



Mr. Jeff Roberts
Secretariat
Advisory Council on Intellectual Property
PO Box 200
WODEN ACT 2606

Dear Mr. Roberts,

Please accept the enclosed in response to your request for submissions regarding the *Review of Crown Use Provisions in Patents and Designs Legislation*.

P7 is in the unenviable position of having the Crown exploit their IP with little regard for obligations under the Patents Act 1990. Our business strategy has required fundamental changes, and our very existence as an Australian Company threatened, by the ability of these agencies to ignore applicable legislation without fear of penalty.

Since we have been *living* this issue for many years, we feel that P7 would represent a particularly instructive case study when considering this topic. We would be pleased to cooperate in this effort.

In addition to feedback on the specific points outlined in your paper, I have also enclosed a more detailed account of our history as it relates to Crown use of our IP.

Please let me know if you require further information.

Yours faithfully,

Ken Hyams
CEO, P7 Corporation Pty. Ltd.

15th March 2004

Background:

P7 Holdings, Pty Ltd, formerly known as Geefield, Pty Ltd is a Brisbane based intellectual property company that holds patents in Australia, New Zealand, Singapore and Spain. P7 has devised comprehensive methodologies in the area of biometrics as applied to aviation security, border control, facility access management, IT access management, and secure integrated federal services.

Following early retirement in 1990, the founders of P7, former Australian Federal Law Enforcement Officials, pursued this endeavor on a full-time basis. The Australian Patent (681541) "Method and Apparatus for Providing Identification" was filed for with a priority date of 25th August 1994 - long before this area of technology was mainstream.

During the mid to late 1990s, disclosures were made to numerous commonwealth agencies. The methodologies were well accepted and considered by experts as state-of-the-art. Unfortunately, no funding for such projects was available at the time.

Following September 11th there has been massive, global interest in biometric systems to thwart terrorism and identity fraud. Much to P7's, and their shareholder's, surprise, genuine projects in this area are still very limited - especially in Australia.

Currently, there are two Australian agencies that are working on projects that we feel directly exploit P7's IP.

- 1) Australian Customs Service (ACS), Smartgate, biometric border crossing system.
- 2) Queensland Transport, Digital (Biometric) Driver's License.

Over the years, broad disclosures have been made and documented by P7 to both of these agencies. In addition, the Prime Minister, Queensland Premier, and Queensland Transport Minister were all made aware of the existence of P7's patent and how they relate to applicable initiatives.

P7 contacted ACS when the Smartgate project was officially announced in April of 2003. A litany of inappropriate and intimidatory letters followed with little or no regard for sections 164 and 165 of the patents act. In addition, ACS is claiming that they own the IP surrounding this project and are endeavoring to sell it overseas.

The Crown was fully aware of our patent application, prior to and during the gazettal period. ACS now maintains that our patent isn't valid. Not only is this an inappropriate argument according to the Patents Act, but if they had objections, they should have been lodged during the gazettal period.

P7 has recently contacted Queensland's Department of State Development to assist with the exploitation of their IP by the Digital Driver's License Project out of Queensland Transport.

P7 is assuming that legal action, under section 165 of the patents act, will be required in both cases and has endeavored to raise funds explicitly for that purpose.

The current Crown Use Provisions invite abuse by the Crown. The Crown risks nothing, but deferred payment of legitimate licensing fees, should they ignore the current legislation. Obviously, many Australian SMEs can't afford the costs associated with such legal action.

Regardless of the legislation, most Australian companies would expect a more cooperative approach to be taken by the Australian Government when considering Australian IP. The knee-jerk reaction to "go to the lawyers" ensures that time and money will be wasted by both the tax payers and the victimized Australian companies. This is an enormous impediment to small companies and inhibits their ability to contribute to Australia's economic strength.

Feedback on Discussion Paper
“Review of Crown Use Provisions in Patents and Design Legislation”
(Not all areas have been addressed)

ACIP would welcome views on what is an appropriate definition of the 'Crown' as applied to the Crown use provisions. In particular:

- *Has the definition been applied too broadly?*

Yes. The Crown needs to be defined more narrowly. A more effective definition might be: State or Federal Departments or Agencies (not subsidiaries), as represented by their respective AG.

- *Should the application of Crown use provisions be limited in some way, like, for example, requiring Ministerial approval?*

Someone at an official level needs to authorize the exploitation and ensure that obligations to IP right holder are met. Currently, the insulation provided by the public servants ensures the Ministers are kept unaware of such minutia. There needs to be clear culpability if the IP right holders are to be protected.

ACIP would welcome views on the range of entities to which Crown use arrangements should appropriately extend. In particular:

- *Should the availability of such provisions be limited or denied to certain organizations and/or functions of organizations?*

I think the limitations need to be placed on the particular project more than the agency itself.

- *If so, on what basis?*

The project needs to clearly provide benefits to Australia (ie. *'is necessary for the proper provision of those services within Australia'*). In addition, the agency must not have aspirations of selling or owning IP proceeds yielded from that particular project.

ACIP would welcome views on whether the current Crown use arrangements are achieving an appropriate balance between the needs of IP right holders and the Crown. In particular:

- *Is the current test for Crown use exploitation (ie. *'is necessary for the proper provision of those services within Australia'*) appropriate and/or is it appropriately applied?*

Yes.

ACIP would welcome views on whether the current remuneration provisions are a fair and equitable arrangement for IP right holders, and especially for individuals and SMEs. In particular:

• Does the IP right holder have sufficient bargaining power to negotiate a fair, equitable and just remuneration with the Crown?

No, absolutely not. The only bargaining power the IP right holder has is the threat of litigation.

• Is the process adequate for informing the IP right holder that exploitation has Occurred or is intended to occur?

No, absolutely not. There is no penalty for the Crown ignoring this obligation.

• Should some specific time limit (or similar mechanism) be introduced in which the IP right holder must be advised of the exploitation?

In addition to any fair recompense determined by the prescribed court, severe penalties should be available for application should it be determined that obligations under the patents act have not been upheld by the Crown.

• Is the process for assessing and settling remuneration and terms for exploitation an appropriate arrangement?

No, absolutely not. The only bargaining power the IP right holder has is, again, the threat of litigation.

• Given the financial capacity of the Crown, is it unduly onerous for individuals or SME's with limited financial capacity, to be required to take court actions, if terms cannot be agreed?

Yes, without a doubt. In addition, the Crown leverages this power with intimidatory tactics intended to waste time and ward off potential litigation.

• Are there any cost effective and timely alternatives to seeking redress from expensive court adjudication?

If penalties as described above were available, it would seem that the Crown would be more compelled to comply with any existing legislation.