

# Chapter 1

## Introduction

1.1 On 10 May 2018, the Senate referred the provisions of the Intellectual Property Laws Amendment (Productivity Commission Response Part 1 and Other Measures) Bill 2018 (bill) to the Economics Legislation Committee (committee) for inquiry and report by 22 June 2018.<sup>1</sup>

1.2 In his second reading speech, the Assistant Minister for Finance, Mr David Coleman MP, explained:

This bill delivers the first tranche of the Turnbull government's commitment to review and reform [Australia's] intellectual property arrangements, ensuring that they provide an appropriate balance between access to ideas and products, and encouraging innovation, investment and the production of creative works.<sup>2</sup>

### Conduct of the inquiry

1.3 The committee advertised the inquiry on its website and wrote to relevant stakeholders and interested parties inviting submissions by 1 June 2018. The committee received nine submissions.<sup>3</sup> Submissions are listed at Appendix 1.

1.4 The committee thanks all those who have assisted with the inquiry.

### Background

1.5 The bill is largely the result of two independent reviews, and feedback received by IP Australia in response to public consultation on an exposure draft of the bill. These processes are discussed below.

#### *Independent reviews*

##### *Intellectual Property Arrangements*

1.6 The Productivity Commission (PC) recently completed a public and overarching inquiry into Australia's Intellectual Property (IP) system. The PC's final report was handed to the Australian Government on 23 September 2016 and published in December 2016.<sup>4</sup> It made a number of key points, including:

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1 *Journals of the Senate*, No. 97, 10 May 2018, p. 3093.

2 Mr David Coleman MP, Assistant Minister for Finance, *House of Representatives Hansard*, 28 March 2018, p. 3071.

3 Due to a technical issue with the Senate's online submission database, submissions from the following organisations were not received by the committee until 21 June 2018: Macpherson Kelley, *Submission 8*; and International Association for the Protection of Intellectual Property, *Submission 9*. As the committee is required to report by 22 June 2018, it has been unable to incorporate the issues raised in these submissions into this inquiry report.

4 Productivity Commission, Inquiry Report, *Intellectual Property Arrangements*, No. 78, 23 September 2016, <https://www.pc.gov.au/inquiries/completed/intellectual-property/report/intellectual-property.pdf> (accessed 25 May 2018).

- Australia's IP arrangements fall short in many ways and improvement is needed across the spectrum of IP rights.
- IP arrangements need to ensure that creators and inventors are rewarded for their efforts.
- Australia's patent system grants exclusivity too readily, allowing a proliferation of low-quality patents, frustrating follow-on innovators and stymieing competition.
- Copyright is broader in scope and longer in duration than needed—innovative firms, universities and schools, and consumers bear the cost.
- Timely and cost effective access to copyright content is the best way to reduce infringement.
- Commercial transactions involving IP rights should be subject to competition law.
- While Australia's enforcement system works relatively well, reform is needed to improve access, especially for small and medium sized enterprises.
- The absence of an overarching objective, policy framework and reform champion has contributed to Australia losing its way on IP policy.
- International commitments substantially constrain Australia's IP policy flexibility.
- Reform efforts have more often than not succumbed to misinformation and scare campaigns. Steely resolve will be needed to pursue better balanced IP arrangements.<sup>5</sup>

1.7 The Minister for Industry, Innovation and Science and the Minister for Communications released the government's response to the PC's inquiry in August 2017. The response supported a number of the PC's recommendations and acknowledged the importance of further consultations with stakeholders in respect of proposed changes to Australia's IP laws—including those changes proposed in the bill.<sup>6</sup>

### *Plant Breeder's Rights*

1.8 Intellectual property rights are granted for new varieties of plants in Australia under the *Plant Breeder's Rights Act 1994* (PBR Act). The PBR Act gives to those who breed a new variety of plant the right to exclude others from exploiting the plant

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5 Productivity Commission, Inquiry Report, *Intellectual Property Arrangements*, No. 78, 23 September 2016, p. 2, <https://www.pc.gov.au/inquiries/completed/intellectual-property/report/intellectual-property.pdf> (accessed 25 May 2018).

6 Department of Industry, Innovation and Science, *Australian Government Response to the Productivity Commission Inquiry into Intellectual Property Arrangements*, August 2017, <https://www.industry.gov.au/innovation/Intellectual-Property/Documents/Government-Response-to-PC-Inquiry-into-IP.pdf> (accessed 30 May 2018).

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variety without the breeder's consent, thereby controlling how new plant varieties may be produced or reproduced.<sup>7</sup>

1.9 In 2005, the Howard Government asked the Advisory Council on Intellectual Property (ACIP), an independent body that advises the relevant Minister on intellectual property matters, to:

...inquire, report and make recommendations to the Australian Government on issues relating to the enforcement of plant breeder's rights in Australia and to consider possible strategies to assist Australian plant breeder's rights holders effectively enforce valid rights...<sup>8</sup>

1.10 On 18 January 2010, the then Minister for Innovation, Industry, Science and Research, Senator the Hon Kim Carr, released the ACIP report, *A review of enforcement of Plant Breeder's Rights*.<sup>9</sup>

1.11 ACIP's report identified a number of barriers to the effective enforcement of PBR that discouraged the development of new plant varieties and recommended legislative and procedural changes to the PBR Act. These included a recommendation to introduce exemplary damages in situations of flagrant or wilful infringement, based on similar arrangements that exist under the *Patents Act 1990* (Patents Act).<sup>10</sup> This recommendation was subsequently accepted by the government in its response to the ACIP's report, in which it indicated amendments to the PBR Act would be sought to implement it.<sup>11</sup>

### ***Exposure draft process***

1.12 Many of the recommendations made in the PC report and the recommendation identified above from the ACIP report require amendments to legislation that

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7 *Plant Breeder's Rights Act 1994*, s. 11.

8 Australian Government, IP Australia, *Government Response - enforcement of Plant Breeder's Rights*, 21 April 2016, <https://www.ipaustralia.gov.au/about-us/public-consultations/archive-ip-reviews/ip-reviews/government-response-enforcement-pbr> (accessed 7 June 2018).

9 Australian Government, Advisory Council on Intellectual Property, *A review of enforcement of Plant Breeder's Rights: Final report*, January 2010, [https://www.ipaustralia.gov.au/sites/g/files/net856/f/acip\\_final\\_report\\_review\\_of\\_enforcement\\_of\\_pbr\\_archived.pdf](https://www.ipaustralia.gov.au/sites/g/files/net856/f/acip_final_report_review_of_enforcement_of_pbr_archived.pdf) (accessed 7 June 2018).

10 Australian Government, Advisory Council on Intellectual Property, *A review of enforcement of Plant Breeder's Rights: Final report*, January 2010, p. 116, [https://www.ipaustralia.gov.au/sites/g/files/net856/f/acip\\_final\\_report\\_review\\_of\\_enforcement\\_of\\_pbr\\_archived.pdf](https://www.ipaustralia.gov.au/sites/g/files/net856/f/acip_final_report_review_of_enforcement_of_pbr_archived.pdf) (accessed 7 June 2018).

11 Australian Government, IP Australia, *Government Response - enforcement of Plant Breeder's Rights*, 21 April 2016, <https://www.ipaustralia.gov.au/about-us/public-consultations/archive-ip-reviews/ip-reviews/government-response-enforcement-pbr> (accessed 7 June 2018).

IP Australia is responsible for. IP Australia proposed to implement the recommendations in a staged manner through two separate bills.<sup>12</sup>

1.13 The first is this bill, which incorporates a number of accepted recommendations from the PC report including phasing out of the innovation patent system, the PBR recommendation and the majority of the trade mark recommendations.<sup>13</sup> It also addresses a number of other high priority trade mark and PBR issues, and some measures from a draft Intellectual Property Laws Amendment Bill 2017, which was also consulted on.<sup>14</sup>

1.14 From 23 October to 4 December 2017 IP Australia released an exposure draft of this bill for public consultation, to which it received 19 non-confidential submissions.<sup>15</sup> Following this process, IP Australia issued a response summarising the matters raised by submitters, and, where appropriate, proposed amendments to the exposure draft legislation to address specific concerns which have ultimately been incorporated in the bill.<sup>16</sup>

1.15 The second is the IP Laws Amendment (Productivity Commission response Part 2 and other measures) Bill (Part 2 bill), which will also include a number of accepted recommendations from the PC report. These include the inventive step reforms, introducing an objects clause into the Patents Act, and changes to Crown use and compulsory licensing of patents and designs. In addition, it is proposed that a

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12 Australian Government, IP Australia, *News and community: Implementation of the Government response to the Productivity Commission's 2016 report into Australia's Intellectual Property (IP) Arrangements*, 21 November 2017, <https://www.ipaustralia.gov.au/about-us/news-and-community/news/implementation-government-response-productivity-commissions-2016> (accessed 7 June 2018).

13 Australian Government, IP Australia, *News and community: Implementation of the Government response to the Productivity Commission's 2016 report into Australia's Intellectual Property (IP) Arrangements*, 21 November 2017, <https://www.ipaustralia.gov.au/about-us/news-and-community/news/implementation-government-response-productivity-commissions-2016> (accessed 7 June 2018).

14 Remaining measures from the draft IP Laws Amendment Bill 2017 have been put on hold pending further consideration at a later date. See Australian Government, IP Australia, *News and community: Implementation of the Government response to the Productivity Commission's 2016 report into Australia's Intellectual Property (IP) Arrangements*, 21 November 2017, <https://www.ipaustralia.gov.au/about-us/news-and-community/news/implementation-government-response-productivity-commissions-2016> (accessed 7 June 2018).

15 IP Australia, *Draft Legislation: Intellectual Property Laws Amendment (Productivity Commission Response Part 1 and Other Measures) Bill and Regulations 2018*, 28 March 2018, <https://www.ipaustralia.gov.au/about-us/public-consultations/draft-legislation-intellectual-property-laws-amendment-productivity> (accessed 7 June 2018).

16 IP Australia, *IP Australia response to public consultation on exposure draft of Intellectual Property Laws Amendment (Productivity Commission response part 1 and other matters) Bill and Regulations 2017*, [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](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) (accessed 30 May 2018).

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number of technical fixes and red-tape reducing measures will also be included in the Part 2 bill.<sup>17</sup>

1.16 Consultation on a number of policy proposals planned to be included in the Part 2 bill occurred from 30 August to 17 November 2017. Subject to Government priorities, the Part 2 bill is intended for introduction to Parliament in 2018. Further consultation on an exposure draft of the Part 2 bill is also anticipated prior to introduction.<sup>18</sup>

### Overview of the bill

1.17 As stated above, the purpose of the bill is to make improvements to Australia's IP rights legislation to ensure it better meets its objectives of promoting and incentivising investment in creativity, innovation, research and technology.<sup>19</sup>

1.18 The bill makes amendments to several areas of Australia's IP legislation including the:

- *Copyright Act 1968* (Copyright Act);
- *Designs Act 2003* (Designs Act);
- *Olympic Insignia Protection Act 1987* (the Olympic Insignia Protection Act);
- Patents Act;
- PBR Act; and the
- *Trade Marks Act 1995* (the Trade Marks Act).

1.19 The bill is divided into two schedules. Schedule 1 consists of four parts which give effect to some of the government's response to the PC's Inquiry Report—*Intellectual Property Arrangements*.<sup>20</sup> Specifically, schedule 1 of the bill implements the following four PC recommendations:

- changes to essentially derived variety (EDV) declarations in the Plant Breeder's Rights Act (recommendation 13.1);
- reducing the grace period for trade mark non-use actions (recommendation 12.1);

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17 Australian Government, IP Australia, *News and community: Implementation of the Government response to the Productivity Commission's 2016 report into Australia's Intellectual Property (IP) Arrangements*, 21 November 2017, <https://www.ipaustralia.gov.au/about-us/news-and-community/news/implementation-government-response-productivity-commissions-2016> (accessed 7 June 2018).

18 IP Australia, Public consultation on several Intellectual Property (IP) matters, 16 March 2018, <https://www.ipaustralia.gov.au/about-us/public-consultations/public-consultation-several-intellectual-property-ip-matters> (accessed 15 June 2018).

19 Explanatory Memorandum, p. 1.

20 Department of Industry, Innovation and Science, *Australian Government Response to the Productivity Commission Inquiry into Intellectual Property Arrangements*, August 2017, <https://www.industry.gov.au/innovation/Intellectual-Property/Documents/Government-Response-to-PC-Inquiry-into-IP.pdf> (accessed 25 May 2018).

- clarifying the circumstances in which the parallel importation of trade marked goods does not infringe a registered trade mark (recommendation 12.1); and
- reforming section 76A of the Patents Act, which requires patentees to provide certain data relating to pharmaceutical patents with an extended term (recommendation 10.1).<sup>21</sup>

1.20 Schedule 2 consists of 21 parts which implement a number of measures to streamline and align the administration of the Australian IP system, and will implement a number of other IP law measures, mostly related to PBR enforcement.

1.21 Details of schedules 1 and 2 are set out below.

### ***Schedule 1: Responses to the Productivity Commission***

1.22 Parallel imports are where genuine goods that are sold overseas are brought into Australia and on-sold without the trade mark owner's consent. Part 1 repeals a provision in the Copyright Act and amends the Trade Marks Act to clarify the circumstances in which the parallel importation of trade marked goods does not infringe a registered trade mark.

1.23 The PBR Act extends protection of registered varieties to essentially derived varieties (EDVs). EDVs share all the essential characteristics of a registered plant variety but are clearly distinct and qualify for PBR registration in their own right. Part 2 amends the PBR Act to allow an application for an EDV declaration to be made in instances where the plant variety subject of the EDV application is not a registered PBR or undergoing application for PBR.

1.24 Unused trade marks on the trade marks register can be challenged by a third party taking a non-use action against the trade mark. Part 3 amends the Trade Marks Act to change the period that must elapse before certain actions of non-use actions of trade mark can be taken.

1.25 Part 4 amends the Patents Act to remove a requirement for patentees to provide the Secretary of the Department of Health with certain data relating to pharmaceutical patents with an extended term.

### ***Schedule 2: Other measures***

1.26 Part 1 amends the Trade Marks Act to ensure that the Registrar of Trade Marks can appropriately amend trade mark applications to comply with the legal personality requirement for applicants.

1.27 Part 2 amends the Patents Act, Designs Act, PBR Act, and Trade Marks Act to ensure that certain written actions by the Commissioner of Patents, Registrar of Designs, Registrar of PBR and the Registrar of Trade Marks (collectively 'the Commissioner and the Registrars') can be undertaken by any means of communication, including electronic means.

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21 Productivity Commission Inquiry Report, *Intellectual Property Arrangements*, No. 78, 23 September 2016, <https://www.pc.gov.au/inquiries/completed/intellectual-property/report/intellectual-property.pdf> (accessed 25 May 2018).

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1.28 Part 3 amends the Patents Act, Designs Act, PBR Act, and Trade Marks Act to simplify how documents and evidence are filed, or fees are paid.

1.29 Part 4 amends the Patents Act to remove unnecessary signature requirements.

1.30 Part 5 amends the Patents Act, Designs Act, PBR Act, and Trade Marks Act to enable the Commissioner and the Registrars to arrange for a computer program under their control to make decisions, exercise powers and comply with obligations under the legislation. To ensure that there are appropriate protections in place it also gives the Commissioner and Registrars the power to substitute any automated decision if they are satisfied that the decision is incorrect.

1.31 Part 6 amends the PBR Act to simplify the requirement for an applicant for PBR to provide an address for service of documents.

1.32 Part 7 amends the Patents Act to modernise and consolidate the requirements for patent documents.

1.33 Part 8 amends the Patents Act, Designs Act, PBR Act, and Trade Marks Act to align and improve protections against unjustified threats of infringement.

1.34 Part 9 amends the PBR Act to clarify that PBR can be granted to two or more breeders jointly, and to ensure that the Registrar can correct errors in the Register of Plant Varieties.

1.35 Part 10 amends the Trade Marks Act to clarify that the Trade Marks Registrar may require a person to give security for the costs of a wider range of opposition proceedings.

1.36 Part 11 aligns the PBR Act with the other Acts by giving the courts the power to award additional damages for infringement of PBR.

1.37 Part 12 amends the PBR Act to allow an exclusive licensee of PBR to bring proceedings for infringement for the right they license.

1.38 Part 13 amends the Patents Act and the Trade Marks Act to provide for the disclosure and publication of personal information about registered patent and trade marks attorneys to assist the public in verifying an attorney's registration.

1.39 Part 14 amends the PBR Act to transfer the statutory powers and obligations of the Secretary of the Department of Industry, Innovation and Science with regard to the PBR to the Registrar of PBR.

1.40 Part 15 amends the Copyright Act, Olympic Insignia Protection Act and Trade Marks Act to provide the Comptroller-General of Customs with more flexibility in the method of issuing notices of seizure.

1.41 Part 16 amends the Patents Act and the Trade Marks Act to correct oversights in the drafting of the *Intellectual Property Laws Amendment (Raising the Bar) Act 2012* to ensure that several offences committed by companies can be prosecuted in the same five year timeframe as applies for several offences committed by individuals.

1.42 Part 17 corrects references to the Designs Act in the Olympic Insignia Protection Act.

1.43 Part 18 repeals the provisions in the Patents Act that would have provided for single application and examination processes for trans-Tasman patents, which were not enacted by New Zealand.

1.44 Part 19 and item 353 in Part 20 amends the PBR Act to clarify alignment with the International Convention for the Protection of New Varieties of Plants.

1.45 Part 20 relieves the Commissioner of Patents of the obligation to sell copies of complete specifications (as they are now published online) and makes consequential amendments to the *Plant Breeder's Rights Act following the Statute Update (Smaller Government) Act 2018*.

1.46 Part 21 repeals the whole of the *Patents Amendment (Patent Cooperation Treaty) Act 1979*, as it is spent.

### **Legislative scrutiny**

1.47 The Explanatory Memorandum (EM) states that the bill engages the following human rights: the right to privacy, the right to enjoy the benefits of scientific progress and its application; and the right to the protection of interests resulting from one's scientific production. However, the EM also states that the bill is compatible with the human rights and freedoms recognised or declared in the international instruments listed in section 3 of the *Human Rights (Parliamentary Scrutiny) Act 2011*.<sup>22</sup> The Parliamentary Joint Committee on Human Rights considered the bill in its *Report 4 of 2018* and made no comment.<sup>23</sup>

1.48 The bill was also considered by the Senate Standing Committee for the Scrutiny of Bills in its *Scrutiny Digest 5 of 2018*, and no comment was made.<sup>24</sup>

### **Financial Impact**

1.49 The EM states that the bill is expected to have no financial impact on the Commonwealth.<sup>25</sup>

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22 Explanatory Memorandum, pp. 4–10.

23 Parliamentary Joint Committee on Human Rights, *Report 4 of 2018*, 8 May 2018, p. 96.

24 Senate Standing Committee for the Scrutiny of Bills, *Scrutiny Digest 5 of 2018*, 9 May 2018, p. 31.

25 Explanatory Memorandum, p. 3.