

INSTITUTE OF PATENT AND TRADE MARK ATTORNEYS, AUSTRALIA

Submission to:

Advisory Council on Intellectual Property Discussion Paper – Review of Crown Use Provision in Patents and Designs Legislation

The Institute, in making its submission in response to the Discussion Paper makes specific comments in relation to the matter raised in the Discussion Paper. In the absence of any comment, it is to be implied that the status quo should remain.

3.1 Definition of the “Crown”

3.1.1 It is accepted that the Commonwealth and State Governments may, in exceptional circumstances, require access to inventions and designs prior to the expiry of patent or design term. Urgent necessity in the public interest should be the touchstone (see Article 31 TRIPS, referring to national emergency or other circumstances of extreme urgency). However, such requirement only should:

(a) only arise in case of a public emergency involving health or defence, (The Institute doubts whether such a requirement could arise, if at all, in relation to registered designs (f.n. ALRC 75)); and

(b) be subject to payment of just compensation.

3.1.2 Even in exceptional circumstances, the power to appropriate patent and design rights should be limited to particular agencies of government responsible for health, defence or management of public emergencies. Arguably, only State and Commonwealth agencies should have such access. If the Crown use provisions are applicable to a “vast number of municipal councils and statutory authorities” as the Stack litigation appears to suggest, this is inappropriate.

3.1.3 Potential for inappropriate extent of “Crown” access to patent and designs becomes even clearer in the case of corporatised entities delivering government services particularly when this occurs in competition with private enterprise. Such access is certainly inconsistent with the principle of competitive neutrality.

- 3.1.4 The Institute agrees that the legislation should be amended to require any Crown use of patents or designs by any council, statutory corporation or any other like body to have Ministerial approval.
- 3.1.5 Such Ministerial approval should be sought and obtained prior to Crown use of intellectual property. Conditions could be placed on such approval. A *Stack* situation should not occur. Even then, access should always be situational and by reference to specific emergency, not in mere deference to the agency's legal power however derived.
- 3.1.6 If a body is conducted "in the interest and for the profit of its members", that is - its essential characteristic is the creation of profit – then access to Crown use provisions should be removed altogether since it is difficult to see how a test of "urgent necessity" could be met.
- 3.1.7 In summary, a more stringent definition of the "Crown" is required.

3.2 Entities that have Access to Crown Use Provisions

- 3.2.1 As noted above, the availability of Crown use provisions should be denied to entities or agents of entities that are commercial in nature. Crown use provisions should be limited to situations of urgent necessity for provision of public services without view to profit. Employees, as such, should not have power to access the Crown Use provisions.
- 3.2.2 The *COD* case (1980) 144 CLR 577 provides guidance as to a definition of an entity to be excluded from the reach of Crown use provisions. That is, any entity "conducted in the interest and for the profit of its members" ought not to have access to the Crown use provisions.
- 3.2.3 Alternatively, an entity ought not to access Crown use provisions if it could derive a commercial advantage, unfair or not, from accessing the provisions. Ministerial approval could be made contingent on an assessment of this consideration.
- 3.2.4 Certainly, an entity should not have access to Crown use provisions by reason only of being constituted by legislation. Bodies to make profit can be and have been created by legislation, e.g., Telstra, Australian Airlines and it

would be an exceptional contingency indeed before these kinds of organisation would require to exploit intellectual property rights in the public interest.

3.2.5 In summary, restriction of entities entitled to access Crown Use provisions should be restricted. We refer also to submissions or agencies that should come within scope of definition of “Crown” at 3.1.1 to 3.1.3 above.

3.2.6 In addition to restriction on entities that can access Crown Use provisions, the level of authority of personnel implementing Crown Use should be at a Senior level in the organisation and with Ministerial approval.

3.3 Circumstances enabling Crown Use of Patents and Designs

3.3.1 Some broad codification of circumstances in which valid Crown use could occur would be helpful. It is difficult, however, to envisage all circumstances, in advance, that would warrant access to Crown use provisions. Some generality in codification may be unavoidable. Urgent necessity in the public interest should always be required.

3.3.2 Some form of public emergency must constitute a threshold for Crown Use whether that emergency be related to health, defence or natural disaster. An appropriate test could be drawn. The *Pfizer Corporation* test “for the services of the Crown” is too broad. Some restriction is required in the Crown use provisions.

3.3.3 The Institute could support a restriction of the kinds of patents and designs subject to Crown Use. However, the Institute recognizes that this may be a difficult objective to achieve. A concentration on a requirement for urgent necessity for Crown use of patents or designs due to public emergency is an easier way to achieve the objective of avoiding inappropriate access to Crown use provisions.

3.4 Compensation for the Owner of the Patent or Design

3.4.1 The patent or design holder must obtain just and equitable terms for exploitation pursuant to the Crown use provisions. Not all patent holders will have the necessary bargaining power to negotiate such compensation.

- 3.4.2 As in copyright cases, compensation should be assessed by reference to a “market or going rate” or on a “willing licensor”/“willing licensee” basis.
- 3.4.3 Court process to recover such compensation ought not to be necessary. Legal processes can unfairly penalise the patentee or design proprietor through cost or time detriments (see recent ACIP Report on Extension of Jurisdiction of Federal Magistrates Service, page 2).
- 3.4.4 An independent Tribunal could set the compensation in a streamlined process. The Copyright Tribunal could take on this function. Alternatively, an expert appointed by the Commissioner of Patents could make this assessment. A mediation or ADR process could be initiated. The public authority which has made Crown Use should not set the compensation as there is a clear conflict of interest.
- 3.4.5 The process for informing the IP right holder that exploitation has occurred, or is about to occur, is inadequate. Such advice should, in all but the rarest circumstances, be received prior to exploitation with compensation settled in advance. This should be possible to achieve in almost all circumstances and is consistent with Article 31, TRIPS.
- 3.4.6 It is noted that strategies for dealing with public emergencies are often settled in advance with appropriate training. If patents or designs must be exploited, this can reasonably be predicted in advance and appropriate arrangements made as in the case of resumption of land for public purposes.

3.5 Crown Use and Re-Sale of Exploited Patents

- 3.5.1 Sale of patented or design protected products, to particular members of the public, ought not to be characterized as “use necessary for the proper provision of Commonwealth or State service” if the patentee is meeting public requirements. In that case, the public interest in having access to the product is met. There is no need for the Government to act, in the public interest, to meet the public need. Crown use ought not to occur in this situation.
- 3.5.2 Put another way, the Institute agrees with the minority in *Pfizer Corporation*. Crown use provisions ought not to be extended to instances where the

government re-supplies a patented article to members of the public in competition with the patentee. Any Crown use should be subject to such exception.

3.6 Need for the Crown Use Provisions

- 3.6.1 Reference submissions in response to 3.1. The need for Crown Use provisions in Designs legislation is doubted. The test for access to Crown Use provisions should be consistent with Article 31, TRIPS. The apparent breadth of access to Crown Use provisions currently is submitted to go beyond the scope of Article 31, TRIPS, key problems being the broad definition of the Crown and need for better definition of the kinds of situations in which Crown Use is lawful as appropriate.
- 3.6.2 Commercial entities ought not to access the Crown Use provisions. Public interest in cases of urgent necessity should be a minimum threshold for Crown Use.
- 3.6.3 A different approach could define Crown Use as infringing use unless certain criteria e.g urgent necessity in the public interest are met by way of defence.