narrower will survive prosecution (closer to what is actually exemplified), the surrendered claim scope is effectively given away and can prevent protection of that surrendered claim scope in the future, despite there being future experimental support for it. If the claims are drafted too narrowly the applicant may not be getting the protection it is entitled to, and the value of the patent will be lower than necessary. Again, there are probably no hard and fast rules in the careful balancing act, but rather it comes down to the attorney’s skill in knowing where to pitch the claims.

The detailed description section of the specification should provide a sufficient disclosure of the invention that a skilled person in the relevant field could make and understand the invention, and should breathe life into the claims. However, it can be challenging when the inventor wishes to protect a concept they believe is inventive but have no enablement, in which case the attorney must

understand the common general knowledge and the skill set of the skilled person and, as a stop gap measure, undertake some reasonable “thought experiments” to provide the necessary enablement — so-called “prophetic examples”, which should be confirmed by the applicant with real experiments in the immediate future. These kinds of examples might be perfectly reasonable in the predictable arts (eg, simple mechanics) but inadequate in non-predictable arts (eg, biotechnology). In yet other cases, where an inventor has something novel and commercially valuable, but the inventiveness of it is arguable, drafting the specification and claims can be a challenge. In this case, early consideration should be given to filing an innovation patent application instead of a standard patent.

### *Drafting the patent specification itself*

A patent specification, although it covers technical subject matter, is ultimately a legal document. Drafting a high-quality patent application is important because it sets out the terms by which the patent owner and others will be bound, and in this sense it is different from writing a scientific paper. The patent specification will be reviewed over the years by public officials such as patent examiners, judges and business partners. The patent attorney should therefore be drafting the specification with these important audiences in mind, all the while considering the rules and requirements of each major jurisdiction in which the patent application will be filed and ensuring that it meets the legal tests in those jurisdictions. In this regard, there is a great responsibility in the choice of words that are used, as the difference between one word and another in the drafting of a patent claim can mean the difference between a valuable and a voidable patent. Attorneys should review the closest prior art for assistance in this regard.

During the drafting process, the patent attorney must reasonably also consider how the patent may be prosecuted before a patent office and what objections could be raised during the examination phase, and therefore what additional information may need to be included into the specification to assist in addressing those objections. Claims, for example, may need to be amended for a number of reasons:

- to clarify terminology
- to overcome relevant prior art
- to overcome other rejections cited by the examiner
- to better fit with the eventual marketed product
- to better represent the invention as it matures, to encompass an infringing product or
- to survive an opposition

By way of example, a definition for the key terms used in the claims may need to be included, especially if

those terms are being used in a non-standard way. Where generalities or relative terms are used in the claims it is preferable to think through the specifics that fall within that generality and include them in the specification. Also, because some jurisdictions have strict amendment laws, to avoid an “added subject matter” objection the specification should be drafted to include as many perceivably different fallback embodiments as possible (ie, narrower embodiments of the invention), as one can never be certain what prior art will be raised during prosecution and therefore what (supportable) claims amendments may be required to navigate around that prior art. If a fallback embodiment is not available, then the applicant may need to resort to unnecessarily narrow claims, which can affect the value of the patent.

Drafted claims should be simple to understand, concisely isolate the invention and meet the clarity requirement. This is inherently difficult to do, primarily because claims, by their very nature, tend to describe complex concepts; but it is because the concepts are difficult that the claim language needs to be easy to understand and the claim itself should not be unnecessarily prolix. It is preferable to draft claims that are simple, clear, concise and which are readily comprehensible. Indeed, a well-drafted claim has a certain “beauty” to it.

It is critical to have an understanding of the applicant’s commercial objectives prior to drafting the specification. Understanding these objectives will inform how the specification is drafted, and especially the claims. For example, understanding whether the claims should be directed to the apparatus, the method, the use of it in certain circumstances, or a kit of parts, a system, a composition of matter or combinations of these. It can also be important to protect the “supply chain”. For example, the upstream supplier of a part supplied to for the invention and the downstream user (ie, to capture the context of its use, how is it used and how it might be modified, etc). The attorney needs to think like a potential competitor trying to avoid the patent and draft the claims to avoid this situation. Also, if possible, claims should cover competing products and therefore the attorney should understand what competitors are doing in the marketplace, or what they may do.

Finally, the broadest claim must have no inessential features — if it does, a competitor could simply copy the broadest claim without that inessential feature and would not infringe the patent. In this regard it is important to avoid use of terminology in the specification itself which could inadvertently force an inessential integer into the broadest claim, for example by avoiding use of words such as “critical”, “special”, “peculiar”, “superior”, “very important”, “essential”, “key” and “necessarily”.

## Conclusion

The easiest patents to draft are those in which the applicant has a clear problem they are solving, and clearly understands the inventive concept and the advantages it provides over the prior art and how it is particularly suited to address that problem. It is also highly advantageous for the inventor to have all the required experimental data that supports the full width of the claims. Further, from a commercial perspective, it is ideal if the applicant has some understanding of how the product will be commercialised, so the claims can be tailored to suit the commercial objectives.



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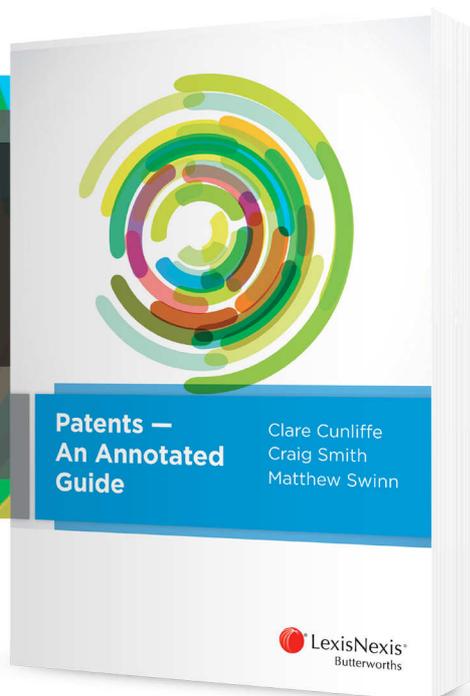
## Footnotes

1. A complete patent application may be a standard patent application (granted under s 61 of the Act), a divisional patent application (made under ss 79B or 79C of the Act), a patent of addition application (granted under s 81 of the Act) or an innovation patent application (granted under s 62 of the Act). Note that under s 29A(1) of the Act, a Patent Cooperation Treaty application is to be treated as a complete application for a standard patent.
2. See Sch 1 of the Act.
3. Patents Act, s 40(2)(aa).
4. Patents Act, s 40(2)(b). Note that an innovation patent must end with no more than five claims (s 40(2)(c)).
5. Patents Act, s 40(3).
6. Patents Act, s 40(4).
7. Patents Act, s 40(3A).
8. IP Australia, Best practice guide for filing a specification, 12 April 2016, [www.ipaustralia.gov.au/best-practice-guide-filing-specification](http://www.ipaustralia.gov.au/best-practice-guide-filing-specification).
9. Patents Act, s 13 and see definition of “exploit” in Sch 1.
10. Patents Act, s 18.
11. Twenty years for a standard patent, and eight years for an innovation patent.
12. *Kimberly-Clark Australia Pty Ltd v Arico Trading International Pty Ltd* (2001) 207 CLR 1; 177 ALR 460; [2001] HCA 8; BC200100261 at [20].
13. C M Kalanje, Role of intellectual property in innovation and new product development, 28 February 2005, [www.wipo.int/export/sites/www/sme/en/documents/pdf/ip\\_innovation\\_development.pdf](http://www.wipo.int/export/sites/www/sme/en/documents/pdf/ip_innovation_development.pdf).
14. Patent Regulations 1991 (Cth), reg 20.3(1)(b).
15. Patent Regulations, reg 20.3(1)(c).
16. *Topliff v Topliff* 145 US 156 (1829); 36 L Ed 658; 12 S Ct 825.

## Patents – An Annotated Guide

Clare Cunliffe, Craig Smith & Matthew Swinn

An annotated guide to patent law in Australia



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# The “patent bargain” for clean technologies — altering the deal

*Gareth Dixon SHELSTON IP*

Environmental consciousness — especially as it pertains to climate change is increasing exponentially throughout the world. Moreover, it is generally accepted that pollution cannot be stabilised with existing technologies.<sup>1</sup> Clean technology, or “cleantech”<sup>2</sup> — technologies that may lessen, nullify or even reverse the environmental impact of an existing product or process is a thereby a buzzword in many aspects of society — including patent law.<sup>3</sup>

The essential quid pro quo of the “patent bargain” is that in exchange for providing the public with a new invention, a patentee is afforded a 20-year exclusive period in which to exploit it. This is “IP101” — and history has generally shown it to be sufficient inducement with which to stimulate inventive activity.

Whereas new inventions are typically patented with a view to profiting the patentee, some cross over into the realm of also providing a great benefit to the public. However, what happens when an invention is of such outstanding public benefit that the patentee’s right to exclude others is arguably contrary to the interests of society? In such circumstances, the patent bargain does not fit well with the advancement of the species and gives rise to a real tension between the two.

Pharmaceutical patents are one example of this tension. However, it can be argued that patent exclusivity for pharmaceuticals is a necessary evil given the enormity of both research, development and engineering (RD&E) and clinical trials costs associated with getting a product onto the market. Moreover, while the respective definitions of happy may be somewhat different, a lifesaving drug sold under patent generally makes for both a happy patentee and a happy consumer.

Another example — one not quite so easily reconciled, is that of cleantech; for instance, a patent for a “cleaner” method of manufacturing cement. Clearly, it is in the patentee’s best interests to exploit the exclusivity conferred by the patent in working or licensing the invention. On the other hand, it is in society’s best interests that such an invention is placed immediately in the public domain. To generalise, cleantech doesn’t invite the same RD&E costs as pharmaceuticals. As such, it could be argued that in the case of cleantech,

society’s need may actually be greater than the patentee’s right — which is, of course, completely at odds with the original patent bargain. At first glance, there appear two main ways in which this impasse may be reconciled.

First, governments may provide for a non-commercial use exception (NCUE) to infringement, under which a third party is able to exploit a patented cleantech if it can be shown that their motives are not commercial in nature; and/or second, provide for a compulsory licensing regime allowing governments to commandeer patented cleantechs and exploit them for the good of the environment.

Of course, these alternatives — and indeed any other “altering” in favour of the public, erode a patentee’s basic right to exclusivity. Erode the right and you lessen the incentive to invent in the first place. Clearly, some measure of compensation is due. Perhaps the most obvious include making cleantech patents easier to obtain by, for instance, lowering the inventive step threshold; and/or making the effective life of cleantech patents longer than the standard 20 years.<sup>4</sup>

Unfortunately, neither of these measures is satisfactory. Lowering the bar on inventive step may result in more cleantech patents being granted at the lower end of the spectrum — but it would fail to adequately stimulate the high-end inventions that would more likely be subject to the above-suggested NCUE or compulsory licensing (and would be more likely to save the planet). Moreover, extending the patent term necessarily ignores the fact that much cleantech is likely to be short-lived or incremental in nature.

On this basis, there appears no obvious statutory tweak that would provide adequate compensation for a cleantech patent being effectively hijacked in the name of the public good.

This theoretical tension actually played out a few years ago in real life. At the Copenhagen Summit of December 2009,<sup>5</sup> China sought special exemptions so that it could exploit certain cleantech patents for hybrid cars without paying licence fees.

Acceding to the Chinese requests would have altered the patent bargain for the patentees, ultimately affecting

their bottom lines — and threatening the future development of hybrid technologies. On the other hand, the environmental good that could be accomplished through making hybrid cars accessible to the Chinese population is staggering. In the alternative, pass on a licence fee to consumers and you limit the uptake of the related cleantech, which will be ultimately to the detriment of the environment. Which answer is correct?

Of course, what China was asking for was the introduction of a compulsory licensing regime. However, the fact that a final binding agreement required the consensus of all countries party to the Copenhagen negotiations effectively sounded the death knell for any form of compulsory licensing based on the “government takes what it wants” model.

In cases where no solution is apparent, it is commonplace to call for government intervention. The simplest way in which cleantech patents may adequately benefit both the patentee and the public is for the relevant government/s to step in and pay an appropriate royalty in exchange for its compulsory licence. However, it is improbable that any government would wish to match the free market value of a breakthrough cleantech invention. This again undermines the incentive to invent — or alternatively, provides almost a reverse-incentive to invent mediocrity that will not risk being subjected to a compulsory licence. An alternative is that cleantech investors simply alter their focus — their RD&E dollar is directed elsewhere, a “eureka-type” invention in pharmaceuticals could net billions on the free market.

The NCUE is perhaps best considered an adaptation of the experimental use exception (EUE) to patent infringement. It is widely accepted throughout much of the world that experimenting with a patented invention is permissible to the extent that such actions are not commercial in nature. However, any NCUE must necessarily go beyond mere experimentation and provide for actual use of the patented product or process. This of course, conflicts with the Agreement on Trade-Related Aspects of Intellectual Property Rights, which confines exceptions to a patentee’s rights to circumstances that are “limited” and do not “unreasonably conflict with a normal exploitation of the patent”.<sup>6</sup>

For instance, if one vendor offers a product or service for free (or a nominal cost-neutralising fee) — and another charges a premium for the exact same thing, who’s going out of business first?

Another clear drawback of the NCUE is that it could become susceptible to abuse. With the EUE, the differing social, political and economic climate of individual countries necessitates a unique line in the sand as to precisely where experimentation ends and exploitation

begins. However, with any proposed NCUE, presumably all that would need to be shown is a zero on an alleged infringer’s balance sheet — and there are various ways and means to this end.

Notwithstanding, the principle shortcoming of the NCUE has already been alluded to above. A patentee cannot make a return on their investment where another is allowed to undersell them in the market. Moreover, government compensation to redress this disparity is probably more readily administered through a compulsory licensing regime than via the NCUE. On this basis, the NCUE is ultimately an unworkable ideal.

While somewhat less extreme than the measures proposed above, there have been other recent developments toward establishing a more efficient cleantech community within the existing patent system. For instance, in 2010 the World Intellectual Property Organization (WIPO) launched the IPC Green Inventory<sup>7</sup> — an online tool intended to assist users in identifying existing and emerging cleantech, as well as isolating potential commercial partners. The most recent iteration is simply named “WIPO Green”.<sup>8</sup>

Further, the national patent offices of several major jurisdictions have facilitated the expedited examination of applications relating to cleantech. For instance, the US Patent and Trademark Office (USPTO),<sup>9</sup> UK Intellectual Property Office (UKIPO)<sup>10</sup> and IP Australia<sup>11</sup> among others, each now offer (or have offered) such a scheme. While these programs each have subtle differences, the fundamental principle is that a cleantech patentee now has means to jump the queue with respect to “unclean” applications. In the case of small or start-up patentees, a granted patent is often required in order to attract investment. On the other hand, the associated legal costs may not have been budgeted for so early in the life cycle of the patent. Moreover, the many companies who file patents for defensive reasons generally have less motivation to proceed via this route.

As highlighted in the Advisory Council on Intellectual Property (ACIP) review on *Patents and Experimental Use*,<sup>12</sup> certain other measures may be adaptable to cleantech. For example, a fair dealing defence, largely analogous to that found in copyright law,<sup>13</sup> is largely self-explanatory. However, it is worthwhile noting that this would necessarily overlap to some degree with the NCUE — and that the judicial parameters of “fair” are likely even more of a minefield than the proposed zero profit criterion for the NCUE.

Next, the patent pools model purports to facilitate the efficient trading of patent rights. In this respect, a significant impediment to any potential developer of cleantech has been the emergence of patent thickets which cover every foreseeable twist and turn along the path to a new technology; such thickets have arisen in

respect of fuel cells, wind energy and carbon sequestration technologies. Accordingly, money initially earmarked for cleantech RD&E risks being siphoned off to pay for infringement opinions and cross-licensing arrangements.

One such pool is the GreenXchange,<sup>14</sup> based on the Creative Commons<sup>15</sup> project for copyright. A variant is the Eco-Patent Commons,<sup>16</sup> which requires members to forego suing other members who exploit Commons patents for environmentally-beneficial uses. However, various competition authorities have placed stringent conditions on such patent pools in recent years, which could be argued to have restricted their uptake and appeal.

While it appears — at least for now — as though cleantech may be a square peg within the round hole of the existing patent system, studies have suggested that any barriers patents provide to the adoption of cleantech are not insurmountable.<sup>17</sup> For instance, a study of the solar and biofuels sectors revealed that each is sufficiently competitive as to allow developing countries to take advantage of the respective technologies without paying crippling licensing fees.<sup>18</sup>

As discussed above, cleantech RD&E may be cheap only by comparison with pharmaceuticals. This hints at the desirability of maintaining the regular patent bargain for cleantech, given that during the initial RD&E phase, intellectual property will often be a cleantech company's most valuable asset. Moreover, patenting creates opportunities for cross-licensing deals and strategic use to negotiate joint venture arrangements. Finally, patents can be instrumental in a cleantech company's exit strategy, by way of going public or being acquired. The argument therefore is that any diminution of a cleantech patentee's rights may amount to a distortion of the free market principles that are a staple of various competition authorities. However, the counterargument is likely just as applicable.

For completeness, it is also worth noting that patents weren't the only spanner in the works of a global climate treaty in Copenhagen; the related field of technology transfer appears to have been equally implicated.<sup>19</sup> To a large extent, improving technology transfer will ultimately be reliant upon the incentives offered for the sharing of cleantech, which leads immutably to the same issues faced — and ultimately unaddressed in respect of cleantech patents.

The above discussion represents what is likely only the opening stanza in what is sure to be a fascinating period in patent law. Cleantech will continue to poke and prod the patent system in ways that were probably never envisaged — and it will be interesting to see if, when and how any changes eventuate so as to better accommodate “public” cleantechs within the “private” patent

system. While the cynic may suggest that the Copenhagen Agreement would have materialised if the pollution issue was perceived as real, the pragmatist would likely counter that if a genuine fix was apparent from within a 2000-word article, it would have been adopted long before now.

## Takeaway tips

- Interpret “cleantech” broadly: a “dirty” technology can still be “clean” if it's cleaner than competitors' existing technologies — it's all relative.
- To expedite or not to expedite (examination): there are pros and cons depending upon where your client is at legally, financially and commercially — one size certainly doesn't fit all.
- Cleantech is a “feel good” industry: combining making a living with cleaning up the planet is a win-win situation.



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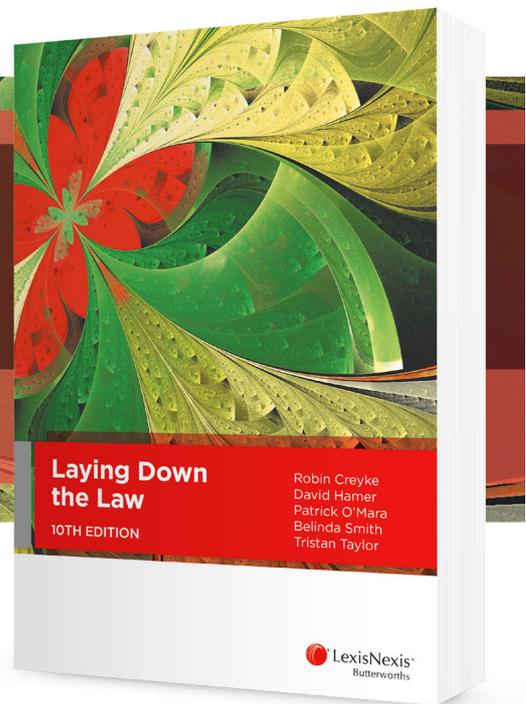
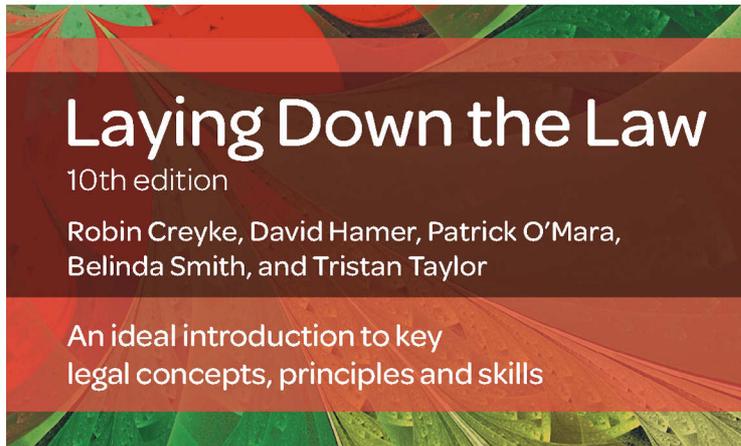
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3. See eg, C Scott, Green tech's big patent problem, 29 April 2010, [www.inhabitat.com/2010/04/29/green-techs-big-patent-problem](http://www.inhabitat.com/2010/04/29/green-techs-big-patent-problem).
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5. United Nations Climate Change Conference (Copenhagen, Denmark 7-18 December 2009), incorporating the 15th Conference of the Parties (COP15) to the *United Nations Framework Convention on Climate Change* signed 4 June 1992 (entered into force 21 March 1994) <https://unfccc.int/resource/docs/convkp/conveng.pdf> and the 5th Meeting of the Parties (MOP5) to the *Kyoto Protocol* signed 11 December 1997 (entered into force 16 February 2005) <https://unfccc.int/resource/docs/convkp/kpeng.pdf>.
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# Career Step, LLC v TalentMed Pty Ltd (No 2) — tackling the vexed question of joint authorship

*Peter Knight and Isabella Penna BANKI HADDOCK FIORA*

## Key points

- Robertson J's decision in *Career Step, LLC v TalentMed Pty Ltd (No 2)*<sup>1</sup> (*Career Step v TalentMed*) and analysis of works which have multiple contributors and contain various “modules” provides a wider dimension for future cases concerning joint authorship.
- There has been a string of cases which concern the issue of joint authorship in copyright in works which involve the contribution of multiple persons.
- Careful consideration needs to be given when determining evidence to be adduced, as cases of this nature turn heavily on the interpretation of the collaborative process.

Copyright proceedings in works having multiple authors have become somewhat vexed by the unsatisfactory decisions of the High Court in *IceTV Pty Ltd v Nine Network Australia Pty Ltd*<sup>2</sup> (*IceTV*) and the subsequent decisions in *Telstra Corp Ltd v Phone Directories Co Pty Ltd*<sup>3</sup> (*Phone Directories*).

A work of joint authorship is defined by s 10 of the Copyright Act 1968 (Cth) as one:

... that has been produced by the collaboration of two or more authors and in which the contribution of each author is not separate from the contribution of the other author or the contributions of the other authors.

This has been established to signify, not only that the contributions of the authors must be in prosecution of a joint design, or joint labouring in furtherance of a common design, but their efforts must be more or less contemporaneous. This does not seem to be a necessary consequence of the Act's provisions; a contributor to a later edition of encyclopaedic work may make their contribution long after and separately from earlier authors and yet there may still be said to be a common design, perhaps one directed by an editor. That the contributions of different authors must be distinct also does not follow from the requirement of the definition that the contributions be “not separate”. With modern digital recognition and document comparison technologies, it is easy to identify the distinct contributions of authors, that should not mean that the work ceases to be one of joint

authorship. It should be that the various contributions be seen as separate to the ordinary reader.

*IceTV* and *Phone Directories* added to the woes of those who would claim copyright in works of joint authorship. The decisions in these cases require a person claiming ownership in a work of joint authorship to identify every author by name, and also to specify precisely what was that author's contribution, in order to determine whether it was “authorial” and had “creative spark” and “effort of a literary nature” (which seems contrary to the notion of inseparable contributions) and, to the extent that is not possible, the owner faces a finding that the work is not subject to copyright at all or that what remains identified will be a patchwork that cannot be shown to have been infringed. This is what happened in *Primary Healthcare Ltd v Cmr of Taxation*<sup>4</sup> as well as *Phone Directories*, in each of which the work(s) in which copyright was claimed would have seemed, taken as a whole, the proper subject matter of copyright. At the very least, this process can be arduous and increases the cost of litigation. Needless to say, this approach to collective works, such as computer programs, merits reconsideration.

The decision in *Career Step v TalentMed* offers an opportunity to revisit and revise some of the issues regarding subsistence of copyright in collective works.

## Summary of the case

In *Career Step v TalentMed*, Career Step claimed copyright in a computer-based course teaching medical transcription (typing up notes dictated by doctors concerning patient visits and treatments). The work in which copyright was claimed comprised 23 modules with titles such as “Anatomy, Pathophysiology and Disease Processes — Block 1” and “Mastering Medical Language”.<sup>5</sup> Career Step claimed the whole course as a single work of joint authorship, infringed by TalentMed, a licensee, by the copying of large blocks of text in order to create a competing product.

Career Step identified multiple authors for each module and the periods of their work effort (not all overlapping). Contractors' assignments were in evidence while for employees there was evidence given that these were employees and that their contributions were in the ordinary course of employment, but no supporting documents to that effect were in evidence. No single author contributed to all 23 modules and a small group of the authors, different for each module, was identified.

Excluded from the subject work were sound recordings and film provided by third party providers. The evidence of the contribution of each claimed author was just a few words, often including work such as “grammar”, “standardization of reports” and “updating” and even “project management” and “placed content online”. Individual authors were not called to give evidence.

TalentMed argued that Career Step’s copyright claim for the whole course as a single work of joint authorship should be unsuccessful because:

- there was inadequate evidence of the contribution of each of the claimed authors, as to whether it was authorial or creative in reducing the course to material form — mere grammar correction, updating and project management could not be counted
- there was insufficient evidence of collaboration between all the authors at the same time — indeed, the work of many was done over a period separated in time from that of earlier authors — and the evidence went no further than “suggest[ing] ... the possibility of some contributors’ general awareness of some of the individual activities of others”<sup>6</sup>
- there were 23 modules with different authorship groups, not a single work

## Decision

Robertson J rejected these submissions.

His Honour held that Career Step’s course materials made up a single work of joint authorship, despite the fact that it was divided into 23 modules and no single writer could be identified as having contributed to all the modules of the work. The evidence adduced by Career Step showed that no individual contribution could be separated.

His Honour rejected the proposition that every single author had to be identified and the authorial contribution of each established, relying on the reasoning of Jagot J in *Sanofi-Aventis Australia Pty Ltd v Apotex Pty Ltd (No 3)*<sup>7</sup> (*Sanofi*) where her Honour emphasised the importance of “iterative and collaborative effort” in determining joint authorship.<sup>8</sup> Further, his Honour held that the evidence given by Career Step as the employee status of the non-contractor authors was perfectly sufficient in the absence of contradiction.

His Honour also rejected the notion that every single author of a work of joint authorship should be shown to be involved in some fashion in the contributions of others and, for this reason, that they worked at different times on the same material was, in a case such as this, immaterial. In doing so, his Honour again applied the reasoning in *Sanofi*.

In analysing the evidence, his Honour noted that the evidence adduced by Career Step showed that each collaborator “had input”, and that “no contributor ... worked in isolation from other contributors.”<sup>9</sup> This careful “walk through” of the collaborative process shows where the applicant’s case in each of *Phone Directories* and *Primary Health Care Ltd v Cmr of Taxation*<sup>10</sup> may have fallen short, in which there were an absence of the iterative and collaborative effort.

## Conclusion

The determination of joint authorship remains a challenge to the courts. Establishing a “collaborative effort” in a work is not a precise art and requires careful selection of evidence to reach the adequate threshold against a line of cases which are sometimes unclear. It is to be hoped that the decision in *Career Step v TalentMed*, with *Sanofi*, has provided a sound basis to relieve courts from giving too much weight to the approaches encouraged by *IceTV* and *Phone Directories*.



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## Footnotes

1. *Career Step, LLC v TalentMed Pty Ltd (No 2)* (2018) 354 ALR 300; 129 IPR 70; [2018] FCA 132; BC201801373.
2. *IceTV Pty Ltd v Nine Network Australia Pty Ltd* (2009) 239 CLR 458; 254 ALR 386; [2009] HCA 14; BC200902942.
3. *Telstra Corp Ltd v Phone Directories Co Pty Ltd* (2010) 264 ALR 617; 85 IPR 571; [2010] FCA 44; BC201000413 (affirmed on appeal in *Telstra Corp Ltd v Phone Directories Co Pty Ltd* (2010) 194 FCR 142; 273 ALR 725; [2010] FCAFC 149; BC201009581).
4. *Primary Health Care Ltd v Cmr of Taxation* (2010) 267 ALR 648; 86 IPR 259; [2010] FCA 419; BC201003082.
5. Above n 1, at [70].
6. Above n 1, at [83].

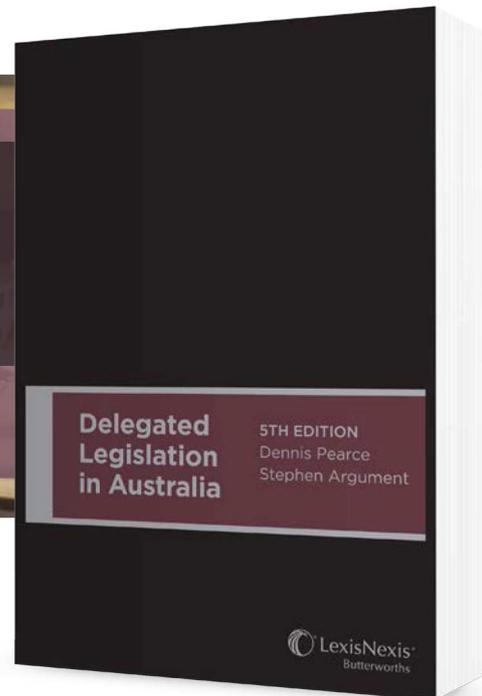
7. *Sanofi-Aventis Australia Pty Ltd v Apotex Pty Ltd (No 3)* (2011) 281 ALR 705; 92 IPR 320; [2011] FCA 846; BC201105581.
8. Above, at [353] and [355].
9. Above n 1, at [72].
10. Above n 4.

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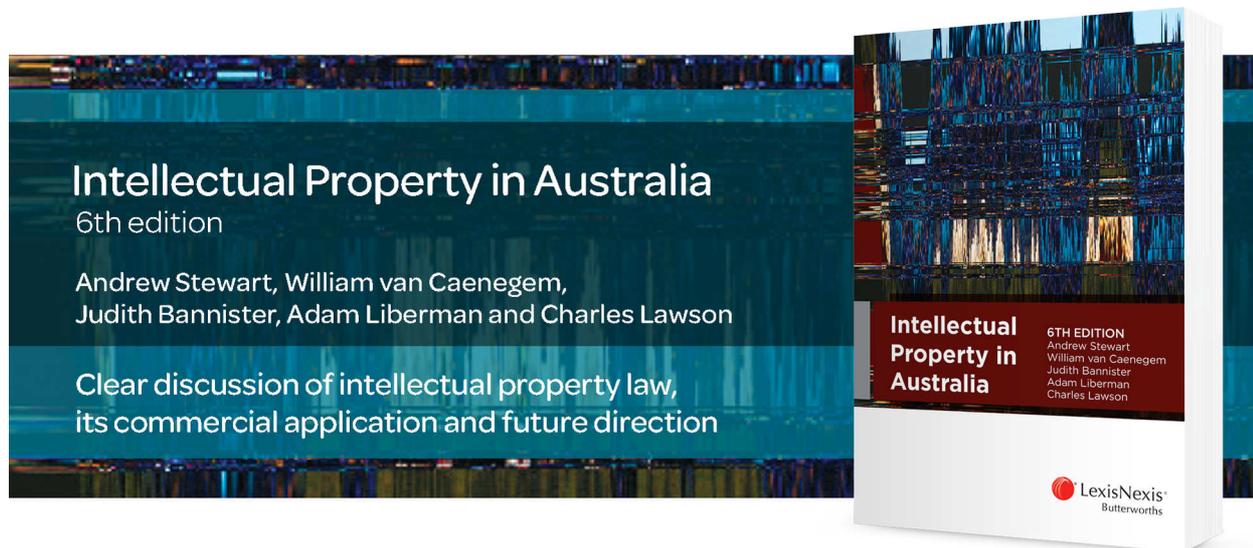
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