HD **Australia: Licensing and intellectual property**

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Intellectual **property** and e-commerce: IPR overview

Australia recognises various forms of intellectual **property**, such as copyrighted works, patents, trademarks, designs, plant varieties, circuit layouts, confidential information, business names and trading styles.

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Since regulations on inward foreign investment pose virtually no barriers to multinational companies establishing businesses in Australia, foreign companies can set up a branch, subsidiary or joint venture with relative ease, rather than licensing proprietary technology to a local **company**. A foreign **company** can minimise its investment and ongoing capital via licensing technology, but it would then have to share returns with the licensee and possibly lose control over trade secrets. Nevertheless, foreign companies do use licensing in many sectors, such as information technology-particularly for computer software, which is protected by copyright law and can be safely licensed rather than **sold**. Licensing is also commonly used in biotechnology and pharmaceuticals.

Franchising is used to establish businesses ranging from car sales and bookstores to fast-food chains-such as McDonald's, Wendy's and Subway-all US companies. A foreign franchiser usually licenses the business concept, system and trademark to a "master franchiser" for the whole country, which in turn finds subfranchisees for various territories. Most franchising in Australia occurs in the small-business sector.

The Australian Competition and Consumer Commission, a consumer-protection watchdog and the governmental body implementing competition policy, has regulated the franchise industry since 1998. The Franchising Code of Conduct, outlined by the Trade Practices (Industry Codes-Franchising) Regulations 1998, forms the regulatory framework.

Intellectual **property** and e-commerce: Protection of intellectual **property**

Most intellectual-**property** (IP) law in Australia is based on statute, similar to regimes in other former British colonies in the Asia and Pacific region, such as **Hong Kong**, India, Malaysia, New Zealand and Singapore. Individuals or corporate bodies of any nationality may acquire IP protection in Australia, subject to applicable requirements.

Intellectual-**property** disputes are usually litigated in the Federal Court of Australia, which has original and appellate jurisdiction in IP matters. The standard of judicial ability, and of the legal profession in the field, is high. Settlement of disputes by negotiation and other alternative means is encouraged. Many IP disputes are resolved by negotiation between legally represented parties by either ceasing the infringing conduct or taking a licence on **commercial** terms. There is a high degree of enforceability of licences in Australian courts, subject to challenges such as abuse of monopoly power.

The Australia-US Free-Trade Agreement (AUSFTA) aligns Australia's IP laws closely with those of the US. Australia's IP laws provide more protection than multilateral agreements such as the World Trade Organisation's agreement on Trade-Related Aspects of Intellectual **Property** (TRIPs) and World Intellectual **Property** Organisation (WIPO) treaties.

Australian law recognises various forms of intellectual **property**, including business names, circuit layouts, confidential information, copyrights, designs, patents, plant varieties, trademarks and trading styles.

Copyright law. Australia's copyright law is detailed in the Copyright Act 1968 and in decisions of the courts. The Copyright Legislation Amendment Act 2004 embodied changes to copyright laws flowing from the AUSFTA, under which copyright is assigned for the life of the creator plus 70 years (previously 50 years). Tight criminal-law penalties have strengthened the enforcement of IP laws.

The Supreme Court hears copyright offences in the relevant state or territory. The Federal Court hears these cases less frequently. Arbitration hearings can take place in the Copyright Tribunal, an independent body administered by the Federal Court. An applicant to the tribunal may seek a determination of royalties payable for the public performance and broadcasting of musical works, or remuneration for the copying of works by educational institutions.

Patent law. A patent gives its owner a statutory monopoly-that is, the exclusive right to exploit the claimed invention. The Innovation Patent Act 2000 provides for an innovation patent, which must be new, useful and involve an "innovative" step, rather than "inventive" step (as for a standard patent).

Applicants for patents are allowed a grace period during which an invention may still be protected, in certain circumstances, even if it is made public. The commissioner of patents may still grant a valid patent for such an invention if the applicant files a complete application within 12 months of the disclosure. The grace period may, for instance, protect an inventor who discusses an invention with a contractor without a confidentiality agreement.

The patentee or exclusive licensee may pursue court action to enforce a patent. A patent's validity may be challenged on various grounds, including absence of novelty or inventiveness. Remedies for infringement include injunction (restraining order), damages, declaration or an account of profits and delivery for destruction.

The Intellectual **Property** Laws Amendment (Raising the Bar) Act of 2012 entered into force on April 15th 2013. Among its major provisions, the law allows Australian researchers to conduct experiments on subject matter related to patented inventions without infringing the patents; prohibits the revision of patent applications, aside from the correction of clerical errors; broadens the definition of "prior art" for inventive-step considerations; and eliminates so-called omnibus claims, such as those that refer to descriptions or drawings without detailing technical processes. These changes apply to patent applications filed after April 15th 2013, as well as to applications filed prior to that date for which a request for an examination has not yet been submitted. The legislation aims to align Australian IP rights more closely with international standards.

A review of IP law led to the introduction of the IP Laws Amendment Bill in May 2013. The bill, should it be ratified, would clarify Crown use of patents, implement the TRIPs Protocol and expand plant-breeders' rights. It would also pave the way towards a single patent application and examination process for Australia and New Zealand. As of August 2014 the bill remained pending discussion in Parliament.

Trademark law. Trademarks are protected by the common-law action on passing-off, by provisions in the Competition and Consumer Act 2010 that prohibit misleading and deceptive conduct, and by registration under the Trade Marks Act 1995. The act extended trademark protection to colours, scents, sounds and aspects of packaging. Trademarks not in use may be registered if there is an intention to use them.

The registration threshold is "whether the mark is capable of distinguishing", though even marks lacking the inherent capacity to distinguish can meet the standard with distinctiveness acquired through use. Unregistered or unregistrable marks may still be protected by a passing-off action or against misleading conduct under the Competition and Consumer Act 2010 (formerly the Trade Practices Act 1974) and by state-based consumer-protection legislation.

Australia follows the international classification system of 42 classes of goods and services. The Trade Marks Act 1995 allows multiclass applications covering one mark for a range of goods and services over a number of classes. Once a trademark is registered, rights are retroactive to the date of application.

Interests (such as a security interest) in a registered trademark may be recorded in the trademark register, but this is rarely done. A trademark may be transferred with or without the goodwill of the business connected with the relevant goods and/or services. Partial assignment of a trademark is possible so that the assignment applies to only some of the trademarked goods and/or services, but geographically limited assignments (such as Sydney metropolitan area) are not permitted.

Australia is a signatory to the Madrid Agreement on the International Registration of Marks (as amended in 1979). This lets an Australian trademark owner file a single application in English and pay a single fee to seek protection of a mark in all or any of the other 50 countries that are parties to the treaty.

The Intellectual **Property** Laws Amendment (Raising the Bar) Act raises the maximum imprisonment penalty for trademark violations to five years from two years. The law also enables customs officials to provide information on importers of counterfeit goods to trademark owners. These changes came into force on April 15th 2013.

Confidential information and know-how, such as trade secrets, are protected through common law that prevents disclosure of confidential information when imparted, subject to confidentiality and use restrictions. A confidentiality agreement is often used to stop employees from revealing secrets or proprietary knowledge during and after their employment or association with a business.

Design law. The Designs Act 2003, in force since June 2004, supersedes earlier legislation (Designs Act 1906) for the protection of new and original designs. The legislation introduced a streamlined registration process, better enforcement mechanisms and dispute-resolutions procedures, stricter eligibility and infringement tests, and clearer definitions.

Plant varieties are protected by the Plant Breeder's Rights Act 1994. The act offers protection for distinct, uniform and stable plant varieties that have not been for **sale** for more than 12 months in Australia, or 4-6 years overseas, prior to application. The IP Laws Amendment Bill, which stood before Parliament in August 2014, would expand plant breeders' rights by strengthening their ability to take action against alleged infringement violations in the Federal Circuit Court.

Semiconductor-chip topographies are protected by the Circuit Layouts Act 1989. The owner and exclusive licensee may sue for infringement. A court can grant an injunction in addition to damages or an account of profits.

Conventions. Paris Union for the Protection of Intellectual **Property**, 1883; Bern Convention, 1886; The Hague Agreement, 1925; Universal Copyright Convention, 1952; European Convention, 1954; Rome Convention, 1961; World Intellectual **Property** Organisation (WIPO), 1967; Geneva Convention, 1971; Strasbourg Agreement, 1971; exchange of notes between Australia and **China** concerning registration of trademarks, 1974; Budapest Treaty, 1977; Nice Agreement, 1977; Patent Co-operation Treaty, 1978; International Union for the Protection of New Varieties of Plants Convention, 1978; GATT Trade-Related Aspects of Intellectual **Property** (TRIPs) agreement, 1994, and World Trade Organisation TRIPs Protocol, 2005; WIPO Copyright Treaty, 1996; and WIPO Performances and Phonograms Treaty, 1996.

Basic laws. Designs Act 1906; Copyright Act 1968; Designs Regulations 1982; Circuit Layouts Act 1989; Patents Act 1990; Patents Regulations 1991; Plant Breeder's Rights Act 1994; Trade Marks Act 1995; Trade Marks Regulations 1995; Innovation Patent Act 2000; Designs Act 2003; Copyright Legislation Amendment Act 2004; Competition and Consumer Act 2010 (formerly the Trade Practices Act 1974); and Intellectual **Property** Laws Amendment (Raising the Bar) Act 2012.

Patents

Types and duration. Standard patents have a 20-year term (up to 25 years for pharmaceuticals); innovation patents have an 8-year term.

Novelty. Standard patents: No prior documentary publication anywhere in the world and no other prior publication in Australia. Innovation patents: No prior publication in Australia, subject to grace period during which, in certain circumstances, patent may be protected even if made public.

Unpatentable. Inventions contrary to law; human beings and the biological processes for their generation; inventions that were subject to secret use in the patent area prior to the priority date; and processes of production for food and medicine when merely a mixture of known substances.

Fees. Standard patents: Filing with complete specification: A$470 in paper form, A$370 online. Request for examination: A$490. Acceptance of application: A$250. Continuation fees for standard patents: start at the 4th anniversary at A$300, increase to A$500 at the 10th anniversary, A$1,120 at the 15th anniversary and A$2,300 at the 20th anniversary. Preliminary search and opinion: A$2,200. Innovation patents: Filing a request: A$280 in paper form, A$180 online. Request for an examination: A$500. If a third party requests examination, both the applicant and third party pay A$250. Renewal fees: start at A$110 on the second anniversary and increase to A$220 on the fifth anniversary. Fees noted are as of August 2014.

Registered designs

Types and duration. Registered design for shape, configuration, ornamentation or pattern applied to an article. Initial period is 12 months, extendible for three consecutive five-year periods to a maximum of 16 years.

Legal effect. Design holders are granted the right to apply the design to an article for which it is registered.

Fees. Application: A$350 in paper form, A$250 online. Examination: A$420. Renewal (for a further five years after the first five years, if done online): A$320. Fees noted are as of August 2014.

Trademarks

Types and duration. Trade and service marks, certification marks, defensive marks, collective trademarks. Registered initially for ten years; renewals indefinitely for periods of ten years.

Legal effect. A registered trademark confers monopoly rights to exclusive use and to obtain relief for infringement, subject to various defences. A user of the trademark whose use preceded a registrant's use and registration also may obtain registration. Trademarks may be struck from the register after a period of non-use in the country.

Not registrable. An application to register a trademark will be rejected for marks with specified excluded words like "Royal" and "Olympic", for marks that cannot be represented graphically, for scandalous or deceptive marks, and for marks substantially identical or deceptively similar to ones previously registered for similar goods/services.

Fees. Application to register a single class: A$220 in paper form, A$120 online. Application to register a series of trademarks: A$370 on paper, A$270 online. Registration: A$300. Renewal: A$350 on paper, A$300 online. Higher fees apply for the online filing of trademarks that do not use the so-called Goods and Services Pick List, which automatically classifies goods and services. Fees noted are as of August 2014.

Plant varieties

Types and duration. Plants, up to 20 years; trees and vines, up to 25 years.

Legal effect. Monopoly marketing rights in Australia.

Fees. Application: A$445 in paper form; A$345 online; A$1,610 for examination or A$1,380 for each variety in a multiple application; A$920 for a variety in a centralised testing centre; A$345 for a certificate. Renewal: A$345 online, A$395 on paper. Fees noted are as of August 2014.

Copyrights

Types and duration. Copyright may apply to literary, dramatic, musical and artistic works; computer programs; sound recordings; cinematographic films; television and sound broadcasts; and published editions of works. Copyright comes into effect automatically; no registration is required. For most literary, dramatic, musical and artistic works, copyright duration is for the life of the author plus 70 years after the end of the year in which the author died.

Legal effect. Exclusive right to do, or to authorise the doing of, a number of different acts in relation to that particular work or subject matter.

Intellectual **property** and e-commerce: Registering **property**

A **company** conducting business in Australia must be registered under the Corporations Act 2001. Business names that differ from a **company**'s registered name must be separately registered under local, state or territory business-name laws. Mere registration of a **company** or business name provides no exclusive-use rights and is always subject to others' trademark rights.

IP Australia, the federal agency that grants intellectual-**property** rights, has sub-offices in the capital cities of each state. According to the latest data available, in 2013 it received 29,717 patent applications, 177,213 trademark applications, 6,889 design applications and 330 plant-varieties-rights applications.

Patents. Applications for patents of invention must be filed with the Commissioner of Patents at IP Australia or with a receiving office for the Patent Co-operation Treaty outside Australia. An application must include a complete specification or provisional specification (followed by a complete specification within 12 months). Each application must relate to only one invention and, with documents filed, must fully disclose the invention.

IP Australia examines each patent application for compliance with formal requirements. These include the manner of the new manufacture, its novelty, inventiveness and utility, and its compliance with internal requirements (fair basing, absence of ambiguity). The examiner then issues a report to the applicant. If the examiner has objections, the applicant may amend the patent application or contest the objections. The applicant also has a right to a hearing before the commissioner to determine any outstanding issues.

Where the same item has already been patented in a foreign country, the foreign applicant may sometimes request a less-rigorous modified examination. This may be based on patents granted in the US, Canada, New Zealand or the European Patent Office, as long as the patent is in English. Under the provisions of the Patent Co-operation Treaty of 1978, companies may file an international patent application, which has the effect of a national patent application in all nominated signatory countries.

When an application is accepted, a notice of acceptance is published in the Australian Official Journal of Patents. Publication begins during the three-month period within which a notice of opposition may be filed. It can take up to five years to obtain a standard patent.

The Intellectual **Property** Laws Amendment (Raising the Bar) Act, which entered into force on April 15th 2013, aims to raise the standards of patents by expanding the definition of "prior art" for inventive-step considerations beyond what is "ascertained, understood and regarded as relevant" by a skilled person as described under existing law. In addition, the modification or deferral of a patent examination is no longer possible.

Trademarks. An application is filed with the Registrar of Trademarks at IP Australia. It must include the name and address of the applicant; a list of goods and services for which the trademark is used, or proposed; and the relevant class number, as well as a representation of the trademark.

After a delay of about four months, the application is examined for formal and other matters relating to registration. Expedited examination is available without an additional fee if there are reasons to justify granting it (for instance, if urgent litigation is pending). An applicant has up to 15 months from the date of the first examiner's report to overcome any objections. Once the applicant overcomes these objections, the application is accepted and advertised for opposition purposes. If no opposition is filed within three months, the application is registered on payment of a fee. Decisions may be appealed to a prescribed court.

IP Australia also operates TM Headstart, a programme offering a fast, low-cost, preliminary assessment of a proposed trademark. Forms are completed online and assessed within five working days. The cost is A$120 per class.

Designs. Applications to register designs are filed with the Registrar of Designs at IP Australia. They must be in writing and signed by the applicant. The application is examined for formal matters and design novelty. The registrar searches prior art, which is usually confined to previously registered designs, published designs, and a limited number of trade journals and catalogues. On registration, the applicant receives a certificate. Registration takes about six months from the filing date.

Plants. Applications to register a plant variety are filed with IP Australia. If the application is successful, the applicant is notified within 30 days. Details of the application, a description of the variety, notice of grant and any variations to the application are published in the Plant Varieties Journal. Anyone may file a formal objection to the application within six months of publication of the description of the variety.

Copyrights. Copyright protection for the original expression of ideas (not for the ideas themselves) is free, and it automatically safeguards original works of art, broadcasts, computer programs, films, literature and music from copying and certain other uses. Protection applies from the time the material is first drawn, filmed painted, taped or written down. It also may enjoy reciprocal protection under the laws of other countries that are signatories to the Universal Copyright Convention.

Australia's Copyright Act 1968 gives exclusive rights to license others to copy a work, perform it in public, broadcast it, publish it or make an adaptation of it. Rights vary with the nature of the work. Although a copyright notice with the owner's name and date is not necessary in Australia, it can help prove copyright ownership, and it is necessary to establish a copyright overseas. It can also deter potential infringement. The federal attorney-general's department administers the legislation for automatic rights to copyright.

Intellectual **property** and e-commerce: Recent licensing agreements

MMRGlobal, a US-based secure records-storage **firm**, signed a licensing agreement with Australian health information technology provider Claydata in July 2014. Under the agreement, Claydata will license MMRGlobal's portfolio of personal health-record patents in Australia and New Zealand and offer MMRGlobal's proprietary MyMedicalRecords features to its customers. In exchange, MMRGlobal will receive licensing fees based on a percentage of Claydata's sales.

Cancer Research Technology (CRT), a cancer research commercialisation **firm** based in the United Kingdom, entered a licensing agreement with Australian drug development **firm** Alchemia. The March 2014 deal allows Alchemia to license two early-stage anticancer drugs from CRT's portfolio and evaluate their potential for formal development. The agreement includes licensing fees and royalty payments, although specific monetary amounts were not disclosed.

Aspen Pharmacare, a South African pharmaceutical multinational, signed a licensing deal with Australian pharmaceutical **firm**QRxPharma in September 2013. The agreement allows Aspen to commercialise QRxPharma's pain-treatment drug in Australia, New Zealand and Oceania. The deal was valued at A$1.25m, not including royalties.

Intellectual **property** and e-commerce: Negotiating a licence

Local organisations that can help identify suitable partners are the Australian Trade Commission (a federal agency within the Department of Foreign Affairs and Trade), the chambers of commerce in major cities, merchant bankers and other sources of capital.

The Franchise Council of Australia, a trade and industry association, represents mainly companies that license entire business formats, especially in retail. The Licensing Executives Society of Australia and New Zealand, a member of the Licensing Executives Society International, is a professional association of business executives, patent attorneys and lawyers active in the field.

All terms and conditions are negotiable for licensing agreements with Australian companies. In practice, these tend to follow business patterns in Western Europe and North America. Details of individual deals generally are treated as strictly confidential.

Royalties are usually calculated as a percentage of the licensee's net selling price. They can range from 0.1% for the use of a mining technique for a high-value, high-volume commodity to 60% for computer software that is easy to market but expensive to develop. For a general mechanical invention with wide application, royalties can be 3-10% but typically average 5%.

Intellectual **property** and e-commerce: Administrative restrictions

Australian law imposes virtually no official requirements for approval or registration on licence or technical-assistance agreements.

Most licence terms are freely negotiated between the parties. Common-law doctrines (like restraint of trade) impose some minor restrictions; for instance, a clause that restricts a licensee from supplying competing goods or services might not be enforceable. Moreover, the Competition and Consumer Act 2010 (formerly the Trade Practices Act 1974) prohibits certain anticompetitive clauses and practices, such as terms requiring the licensee to **buy** ingredients or parts from a particular third person (third-line forcing). There are similar provisions in the Patents Act 1990.

Granting a franchise may constitute interest in a **company**, requiring disclosure of certain details in a prospectus under the Corporations Law 2001.

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