



**THE AUSTRALIAN FEDERATION OF INTELLECTUAL PROPERTY ATTORNEYS
FICPI AUSTRALIA**

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BY EMAIL

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Mr Jeff Roberts
Secretariat
Advisory Council of Intellectual Property
P.O. Box 200
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Dear Sir

**Re: ACIP Discussion Paper – December, 2003
Crown Use Provisions in Patent & Design Legislation**

FICPI Australia is an organization drawing its members from registered patent attorneys in Australia that are proprietors or partners in patent attorney firms conducting business in Australia. FICPI Australia does not directly represent intellectual property owners but its members work directly and closely with such persons and the following comments are based on our members' experience in representing these users of the Patents and Designs systems.

Overview

FICPI Australia considers the current Crown use provisions found in both the Patents Act and the Designs Act to be outdated and inconsistent with the general policy direction of government.

At present the Crown use provisions in both the Patents Act and the new Designs Act extend to allow exploitation or acquisition by the Crown without limit provided that it is "for the services of the Commonwealth or State". FICPI considers that this largely unrestricted right of the Crown to exploit or acquire intellectual property rights cannot be supported by public policy considerations.

FICPI considers that the Crown use provisions in both pieces of legislation should be restricted to circumstances of national emergency or extreme urgency which directly relate to national security, public health or public safety. Further, FICPI believes that access to the Crown use provisions in both pieces of legislation should be restricted to Commonwealth and State governments, ministerial departments and statutory authorities the management of which are appointed by, and who are directly responsible to a Minister of the Crown. The statutory shield of the Crown use provisions should not, in the opinion of FICPI, be available to semi-government authorities or corporatised authorities where the government does not select the management and is not in a position to directly control the manner in which the authority operates.

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FICPI Australia also considers that the provisions in both the Designs Act and the Patents Act for compulsory acquisition of patents and registered designs go beyond the reasonable requirements of government and should be repealed. Provided that the Crown can invoke provisions for the compulsory use of protected technology in appropriate circumstances there appears to be no sensible rationale to provide to the Crown unrestricted acquisition rights. Compulsory acquisition results in the original patentee or registered design owner being unable to exploit its own development without infringing the rights of the Crown. FICPI notes that the Commonwealth would in any event retain the right under s.51(xxxi) of the Constitution to enact specific legislation for the acquisition of an IP right if circumstances dictated the need for Crown ownership.

Finally, it is the view of FICPI that the provisions relating to written authorisations to third parties should be amended requiring prospective authority by reference to a specific patent or design and reference to the relevant enabling section of the legislation.

FICPI believes that the restrictions foreshadowed would be in line with the expectation and previous conduct of government. It is rare for the Crown use provisions to be invoked (the paucity of reported decisions in the area reflects this) and unrestricted access to third party IP, if acted on by any government, would act as a strong disincentive to the use by industry of these IP registration systems. FICPI notes that the restrictions proposed are consistent with Article 17.9, clause 7(b) of the recently published Australian/U.S. Free Trade Agreement. Whilst the paper issued by the Australian Law Reform Commission in relation to Gene Patenting and Human Health (ALRC paper 68) canvassed various aspects of Crown use and acquisition in the context of developments in gene technology it is noted that no opinion was expressed in that paper about the breadth of the Crown use provisions (see paragraph 26.73 of the ALRC paper).

Response to the Discussion Paper

1. Definition of the Crown

FICPI agrees with the proposition in the discussion paper that the decision in *Stack v Brisbane City Council* (1995) 32 IPR 69 may represent an extension to the law relating to the Crown use provisions. If it results in a "vast number of municipal councils and statutory authorities" being protected by the Crown use provisions (and this is unclear) this would be undesirable and in FICPI's view unnecessary to meet reasonable community needs. Whilst the court in the *Brisbane City Council* case found that the State Government retained a prominent role and a practical involvement in the activities of the Brisbane City Council it is generally recognised that local councils operate in large part without reference to their respective State Governments and many commercial decisions are made without reference or direct involvement by State Government.

FICPI considers that a large part of the difficulty with the current legislation is the lack of judicial certainty in the meaning of the terms "authority of the Commonwealth" and "authority of a State". The Courts have indicated that the question of whether an authority falls within the scope of either of these definitions has to be considered on a case by case basis. It involves an examination of a number of issues and a determination of whether the activities of the authority have been impressed with "the stamp of government". In each case this involves a detailed and sometimes subjective analysis of the role of government. FICPI considers that the Crown use provisions should be amended (perhaps by introducing a definition) to make it clear that municipal councils, semi-government authorities and corporatised authorities are not intended to fall within the ambit of these terms. We suggest that the benefit to authorities of both the Commonwealth and the States be limited to those authorities where government

directly appoints the management (whether this be a board of Directors or separate executive officers) and government directly controls the manner in which the authority operates.

In hand with this restriction to the definition of what constitutes an authority of either the Commonwealth or a State FICPI agrees with the proposal that such authorities be provided with the shield of the Crown use provisions only if they additionally obtain ministerial approval. Such ministerial approval should identify the specific patent and/or design and reference to the relevant enabling section of the legislation.

2. Entities that have access to the Crown use provisions

In addition to the entities identified in item 1 above FICPI considers that third parties should have protection under the Crown use provisions where they have been authorised in writing by the Crown. Unfortunately, in some of those cases where the Crown use provisions have been applied the factual background suggests that the real essence of the dispute has been between commercial competitors both tendering for a Crown contract. The successful tenderer in such circumstances has been able to belatedly and somewhat artificially rely on the Crown use provisions on the basis that they have been authorised. To avoid such situations arising in the future, FICPI considers that the legislation should be amended requiring prospective written authority by reference to a specific patent or design and by reference to the enabling section of the legislation so that it is plain that the third party commercial operator is properly authorised before tendering to a project which requires the use of protected technology.

3. Circumstances enabling Crown use of patents and designs

FICPI does not believe that there should be restrictions to the particular types of patents and designs that are subject to Crown use provisions. Technological advance occurs in ways quite unexpected and any attempt to categorize the types of patents or designs which are to be covered by Crown use provisions is likely to result in unexpected difficulties.

FICPI therefore favours an approach which focuses on the use to which the technology is put. The current test "for the services of the Commonwealth or the State" is considered too broad. FICPI considers that access to the Crown use provisions should be restricted to circumstances directly related to national security, public health or public safety and in such cases only where there is extreme urgency or a national emergency.

4. Compensation for the owner of the patent or design

FICPI agrees that the current procedure for determining remuneration is cumbersome and particularly disadvantages individuals and SME's. In the absence of agreement the patentee must bring proceedings in a prescribed court (i.e. the Federal Court or a Supreme Court). FICPI believes that the Federal Magistrates Court would be a suitable forum for making remuneration determinations. Given that the issue arises so infrequently, FICPI does not believe the issue justifies the establishment of an independent tribunal. Whilst one proposal raised in the discussion paper is the appointment of an independent expert by the Commissioner of Patents there may be difficulties with such an arrangement given the potential for perceived conflict of interest. The Federal Magistrates Court offers the benefits of a low cost procedure whilst retaining a clear separation from government allowing greater confidence of a non-partisan adjudication. FICPI agrees with the ALRC proposal that the Patents Act be amended to clarify the basis for remuneration or compensation. (Proposal 26-3 ALRC Discussion Paper No. 68).

5. Crown use and resale

Whilst section 167 of the Patents Act broadly gives the Crown the right to sell any products made in the exercise of its rights it is considered that the Crown's power is limited by the expression "for the services of the Commonwealth or the State" as found in section 163.

Notwithstanding this the decision in *Pfizer* is problematic. FICPI does not agree that the Crown should be in a position to invoke the Crown use provisions to manufacture and sell product in competition with a patentee. Rather, if the Crown believes that the patentee is not meeting public need it should move to invoke the compulsory licence provisions of the Patents Act. It is recognised that the compulsory licence provisions of the Patents Act generally cannot be invoked until after three years following the grant of a patent. Accordingly, FICPI considers that if the Crown's rights under the current Crown use provisions were to be restricted as foreshadowed it may be appropriate to remove the prescribed period relevant to the compulsory licence provisions insofar as it relates to the Crown.

6. Need for the Crown use and acquisition provisions

FICPI considers that the current structure of the immunity afforded to the Crown is appropriate in the current environment only if these provisions are significantly limited as canvassed above. It is the view of FICPI that the provisions relating to the acquisition of patents and registered designs should be repealed. Provided that the Crown has access in appropriate circumstances to use of technologies covered by patents and registered designs FICPI sees no rationale for the Crown having a right of acquisition. In practical terms acquisition excludes the original IP owner from exploiting technology developed and in many cases brought to this country. FICPI believes that the case for acquisition would be very rare and it would be a case that would warrant special legislation which could be introduced by the Commonwealth under section 51(xxxi) of the Constitution.

We trust that these submissions assist in ACIP's deliberations. If it is intended to arrange any meetings to discuss these issues involving interested parties FICPI Australia would welcome the opportunity to participate in those discussions. Further, if the Advisory Council desires further input from FICPI Australia in relation to any matters raised in this submission please do not hesitate to contact us.

Yours sincerely
FICPI AUSTRALIA



Greg M. Chambers
SECRETARY