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Mark J. Davison, Ann L. Monotti and Leanne Wiseman

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Introduction

1.1 The nature of intellectual property

Intellectual property is now a term that is widely used within both the legal profession and society at large. Despite this extensive use, a comprehensive definition of the term remains elusive, especially as some forms of ‘intellectual property’ such as ‘sweat of the brow’ copyright¹ are not intellectual and others, such as confidential information, are very arguably not property.² On the other hand, most forms of intellectual property are clearly regarded as just that – forms of property that are recognised as flowing from the exercise of intellectual activity. For example, patents, designs, plant breeder’s rights, copyright and registered trade marks are expressly stated by legislation to be property. In addition, various statutory requirements evidence the need for the exercise of intellectual activity to obtain that property status. For example, patent applications must demonstrate an inventive step before they acquire registration³ and literary, dramatic, musical and artistic works must be original in order to qualify for copyright protection.⁴

In the absence of a satisfactory exhaustive definition of intellectual property, probably the best that can be done is to rely upon an inclusive list of categories of legal rights that are generally recognised as constituting intellectual

¹ *Desktop Marketing Systems Pty Ltd v Telstra Corporation Ltd* [2002] FCA 112.

² See *Federal Commissioner of Taxation v United Aircraft Corp* (1943) 68 CLR 525, 534; *Breen v Williams* (1996) 186 CLR 71, 81, 90, 111, 128; *Australian Broadcasting Corp v Lenah Game Meats Pty Ltd* (2001) 208 CLR 199, 271. See also *Smith Kline & French Laboratories (Australia) Ltd v Secretary, Department of Community Services and Health* (1990) 17 IPR 545, 592–4. Cf *Colbeam Palmer Ltd v Stock Affiliates Pty Ltd* (1968) 122 CLR 25, 34.

³ s 18(1) *Patents Act 1990* (Cth).

⁴ ss 31, 32 *Copyright Act 1968* (Cth).

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property. Article 2(viii) of the *Convention Establishing the World Intellectual Property Organization* states that:

‘intellectual property’ shall include the rights relating to:

- literary, artistic and scientific works,
 - performances of performing artists, phonograms, and broadcasts,
 - inventions in all fields of human endeavor,
 - scientific discoveries,
 - industrial designs,
 - trademarks, service marks, and commercial names and designations,
 - protection against unfair competition,
- and all other rights resulting from intellectual activity in the industrial, scientific, literary or artistic fields.

1.2 Theory of IP

Even more elusive than a simple and satisfactory definition of intellectual property is a consensus about the underlying rationale or rationales for intellectual property. This book does not attempt to resolve these issues⁵ but it is important to have some idea of the various justifications put forward for intellectual property. These will be discussed briefly below.

1.2.1 The ‘property’ in intellectual property

In order to understand any of those rationales it is first important to understand the unique nature of the ‘property’ aspect of intellectual property. Most property rights such as those in chattels or real estate are relatively easily justified in a capitalist society by the potential consequences of what is known as ‘the tragedy of the commons’. For example, if a piece of land is owned by no-one but available for use by everyone, the likely consequence will be that the land will be overused and deteriorate in value because the cost of using it is nil and there is no incentive for anyone to maintain or improve the land because they will not derive the benefit of their investment. Exclusive rights over the land solve this problem by conferring exclusive rights of enjoyment of the land on one party who then has the incentive to maintain and improve it in return for that exclusive enjoyment.⁶ The net result is that the land is maintained and improved with consequent benefits to everybody.

Intellectual property is different. It does not deteriorate through use. For example, if an intellectual property owner gives you the right to copy their book or

⁵ For further reference see B. Sherman and L. Bently, *The Making of Intellectual Property Law* (Cambridge University Press, 1999); P. Drahos, *A Philosophy of Intellectual Property* (Aldershot: Dartmouth Publishing Company Limited, 1996).

⁶ See R.A. Posner, *Economic Analysis of Law* (6th ed, New York: Aspen Publishers, c. 2003); R. Cooter and T. Ulen, *Law and Economics* (4th ed, Boston: Pearson Addison Wesley, c. 2004).

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make their invention, their right to copy their book or make their invention is still intact and they may continue to do so, unimpeded and unaffected by the fact that you now also have that right. The position remains the same even if the right is given to another 100, 1000 or even a million people.

On the other hand, while intellectual property is different from other forms of property in this important sense, there remains the need to ensure that there is an incentive to create that property in the first place and then to distribute that property. It is argued that exclusive property rights are needed to provide the incentive to create expressive works and inventions and to invest in the development of the reputations associated with trade marks. The critical decisions for both legislators and courts relate to how they achieve a balance between the need for an incentive for investment in the creation and distribution of intellectual property and the need to ensure that the products of that investment are not locked up by individuals indefinitely. Consequently, there are considerable debates about issues such as the appropriate period of protection for patents and copyright and the appropriate exceptions to the rights of owners.

1.2.2 Natural or personality rights

In addition to the incentive argument, there is no doubt that the concept of natural rights has influenced the development of some aspects of intellectual property law. Hence, it is often argued that copyright material such as literary and artistic works is the extension of the creator's personality and, as such, should be respected and protected. This argument clearly influences copyright in Continental Europe. It is a basis for moral rights such as the right of an author to be attributed as such and the right of integrity, the right to prevent alterations to an author's work that would adversely affect their honour or reputation. These rights have been recognised for many years in Europe but have only recently been recognised in common law countries that usually adopt an approach to copyright that is driven by economic considerations.

1.2.3 Incentive to create and disseminate

Another frequently made argument is that intellectual property laws are necessary to encourage both the creativity involved in producing the subject matter of intellectual property and the dissemination of that subject matter. Hence, it is argued that there is no incentive to write a novel, produce an artistic work or make a film if it can be copied by anyone who chooses to do so. Similarly, even if the work may be created even without the incentive of intellectual property rights, there is little incentive for a creator to undertake the further and possibly even more difficult task of disseminating the subject matter to the public at large. For example, where is the incentive to widely advertise a new invention and establish an expensive marketing regime for it if others can freely copy the invention and take a free ride on the marketing efforts of the original inventor?

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A particular manifestation of the dissemination argument is that the process of registering patents requires the patent holder to reveal the best known method for the working of their invention.⁷ This dissemination of information to the public via the patents register is the public benefit gained from providing exclusive rights to the owner of the invention for a limited period of time. In the absence of such rights, there would be no incentive to make the information publicly available. Similarly, with copyright, the copyright owner gains little, if any, benefit from their copyright unless they disseminate their material to the public and so they have an incentive to make it available to as many people as possible who are willing and able to pay for the material.⁸

1.2.4 Protection for investment

The argument that legal protection is needed to encourage the creation and dissemination of information is often transformed into an argument that any commercial investment should be protected. When the digital information revolution led to a significant increase in the number of databases of value that did not acquire copyright protection because they did not meet the originality requirements of many copyright regimes, the European Union responded by creating a new *sui generis* database right. That new right is acquired simply by proving a substantial investment has been made in obtaining, verifying or presenting data.⁹

This general approach has led to calls to implement a general principle of protecting investment from unfair competition and claims that ‘what is worth taking is worth protecting’.¹⁰ To date, these calls have largely been resisted, especially in Australia, where the High Court has explicitly rejected this proposition as a test for copyright infringement and rejected the notion of a general tort of unfair competition.¹¹ On the other hand, many European countries have such a civil action¹² and the majority of American states have a common law tort of misappropriation which does not require proof of deception but is aimed at preventing commercial free riding on the efforts of others in certain defined and quite limited circumstances.¹³

⁷ s 40(2)(a) *Patents Act 1990* (Cth).

⁸ M. Richardson, J. Gans, F. Hanks and P. Williams, *The Benefits and Costs of Copyright: An Economic Perspective* (Discussion Paper prepared by the Centre for Copyright Studies Ltd, 2000); The Allen Consulting Group, *Economic Perspectives on Copyright Law* (Sydney: Centre for Copyright Studies Ltd, 2003).

⁹ Directive 96/9/EC of the European Parliament and of the Council of 11 March 1996 on the legal protection of databases, OJ L 77, 27/03/1996, 20.

¹⁰ *University of London Press Limited v University Tutorial Press Limited* [1916] 2 Ch 601.

¹¹ *Victoria Park Racing Co v Taylor* (1937) 58 CLR 479; *Moorgate Tobacco Co v Philip Morris* [No 2] [1984] 156 CLR 414. See *Network Ten Pty Ltd v TCN Channel Nine* (2004) 218 CLR 273.

¹² A. Kamperman Sanders, *Unfair Competition Law: the Protection of Intellectual and Industrial Creativity* (New York: Oxford University Press, 1997).

¹³ *International News Services v Associated Press* (1918) 248 US 215; see also *NBA v Motorola, Inc.*, 105 F 3d 841 (2nd Cir, 1997); *Festo Corp v Shoketsu Kinzoku Kogyo Kabushiki Co* 234 F 3d 538, 627 (Fed Cir, 2000) (en banc) (Linn J, dissenting), rev'd, 535 US 722 (2002) (where court debates the proper role of patent law's doctrine of equivalents in terms of whether it permits free riding); *Morris Comms Corp v PGA Tour Inc.*, 364 F 3d 1288 (11th Cir, 2004) (where the court permits the imposition of a private intellectual property-like restriction that would otherwise violate the antitrust laws on the grounds that the restriction is necessary to prevent free riding on data created by the restrictor). See also *Ty, Inc v Perryman* 306 F 3d 509, 512 (7th Cir, 2002) (where the court rejects intellectual property claims because they cannot find evidence of free riding).

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There are some obvious difficulties with the idea of protecting investment per se. Apart from the uncertainty of determining which investment should be protected, there is no immediately obvious justification for determining that all investment is necessarily worthy of protection, either from a natural rights perspective or from an economic perspective. There may even be the possibility of encouraging too much investment by providing too much protection.¹⁴

1.2.5 Rent seeking

Related to the push to protect investment per se are attempts at rent seeking. In this context, 'rent seeking' refers to the tendency of interest groups to devote considerable resources to obtaining benefits from the introduction of or the expansion of legal rights for members of those interest groups.¹⁵ Rent seeking is not a justification for intellectual property rights but an explanation of their existence. One possible explanation for why some groups have successfully lobbied for the expansion of intellectual property rights is that it is in their interests to do so. Related to this point is the frequent lack of organisation of, and therefore lack of opposition from, groups that would benefit from a reduction in intellectual property rights or the containment of them. For example, the many millions in developing countries suffering from AIDS had a particular interest in minimising intellectual property rights in relation to pharmaceutical drugs but it was difficult, if not impossible, for their voices to be effectively heard in the *TRIPS* negotiations that resulted in a global expansion of such rights. In contrast, pharmaceutical companies in the United States have one full-time lobbyist for every two members of the American Congress.¹⁶ Some aspects of intellectual property law may well be a product of the disproportionate investment in securing legal protection.

1.2.6 A combination of all the above

The likely reality is that our present intellectual property laws are a combination of these and other factors whose respective influences wax and wane over time. Hence, as Sherman and Bently have stated:

[I]n spite of what many present-day commentators would have us believe, the emergence of modern intellectual property law was neither natural nor inevitable, nor was it an example of the law coming to occupy its proper philosophical position.¹⁷

The diversity and complexity of today's intellectual property laws reflect the various principles and forces that have influenced their development and so no easy explanation for the existence of any particular law is readily forthcoming.

¹⁴ Prices Surveillance Authority (PSA), *Inquiry into Book Prices and Parallel Imports* (Report No 61, 1995).

¹⁵ W. M. Landes and R.A. Posner, *The Economic Structure of Intellectual Property Law* (Cambridge, MA: Harvard University Press, 2003).

¹⁶ P. Drahos, *Information Feudalism: Who Owns The Knowledge Economy?* (London: Earthscan, 2002), 160–1.

¹⁷ Sherman and Bently, *The Making of Modern Intellectual Property Law*, above n 5, 141.

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1.3 The intellectual property regimes

With the inclusive description of the categories of intellectual property and the possible rationales for legal protection of those categories of rights in mind, we can turn to a consideration of the individual intellectual property regimes. Below is a very brief summary of the major intellectual property regimes that reflect the categories in the list above, together with some comments on the various rationales for those regimes.

1.3.1 Passing off

This tort protects traders from harm to their reputations that flow from misrepresentations by other traders to prospective customers of the defendant or those who may ultimately acquire the defendant's goods or services. The classic form of passing off is for the defendant to represent that its goods are those of the plaintiff, but the cause of action has been expanded to almost any misrepresentation that wrongly suggests an association between the defendant's product and the plaintiff. It has also been extended to more general misrepresentations where the defendant has not suggested any association between its goods and the plaintiff but the defendant has nevertheless misappropriated the plaintiff's reputation.¹⁸ Consequently, the plaintiffs may be other traders who compete directly with the defendant or they may be well-known celebrities such as sporting heroes or famous actors objecting to the misuse of their celebrity status to promote the defendants' products.

The tort has a twofold justification. From the plaintiff's perspective, the benefit of the tort is to prevent the misappropriation of its commercial image or goodwill by another. In this sense, it protects business investment by providing a vehicle through which the owners of a commercial image or reputation may protect it. However, in doing so, the tort also protects consumers from deceptive conduct and misinformation concerning the products that they may choose to buy. This protection performs an important economic function. In order for a market economy to work efficiently, buyers and sellers need reliable and accurate information concerning the products they are buying and selling. By giving a cause of action to those with a valuable reputation to protect, the tort provides an incentive to the owners of that reputation to promote the public benefit of preventing the deception of consumers.

A number of statutory consumer protection provisions such as s 52 of the *Trade Practices Act 1974* (Cth) have a similar effect to passing off although their focus is on consumer protection and the protection of reputations is a side effect of that focus. For that reason, there are some differences between these consumer protection provisions and passing off that need to be considered.

¹⁸ *AG Spalding Brothers v AW Gamage Ltd* (1915) 32 RPC 273.

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1.3.2 Registered trade marks

Trade marks are signs used to distinguish one person's product, be it goods or a service, from another person's products. A registered trade mark owner can proceed to use their trade mark in respect of their products with confidence that others may not use it or a deceptively similar trade mark in respect of similar goods or services or closely related goods or services.¹⁹ Well-known trade marks also get additional protection under the current legislation. Registration therefore provides some guaranteed protection for investing in the development of goodwill whereas the tort of passing off only applies after the investment has been made and the reputation has actually been developed. The system therefore provides not only protection for investment but an incentive for traders to differentiate their products from the products of others. Again, consumers gain a benefit from this differentiation as it indicates the various characteristics of the products. As long as the trade mark continues to perform its role of distinguishing the owner's products from other products, the trade mark protection may be continued indefinitely by paying the relevant registration fees.

Once registered, trade marks constitute personal property in their own right,²⁰ but if they are used extensively they may also signify in shorthand form the reputation of a trader and as such may have significant additional commercial value. Consequently, there is some overlap between protection for registered trade marks and passing off and the latter was the common law precursor to the former.

1.3.3 Copyright and related rights

Copyright confers rights in relation to the reproduction and dissemination of material that expresses ideas or information. The *Copyright Act 1968* (Cth) defines the categories of material that receive copyright protection as literary, artistic, dramatic and musical works²¹ and sound recordings, cinematograph films, television and sound broadcasts and published editions of works.²² Copyright does not prevent alternative or independently created expressions of the same ideas or information and in this regard the scope of a copyright owner's rights are more limited than those of other intellectual property owners, such as patentees and owners of trade marks.

In addition, unlike trade marks, designs, patents and plant breeders' rights, copyright is not registered and is generated automatically when the copyright material is reduced to a material form. The main justification given for copyright

¹⁹ s 120(1), (2) *Trade Marks Act 1995* (Cth). Section 14 of the Act defines goods and services as being 'similar goods' and 'similar services' if they are (a) the same as the other goods/services; or (b) if they are of the same description as that of the other goods/services. 'Closely related' goods and services may be defined by the function of the service with respect to the good, for example, televisions and television repair services: *Registrar of Trade Marks v Woolworths Ltd* (1999) 45 IPR 411.

²⁰ s 21 *Trade Marks Act 1995* (Cth).

²¹ Part III of the *Copyright Act 1968* (Cth).

²² Part IV of the *Copyright Act 1968* (Cth).

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protection in common law jurisdictions is that it provides an incentive for the creation and subsequent distribution of the material in question.

In addition to this economic justification for copyright and the consequent conferral of economic rights on copyright owners, the Australian copyright legislation also confers moral rights on authors. Moral rights permit authors to insist that others give them proper attribution of their authorship and to restrain others from interfering with the integrity of their works. Moral rights are the consequence of the view that some copyright works are an expression of their authors' personality and, as such, the author has a personal interest in the attribution of their work and in ensuring that it is not altered in a manner that would be disparaging of the author. For this reason, moral rights differ from the economic rights of authors in a number of critical respects. For example, moral rights cannot be transferred to another person.

Both sets of rights last, as a general rule, for the life of the author plus 70 years. This period of protection was only recently introduced as a consequence of the *Australia–USA Free Trade Agreement*. The duration of protection for copyright is and has been a controversial issue. If copyright is based on natural rights arguments, protection should probably be perpetual. On the other hand, if the purpose of copyright is to provide an incentive to create and disseminate copyright material, the duration of copyright need only be sufficiently long to provide the necessary incentive and no longer.

Part IX of the *Copyright Act 1968* (Cth) also confers rights on performers in certain circumstances; such rights were introduced relatively recently.²³ These rights presently differ from and are less than those of a copyright owner although that situation has also recently changed as a consequence of the Australia/USA Free Trade Agreement.²⁴ The justification for performers' rights is that those who perform and thus interpret copyright material such as musical works contribute a significant amount of creativity to the process of disseminating and exploiting that underlying material.

There are other forms of statutory protection which are similar to copyright. For example, the *Circuit Layouts Act 1989* (Cth) also provides separate protection for the 'representation . . . of the three-dimensional location of the active and passive elements and interconnections making up an integrated circuit'. In the European Union, databases receive protection which is over and above the protection provided by copyright under the copyright provisions that apply there.²⁵ These pieces of legislation deal with specific issues that relate to perceived gaps in the copyright regime.

²³ ss 189–195AZG of the *Copyright Act 1968* (Cth) came into operation on 21 December 2000 as a result of the *Copyright Amendment (Moral Rights) Act 2000* (Cth).

²⁴ *US Free Trade Agreement Implementation Act 2004*.

²⁵ See Directive 96/9/EC of the European Parliament and of the Council of 11 March 1996 on the legal protection of databases, OJ L 77, 27/03/1996, 20. See also M. Davison, *The Legal Protection of Databases* (Cambridge University Press, 2003).

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1.3.4 Designs

A design in relation to a product is ‘the overall appearance of the product resulting from one or more visual features of the product’. The design of a product is often critical to its commercial success. In addition, designs have industrial and commercial application which results in them often having a functional aspect as well as an aesthetic aspect. Partly for that reason, it is important to restrict the extent of protection conferred upon them; the period of protection for designs is a maximum of ten years.²⁶

This limited period of protection contrasts with the lengthy period of protection for copyright; and as designs usually also constitute artistic works, there are important issues about the overlap between copyright and designs. In Australia, these overlap issues are dealt with by denying copyright protection to some designs once they have been industrially applied.²⁷ In addition, designs law differs markedly from copyright in that design protection, like patent and trade mark protection, is subject to a system of registration.

In addition, unlike copyright, independent creation of the same or a substantially similar design is not permitted. Partly for that reason, there needs to be a balance between creating an incentive to produce new designs while preventing indefinite monopolisation of functional designs.

1.3.5 Confidential information

In Australia, common law and equitable principles combine to protect confidential information with commercial or other value from being acquired, disclosed or used by others in circumstances where an obligation of confidentiality arises. The obligation may arise from any one or a combination of sources such as contract or the fact that the circumstances in which a person acquired the confidential information are such that the courts consider that those circumstances impose an obligation of confidentiality.

There are a number of possible benefits flowing from the law imposing such obligations. For example, they encourage people to innovate and discover valuable information, they make it possible for people to share that information with potential business partners and thus increase its value without running the risk of losing control of it and they reduce the extent to which others will devote resources to ‘stealing’ information rather than acquiring their own information via their own intellectual efforts.

1.3.6 Patents

Patents confer an exclusive right to exploit an invented product or process.²⁸ A patent owner must demonstrate that: their invention is useful in the sense that

²⁶ s 46(1) *Designs Act 2003* (Cth).

²⁷ ss 74–77A *Copyright Act 1968* (Cth).

²⁸ The word ‘exploit’ is defined in the Dictionary of sch 1 of the *Patents Act 1990* (Cth) as the making, hiring, selling or otherwise disposing of a product, offering to make, sell or hire or otherwise dispose of a product,

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it achieves the outcomes claimed by the inventor; the patent is inventive in the sense that it is not an obvious addition to pre-existing knowledge or inventions; and novel in the sense that it has not been previously made publicly available via publication or use by either the patent owner or another person. Again, unlike copyright, independent ‘creation’ or invention does not justify infringement of the exclusive rights of the original inventor.

While the threshold for obtaining protection is quite high and certainly much higher than for copyright, the rights obtained are also much stronger and, partly for this reason, the period of protection is restricted to twenty years²⁹ although there is provision for extending that period of protection for pharmaceuticals to twenty-five years.³⁰

The registration process is meant to produce a social contract between the patentee and society by ensuring the full disclosure of the invention³¹ in return for which the patentee receives exclusive property rights in respect of their patent for a limited period of time. Upon the expiry of the patent, the invention becomes available for all to use and exploit for free.

1.3.7 Plant breeder’s rights

Plant breeder’s rights confer exclusive rights on those who develop new plant varieties that are stable, uniform and distinct to prevent others from propagating or commercially dealing with that variety of plant.³² Some exemptions apply to farmers who may use seeds obtained from their crops for their own private purposes.³³ The rights last for twenty-five years for trees and vines and twenty years for other plants.³⁴

The purpose of the rights is to encourage constant investment in the development of new plant varieties. New varieties are required that in turn respond to problems such as the adaptation of insects and diseases to previously developed plant varieties.

1.4 Impact of new technology

Intellectual property law is inherently influenced by technological change and is intended to also drive that technological change by providing the incentive for investment in technological development. One of the great challenges for intellectual property law is and always has been to cope with and respond to

use or import it, or keep it for the purpose of doing any of those things where the invention is a product; or the use of a method or process or do any act mentioned in para (a) in respect of a product resulting from such use.

29 s 67 *Patents Act 1990* (Cth).

30 s 70 *Patents Act 1990* (Cth).

31 s 40(2)(a) *Patents Act 1990* (Cth).

32 s 43 *Plant Breeder’s Rights Act 1994* (Cth).

33 s 16 *Plant Breeder’s Rights Act 1994* (Cth).

34 s 22 *Plant Breeder’s Rights Act 1994* (Cth).