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# State of the Art

Key Australian IP developments

July 2021

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# Foreword

## Trends and developments for 2021 and beyond

2021 has been a big year for IP – the innovation patent system comes to an end in August, the Federal Budget introduced a ‘patent box tax incentive regime’ and recent trends in pharma litigation regarding preliminary injunctions and expedition continue to firm up.

Further, AI is in the spotlight again, and the Federal Court has recently handed down some interesting decisions with implications for establishing and defending claims of trade mark and copyright infringement.

In this edition of *State of the Art*, we focus on the following key trends and developments:

- **Australia introduces a ‘patent box’ regime to encourage innovation in the medical and biotechnology sector** – As part of the Federal Budget 2021-22, the Federal Government announced a ‘patent box’ tax incentive regime to drive innovation in Australia. From 1 July 2022, income derived from eligible patents in the medical and biotechnology field will receive beneficial tax treatment. This development is discussed in our article [Proposed ‘patent box’ regime set to bolster innovation on Australian shores](#).
- **Difficulties when enforcing well-known trade marks** – The Federal Court has delivered a further decision confirming that it may be more difficult for the owner of a registered trade mark to establish that a similar mark is infringing on the basis it is ‘deceptively similar’ where the registered trade mark is well-known. This was found to be the case in relation to BOTOX (with PROTOX found not to be ‘deceptively similar’). This development is discussed in our article *BOTOX fame no small wrinkle for Allergan in PROTOX trade mark dispute*.
- **Last opportunity to utilise Australia’s Innovation Patent System** – Australia’s second tier patent system will be abolished with last applications to be filed by 25 August 2021. Innovation patents are notoriously effective enforcement tools as they are granted without substantive opposition and are difficult to revoke. IP rights holders should review their current portfolios and consider the benefits of filing applications for new innovation patents before the deadline. This development is discussed in our article [Last call for innovation patents in Australia](#).
- **Parody or satire fair dealing exception** – Two recent Federal Court decisions have provided a degree of clarity and insight into Australia’s parody or satire fair dealing exception to copyright infringement. While the application of the exception remains dependent on the particular facts of each case, copyright owners and potential infringers can benefit from some judicial guidance in an area that has attracted limited consideration to date. This development is discussed in [Federal Court provides welcome guidance to would-be comics on the parody and satire of copyright works](#).
- **Expedition and other emerging trends in pharma patent litigation** – The Federal Court has demonstrated an increasing willingness to grant expedition at the request of generic and biosimilar companies in pharmaceutical patent litigation cases in Australia. We expect this trend to continue (particularly when the TGA’s earlier notification scheme is implemented, the timing of which remains uncertain). We have also seen increasing allegations of failure to disclose the ‘best method’ in the context of patent revocation challenges. These developments are discussed in [Rocket docket pharma patent litigation taking off in Australia and other emerging trends](#).
- **Should Australia’s IP system protect AI-generated works and inventions?** – In the absence of a human author or inventor, AI-generated works and inventions are unlikely to be protected under Australian copyright and patent law. In relation to patentability, this issue has recently arisen by virtue of a decision of the Commissioner of Patents against patentability with an ongoing appeal in the Federal Court. This development is discussed in [Patentability of AI-generated inventions in Australia](#).

- **Compulsory licensing of patent rights** – Prospective licensees may find that, following recent amendments to Australia’s compulsory licensing regime for patent rights, the regime can be more readily deployed to secure favourable licensing arrangements. They may also find it is a useful alternative in some cases to pursuing patent revocation. This development is discussed in [\*Compulsory patent licences in Australia: time to take another look?\*](#)

We hope you enjoy this edition of *State of the Art*. Please feel free to contact us if you have any questions.



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# Proposed 'patent box' regime set to bolster innovation on Australian shores

By Kate Hay, Head of Intellectual Property, Rafaella Felthun, Senior Associate and Anne-Marie Arabatzis, Lawyer

The 'patent box' proposal announced as part of the 2021-22 Federal Budget seeks to encourage investment in Australian-developed medical and biotech advances, complementing the Federal Government's primary focus on tech innovation in its Digital Economy Strategy.

The government has yet to iron out the details of the new regime, but the following is clear from the Budget papers:

- From income years starting on or after 1 July 2022, income derived from Australian medical and biotech patents for inventions developed in Australia will be taxed at 17% (instead of the usual 30% corporate tax rate or 25% for certain SMEs).
- To be eligible for the reduced tax rates, patent applications must be made after the Budget announcement and granted at the time the income is generated.
- The reduced tax rate will only be available for the proportion of income directly attributable to the patent and development activities that occurred in Australia. That is, income attributable to other activities (such as branding) or any development that occurred in other jurisdictions is unlikely to benefit from the lower rate.

The government will consult industry and follow the Organisation for Economic Cooperation and Development (OECD) guidelines to ensure the tax rate and its eligibility criteria align with internationally accepted standards.

## Four key details to watch

It will be interesting to see how certain details are addressed, such as:

1. **How the patent box will apply to income derived from a number of different entities.** By imposing development conditions, the regime encourages moving research and development activity to Australian shores rather than simply assigning patents to Australian entities. It is also likely that companies conducting the relevant research and development activity will need to both generate the income and hold the related patent to qualify (in line with OECD base erosion and profit shifting (BEPS) Action 5: Agreement on Modified Nexus Approach for IP Regimes). Currently, this is not necessarily a practical reality for companies and it will be interesting to see whether the regime will account for this.
2. **Whether the reduced tax rate will be applied to income derived from any patent.** For example, will the regime focus on the development and patenting of pharmaceutical substances / compounds or will the reduced tax rate extend to income derived from patents claiming incremental developments to these substances? Most patent box regimes do not discriminate against the qualifying patent subject matter and it seems that, aside from the industry-specific limitation, the Australian government will adopt a similar approach.



3. **The consequences of an invalidity ruling.** Given that an invalidity ruling revokes a patent with retrospective effect, it will be interesting to see whether companies that have benefitted from the patent box for a later invalidated patent will be required to pay back this benefit. In the UK for instance, there is no claw-back of past taxed income once a patent is invalidated – the only consequence is that the company will not benefit from the patent box for income derived from that invalidated patent going forward. While this approach provides for simpler enforcement and greater certainty, it may encourage the filing of borderline-valid, low-quality patents, running counter to the investment in research and development the government seeks to support.

4. **Whether the qualifying industries and intellectual property rights will be expanded.** The government has indicated that it will consider extending patent box incentives to the clean energy sector and we have yet to see if the patent box will benefit other industries or intellectual property rights in future. In the Netherlands for instance, patent box benefits (referred to as ‘innovation box’) apply to rights such as patents (pending or granted), plant breeders’ rights (pending or granted), and certain R&D and software that has not been patented. This applies across all industries and in fact, most patent box regimes are not industry-specific.

While we await the relevant details, there is no doubt that exciting times lie ahead for Australian research and development in the life sciences sector. We look forward to the next development to join the likes of Gardasil and the Cochlear implant in the Australian R&D hall of fame.

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# BOTOX fame no small wrinkle for Allergan in PROTOX trade mark dispute

By Jürgen Bebbler, Partner, Rachelle Downie, Senior Associate, Sarah Catania, Lawyer and Bori Ahn, Law Clerk

Is PROTOX ‘deceptively similar’ to BOTOX? Does using the BOTOX mark in a marketing statement constitute use ‘as a trade mark’? No, on both counts, says the Federal Court in *Allergan Australia Pty Ltd v Self Care IP Holdings Pty Ltd [2020] FCA 1530 (Allergan v Self Care)*.

Of particular note is the Court’s reliance on the ubiquitous reputation of BOTOX when assessing deceptive similarity and the likelihood of consumer confusion. While the fame of BOTOX led to a finding of no trade mark infringement, it proved useful in saving Allergan’s defensive trade marks.

Below, we discuss these interesting aspects of the decision, which was a case relating to the ‘eternal human interest in reducing the appearance of ageing’ and ‘customers who have this Sisyphean interest’.

## Key takeaways

A trade mark’s reputation is generally not relevant when assessing deceptive similarity. But as *Allergan v Self Care* shows, a mark’s reputation and notoriety can be used by a defendant to successfully counter a finding of deceptive similarity. Finding against Allergan Australia (**Allergan**), the Court held that consumers would be unlikely to have an imperfect recollection of the renowned mark BOTOX, due to its ubiquitous reputation – a reputation so ubiquitous in fact, that the evidence included two short segments from the well-known television series and film *Sex and the City*. In each, the character Samantha Jones tries to persuade Carrie Bradshaw to submit to treatment with Botox to lessen the appearance of wrinkles on her face and thereby to maintain her apparent youth despite her chronological age.

Nevertheless, trade mark owners can rely on their mark’s reputation to defend an attack against a defensive mark registration. Stewart J found that consumers would be more likely to draw the required connection between a skincare product and the BOTOX mark owner because the mark was well-known, despite the fact that it had never manufactured or sold a product of that type before.

This case also demonstrates that the mere use of a third party’s mark to advertise a product is not necessarily trade mark infringement. The question is whether the mark was used as a badge of origin. Describing a product as an ‘alternative’ to a third party’s product was found not to be ‘use as a trade mark’.

## Botox raises an eyebrow to Prottox

Allergan, the supplier of Botox in Australia, is the registered owner of several BOTOX trade marks, including two BOTOX marks registered in class 5 for ‘pharmaceutical preparations’, and two other marks, including a defensive mark, in class 3 for ‘cosmetics, ... skin creams and lotions’.

Self Care IP Holdings Pty Ltd and Self Care Corporation Pty Ltd (**Self Care**) sell cosmetic products, including Prottox, under the umbrella brand FREEZEFRAME. Self Care’s marketing and packaging depicted the word BOTOX in composite phrases, such as ‘clinically proven to prolong the effect of Botox®’.

Allergan claimed this use constituted, amongst other things, trade mark infringement as the PROTOX mark was ‘deceptively similar’ to the BOTOX mark and Self Care used the BOTOX mark on FreezeFrame products, packaging and advertising.

## Allergan fails to establish infringement of the BOTOX trade mark – why?

Self Care’s uses of the word PROTOX and the word BOTOX in composite phrases to advertise anti-wrinkle skincare products did not infringe the BOTOX mark. Consequently, Allergan’s other claims (including an opposition to the PROTOX registration, misleading or deceptive conduct and passing off) largely failed.

### 1. The PROTOX mark was used ‘as a trade mark’.

The word PROTOX was clearly used ‘as a trade mark’. The Court held that the use of PROTOX ‘badges the goods [and] is indicative of trade origin by linking the goods to Self Care which applied the mark’.

### 2. The PROTOX mark was not ‘deceptively similar’ to BOTOX

Allergan’s trade mark infringement claim failed on this second limb. The PROTOX mark was not ‘deceptively similar’ to BOTOX. Justice Stewart placed emphasis on two key considerations: the nature and reputation of the BOTOX mark, and the manner of use of the PROTOX mark.

Ordinarily, a mark’s reputation is not generally relevant to the question of deceptive similarity. However, the Full Court has previously reasoned that what is to be considered is the significance of a particular word or phrase among traders and consumers in a particular market.<sup>1</sup> It has also recently noted the proposition that deceptive similarity from imperfect recollection might be countered by showing the well-known nature of the registered mark and the lessened likelihood of imperfect recollection.<sup>2</sup> Following these authorities, Stewart J considered that the fame of the BOTOX mark was a relevant factor when considering the issue of deceptive similarity as it impacted on a consumer’s imperfect recollection of a mark.

There was evidence showing that the word Botox had become a common noun in ordinary usage, like BAND-AID. The ordinary consumer was unlikely to have an imperfect recollection of such a well-known mark, leading to no finding of deceptive similarity. Further, BOTOX’s reputation was ‘in its nature specific’ – it did not extend to cosmetics. As such, even if consumers’ recollection was imperfect, they were unlikely to mistake or confuse PROTOX for BOTOX.

The finding of lack of deceptive similarity was reinforced by the manner of actual use of the PROTOX mark. The Prottox product was described as an ‘alternative to Botox’, and Self Care’s own brand Freezeframe was featured prominently. His Honour found that Self Care made a play on and differentiated Prottox from Botox – the intention was not to say to the public ‘this is Botox’, but to indicate the opposite – ‘this is not BOTOX’

### 3. Prottox was a cosmetic product, not a pharmaceutical like BOTOX – not used in relation to the registered goods or goods of the same description

As an ‘anti-wrinkle balm serum’, Prottox was a good ‘of the same description’ as the class 5 goods covered by the Botox marks despite its classification as a class 3 product. This was important as Botox is a ‘toxic poison ... administered in a highly regulated manner’, while Prottox is an ‘easily purchased and applied harmless cosmetic’. The products are also different in price, result of pain, bodily invasion and length of action.

## Why using the BOTOX mark in advertising was not trade mark infringement

The use of BOTOX in composite phrases did not constitute trade mark infringement for several reasons. Again, Self Care used the word BOTOX to distinguish it from its own products. Self Care acknowledged BOTOX as a badge of origin itself by including its registered mark sign ®, and on occasion expressly listed it as the alternative product.

One decisive factor was that each product was generally prominently branded with ‘clearly identifiable badges of origin’, PROTOX and FREEZEFRAME. Another was that the composite phrases were ‘narrative or descriptive’. Serving less to identify the products, such phrases were clearly ‘ad-speak’.

## Allergan’s defensive mark to remain

In a cross-claim, Self Care sought to cancel the class 3 description of goods of two of Allergan’s trade mark registrations. It succeeded in relation to one of those registrations (being a standard trade mark registration). However, the Court did not cancel the class 3 description of goods covered by Allergan’s defensive trade mark registration. This is because consumers were found to be likely to expect a cosmetic product bearing the BOTOX trade mark to emanate from or be authorised by Allergan.

<sup>1</sup> See, for e.g. *CA Henschke & Co v Rosemount Estates Pty Ltd* [2000] FCA 1539, [46].

<sup>2</sup> *Meat Group Pty Ltd v JBS Australia Pty Ltd* [2018] FCAFC 207, [41].

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# Last call for innovation patents in Australia

By David Fixler, Partner and Angus Michael, Associate

As a result of legislation enacted in February 2020, Australia's second tier patent regime, the innovation patent system, is being phased out.

Innovation patents have been effective enforcement tools across a variety of technical fields, even where the technical contribution is significant and capable of protection by a standard patent. Applications for new innovation patents must be filed on or before **25 August 2021**.

The abolition of the innovation patent system does not apply retrospectively. Existing innovation patents and those granted based on applications filed before the deadline will continue to be in force. Given the term for innovation patents, some will continue until 25 August 2029. IP rights holders should take advantage of the innovation patent regime before it's too late.

## Beginning of the end

In 2019, we wrote about the [proposed changes to patent legislation](#) that would signal the beginning of the end for Australia's second tier patent system. As expected, those changes have been enacted and the deadline for applying for the last innovation patents is closing in. The phase out of the innovation patent regime commenced on 26 February 2020 when the *Intellectual Property Laws Amendment (Productivity Commission Response Part 2 and Other Measures) Act 2020* (Cth) (the **Amending Act**) came into force.

The innovation patent system was originally introduced to facilitate and protect the inventiveness of small-to-medium sized enterprises (**SMEs**), but the view taken by the Productivity Commission and accepted by the Government is that uptake and engagement with the system proved insufficient. The Federal Government is currently undertaking a Patent Accessibility Review with the goal of understanding how the standard patent system can be better adapted to provide for SMEs.

## Last call

Innovation patents are (and will remain until August 2029) a very effective enforcement tool. IP rights holders who have applied for innovation patents before the deadline (or who obtain divisional innovation patents based on standard patent applications made before the deadline – discussed below) will continue to enjoy the benefits of those rights including:

- ease and speed of grant (can be granted within as little as one month, without substantive examination and no pre-grant opposition);
- a lower level of required inventiveness making them notoriously difficult to revoke (the Productivity Commission described the requirement as 'little more than a test for novelty');
- the same infringement remedies as for standard patents.

A further important advantage has emerged as a result of one measure in the 2021-2022 Federal Budget announcement. Innovation patents may well be an expeditious way to obtain the [tax incentives under the proposed new 'patent box'](#) for patents in the medical and biotech industries. Under the proposal, income derived from Australian medical and biotech patents for inventions developed in Australia will be taxed at 17% (instead of the usual 30% corporate tax rate or 25% for certain SMEs).

## Key takeaways

In order to take advantage of the innovation patent regime before it is too late, IP rights holders should:

1. Undertake the exercise of reviewing their portfolios and consider the possibility of applying for innovation patents. This is particularly the case for IP owners who have identified potentially infringing conduct and may be developing an enforcement strategy.
2. File any applications on or before the 25 August 2021 deadline (whether as a standard patent application or innovation patent application).
3. Be aware that it will still be possible to apply for a divisional innovation patent after the deadline **as long as the parent application (from which the divisional takes its filing date) was filed on or before 25 August 2021**. Rights holders should, therefore, consider whether to maintain live divisional applications where a standard application has been filed before the deadline.



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# Federal Court provides new guidance to would-be comics and critics on the parody and satire of copyright works

By Kate Hay, Head of Intellectual Property, Jürgen Bebbler, Partner, Jennifer Wrigley, Senior Associate, Angus Michael, Associate and Melissa Chuong, Lawyer

The scope of the Australian parody or satire fair dealing exception to copyright infringement has largely remained an enigma since its introduction into the *Copyright Act 1968* (Cth) (the **Act**) in 2006.

The exception has been the subject of limited judicial consideration, and Australian practitioners have therefore sought guidance from similar overseas regimes. With that background, the recent decisions of Katzmann J and Burley J respectively in *Universal Music Publishing Pty Ltd v Palmer (No 2)* [2021] FCA 434 (**Palmer**) and *AGL Energy Limited v Greenpeace Australia Pacific Limited* [2021] FCA 625 (**Greenpeace**) provide useful commentary on the application of the exception. Both decisions include a detailed examination of the parody or satire fair dealing exception.

## Key takeaways

- To avoid infringement under the exception, the dealing in the copyright must be both fair on its face, and objectively for the purpose of parody or satire.
- Parody or satire need not be the only purpose for which the copyright work is taken, but the exception will not apply where it is objectively clear that an ulterior purpose, such as political or commercial gain, is the true reason that the work was copied.
- The factors listed in s 40(2) of the Act regarding the fairness of a dealing for the purpose of research or study are also relevant to the assessment of fairness for the parody and satire exception (and presumably the other fair dealing exceptions).

## Fair dealing exceptions under the Act

Fair dealing exceptions are included in the Act in recognition of the fact that there are circumstances in which it is deemed appropriate for a third party to exercise one or more of the exclusive rights enjoyed by the copyright owner (often the right of reproduction) without the owner's authority or consent – one such exception is for parodic or satirical purposes.

Prior to the *Palmer* and *Greenpeace* decisions, the parody or satire exception had attracted only brief judicial consideration in a single case, being the decision of Pagone J in *Pokémon Company International, Inc. v Redbubble Ltd* [2017] FCA 1541. In that case, Pagone J held that there are two limbs that must be established in order to make out the exception: the dealing with the work must be both fair **and** a dealing for the purpose of either parody or satire. Pagone J held that there was no evidence that the works relied upon in that case, being modified forms of Pokémon characters reproduced on the Redbubble website, were used for the purpose of parody. Rather, they appeared to be uses of the original works in modified form for profit and commercial exploitation.

The recent decisions of *Palmer* and *Greenpeace* provide detailed consideration of the fair dealing exception of parody or satire.

## Universal Music Publishing Pty Ltd v Palmer (No 2) [2021] FCA 434

In *Palmer*, Universal Music Publishing Pty Ltd and Universal Inc. (together, **Universal**) alleged that Clive Palmer's use of the song '*Aussies Not Gonna Cop It*' (**ANGCI**) in advertising campaigns for the United Australia Party (**UAP**) during Australia's 2019 federal election infringed Universal's copyright in the Twisted Sisters' song '*We're Not Gonna Take It*' (**WNGTI**).

Katzmann J found that ANGCI reproduced a substantial part of both the musical work in the WNGTI song and the literary work in the lyrics to that song. Palmer sought to rely on the exception of fair dealing for the purpose of satire (as well as expressly disavowing any claim to parody).

Consistent with the judgment of Pagone J in *Pokémon*, Katzmann J reiterated that the test to qualify for the exception under s 41A has two limbs:

1. Is the dealing in the copyright work fair?
2. Is the dealing in the copyright work objectively for the purpose of parody or satire?

In addressing the first question, her Honour considered the factors listed in section 40(2) of the Act (which relate to the fairness of a dealing for the purpose of research or study – another fair dealing exception) to be relevant.

Her Honour also considered overseas case law, including judgments from the USA, England and South Africa.<sup>1</sup>

Drawing on these sources, her Honour found a dealing in a copyright work will be more likely to be fair if:

- the dealing is 'transformative'<sup>2</sup> – the more the new work adds to the original, in particular through a new purpose or expression, the more likely the dealing will be fair;
- it is unlikely to have a deleterious impact on the commercial market for the original;
- it is not reasonably possible to obtain a licence to the original work; and
- it is genuinely for the purpose to which the exception applies (in this case, parody or satire) and not merely a pretence for some other purpose or hidden motive.<sup>3</sup>

These fairness considerations overlap with the assessment of the second question, which also looks to purpose. Her Honour held that the satirical purpose of the dealing must be **objectively** ascertainable. Her Honour therefore found Palmer's evidence as to his own subjective belief (however sincere) that the use of ANGCI was for satire, to be irrelevant.<sup>4</sup>

Importantly, Her Honour accepted the delineation between parody and satire that Conti J drew in *TCN Channel Nine Pty Ltd v Network Ten Pty Ltd (2001)* 108 FCR 235 (*Nine v Ten*) (which was decided prior to the introduction of the 2006 parody or satire exception), namely that 'the essence of parody is imitation ... whereas satire is described as being a form of ironic, sarcastic, scornful, derisive or ridiculing criticism of vice, folly or abuses, but not by way of an imitation or take-off'. As referenced above, as Palmer's defence relied purely on satire, he needed to show his use of ANGCI was making some sort of social criticism by using one or more of the 'satirical devices' identified by Conti J.

In *Palmer*, Katzmann J held that although each use of ANGCI in the political campaign advertisements were critical (either of the Liberal/National coalition government, or of the Labor opposition), with perhaps one exception, they could not 'be regarded as satirical, let alone have a satirical purpose'. Her Honour found that even if any of the ad campaign videos featuring ANGCI themselves were satirical, this was not to the point, because:

*"to attract the protection of s 41A, it is the dealing in the copyright works themselves that must be for the purpose of parody or satire. WNGTI was not used to satirise anyone or anything, nor were the lyrics as varied. On an objective assessment, the sole purpose to which the copyright works were put was to underscore the UAP's key campaign message and to rally the faithful and the disaffected to the UAP's cause."*<sup>5</sup>

Having regard to this ulterior motive, her Honour found that Palmer's dealings in the copyright of WNGTI were neither fair nor for the requisite satirical purpose.

Finally, Katzmann J found Palmer's infringement of Universal's copyright to be so flagrant that Palmer was ordered to pay A\$1 million in additional damages (on top of A\$500,000 in general damages), one of the largest sums ever awarded in Australian copyright proceedings.

1 See *Campbell v Acuff-Rose Music, Inc.* 510 US 569 (1994), *Hubbard v Vosper* [1972] 2 QB 84, and *Laugh It Off Promotions CC v South African Breweries International (Finance) BV t/a Sabmark International* [2005] ZACC 7; [2006] 1 SA 144 (CC)

2 *Universal Music Publishing Pty Ltd v Palmer (No 2)* [2021] FCA 434, [307], citing Souter J in *Campbell v Acuff-Rose Music, Inc.* 510 US 569 (1994) at 579.

3 *Ibid* at [308], citing Conti J in *TCN Channel Nine Pty Ltd v Network Ten Pty Ltd (2001)* 108 FCR 235 at [66].

4 *Ibid* at [441]. In fact, her Honour was generally unimpressed by Mr Palmer as a witness, saying that 'he was an unreliable witness whose evidence was at times incredible'.

5 *Universal Music Publishing Pty Ltd v Palmer (No 2)* [2021] FCA 434, [353].

## AGL Energy Limited v Greenpeace Australia Pacific Limited [2021] FCA 625

In *Greenpeace*, AGL Energy Limited (AGL) made allegations of copyright and trade mark infringement against Greenpeace Australia Pacific Limited (Greenpeace) arising from the use of AGL's logo in a Greenpeace campaign targeting AGL's environmental practices. The campaign used the words 'Australia's Greatest Liability' in close proximity to AGL's logo (the **modified AGL logo**) along with headlines such as 'Still Australia's Biggest Climate Polluter' and 'Generating Pollution for Generations'.

Greenpeace denied that it had engaged in copyright and trade mark infringement. Burley J agreed that there was no trade mark infringement as Greenpeace had not used the modified AGL 'as a trade mark' or used the mark in relation to the registered services.

In relation to copyright, Greenpeace contended that its conduct (described as 'brand-jamming') constituted fair dealing either for the purpose of criticism or review, or for parody or satire. AGL's copyright case failed in relation to almost all of the impugned uses as Greenpeace established that its conduct constituted a fair dealing for the purpose of parody or satire.<sup>6</sup> Burley J held that a few of Greenpeace's social media posts and photographs of placards lacked 'irony, sarcasm or ridicule' (which are examples of the 'satirical devices' mentioned above by Conti J in *Nine v Ten*) and so fell short of the meaning of parody or satire.

While Burley J and Katzmann J both cited the same passage from *Nine v Ten* dealing with the definitions of parody and satire, Burley J considered it unnecessary for the purposes of the Greenpeace case to distinguish between the concepts having regard to the overlap between them.<sup>7</sup> Instead, Burley J emphasised the use of the AGL initials juxtaposed with parodic or satirical words which decried AGL's environmental practices, such as 'Still Australia's Biggest Climate Polluter'. Burley J held that those incongruities were likely to be 'immediately perceived' such that many viewers would see the impugned uses as 'darkly humorous, because the combined effect is ridiculous'.

Burley J agreed with Katzmann J's finding in *Palmer* that the non-exhaustive considerations for fair dealing for the purposes of research or study have a bearing on the question of fairness for the purposes of parody or satire. On the consideration of whether the dealing is 'transformative', his Honour found that it is not necessary to alter the work or effect a 'transformation' of it where, like the AGL logo, the relevant work is not readily susceptible of division into parts and any reproduction in a material form is likely to involve the reproduction of the whole work. Further, Burley J rejected AGL's argument that Greenpeace's satire or parody was supplanted by a disqualifying ulterior motive of bringing about change. Burley J held that an otherwise infringing work can have more than one purpose and still fall within the parody or satire exception.<sup>8</sup> Greenpeace's satirical message only had the effect of drawing viewers into the debate about AGL's environmental impact – this was not an ulterior motive in the sense contemplated by the authorities. Burley J described the facts of this case as a 'far cry' from those in *Palmer*.

AGL also argued, in the context of the consideration of the impact of Greenpeace's activities on the market for the original work, that it was unnecessary for Greenpeace to use the AGL logo (as opposed to the letters AGL) to communicate its message and that it did so to get as close as possible to the AGL brand and 'make it toxic'. Burley J found that it was the informational message of the campaign, not use of the AGL logo itself, that might cause damage to AGL. Burley J held the use of the AGL logo added to the parodic or satirical effect of the campaign overall, but was not likely to otherwise cause harm to AGL.

On balance, Burley J considered that a fair minded viewer of nearly all of the impugned uses by Greenpeace would conclude that they amounted to a fair dealing for the purposes of parody or satire. His Honour did not consider Greenpeace to have 'crossed a line' such that its use of the modified AGL logo was unfair to AGL and, importantly, the clear attribution of authorship 'by Greenpeace' made it clear to any sensible reader that the otherwise infringing works were statements from Greenpeace about AGL and its activities.

<sup>6</sup> The parties agreed that the case could be determined by reference to nominated examples of Greenpeace's use of the modified AGL logo: see [23] and annexure to the decision.

<sup>7</sup> *AGL Energy Limited v Greenpeace Australia Pacific Limited* [2021] FCA 625 at [62]. However, there is some international jurisprudence which suggests that there will be instances where the concepts will need to be distinguished, as not all parodies are satirical and all satires are not parodies. Importantly, as both Katzmann J and Burley J noted, parody requires imitation whereas satire does not.

<sup>8</sup> *AGL Energy Limited v Greenpeace Australia Pacific Limited* [2021] FCA 625 at [68], citing *Nine*, FFC at [104].

## Looking ahead

The decisions in both *Palmer* and *Greenpeace* provide a degree of detail and clarity about the scope of the parody or satire exception to those wanting to avail themselves of the benefits of the exception as well as the practitioners advising them. However, it is clear that the application of the exception is highly fact specific, and further judicial consideration is likely to be required before would-be satirists are equipped with anything that resembles a complete 'how to' guide to avoiding copyright infringement. In particular, judicial confirmation that:

- the section 40(2) considerations are relevant in assessing fairness not just for the research or study exception but also for parody or satire and, presumably, the other fair dealing exceptions;
- the test of purpose is an objective one; and
- that the parody or satirical purpose can be used as a means to achieve another broader purpose (provided the latter does not supplant the parody or satire);
- provides practitioners with a useful framework for advising both copyright owners and potential infringers.

\* *Clive Palmer has appealed the trial decision of Katzmann J. AGL did not appeal the decision of Burley J.*



# Rocket docket pharma patent litigation taking off in Australia and other emerging trends

By David Fixler, Partner, Rachelle Downie, Senior Associate, Colette Downie, Senior Associate and Sarah Catania, Lawyer

The interlocutory decision of Justice Beach in *Juno Pharmaceuticals Pty Ltd v Celgene Corporation* [2021] FCA 236 is a case study of numerous emerging trends in Australian pharmaceutical patent litigation.

First, it shows the Federal Court's increasing willingness to grant expedited trials in pharmaceutical patent cases at the urging of generic and biosimilar companies. Second, it illustrates the Court's reluctance to prevent a patentee from bringing an infringement case even where the product in question has not obtained regulatory approval. Third, it highlights the increasing appetite of generic and biosimilar companies to attack patents for failure to comply with Australia's idiosyncratic and onerous requirement to disclose the 'best method'.

## Overview of dispute

Juno Pharmaceuticals Pty Ltd (**Juno**), with Natco Pharma Ltd, are seeking to 'clear the way' for the launch of their generic lenalidomide products, by challenging the validity of three claims of a compound patent owned by Celgene Corporation (**Celgene**). Juno has not yet obtained regulatory approval for its generic lenalidomide products.

Lenalidomide is the active ingredient in Celgene's cancer treatment 'Revlimid', which is approved for use in multiple myeloma (**MM**), transfusion-dependent anaemia due to a certain myelodysplastic syndrome (**MDS**) and mantle cell lymphoma (**MCL**).

Celgene cross-claimed for infringement of the compound patent and seven method of treatment (**MOT**) patents for the use of immunomodulatory compounds for the treatment and management of myelodysplastic syndromes, cancers and other diseases.

The decision relates to numerous interlocutory applications. Relevantly:

- Juno's application for an expedited trial of its invalidity challenge to the compound patent;
- Juno's application to strike out Celgene's cross-claim for infringement of the MOT patents; and

- Celgene's application to summarily dismiss Juno's lack of best method challenge to the validity of the compound patent.

## Juno obtains an expedited trial for its challenge to the compound patent

Expedition is an emerging trend in Australian pharmaceutical patent litigation due to the Court's strong and understandable desire to avoid having to determine interlocutory or preliminary injunctions. The 'cleanest' approach for all concerned (including the Court) is to determine all issues of infringement and validity before the proposed launch date of the generic or biosimilar product in question.

The Court's desire to case manage to avoid interlocutory injunction disputes is driven by:

- the efficiency of deciding the matter at one level rather than two; and, more importantly
- the desire to avoid having to determine complex claims for compensation by wrongly restrained defendants or damages claims where a launch of an infringing product was unrestrained.

We have previously discussed the Court's changing approach to granting interlocutory injunctions [here](#).

In this case, Celgene opposed expedition on the basis that there was unlikely to be any time or cost savings in an early hearing on the validity of the compound patent, as the remaining seven patents would still prevent Juno's market entry, and the proposal would result in duplicate proceedings. Juno argued that the compound patent raised distinct and separate issues from the other seven patents, meaning that there was no substantive prospect for legal or forensic overlap (including, for example, in relation to the evidence required for lack of inventive step).



Justice Beach granted expedition even though an expedited trial on the compound patent would not ‘completely clear the way’ of all patents identified by Celgene. His Honour considered that Juno should be allowed to have the expedited hearing to test their position on the compound patent prior to expiry, to put them:

*“in a position to decide whether they commercialise a product with a risk of infringement of one or more of the other seven patents...”<sup>1</sup>*

In this case, the trial on the compound patent will take place five months from the date of the interlocutory decision. This contrasts with a more typical timeline for pharmaceutical patent litigation, where final hearings often occur 12 to 18 months (or longer) after commencement.

For the reasons given by Celgene, this case was not the perfect vehicle for expedition. The Court may well still need to hear a contested interlocutory injunction application and, should it make what turns out to be the wrong decision, endure a complex claim under the usual undertaking or damages claim.

<sup>1</sup> *Juno Pharmaceuticals Pty Ltd v Celgene Corporation* [2021] FCA 236 at [202].

This decision shows the Court's willingness to grant expedition, even if it is only to assist a generic / biosimilar company in deciding whether to launch at risk of infringing other patents. Generic and biosimilar companies that are seeking to truly 'clear the way' ahead of a proposed launch (avoiding the need for an interlocutory injunction dispute altogether) should expect that they will be pushing on an open door if they seek expedition.

We have already seen the Court adopt that course in 2019 when granting expedition to Teva Pharmaceuticals in the dispute against Boehringer concerning tiotropium bromide, an anticholinergic bronchodilator used in the treatment of chronic obstructive pulmonary disease and asthma. Justice Moshinsky expedited the proceedings in circumstances where the timeline of the launch of Teva's generic product was not clear.

## Awaiting regulatory approval is insufficient to stave off an infringement action

Juno brought a strike out application contending that Celgene's cross-claim for infringement of the seven MOT patents was premature and brought in circumstances where there was no justiciable dispute because it has not yet obtained regulatory approval. The strike out attempt failed.

His Honour considered that Celgene's infringement claim was 'not sufficiently hypothetical' to warrant strike-out or summary disposition.<sup>2</sup> Although Juno was yet to include its intended indications for the product in its application for regulatory approval (i.e. the conditions for which the product is approved), Justice Beach found that it was clear that Juno had a relevant intention to do so when obtaining regulatory approval.<sup>3</sup>

The Court's refusal to strike out the infringement claim shows the reluctance of the Court to prevent a patentee from bringing an infringement case forward, even where the product (including relevant features) has not passed regulatory approval. This is unsurprising as, ordinarily, the Court will seek to determine issues of infringement and validity together (i.e. in a single case).

<sup>2</sup> Ibid at [184].

<sup>3</sup> Ibid at [187].

## Best method – an idiosyncratic and onerous Australian patent validity requirement that is gaining prominence

Failure to disclose the best method known to the patentee of performing the invention can be a powerful ground of attack – if successful, it is capable of rendering all claims of the patent invalid. There has been a resurgence in lack of best method validity attacks since Apotex's success in revoking Servier's patent for perindopril arginine on that ground.<sup>4</sup> There is a growing appreciation that the requirement is more onerous than previously understood. Establishing failure to disclose best method usually turns on the patentee's knowledge and making out the ground is often reliant on discovery.

In the present case, Celgene sought summary judgment in relation to, or the strike out of, Juno's lack of best method pleadings. No doubt it did so to avoid Juno seeking discovery. Ultimately, Celgene's attempt failed as his Honour (although critical of how the lack of best method argument was framed) could not conclude that the ground had no reasonable prospects of success.



<sup>4</sup> *Apotex Pty Ltd v Les Laboratoires Servier* [2013] FCA 1426; upheld on appeal: *Les Laboratoires Servier v Apotex Pty Ltd* [2016] FCAFC 27.

# Patentability of AI-generated inventions in Australia

By Frances Wheelahan, Partner, David Fixler, Partner, Suman Reddy, Senior Associate and Patrick Keane, Lawyer

The use of artificial intelligence (AI) has exploded rapidly in the last decade, particularly with respect to product development and data analytics.

In a recent test of Australia's patent system, IP Australia decided that a patent cannot be granted where an AI system is identified as the inventor on the basis that it is not possible to identify the patentee for the purposes of section 15(1) of the *Patents Act 1990* (Cth) (**Patents Act**).

While the decision is consistent with patent office decisions in other jurisdictions, it may be problematic since it has the potential to disrupt investment and stifle innovation due to the uncertainty about which, if any, intellectual property rights subsist in technology created by AI systems.

A judicial review of the decision was recently heard in the Federal Court, with the decision yet to be handed down as at the date of this publication.<sup>1</sup> However, the issue of inventorship will need to form part of a broader law reform conversation focussing on patents and copyright in particular. For now, innovators utilising AI systems will need to examine whether their current practices are sufficient to ensure that 'their' inventions are protected.

## Dr Thaler's application

In September 2019, AI pioneer Dr Stephen Thaler applied for an Australian patent titled 'Food container and devices and methods of attracting enhanced attention'. The application named DABUS (Device for the Autonomous Bootstrapping of Unified Sentience), an AI system developed by Dr Thaler, as the inventor. Dr Thaler states that 'DABUS is capable of devising inventions without the involvement of a natural person who traditionally qualifies as an inventor.'<sup>2</sup>

Section 15(1) of the Patents Act provides that a patent may only be granted to a person who:

- is the inventor;
- would, on the grant of the patent, be entitled to have the patent assigned to them;

- derives title to the invention from the inventor or a person entitled to have the patent assigned to them; or
- is the legal representative of a deceased person referred to in points one and two above.

Dr Thaler's application was based on section 15(1)(c), as Dr Thaler stated that he derived title from DABUS on the basis that he 'owns and created DABUS and is entitled to the output produced by DABUS.'<sup>3</sup> When asked for further information from IP Australia, Dr Thaler submitted that:

*"The common law confers ownership of anything produced by DABUS to its owner, the applicant. There is a general rule that the owner of a thing is the owner of the fruits of that thing, much like the owner of a fruit tree is entitled to the fruit produced by that tree. The principle of accession or first possession can apply."*<sup>4</sup>

## IP Australia's decision

The Deputy Commissioner of Patents (**Delegate**) first looked at the question of whether an AI system can be named as an inventor for the purpose of the formalities of the application.

As acknowledged by the Delegate, neither the Patents Act nor the Patents Regulations 1991 (Cth) contain a definition of 'inventor'. Given this, the question was not answered specifically in the decision, and so the Delegate looked to whether Dr Thaler could rely on section 15(1) of the Patents Act in order for Dr Thaler to be named as the patentee.

Section 15(1) requires the patentee to be a person, and the Delegate acknowledged that a person could be natural person, a body politic or corporate. Section 15(1)(a) provides that the patentee will be a person who is the inventor, so if the inventor is not a person then section 15(1)(a) will not apply.

<sup>1</sup> *Stephen Thaler v Commissioner of Patents* (Federal Court of Australia Number: VID108/2021).

<sup>2</sup> *Steven L. Thaler* [2021] APO 5 at [1].

<sup>3</sup> *Ibid.*

<sup>4</sup> *Ibid* at [2].



Next, the Delegate looked at section 15(1)(b) which provides that the patentee must be a person who would be entitled to have the patent assigned to them. The Delegate concluded that section 15(1)(b) would not apply in the circumstances since Australian law does not recognise the capacity of AI to own or assign property.<sup>5</sup>

The Delegate reached the same conclusion in relation to section 15(1)(c), as that section requires the patentee to derive title 'from the inventor'. Dr Thaler's reliance on the concept of accession failed because, in relation to the doctrine of accession:

*"It seems that ownership automatically vests in the owner of the primary property by virtue of their ownership of that property (or possession of the new property) and is not regarded as transferred from another person. While the principle of accession (or possession) might well deal with the ownership of an invention created by an artificial intelligence machine, it does not do so by conceptually moving title "from" the artificial intelligence machine to the owner of the machine. It follows that the principle of accession (or possession) does not provide a means to identify a person who can be granted a patent that is consistent with section 15(1)(c)."*<sup>6</sup>

Given all of the above, the application lapsed for failing to meet the formality requirements of Regulation 3.2C(2)(aa), as it was not possible to identify a person who could be granted the patent.<sup>7</sup>

On 2 July 2021, Dr Thaler's application for judicial review of the Delegate's decision was heard in the Federal Court of Australia. The Court is yet to hand down its decision as at the date of this publication.

## International approaches

The Delegate's decision is consistent with those of the UK Intellectual Property Office,<sup>8</sup> European Patents Office<sup>9</sup> and US Patent and Trademark Office,<sup>10</sup> in relation to similar applications filed by Dr Thaler which name DABUS as the inventor.

In 2020, the UK Intellectual Property Office refused two applications by Dr Thaler in relation to DABUS on the basis that a natural person must be identified as the inventor. These decisions were upheld by the England & Wales High Court, which found that a patent can only be granted to a person, because only a person can hold property, and that DABUS is incapable of transferring property to Dr Thaler.<sup>11</sup>

<sup>5</sup> Ibid at [26].

<sup>6</sup> Ibid at [30].

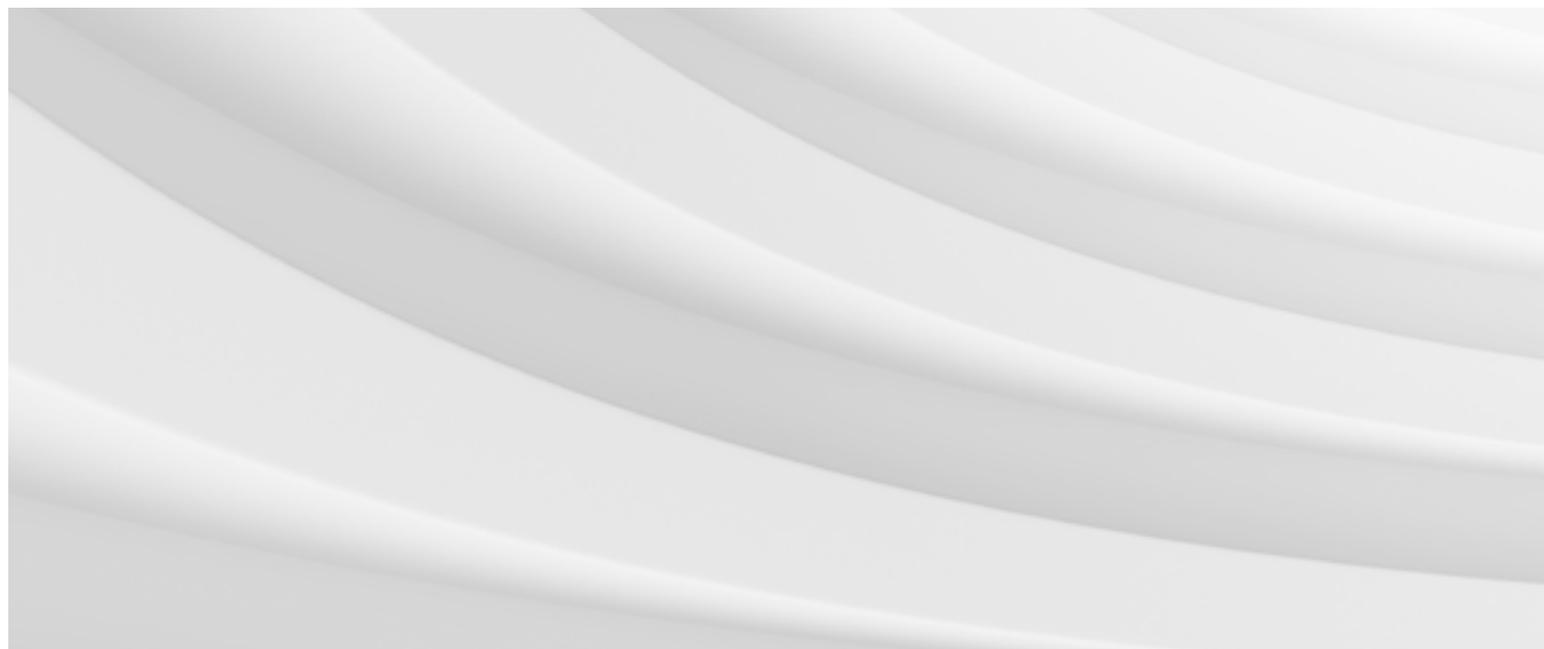
<sup>7</sup> Ibid at [34].

<sup>8</sup> UK Intellectual Property Office, applications GB1816909.4 and GB1818161.0.

<sup>9</sup> European Patents Office, applications EP 18 275 163 and EP 18 275 174.

<sup>10</sup> United States Patent and Trademark Office, application 16/524, 3250.

<sup>11</sup> *Thaler v The Comptroller-General of Patents, Designs And Trade Marks* [2020] WEHC 2412 (Pat).



The European Patents Office and US Patents Office refused applications by Dr Thaler on similar grounds, namely, that under their relevant statutory schemes an inventor must be a natural person.

Having regard to section 15 of the Patents Act, it would have been surprising had the Delegate reached a different conclusion in Australia.

## WIPO's Issues Paper

Dr Thaler's application is not simply of academic interest. The patentability of AI-generated inventions is an emerging issue due to the increasing prevalence of AI in product development, for example in the pharmaceutical sector where it is being used to rapidly screen drug candidates and even design novel drugs and vaccines.

A range of patent issues relating to AI are considered by the World Intellectual Property Organisation (WIPO) in its [Revised Issues Paper on Intellectual Property Policy and Artificial Intelligence](#), released in May 2020 (**Revised Issues Paper**). The Revised Issues Paper forms part of WIPO's conversation on Intellectual Property and AI, and identifies the following key issues with respect to patentability of AI-generated inventions:

- Do AI generated-inventions require patent protection?
- Should the law require a human to be named as the inventor or permit an AI application to be named as the inventor?
- Should AI applications only be permitted to be named as joint inventors alongside a human inventor?
- Are any additional requirements necessary regarding the patentability of AI-generated inventions?
- If AI-generated inventions are excluded from patent protection, what alternative protection mechanisms are available for such inventions?

In posing these questions, the WIPO makes an essential distinction between AI-generated inventions, which are created without human intervention, and AI-assisted outputs, which are generated with material human intervention and / or direction.

The [Australian Government's response to WIPO's draft Issues Paper](#) demonstrates that the Australian Government is aware of the importance of issues outlined in the draft Issues Paper, especially in light of the decisions with respect to DABUS. The Australian Government also raised a number of pertinent questions that it recommended WIPO include in the Revised Issues Paper, including:

- If the law is amended to permit AI to be named as an inventor or owner, who is the beneficiary of royalty payments or commercialisation/licensing agreements with respect to the invention? Additionally, how would disputes over inventorship and ownership be resolved?
- Does the prior art base include information used to train the AI?
- Is any invention produced by an AI automatically obvious if the use of an AI would have been regarded as obvious to try?
- Should there be a different test for inventive step when AI is involved?
- For the purposes of disclosure, does the AI algorithm need to be disclosed?

WIPO is currently considering the views of member states in order to develop a set of 'preliminary considerations' to questions raised in respect of policy development and will publish these preliminary considerations in due course. WIPO also plans to hold the Fourth Session of the WIPO Conversation on IP and AI at a time to be scheduled during 2021.



These are only a small subset of the questions that governments are faced with as the adoption of AI in research and development continues to grow. Given the complexity of the issues, the need for international harmonisation and the substantial stakeholder consultation processes that will be required, it seems that any law reform in this area will take some time. Similar issues in respect of copyright, discussed in our September 2020 article referred to above, will necessarily be required to be included within the AI policy and law reform framework.

## Looking ahead

The growing intersection between AI and intellectual property is raising a number of crucial issues for organisations seeking to protect and capitalise on their inventions. The recent line of international decisions in relation to AI inventorship reflects the fundamental complexities associated with determining the patentability and ownership of AI-generated inventions.

However, lawmakers around the world will be looking to adopt a harmonised approach to law reform and the extent to which their respective patent systems should accommodate emerging technologies such as AI. Until that time, innovators who are utilising, or planning to utilise, AI within their innovation toolkit need to carefully consider how best they can protect their intellectual property. This may include modifying their technology so that human intervention or direction is a material component of the invention, or ensuring that their technology (or how it works) remains secret and confidential.



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# Compulsory patent licences in Australia: time to take another look?

By Odette Gourley, Partner and Rafaella Felthun, Senior Associate

Compulsory licensing has featured in Australian patent legislation since 1903. Despite this, only a small number of cases in Australia have considered the provisions.

In 2013, the Productivity Commission reviewed the workability and accessibility of the provisions and recommended amendments to clarify their operation. The legislation was amended to accommodate these recommendations in February 2020.

In this article, we take a look at the updated provisions and provide a brief assessment of the potential benefits.

## The updated compulsory licensing provisions

Under the provisions,<sup>1</sup> a person may apply to the Federal Court for an order requiring the patentee to grant a licence of a patented invention, known as the 'original invention'. Subject to the Court's discretion, such a licence is available in the case of a patent granted for three or more years where:

- demand in Australia for the invention is not being met on reasonable terms and the compulsory licence is essential to meet that demand;
- the applicant has tried for a reasonable period (and failed) to obtain a licence from the patentee to exploit the invention on reasonable terms and conditions;
- the patentee has given no satisfactory reason for failing to exploit the patent to the extent necessary to meet demand for the patented invention in Australia; and
- granting a compulsory licence is in the public interest, having regard to the benefits to the public, the commercial costs and benefits to the patentee and applicant and any other matters the Court considers relevant.<sup>2</sup>

Where a compulsory licence is granted for at least two years and the patentee still fails to meet public demand without satisfactory explanation, the licensee may apply for revocation of the patent.<sup>3</sup>

## Unmet demand

As mentioned, a compulsory licence will be available where the applicant shows that demand for the invention is not met on reasonable terms. Two cases on a previous version of this requirement provide useful guidance on how it might be satisfied.

In the first case,<sup>4</sup> a compulsory licence was sought for a patent that claimed improvements to a fastener driving tool in the form of a captive-bolt gun. The applicant relied on the fact that, at the time the application was made, the improved gun had not been manufactured or supplied in Australia by the local licensee for ten years.<sup>5</sup> By the time of the hearing, however, the patentee had commenced manufacture of the improved gun in Australia.

The High Court accepted that the patentee had delayed manufacture and supply because it took time and resources to develop a tool that would be appropriate for the Australian market and capable of being manufactured economically in Australia.<sup>6</sup>

1 The provisions are contained in Chapter 12 of the *Patents Act 1990* (Cth) and include both general compulsory licensing provisions and provisions specific to the licensing of pharmaceutical inventions for manufacture for export. This article will focus on the general provisions.

2 The court may also grant a compulsory licence where it is satisfied that the patentee has engaged in restrictive trade practices (contravening Part IV of the *Competition and Consumer Act 2010*) but this is beyond the scope of this article.

3 *Patents Act 1990* (Cth), s 134; *Patent Regulations 1991* (Cth), r 12.2.

4 *Fastening Supplies Pty Ltd v Olin Mathieson Chemical Corp* (1969) 119 CLR 572.

5 *Ibid* at 576.

6 *Ibid* at 577.

The licence was refused primarily because, at the time the application was heard, the patentee was meeting demand.<sup>7</sup> The High Court accepted, however, that the demand for a patented product will not have been reasonably met if, because of a patented product's superiority over products already on the market, potential purchasers would have bought the superior product if it had been available.<sup>8</sup>

In a second case,<sup>9</sup> the Court found a *prima facie* case for a compulsory licence where the applicant sought to manufacture and supply two types of hepatitis E diagnostic tests<sup>10</sup> in Australia that would have infringed the respondents' patents. The Court accepted that demand for the patented invention might not be met despite the fact that the respondents were exploiting the patents to some extent by supplying two types of diagnostic tests in Australia (one of which the applicant also sought to exploit).<sup>11</sup>

Thus, the case indicates that a compulsory licence may be available where the applicant can establish that demand for an aspect of the claimed invention is not being met because the patentee is exploiting one product or process that falls within the claims but not another.

Both of these cases show that:

1. Whether or not demand has been met is likely to be assessed at the time of consideration (not filing) of the application.
2. The applicant is able to rely on projected, rather than actual demand.
3. There may be grounds for granting a compulsory licence where a patentee is not exploiting the invention across the breadth of the claims, even if there is some exploitation.

7 Ibid at 582. The Court was also of the view that the applicant did not have the resources or skills necessary to meet demand for the patented invention in Australia.

8 Ibid at 575.

9 *Amrad Operations Pty Ltd v Genelabs Technologies Inc* [1999] FCA 633. The context was that of an application for service out of the jurisdiction, so the decision is a limited guide.

10 Specifically, an HEV IgM diagnostic assay in ELISA and ICT format.

11 The patentee was exploiting an HEV IgG diagnostic assay and the ELISA format of the HEV IgM diagnostic assay (although only in one hospital in Sydney).



## Remuneration

The compulsory licence must provide for remuneration of the patentee. Where the parties cannot agree, the Court will determine ‘just and reasonable’ remuneration having regard to specified factors.<sup>12</sup> Within certain limitations, the Court also has discretion to determine other terms of the licence provided they are consistent with the public interest.<sup>13</sup>

While there is no guidance on what is ‘just and reasonable’ remuneration in the context of a compulsory patent licence, the ‘just and reasonable’ standard, or other similar standards, are commonly applied by the Courts in other contexts, for example:

- the ‘just and reasonable’ amount when assessing the quantum of costs claimed for a costs order;<sup>14</sup>
- whether it is ‘just and reasonable’ to extend the limitation period for a personal injury claim founded on negligence, nuisance or breach of duty;<sup>15</sup>
- whether a transaction is ‘fair, just and reasonable’ to rebut a prima facie case of unconscionable dealing in equity (such considerations include considering the adequacy of consideration in the transaction);<sup>16</sup>
- implying a term in a contract to promote ‘fair and reasonable’ contract performance;<sup>17</sup> and
- determining a ‘fair and reasonable’ price for contractual performance under the doctrine of *quantum meruit*.<sup>18</sup>

While not a patent case, the *Winnebago* decision<sup>19</sup> provides an example of the Court assessing a ‘reasonable’ royalty based on instructive facts and expert evidence in the context of applying the ‘user principle’ to assess damages for passing off in Australia. Both sides relied on brand licensing experts and the royalty rates in a number of earlier similar licences granted by the *Winnebago* brand owner to assist the Court in arriving at an appropriate figure.

Considering the licence terms and their respective contexts, the Court preferred an Australian licence between related parties as an appropriate guide. In the result, the Court determined that the 1% royalty rate of that licence (rather than the 5-6% royalty of third party US licences) should be applied to revenue earned by the user in the relevant period of unauthorised use.<sup>20</sup>

It is evident from these examples that, with the expected assistance of independent expert witnesses and taking information from instructive facts, the Court should have little difficulty in applying the ‘just and reasonable’ standard.

Judges will also likely take guidance from the UK judiciary’s approach to the slightly different Fair, Reasonable and Non-Discriminatory (**FRAND**) standard in the Standard Essential Patent Context.

For example, in *Unwired Planet v Huawei*, the UK High Court determined a global FRAND licence figure based on factors such as:

- the relative strength of the patent portfolio compared to another portfolio for the same technology;
- the value of the portfolio’s share in all standard essential patents for the technology; and
- the terms in a number of comparable licences.<sup>21</sup>

The Court also rejected that the royalties in a previously commercially agreed licence with Samsung for the same patent portfolio were FRAND given that Samsung was able to secure a more favourable royalty rate when *Unwired Planet* was in a distressed financial position.<sup>22</sup>

12 *Patents Act 1990* (Cth), s 133(5).

13 *Ibid* at s 133(3C).

14 *W&A Gibley Ltd v Continental Liqueurs Pty Ltd* [1964] NSW 527, 534.

15 *Limitation Act 1969* (NSW), s 60C

16 *Commercial Bank of Australia Ltd v Amadio and Another* (1983) 46 ALR 402, 422.

17 *Renard Constructions (ME) v Minister for Public Works* (1992) 26 NSWLR 234, 257-263, 279.

18 *Brenner v First Artists’ Management Pty Ltd* [1993] 2 VR 221, 265-272.

19 *Winnebago Industries Inc v Knott Investments Pty Ltd and Ors (No 4)* (2015) 331 ALR 594.

20 *Ibid* at [124]-[126], [177].

21 *Unwired Planet v Huawei* [2017] RPC 19, 915 upheld by the Supreme Court in *Unwired Planet v Huawei* [2020] UKSC 37.

22 *Ibid* at 844. Note that in the standard essential patent context, there will often be a number of different FRAND licences for the same patent portfolio in evidence to assist the court. This may not be the case for a compulsory licence (in fact, it is unlikely that the patentee will be able to put any licences for the relevant technology into evidence) so care needs to be taken in the application of this guidance.



## Other terms of compulsory licences

The legislation clarifies matters relating to other terms of the compulsory licence:

1. The compulsory licence will not be exclusive.<sup>23</sup>
2. The compulsory licence is only able to be assigned with the enterprise or goodwill in which the licence is exercised. This means that the licence will almost always remain inextricably linked with the licensee business.<sup>24</sup>
3. The licence may be revoked when it is no longer required. This might occur where the circumstances that justified the grant of the licence have changed and are unlikely to recur; and the legitimate interests of the licensee are 'not likely to be adversely affected by the revocation'.<sup>25</sup>
4. Where seeking a compulsory licence to exploit the applicant's patented invention that is dependent on the original invention, the applicant may be required to cross-license its dependent patents.<sup>26</sup>

<sup>23</sup> *Patents Act 1990* (Cth), s 133(3B)(a).

<sup>24</sup> *Ibid* at s 133(3B)(b).

<sup>25</sup> *Ibid* at s 133(6).

<sup>26</sup> *Ibid* at s 133(3A).

<sup>27</sup> *Ibid* at s 134; *Patent Regulations 1991* (Cth), r 12.2.

## Opportunities

Naturally, there will always remain challenges in the concept and implementation of forcing a non-cooperative party to grant a licence on commercial terms. Nevertheless, the option of pursuing a compulsory licence is worth considering given potential strategic benefits.

The threat of a compulsory licence application may bring a patentee to the negotiating table given that patents subject to a compulsory licence may be revoked where the patentee fails to exploit its invention two years after the grant of the licence.<sup>27</sup>

Further, a compulsory licence application may be a more appropriate (and potentially, cost-effective) alternative to seeking to invalidate a patent that would be otherwise infringed, or an important additional claim in such proceedings.

Given these potential benefits for those involved in IP commercialisation and patent disputes, compulsory licences are now worth another look.

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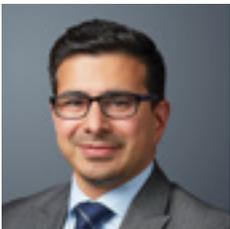
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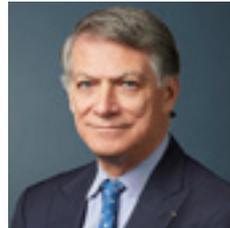
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