

IP Australia Submission to Senate Economics Legislation Committee Inquiry

Intellectual Property Laws Amendment (Productivity Commission Response Part 1 and Other Measures) Bill
2018 [Provisions]

June 2018



Executive Summary

IP Australia is the Australian Government agency responsible for developing the Intellectual Property Laws Amendment (Productivity Commission Response Part 1 and Other Measures) Bill 2018 (the Bill), and is pleased to make the following public submission to the Senate Economics Legislation Committee. This submission covers a summary of the content, origins, consultation and benefits of the Bill.

Overview and Origin of the Bill

The Intellectual Property (IP) system is an important element of the economy because it promotes and incentivises investment in creativity, innovation, research and technology. IP rights have become increasingly important in a globalised world where intangible assets make up the majority of the value of companies. It is critical that the IP system in Australia adapts to this changing landscape to serve Australian innovation and business both at home and abroad.

The Bill represents a commitment from the Government to review and reform our IP arrangements with broad consultation, giving stakeholders an opportunity to reflect on their experiences and ensure that costs, barriers and red tape are reduced for businesses seeking to bring great ideas to the market.

Key parts of the Bill originate from a series of independent reviews into the IP system, including the Productivity Commission (PC) [inquiry](#) into Australia's IP arrangements, the [Pharmaceutical Patents Review](#) and the Advisory Council on IP (ACIP) [inquiry](#) into the enforcement of plant breeder's rights (PBR). A number of measures in the Bill had also previously been publically consulted on by IP Australia in 2015 and 2016. Finally, IP Australia publically consulted on an exposure draft of the entire Bill in 2017. The final package incorporates measures that respond to stakeholder suggestions and stakeholder input provided throughout this extensive consultation process.

Benefits of the Bill

The measures in the Bill will modernise and improve Australia's IP system and have been broadly welcomed by stakeholders. These measures will give effect to the Government's responses to a number of Productivity Commission recommendations which are ready to implement immediately (Schedule 1). The benefits include reducing uncertainty for parallel importers of trade-marked goods, closing a PBR loophole that allows breeders of derived varieties to free-ride on protected plant varieties, and allowing unused trade marks to be removed from the Register sooner. The Bill also includes measures that make a number of technical changes to streamline and modernise the administration of the Australian IP system and strengthen PBR enforcement (Schedule 2).

If the Committee would benefit from any further information please contact:

- [REDACTED]
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1. The Bill

The Bill amends the *Copyright Act 1968* (Copyright Act), *Designs Act 2003* (Designs Act), *Olympic Insignia Protection Act 1987* (Olympic Insignia Protection Act), *Patents Act 1990* (Patents Act), *Plant Breeder's Rights Act 1994* (Plant Breeder's Rights Act) and *Trade Marks Act 1995* (Trade Marks Act) — collectively “the Acts”.

The measures in the Bill are divided into two categories, and correspond to the following two schedules:

- Schedule 1 – Responses to the PC
- Schedule 2 – Other Measures

Schedule 1 – Responses to the PC

The PC was asked in 2015 to consider whether Australia's current IP arrangements provide an appropriate balance between access to ideas and products, and encouraging innovation, investment and the production of creative works. The Government published its response to the PC inquiry on 25 August 2017.¹

Schedule 1 to the Bill seeks to give effect to aspects of the Government's response that can be implemented immediately. These are:

- clarifying the law relating to parallel importation of trade-marked goods
- closing a loophole in the Plant Breeder's Rights Act for essentially-derived varieties
- reducing the minimum period that must elapse before an application for non-use of a registered trade mark can be filed
- repealing a requirement for patentees to provide the Commonwealth with financial information relating to patents with extended terms.

Schedule 2 – Other measures

Schedule 2 seeks to make a number of minor amendments to the Acts to improve, streamline and modernise the administration of the Australian IP system. Schedule 2 also includes amendments to improve enforcement of PBR by allowing for the award of additional damages by the courts and providing exclusive licensees with the standing to take infringement action. These amendments originate from a range of previous consultations and issues raised by stakeholders.

2. Origin of the Bill

Key parts of the Bill originate from a series of independent reviews into the IP system, and all parts of the package have been consulted on extensively. Some parts of the Bill respond to stakeholder suggestions, and stakeholder input was used to shape the final package.

Every part of the Bill was consulted on as part of the Bill exposure draft in 2017, which was developed in close consultation with relevant departments and agencies listed in section 3. The Bill has been open to comment on IP Australia's public [Policy Register](#) since 11 September 2017 when the register was released. Table 1 summarises the origin of each part of the Bill, and the consultation undertaken.

¹ <https://www.industry.gov.au/innovation/Intellectual-Property/Documents/Government-Response-to-PC-Inquiry-into-IP.pdf>

The original draft of the Bill included provisions to phase out the innovation patent. This was removed from the Bill prior to introduction. The Government has decided to undertake further consultation targeted at better understanding the needs of innovative small-to-medium-sized enterprises (SMEs) before the phase-out of the innovation patent occurs. [Consultation](#) on this commenced on 25 May 2018 and will close on 3 August 2018.

Table 1: Origin and consultation on the Bill

Bill Part:	Origin	Timing	Stakeholder Consultation
Sch. 1, Parts 1-4	PC inquiry into Australia's IP arrangements	2015-17	<ul style="list-style-type: none"> • Two rounds • Over 600 written submissions • Public hearings and roundtables
Sch. 1, Parts 1-4	Department of Industry, Innovation and Science consultation on the PC report	2016-17	<ul style="list-style-type: none"> • One round • Over 70 written submissions
Sch. 1, Part 4	The 2013 Pharmaceutical Patents Review	2012-13	<ul style="list-style-type: none"> • Two rounds • Over 75 written submissions • 3 public hearings
Sch. 2, Part 1	IP Australia's Trade Marks and Designs Consultation Group	2014-17	<ul style="list-style-type: none"> • Raised by multiple stakeholders • Discussed at regular stakeholder meetings
Sch. 2, Parts 2-10 and 13-17; & Sch. 1, Part 4	IP Australia's consultation on proposals to streamline IP processes and support small business	2015	<ul style="list-style-type: none"> • One round • 15 non-confidential submissions
Sch. 2, Parts 2-10 and 13-17	IP Australia's consultation on exposure draft of the IP Laws Amendment Bill 2017 and associated regulations	2016-17	<ul style="list-style-type: none"> • One round • 17 non-confidential submissions
Sch. 2, Part 11	Advisory Council on IP (ACIP) inquiry into the enforcement of PBR	2007-10	<ul style="list-style-type: none"> • Two rounds • 65 non-confidential submissions
Sch. 2, Part 12	IP Australia's Plant Breeder's Rights Consultation Group (PBRCG)	2016	<ul style="list-style-type: none"> • Multiple stakeholders raised this issue as impacting their ability to enforce their licensed rights in Australia.
All parts	Exposure draft of the Bill, Regulations and explanatory materials	2017	<ul style="list-style-type: none"> • One Round • 19 non-confidential submissions • direct consultation with close to 300 agricultural and horticultural firms • Phone follow-ups with a number of key agricultural and horticultural firms

3. Consultation and stakeholder views

The Bill is the result of an extensive consultation process undertaken by IP Australia between 2015 and 2017, and consultation undertaken during a number of independent reviews. IP Australia most recently undertook consultation on an exposure draft of the Bill and associated regulations in late 2017, and published all non-confidential submissions.²

A number of amendments were made to the Bill as a result of the feedback received in the exposure draft process, as outlined in IP Australia's published response to the feedback received.³ As mentioned above, the Government decided to undertake further industry consultation targeted at better understanding the needs of SMEs before the phase out of the innovation patent occurs.

Key independent reviews

- **Productivity Commission inquiry into Australia's IP arrangements (2015-17)**

The PC Inquiry was established in response to a recommendation of the Competition Policy Review (Harper Review), for an overarching and independent review of the IP system. The PC commenced its inquiry on 18 August 2015, released an issues paper on 7 October 2015 and then a draft report on 29 April 2016. The PC received over 600 written submissions.

The Government received the PC's final report on 23 September 2016. The Government released the report for consultation from 20 December 2016 until 14 February 2017. More than 70 submissions were received. The Government's response to the PC's inquiry into Australia's IP arrangements was released on 25 August 2017, and aspects of this are reflected in Schedule 1, Parts 1-4.

- **ACIP Review of Enforcement of Plant Breeder's Rights (2007-10)**

In its 2010 review of Australia's PBR enforcement arrangements⁴, ACIP recommended the introduction of additional damages in situations of flagrant or wilful infringement, similar to the arrangements that exist under the Patents, Trade Marks, Designs, Copyright and Olympic Insignia Protection Acts. The then Government accepted this recommendation and the Bill proposes to implement this under Part 11 of Schedule 2.

Part 12 of Schedule 2 was introduced as a result from stakeholder feedback raised by IP Australia's PBR consultation group, a non-statutory body which has replaced the former statutory PBR Advisory Committee.

Consultation by IP Australia

- **Proposals to streamline IP processes and support small business (2015)**

In 2015, IP Australia consulted stakeholders on proposed amendments to streamline IP processes, support small business and expand the use of automated processes by IP Australia.⁵ A number of these proposed measures that were supported by stakeholders are included in the Bill under Schedule 2 (Parts 2-10 and 13-17).

In late 2016, IP Australia sought public comment on the exposure draft of the IP Laws Amendment Bill 2017 and associated regulations. Minor changes were made to the exposure draft in light of submissions

²<https://www.ipaustralia.gov.au/about-us/public-consultations/draft-legislation-intellectual-property-laws-amendment-productivity>

³https://www.ipaustralia.gov.au/sites/g/files/net856/f/ip_australia_response_to_consultation_on_draft_ip_laws_amendment_pc_response_part_1_legislation.pdf

⁴ <https://www.ipaustralia.gov.au/about-us/public-consultations/archive-ip-reviews/ip-reviews/government-response-enforcement-pbr>

⁵<https://www.ipaustralia.gov.au/about-us/public-consultations/consulting-proposals-streamline-ip-processes-and-support-small>

received in 2015. IP Australia received 17 non-confidential submissions and these proposals were overall generally supported.⁶ However, legislative proposals in this exposure draft were put on hold until the Government had finalised its response to the PC's report into Australia's IP arrangements.

- **Exposure draft of Bill and Explanatory Memorandum consultation (2017)**

Public consultation on an exposure draft of the Bill and Explanatory Memorandum was conducted from October to December 2017 on the IP Australia and business.gov.au websites. Twenty three submissions were received (including four confidential submissions). The non-confidential submissions are available on IP Australia's website.⁷ Overall, these were supportive of the Bill, but expressed concerns with some of its drafting. The Bill was revised to address these drafting concerns, particularly in the following areas:

- Parallel importers of trade-marked goods, and users of those goods, would be required to make reasonable inquiries in relation to the registered trade mark before importing or using the goods (Schedule 1, Part 1). Three submissions expressed the view that the amendments proposed in the exposure draft went beyond what was recommended by the PC. Four submissions indicated that the draft amendments shifted the balance too far in favour of parallel importers and users of parallel imported goods. The current Bill incorporates revisions in light of these submissions to ensure the amendments strike a better balance of providing sufficient certainty to a parallel importer acting reasonably and in good faith while providing sufficient safeguards for trade mark owners and licensees.
- Exclusive licensees of PBR would be able to apply for essentially derived variety (EDV) declarations (Schedule 1, Part 2). Several submissions proposed that an exclusive licensee of the grantee should be able to make an application for an EDV declaration. The current Bill includes amendments that will allow an exclusive licensee to make an application for an EDV declaration, both for a registered and unregistered second variety. These changes ensure exclusive licensees have access to another means of enforcement by filing an EDV application and are analogous to other amendments in the Bill that allows an exclusive licensee the ability to take infringement action (Schedule 2, Part 12).
- Electronic notifications by officials under the Designs Act, Patents Act, Plant Breeder's Rights Act and Trade Marks Act would be required to be in a form that is readily accessible (Schedule 2, Part 2). Two submissions were made and both expressed concerns that the legislation was drafted too broadly, appearing to allow oral or other forms of communication that have no permanent or fixed record, which cannot be relied upon in the event of a dispute. The Bill includes amendments that address this concern by limiting the means of communication to those where the content of the notification can be accessible and usable for future reference.

- **Consultation with Agriculture organisations, Medical Research industry and IP Peak Bodies (2017)**

Stakeholders in the agricultural and horticultural sector have been consulted extensively. IP Australia worked with the Department of Agriculture and Water Resources to identify key stakeholders and contacted close to 300 PBR stakeholders to ensure adequate opportunity to comment on the proposed PBR Act changes. These PBR stakeholders included Grain Producers Australia, the National Farmers Federation, the Australian Seed Federation, the Grains Research and Development Corporation, CropLife Australia, AgriFutures Australia, Grain Growers Australia, Horticulture Innovation Australia and many others. An information page was also created to assist PBR stakeholders in quickly understanding the changes.⁸

Following this targeted consultation process, IP Australia received 14 submissions referring to the proposed changes to the PBR Act. This included submissions from the National Farmers Federation, the Australian

⁶ <https://www.ipaustralia.gov.au/about-us/public-consultations/Draft-Legislation-Intellectual-Property-Laws-Amendment-2017>

⁷ <https://www.ipaustralia.gov.au/about-us/public-consultations/draft-legislation-intellectual-property-laws-amendment-productivity>

⁸ <https://www.ipaustralia.gov.au/proposed-changes-plant-breeders-rights-draft-intellectual-property-laws-amendment-productivity>

Seed Federation, the Grains Research and Development Corporation, Australian Nurserymen's Fruit Improvements Company (ANFIC), CropLife Australia and PGG Wrightson Seeds. The proposed amendments were all supported by stakeholders, who only expressed minor concerns about some aspects of drafting. Where appropriate, these concerns were addressed with changes to the Bill. Where IP Australia was not persuaded, the reasons were explained in the public response to submissions.⁹

Some submissions suggested further PBR reforms based on the former ACIP recommendation to introduce a UK-style Information Notice System (INS) in Australia. This bill prioritises the implementation of the Government's response to the PC's recommendations. Implementing an INS is not one of the PC's recommendations, and the resources to progress further work on an INS are not presently available. IP Australia intends to progress policy work on the INS in consultation with the PBRCG in the future. Subject to other Government priorities and resource constraints, IP Australia expects this will be progressed in 2019 at the earliest.

Stakeholders in the medical and pharmaceutical research industries have been consulted extensively, including in 2013 as part of the Pharmaceutical Patents Review,¹⁰ again in 2015 on the streamlining measures, and finally in 2017 on the exposure draft of the Bill. This included consultation on the repeal of section 76A of the Patents Act, in schedule 1, Part 4.

Repeal of section 76A has not been contentious or sensitive among stakeholders (including the medical research industry) and it will remove a regulatory burden on the owners of extended patents.

A range of IP and legal peak bodies have provided submissions generally supportive of the Bill, including the Institute of Patent and Trade Mark Attorneys of Australia, the Federation of Intellectual Property Attorneys Australia, the International Trademark Association, the Law Council of Australia, and the Law Institute of Victoria.

Consultation on the Bill has been undertaken with the following departments and agencies, including in the development of this submission:

- Attorney-General's Department
- Department of Agriculture and Water Resources
- Department of Communication and the Arts
- Department of Foreign Affairs and Trade
- Department of Health
- Department of Home Affairs
- Department of Industry, Innovation and Science.

4. Benefits of the Bill

The objective of the IP rights system is to support innovation by encouraging investment in research and technology in Australia, and by helping Australian businesses benefit from their good ideas. The Bill will make improvements to the IP rights legislation to better meet these objectives, and has been broadly welcomed by stakeholders.

The Bill seeks to do this by implementing the first tranche of the Government's response to the comprehensive PC inquiry into Australia's IP arrangements. The Bill also seeks to make a number of

⁹ https://www.ipaustralia.gov.au/sites/g/files/net856/f/ip_australia_response_to_consultation_on_draft_ip_laws_amendment_pc_response_part_1_legislation.pdf

¹⁰ https://www.ipaustralia.gov.au/sites/g/files/net856/f/2013-05-27_ppr_final_report.pdf

changes to the legislation administered by IP Australia to improve, streamline and modernise Australian IP processes. These changes will reduce delays for businesses and ensure that the IP rights system continues to operate effectively.

IP Australia is also developing a second Bill to implement the second tranche of the Government's response to the PC inquiry.¹¹

- **Benefits of Schedule 1, Part 1: Clarifying the circumstances in which the parallel importation of trade-marked goods does not infringe a registered trade mark**

Parallel imports are where genuine goods that are sold overseas are brought into Australia and on-sold without the trade mark owner's consent. Parallel importation of trade-marked goods supports competition and the Trade Marks Act is intended to permit parallel imports. However, there is uncertainty around the current provisions, and recent legal decisions have increased the difficulty of importing legitimate goods into Australia.¹² Some trade mark owners have employed particular strategies to prevent parallel importation, contrary to the original policy intent of the Trade Marks Act.

The Bill seeks to clarify the defence for parallel imports of trade-marked goods. This will reduce uncertainty for importers, ultimately strengthening competition and benefitting the Australian market and consumers.

- **Benefits of Schedule 1, Part 2: Implementing changes to essentially derived variety (EDV) declarations in the Plant Breeder's Rights Act**

PBR encourage breeders to invest in developing new, improved varieties. The Bill seeks to amend the Plant Breeder's Rights Act to close a loophole that allows breeders of derived varieties to free-ride on protected plant varieties. The Bill proposes to expand the circumstances where an EDV declaration can be applied for to ensure PBR holders are protected, regardless of whether breeders of a derived variety have applied for PBR or not.

For example, where a grower holds a PBR for a certain crop, and a competitor files for a PBR for a slightly different variety of the same crop, the competitor can be required to share their royalties with the original grower. However, if the competitor exploits the current loophole by choosing not to file for a PBR, they can commercialise their crop and cannot be required to share their royalties. This Bill will close the loophole and enable the original grower to share in their competitor's royalties. To ensure procedural fairness, mechanisms are included for competitors to be heard and to seek review of any decisions made.

Extensive consultation has been undertaken with affected stakeholders in consultation with the Department of Agriculture and Water Resources as detailed above.

- **Benefits of Schedule 1, Part 3: Reducing the grace period for trade mark non-use actions**

The PC inquiry into Australia's IP Arrangements identified a potential problem with unused trade marks resulting in 'clutter' on the trade marks register. Cluttering of unused trade marks impacts competition by making it harder for new firms to establish a brand and imposes extra costs and difficulties in finding a viable trade mark. Unused trade marks on the trade marks register can be challenged by a third party taking a non-use action against the trade mark. The Bill seeks to reduce the grace period before new trade mark registrations can be challenged for non-use, with the aim of reducing the number of unused trade marks remaining on the register. This will reduce a barrier to competition and better align Australia's non-use provisions with international standards.

¹¹ <https://www.ipaustralia.gov.au/about-us/public-consultations/public-consultation-several-intellectual-property-ip-matters>

¹² *Montana Tyres Rims and Tubes Pty Ltd v Transport Tyre Sales Pty Ltd* (1999); *Brother Industries v Dynamic Supplies* [2007] FCA 1490; *Paul's Retail Pty Limited v Sporte Leisure Pty Ltd & Ors* [2012] FCAFC 5; *Paul's Retail Pty Ltd v Lonsdale Australia Limited* [2012] FCAFC 130.

- **Benefits of Schedule 1, Part 4: Repealing section 76A of the Patents Act**

The Bill seeks to remove the requirement, introduced in 1999, that owners of a patent must lodge specified financial information with the Department of Health when the term of the patent has been extended under the Patents Act. This requirement has become unnecessary and duplicative, as this type of information is being collected more effectively by the Government from other sources, including through the Department of Industry, Innovation and Science and the Australian Bureau of Statistics.

The repeal of section 76A of the Patents Act does not affect the operation of the extension-of-term provisions and will remove a regulatory burden on the owners of patents with extended terms.

- **Benefits of 'streamlining measure' in Schedule 2, Parts 1- 8, 10, 13, 15-18, 20 & 21**

These parts contain measures to streamline and modernise aspects of the Australian IP system, reducing barriers and regulatory costs for Australian businesses. This will reduce delays that can have an impact on the interests of IP owners and third parties. In Australia a large percentage of IP applicants and owners are SMEs, which play a vital role in the Australian economy. Reducing complexity and delays in the IP system will particularly assist SMEs and self-filers.

For example, Part 8 of Schedule 2 to the Bill will introduce protection against unjustified threats in the PBR legislation consistent with the protection provided by other IP legislation. It will also introduce additional damages for unjustified threats of infringement across the Patents, Trade Marks, Designs and PBR legislation to ensure principles for awarding additional damages for unjustified threats are consistent.

The measures also seek to correct a number of references, and address a small number of errors and inconsistencies, in the IP legislation.

Collectively, these measures seek to improve the way IP Australia is able to deliver services to its customers by reducing the time both customers and IP Australia need to spend on administrative matters and simplifying processes in the IP rights system.

- **Benefits of Schedule 2, Parts 9, 11, 12, 14 and 19: Enforcement of PBR**

These measures will strengthen PBRs and better align them with other IP rights. The Bill proposes to allow the award of additional damages for particularly wilful or blatant infringement, and allow exclusive licensees to take infringement actions.

About IP Australia

IP Australia is responsible for administering Australia's patents, trade marks, designs, and plant breeder's rights systems. As well as granting exclusive rights under the statutes it administers, IP Australia works closely with the Department of Industry, Innovation and Science to advise the Australian Government on IP policy; provides IP information and education services to business and the broader community to increase understanding of the important role IP plays in innovation; regulates the IP attorney profession; and contributes to bilateral and multilateral negotiations and development cooperation programs to promote a more harmonised global IP system.

IP Australia works with professional bodies, business groups and other government agencies and holds regular meetings with our national stakeholder groups to ensure the continuing effectiveness and ongoing improvement of Australia's IP system.

