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IAM: Serving up a more complete picture.

Can amendments be made to claims while a patent is the subject of legal proceedings? A recent Australian court decision highlights the need to regularly review your patent claims through the product lifecycle.

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Watermark tops IP Strategy firms

Watermark was voted the top IP Strategy Development Law Firm in Australia in the Corporate International Magazine 2010 Legal Awards. The award reflects our growing reputation in Intellectual Asset Management.

IAM: a leader

Mark Pullen a senior associate in our Perth office, has been appointed as chairman of the Western Australia 'Innovator of the Year Awards 2011'. In addition, Mark will chair the WA regional chapter of the Licensing Executives Society of Australia and New Zealand. Both are significant appointments and we applaud Mark's contribution and leadership.

Copyright gets some clarification.

The Full Federal Court recently determined whether a literary work which was substantially compiled by automation met the requirements for copyright protection.

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Stop Press!

Amendments to the Australian Patents Act will come into force retroactively for patent applications upon which an examination report has not issued, and will apply higher standards of examination in enablement and inventive step. Clients may wish to expedite examination to possibly avoid these higher standards and uncertainty. Please contact us for more information or help.



IP Australia curbs prosecution delay tactics.

Effective 1 October 2010, the Australian Patent Office (APO) has implemented case management measures to expedite resolution of divisional patent applications. The measures are directed at applications which, at face value, appear to be the re-filing of a parent (or grandparent) patent application with claims for which a ground of objection has previously been raised but not addressed in the context of the earlier patent application.



A first examination report issued by the APO is required to raise all grounds of objection preventing acceptance of the patent application. The issuance date of the first examination report also sets a 21 month deadline by which the patent application must be accepted. If an objection remains outstanding at this deadline, the application lapses.

The underlying legislative intent of the 21 month acceptance deadline is to afford an applicant a generous time frame to address objections raised during examination, in particular where the novelty and/or inventive step of an invention is at issue. Equally relevant is an intention to provide third parties some degree of certainty about a time frame within which the scope of a patent will be settled.

In the past, applicants have legitimately used the patent provisions to bypass the 21 month acceptance deadline by filing a divisional patent application with claims identical to those of the lapsed parent patent application. This strategy has the benefit of enabling patent applicants to keep competitors in the dark about the timing and final scope of the patent claims. The additional prosecution time bought by this mechanism amounted to at least between 30 to 48 months. This practice of buying time by filing divisional applications is seen by some stakeholders as an abuse of process.

The new case management process relies on existing provisions in the Patents Act 1990 and its associated Regulations.

The Commissioner of Patents will issue a direction (for the applicant) to request examination soon after a divisional application is filed. The deadline for requesting examination remains six months from the direction date.

Currently it appears that the APO is issuing directions to request examination within two to four months of the filing date of a divisional application.

Where grounds of objection exist against the divisional application, a first adverse examination report will issue. The timing of the first examination report on genuine divisional applications, e.g. filed in respect of second and further inventions, will depend on the workload within the relevant examination section.

Where the divisional application is identified as being a re-filed case, i.e. where it contains claims previously objected to on a parent application, or where a ground of objection is substantially identical to that previously raised in relation to the parent application and outstanding in respect of the parent application, the first report will give a shortened two month period to overcome the objection(s). The Commissioner of Patents can consider directing amendment of the application under section 107 of the Patents Act, or proceed to refuse the application under section 49(2). Under s107, the Commissioner can force amendment of the application without input from the applicant. It is not expected that this will occur and it is more likely that refusal of the application will be the approach. Refusal will not occur without the applicant having the opportunity to be heard.

During a hearing, the Hearing Officer delegated by the Commissioner will consider all grounds of objection, whether raised previously or not, and where a ground of objection is capable of rectification, a reasonable period (likely to be one to two months) will be afforded to the applicant to rectify the deficiencies. Otherwise, the application will be refused. The applicant's only option then will be to appeal to the Federal Court of Australia.

The adoption of this new process will demand consideration of claim drafting strategy immediately prior to or just after the filing of a subsequent divisional application so as to avoid being caught in the shortened prosecution process.

Please contact your Watermark team member to discuss options on specific cases.

Christian Schieber



Copyright gets some clarification

Summary

In a unanimous decision, the Full Federal Court, in *Telstra Corporation Ltd v Phone Directories Company Pty Ltd* [2010] FCAFC 149, found no copyright subsisted under the *Copyright Act 1968* in the White Pages® and Yellow Pages® directories published by Sensis Pty Ltd (Sensis). Sensis is a wholly-owned subsidiary of Telstra, the major telecommunications and information services company in Australia.

Background

The White and Yellow Pages directories list the names, addresses, telephone numbers and other information in relation to residential or business customers for a particular geographic region.

Since October 2003 the listing information has been entered into a database automatically, except for about 15 % of cases which are entered manually. The computer system automatically checks to ensure completeness and accuracy of the information, and that it is in a form that complies with 'rules' that prescribe the font, colour scheme, word spacing, and prohibit certain words or phrases. Data from one year acts as a template for the following year. Further programs compare and update the data for the new edition, and ensure the information is correct, properly ordered and formatted prior to publishing. There are some manual checks undertaken to look for errors. The computer system comprises a number of programs, very little of the content of which was created by Telstra or Sensis employees.

Full Federal Court

To succeed in the appeal, Telstra needed to establish that copyright subsisted in the directories.

According to the *Copyright Act 1968*, copyright can subsist in a compilation, and the author of a literary work is the owner of the copyright in the work. A work is made when it is first reduced to a material form, whether that be in writing or some other material form such as a computer file. Under Australian law in relation to original works, an author must be a human.

The Court reduced the directory production process into three main phases. The first involved the maintenance, updating and editing of a database containing customer details (the Collection Phase). The second involved the extraction from that database of information for each directory and the conversion of that information into an electronic form which was substantially the form of the ensuing directory (the Extraction Phase). The third process involved the typesetting of that form and the physical production of the directories (the Production Phase).

The Court considered that, although there was substantial effort, including intellectual effort by many employees in the collection phase, their efforts had no influence on the actual material form of the work. Therefore they were not authors of the work. In relation to the Extraction Phase, the Court agreed with the primary judge and held that this phase was when the work was first reduced to its material form (galley file), was ostensibly dictated by computer programs, and any human involvement merely ensured that the 'rules' of the Extraction Phase programs were adhered to. The directories did not, therefore, have an author, and copyright cannot subsist in them.

A Case For Appeal

Telstra has a lucrative business producing phone directories, so it is not surprising that it has filed for special leave to appeal to the High Court. Had Telstra created the software that generates the material form of the work, perhaps it would have a stronger argument that its employees authored the material form of its directories.

Whether copyright protection should be afforded for data that is merely collated and published, with little direct human 'intellectual' input on the presentation of the information, is a debate about to heat up.

Bruce Dowsing

Employees who innovate on the side

In the recent Federal Court case of *Courier Pete Pty Ltd v Metroll Queensland Pty*, the Federal Court has held that an employee, Collymore, and his company, Courier Pete, were entitled to be the registered owner of various rainwater tank designs, which Collymore's employer, Metroll, had argued were created during the course of his employment.

Background

Collymore was a factory foreman employed by Metroll, the business activities of which included the manufacture and supply of rainwater tanks. Collymore designed and registered three designs for modular rainwater tanks. Although there was an employment agreement between Collymore and Metroll, the agreement did not specify the exact scope of Collymore's employment, nor consider the issue of ownership of new designs.

Collymore claimed he found inspiration for his modular tank design whilst at his property, watching one of his horses play with a hose in a water trough, and developed the design in his own time over a period of 10 days. Collymore filed a design application for the tank on 21 September 2006 in his own name.

Shortly thereafter, Collymore informed his employer, Metroll, of his new design. According to Collymore, a discussion took place with Metroll regarding the manufacture of a prototype modular tank based upon Collymore's design, on the understanding that Collymore would retain ownership of the design. The modular tanks produced subsequently led to Collymore filing two further design applications on 27 October 2006 in the name of his company, Courier Pete.

Metroll disputed that Collymore had asserted ownership and considered the design was owned by the company in view of a written contract of employment with Collymore. Metroll also asserted that Collymore was part of Metroll's tank-making team and his role included improving water tank products and designs.

Prior to the Federal Court case, Metroll had sought revocation of the designs before the Designs Office on the grounds of lack of entitlement. The Registrar of Designs held that Collymore was entitled to the first design. However in relation to the second and third designs, the Registrar found that Collymore created these designs in the course of his employment and revoked the designs on the basis that Courier Pete had no entitlement to be registered as the owner.

Metroll falls short

Metroll was not able to back up many of its claims with convincing evidence and the Court noted that no member of the tank-making team was called by Metroll to give corroborating evidence. The Court accepted that Collymore created the first design in his own time, outside the course of his employment. The Court acknowledged that Collymore's contract of employment did not precisely specify his role, and accepted that Collymore was not employed to design water tanks for Metroll and had created the designs without direction or instruction from Metroll. The Court further accepted that, prior to the construction of the prototype modular tanks, Collymore had asserted ownership of the designs and communicated to Metroll that the prototype tanks would be built on the understanding that he was to remain the owner of the designs.

The Court upheld the Registrar of Design's decision, finding in relation to the first design that it was owned by Collymore, and ordered the reinstatement of the second and third designs based on the finding that Courier Pete was entitled to be the registered owner.

Lesson

This case highlights the importance of a detailed written employment agreement which clearly specifies an employee's duties and addresses the issue of ownership of any IP created. Employment agreements should also be reviewed and updated as necessary with changes in roles and responsibilities.

Craig Gleghorn



Serving up a more complete picture.

The recent decision of *Les Laboratoires Servier v Apotex Pty Limited*¹ is the latest in a series of recent Australian court decisions in which the issue of court discretion in allowing amendments to be made to the claims while the patent is the subject of legal proceedings has been addressed.^{2,3,4}

The decision illustrates the difficulties that can arise when seeking to amend the claims of a granted patent before the court, and emphasises the need to align business strategy, including product lifecycle management, with patent strategy.

Court In The Act

Under section 105 of the Patents Act 1990, a patentee may submit a request that the court direct amendment of the claims of a patent, providing reasons for the request. The refusal or allowance of the amendments is, however, at the discretion of the court. It is widely recognised that where the patentee has delayed seeking the amendment to benefit his own position, getting the court to agree to make the amendments requested may be difficult. Reflecting a recent trend, this decision emphasised the need for full and frank disclosure of the reasons for the amendments.

The Appeal Decision

This decision is an appeal from an earlier decision⁵ in which Apotex sought to revoke the claims of Australian patent no. 2001276418. Servier, the patentee, had in turn requested amendment of its patent to add a new set of claims while retaining the original claims of the patent. In that decision, Bennett J decided that Servier had failed to provide a frank and full disclosure of its reasons for wanting amendment of the claims of the patent and the amendment was disallowed. Servier appealed the decision, but the appeal too was dismissed, the majority of the court agreeing with the reasons given by Bennett J.

The Claims and Amendments

The patent is entitled 'New alpha crystalline form of perindopril tert-butylamine salt, a process for its preparation and pharmaceutical compositions containing it'. The existing claims of the patent as originally granted included claims directed to the alpha crystalline form of the perindopril tert-butylamine salt characterised by a particular X-ray diffraction diagram, a process for the preparation of the alpha crystalline form of that salt, a pharmaceutical composition containing that salt, and a method of treatment of cardiovascular diseases comprising administering an efficacious amount of that salt to a patient. The new set of claims that Servier sought to have included were essentially identical to the claims as originally granted, but further characterised by the alpha crystalline form of the salt being in the form of 'individual needles'.

In a first affidavit provided to the court in support of the amendments, the only reason given was that Servier's attorney had formed the view that the patent disclosed matter relating to the crystal habit and filterability of the crystals that could be the basis of new claims. Following cross-examination of the attorney, a second affidavit was provided. It was only in the second affidavit that reference to a recognition of the need to reduce invalidity risk was made. After concluding that Servier had waived privilege in respect of its attorney's advice relating to the amendment, the Court ordered Servier to discover communications or records of communications between Servier and its attorney relating to the need to make the amendment. On review of these communications, it was revealed that the actual reason for seeking the amendments was to overcome potential validity issues raised in a related UK proceeding.

The Decision

Bennett J concluded that Servier had failed to provide the Court with the real reasons for requesting amendment to the claims, and that the discretion of the Court to refuse the amendments should be exercised.

Align IP Reviews With Product Lifecycle

In determining whether patent amendments are required, it is critical to assess the risks of doing so in the context of the legal environment. Post-grant patent amendments can also be made before the Patent Office prior to any legal action being initiated and, in this forum, the Commissioner has no discretion to consider the reasons for the amendment.

Since the timing of legal proceedings is not always in the control of the patentee, regular review of the claims of a granted patent in light of newly uncovered prior art or other circumstances is ideally conducted, and amendments made on a continuous and regular basis. In the pharmaceutical industry in particular, it is crucial to actively manage a patent through the product lifecycle so that maximum scope and term of protection can be retained. Aligning patent review mechanisms to product lifecycle management helps to ensure that new drug formulations or structures, uses, product combinations, kits or administration routes are continuously and well protected for as long as possible, so that maximum return on investment can be obtained. Regular review of claims of existing patents can be made as part of this same process so that the issues that led to failure in this case can be avoided.

Michael Chin Quan

- 1 *Les Laboratoires Servier v Apotex Pty Limited* [2010] FCAFC 131 (11 November 2010)
- 2 *Zetco Pty Ltd v Austworld Commodities Pty Ltd* [2010] FCA 235 (17 March 2010)
- 3 *CSL Limited v Novo Nordisk Pharmaceuticals Pty Ltd* [2010] FCA 671 (28 June 2010)
- 4 *Bristol-Myers Squibb Company v Apotex Pty Ltd* [2010] FCA 814 (4 August 2010)
- 5 *Apotex Pty Ltd v Les Laboratoires Servier (No 2)* [2009] FCA1019 (11 September 2009)

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Meet Paul Fong

"The biggest buzz for me is seeing my clients' products in the marketplace. I feel like they're my products because I've worked alongside the client to get them out there. New ideas really excite me. When you look at all the new technology and innovation out there, our future just keeps looking brighter."



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