



Copyright and Patents FAQ

Brendan Scott

inquiries@opensourcelaw.biz

Open Source Law

Version: 1.0 (beta)

Current as at: August 2005

Licence: Creative Commons Attribution, No Derivatives 2.5

Brendan gratefully acknowledges the support of Open Source Victoria for the development of this FAQ

A NOTE ON BUSH LAWYERING

I recently had the unpleasant experience of watching an employee of otherwise good (and long) standing destroy their future at their employer because of (among other things) their poor understanding of copyright law, which itself was based on what they had learned at programming school.

So here is my pearl of wisdom: You don't call a lawyer if you want someone to trouble shoot your network problems. Equally, a geek or a discussion list is the wrong place to look if you want legal advice. Also, and this may not be all that obvious, a person who provides legal advice to themselves has a fool for a client.

This FAQ is not legal advice. If you have an issue which requires legal input, then get it from a lawyer.

1. WHAT IS INTELLECTUAL PROPERTY?

1.1 There are differing views on what is meant by the term "Intellectual Property". It is broadly identified with copyright and patents. On this view, whatever is in the Copyright or Patent Act is "intellectual property", no matter how anti-intellectual, or unpropertylike it is. The recent addition of the DMCA style anti-access regime provisions is a case in point. An alternative view is that intellectual property should be used to refer to the output of intellectual endeavour rather than the legislative monopolies which attach to those outputs. On this view this FAQ is an example of intellectual property, and that intellectual property is subject to copyright rather than the copyright itself constituting the intellectual property.

2. COPYRIGHT

2.1 History of Copyright

- (a) For details on the history of copyright see:
 - (i) Copyright in a Frictionless World - http://www.firstmonday.org/issues/issue6_9/scott/index.html
 - (ii) L. Ray Patterson, "*Free Speech, Copyright, and Fair Use*," 40 *Vanderbilt Law Review*, 1 (1987).

2.2 Justifications for Copyright

- (a) Historically the justification for copyright has been that, without it, there would be insufficient investment in the production of works the subject of copyright (eg books, music and, more

BRENDAN SCOTT OPEN SOURCE LAW

©: 0414 339 227 * : <http://www.opensourcelaw.biz> ☉ : brendan@opensourcelaw.biz

☏ : 141 Station Street, Newtown

Liability limited by a scheme approved under Professional Standards Legislation



recently, software). The economic arguments supporting this view run as follows (with software taken as an example):

- (i) it takes a lot of effort to create a complex piece of software (say, for example, the Microsoft Windows operating system) – more effort than any individual purchaser is able to afford. Therefore there needs to be a way of spreading the cost across a number of purchasers;
 - (ii) If there is no copyright protection, then any given purchaser is able to set themselves up in competition with the original vendor. That competitor will only have the costs of distribution and sale, while the original vendor will have those costs, but will also have the costs of developing the software. As such, competitors will always be able to undercut the original vendor, preventing them from recouping their investment. Consequently, there will be no incentive for vendors to create software with resultant underinvestment in the software industry.
- (b) It is appropriate at this point to observe that this relationship is actually no different to the equilibrium predicted by market economics for any other thing. In such an equilibrium a seller will be able to sell no higher than the marginal cost of production of the product – without any allowance for set up costs (eg cost of buying a factory).
 - (c) This argument set out above also relies implicitly on two key assumptions – speculation and indivisibility.
 - (d) The first assumption is that software development is (or ought to be) a speculative venture. That is, it should be funded by selling (as a product) the output of development after that development has been completed. Another approach is to have development paid for at the time of the development. There is an important policy question to be considered in this context. That is, ought a legislature be intervening in a market to subsidize a particular development approach and, if so, under what conditions.
 - (e) The second assumption is that software is indivisible. That is, it is not possible, or practical, to split the development of software into small, manageable, parts, each of which can be funded separately. Rather, until the whole has been developed, there is little or no utility in any partially completed components.
 - (f) An example of indivisibility might be a freeway. If the total cost of building a freeway is \$1 billion, it is of no help to anybody to spend \$100,000 building a stretch of freeway 10 metres long. There would be no value in spending the money until all, or a large proportion, of the final product had been produced.
 - (g) Practice demonstrates that software development is highly divisible. The Linux kernel, is a well known example of a development which occurred by the aggregation of a number of very small contributions.
 - (h) For more details see the economic literature on public goods.

2.3 What is the difference between patents and copyright?

- (a) In essence, copyright protects expression, while patents protect ideas. For copyright to be infringed there needs to be a causal connection between the copy and the thing copied – independent invention (if it can be proven) is a complete defence against copyright infringement. Independent invention is *not* a defence against patent infringement. It is possible to infringe a patent even if you are entirely oblivious to that patent's existence.

2.4 Is copyright a natural right of authors?

- (a) Not in Common Law jurisdictions (includes UK, US and Australia). It is not clear that copyright ever existed under common law (ie judge made law, arising from use and custom – as opposed to statute law, which is created by parliament). In response to arguments that common law copyright existed alongside statutory copyright, successive Acts of parliament have repeatedly extinguished any common law copyright that might have existed. As early as



1774 the court in *Donaldson v Beckett* in England held that the first copyright Act (the Statute of Anne (8 Anne c 19)) extinguished any common law copyright that existed as at that date.

- (b) Where there may have been some debate in the UK (and therefore Australia), in the US, the issue appeared to have been settled by the Supreme Court in *Wheaton v Peters* (33 US 591 (1834)):

“That congress, in passing the [copyright] act of 1790, did not legislate in reference to existing rights, appears clear, from the provision that the author, &c. 'shall have the sole right and liberty of printing,' &c. Now if this exclusive right existed at common law, and congress were about to adopt legislative provisions for its protection, would they have used this language? Could they have deemed it necessary to vest a right already vested. Such a presumption is refuted by the words above quoted, and their force is not lessened by any other part of the act.

Congress, then, by this act [the Copyright Act - 17 USC], instead of sanctioning an existing right, as contended for, created it.”

- (c) The *Wheaton v Peters* case must be rethought in light of the recent *Naxos* decision (*Capitol Records, Inc. v. Naxos of America, Inc.*, 372 F.3d 471 (2d Cir. 2004)), which held that there exists a common law copyright in sound recordings in the State of New York – see <http://www.groklaw.net/article.php?story=20050412225604578>.
- (d) Copyright does have status as a natural right in Civil Law jurisdictions (eg many EU countries). This status was typically acquired in Civil Law jurisdictions subsequent to the French Revolution. So, while no natural right existed in those jurisdictions prior to that time, after that time in those jurisdictions it has been considered to be a natural right.

2.5 Fair Dealing v Fair Use

- (a) US law has a general principle which holds that the “fair use” of a copyright work is not an infringement of copyright. This fair use right allows the US to get by with a (more or less) workable approach to copyright. What constitutes fair use is not defined in US legislation. Rather there is an open ended right to use material if the use is fair. What constitutes fair will depend upon the facts and circumstances of each case. In determining whether a particular use is a fair use, a court will look at:
- (i) the purpose and character of the use, including whether the use is of a commercial nature;
 - (ii) the nature of the work;
 - (iii) the amount and substantiality of the portion used in relation to the work as a whole; and
 - (iv) the effect of the use upon the market for the copyrighted work.
- (b) At the time of writing (March MMV) there is no general fair use right under Australian Law, although subsequent to the passage of the FTA, the Government has signalled its intention to consider the implementation of such a right (due in January 2007), although a number of commentators believe that the Government will simply legalise the current widespread practice of home taping of broadcasts. Australian law recognises a right of “fair dealing”. Unlike the fair use right, the fair dealing right is strictly curtailed to specific circumstances. In order to take the benefit of the provisions a person would need to establish that their dealing was not only fair, but also that the dealing fell within one of the specifically enumerated heads of dealing set out in the *Copyright Act 1968*. As a practical matter the fair dealing exceptions are so restrictive that it is extremely rare for them to be of any value whatsoever.



2.6 Copyright: subsistence, registration requirements and ownership

- (a) Copyright subsists in any original work of authorship which is reduced to a material form (the term “work” includes such things as literary, dramatic, artistic and musical works). For the purposes of copyright, a computer program is a literary work and enjoys the same bundle of legislative monopolies as poems. Copyright also subsists in “subject matter other than works” (particularly sound recordings, cinematograph films and broadcasts) with similar requirements.
- (b) The originality requirement simply means that the work is the work of the author in question and has not been copied from someone else. There is no assessment of the literary or other merit of the work involved in determining whether copyright subsists in (eg) a literary work. That said, some works are so minimal that copyright will not subsist in them because they convey no meaning or information (for example, the name “Exxon” is not the subject of copyright *Exxon Corp v Exxon Insurance Consultants International Ltd* [1981] 2 All ER 495).
- (c) Copyright in a work vests, by default, in the author of the work (s 35(2)). However, where a person is employed by another person under a contract of service or apprenticeship then, except where there is agreement to the contrary, each work created in the course of that employment is owned by that person’s employer (s 35(6)). If you work on software in which you own copyright in the course of your employment, your employer can also end up owning the copyright in the modified version of the software (*Redrock Holdings Pty Ltd and another v Adam Hinkley and another* [2001] VSC 91, 50 IPR 565). That said, the reasoning in the Redrock case is questionable at best and the outcome would hopefully have been different if the case was properly defended. In the Redrock case, the defendant, Mr Hinkley, lost everything, including the a class path library which was undisputedly his as at the time he commenced employment. Mr Hinkley conducted his own defence at trial. The moral of the Redrock case is that you need to recognise when you need legal advice and to get that advice. The other moral of the story is don’t act for yourself when defending copyright proceedings.
- (d) Thus, the general rule is that if you are employed, then copyright in what you create vests in your employer but if you are a contractor, then copyright which you create in the course of the your engagement vests in you. This default may be varied by agreement but this rule applies independently of how much the employee or contractor is paid to do the work. Businesses need to be especially aware of this distinction if they are hiring contractors to carry out work for them. There are additional vesting rules which apply for non-software subject matter.

2.7 Rights comprised in copyright

- (a) Copyright prohibits a broad range of actions without the permission of the copyright holder. This collection of prohibitions are broadly referred to as the “rights” of the copyright holder. The description of these things as rights is perhaps a little misleading as they do not give the copyright holder a right to do the relevant acts. For example, while copyright may subsist in illegal content, that does not mean that the copyright holder may exercise the “right” of reproduction to reproduce that illegal content. All they are able to do is to prevent (under threat of a court backed sanction) others from exercising that right. The usage of the term “right” is intentionally political.
- (b) There is a broad and ever expanding category of actions which are infringements of copyright. In the last ten years alone, rights such as rental rights, anti-access rights, rights of communication to the public and performance rights have been added to the scope of the *Copyright Act 1968*. Who can tell how far that scope will be extended in the next ten.
- (c) The key monopolies covered are:
 - (i) the reproduction of a substantial portion of a work;
 - (ii) the creation of an adaptation of the work;
 - (iii) communication of the work to the public (ie make available online or electronically transmit);



- (iv) the public performance of the work;
 - (v) the authorisation of any of these acts – telling someone to make a photocopy of a copyright work can be an infringement of copyright of itself. It is even possible to passively authorise such an Act by locating a photocopier next to a shelf of library books (*University of New South Wales v Moorhouse* (1975) 133 CLR 1). It is this authorisation head that many copyright actions against ISPs hang their hat on.
- (d) Now, you might think that the term “substantial [part]” might mean that you need to copy a substantial part of the work. Unfortunately, this is not the case. Courts have been guided (in my view, misguided) by the view that “if it is worth copying it is prima facie worth protecting” (*University of London Press Ltd v University Tutorial Press Ltd* [1916] 2 Ch 601 at p 610) and have given this term a flabbergastingly broad scope. For example, it is possible to infringe a work by taking a very small proportion of a work which is, nonetheless qualitatively a substantial portion. The canonical example of this is in the Autodesk case (*Autodesk Inc v Dyason* [No 1] (1992) 173 CLR 330) which held that copying 127 bytes (yes, bytes) from a 32 kilobyte program constituted a reproduction of a substantial portion of the 32 kilobyte program.

2.8 Derivative Works v Adaptations

- (a) The term “derivative work” is a US term. It is not used within Australian law, and has no recognised meaning. In US law, the term “derivative work” is determined by reference to a mass of US case law – there is no set definition in US legislation that can be referred to. Moreover, different court circuits within the US have applied different meanings to the term. So its exact meaning may depend on where in the US you are sued. That said, “derivative” will probably include modifications and new versions of the work, as well as translations into other (natural) languages.
- (b) The equivalent Australian term is “adaptation” which includes a translation into another language. In the context of computer programs, it includes a “version” of the work, although the courts have held that the “translation” requirement is implicit in the word “version”. So, reimplementing a program (without working from the source code directly or indirectly) – for example, making a Linux version of a Windows program - will not be an adaptation of that program, but porting the code probably would be (see *Coogi Australia Pty Ltd v Hysport International Pty Ltd* (1998) 41 IPR 593).

2.9 Are Copyrights and Patents Property Rights?

- (a) That is the \$64 question. It is not a question which is easy to determine an answer to because the word “property” itself isn't a solidly defined legal term. We all know what property is, but defining it is difficult. That definition becomes more different in that lawyers and economists would probably arrive at different definitions. If copyrights and patents are property, then persons seeking copyright and patent monopolies can take the moral high ground by painting their opposition as opposed to one of the most hallowed cornerstones of our society. They frequently allude to copyright as property (and speak of “intellectual property”) as a means to expand the scope of the subsidies granted under the Copyright and Patents Acts.
- (b) In Australia, copyright and patents are stated to be “personal property” in the statutes creating these monopolies. Further, some court decisions in Australia have referred to copyright and patents as being a form of incorporeal property (see eg *Pacific Film Laboratories Pty. Ltd. V Federal Commissioner of Taxation* (1970) 121 CLR 154). However, this doesn't mean that they have the characteristics we associate with property, nor that the market for them bears any relationship to the market for property. It may be that the legislative references are simply intended to verify that these rights can be alienated. That is, that they can be sold and/or transferred to other people.
- (c) Despite appearances, copyright and patent proponents actually don't really want intellectual property to be treated as property. For example, once you buy a screwdriver, you can do what



you like with the screwdriver, independently of what the views or intentions of the person who sold it to you are. The same is not true of copyright or patent material. Unlike property, when you buy music, you don't actually own it. The vendor can, subsequent to the sale, restrict what you can do with the music. For example, it would be illegal for you to play the music through your window so that it could be heard on the street (this would be a public performance).

2.10 DMCA and Anti Access rights

- (a) In 1998 President Clinton signed the Digital Millennium Copyright Act (DMCA). This is the last stage in the legislative process under US law before a law becomes operative. Since that time, the US has been attempting to export this legislative structure to other countries. The DMCA has its roots in Article 11 of the WIPO Copyright Treaty of 1996 (<http://www.gseis.ucla.edu/iclp/wipo1.htm>), although it goes substantially beyond the scope of that obligation. For example, a crucially important term in the WIPO treaty is “*effective* technological protection measure”. Arguably, the DMCA sections in the AUSFTA render the word “effective” almost completely meaningless.
- (b) The DMCA puts in place a regime by which it is illegal to gain access to certain material. The provisions are referred to as “anti-circumvention” provisions. The provisions allow a person to place content behind a “technological protection measure”, and then makes it illegal to circumvent that measure (hence “anti-circumvention”). The reality of course is that the legislature is creating a new prohibition on access to material, as access is the only purpose for circumvention. This access prohibition has no historical precedents in copyright (or other branches of the) law. Anyone who is in possession of a book has not committed an illegal act by reading the book – even if they stole the book itself, or if they book was an unauthorised copy. Historically (ie prior to 1998, or 2000 in Australia), copyright has been firmly grounded in preventing reproduction.
- (c) The exact scope of the DMCA is hard to determine, as there are few decisions in relation to it. Of particular relevance is the US case of Blizzard, and the Australian case of Sony v Stevens.
- (d) In the Blizzard case, Blizzard Entertainment (a group company of the Vivendi Group) is the publisher of a number of computer games. The games were all engineered such that to use them, an end user was required to use a server running as part of Blizzard's “battle.net” network. In effect, Blizzard manufactured its programs to prevent third parties from running servers. It was expressly attempting to have a monopoly over secondary markets relating to its game titles (this would be like, for example, selling soccer balls, which were technologically locked to only work on Blizzard's soccer fields). Open source programmers analysed the operation of Blizzard's “Battle.net” server for the purpose of opening the market for servers (using a program called BnetD). The open source project expressly offered to implement authentication checking into BnetD, but Blizzard refused to supply the information would permit that implementation.
- (e) The Court held that the analysis of the operation of the server software was a breach of the DMCA, and that the interoperability exception was not available. The court also made some weird findings that because the program was open source, that somehow made the defendants more culpable.

Text of Judgment: http://www.freedom-to-tinker.com/doc/2004/bnetd_30sep.pdf

Background/Commentary: http://www.eff.org/IP/Emulation/Blizzard_v_bnetd/

Summary of Blizzard Case case: <http://www.penny-arcade.com/view.php?date=2002-03-04&res=1>

- (f) [Note: Commentary on Sony v Stevens is out of date. The High Court has ruled in favour of Mr Stevens in this case and overruled the decision of the Full Court of the Federal Court. In so doing, it has injected some much needed common sense into this area. However, this FAQ does not cover the High Court Case. A later version may do so.] In the Sony v Stevens case



(*Kabushiki Kaisha Sony Computer Entertainment v Stevens* [2003] FCAFC 157 (30 July 2003) <http://www.austlii.edu.au/au/cases/cth/FCAFC/2003/157.html>) (currently on appeal to the High Court) Mr Eddy Stevens was selling “mod chips” for Sony Playstation consoles. The chips were physically inserted into the Playstation, at which time the Playstation would play games legitimately purchased over the internet from overseas retailers on a Playstation purchased in Australia. Unmodified Playstations will refuse to play games bought overseas (this practice is known as grey marketing and permits Australian users to buy games at the best price available rather than at an inflated Australia-specific price). This practice allows Sony to charge monopoly prices to Australian purchasers for their games. The mod chips also permitted a user to make a back up of their valuable data. The court at first instance held that the mechanisms in the Playstation were region coding devices, not devices intended to protect copyright (this is relevant because of the specific definition of “technological protection measure” in the Copyright Act). On appeal to the full court, the court adopted the extremely expansive view that the scheme had the effect of protecting copyright because it had a general deterrent effect.

- (g) See also the Lexmark cases (in which Lexmark argued that it had the right to control which printer cartridges could be used in its printers).

Text of Lexmark decision: <http://lawgeek.typepad.com/04a0364p-06.pdf>

Background/Commentary:

http://www.eff.org/legal/cases/Lexmark_v_Static_Control/

- (h) [This paragraph current at August 2005] The AUSFTA requires Australia to remove the access rights currently enjoyed by Austalians. The legislation implementing the FTA is currently being drafted/reviewed, and is due to be implemented by the start of 2007.

To participate: <http://www.aph.gov.au/house/committee/laca/protection/index.htm>

3. PATENTS

3.1 Purpose

- (a) The purpose of the *Patents Act 1990* is to secure the public disclosure of inventions. In return for this disclosure the legislature grants a monopoly for a limited period. Historically this has always been the case, with the ability for monopolies to be granted to persons who brought new inventions into England. However, with more modern requirements relating to novelty, this purpose is sometimes recast in terms of providing an incentive for innovators to innovate. While there may be some justification for this view, it should be taken with a grain of salt. Any innovator will gain a competitive advantage in the market as a result of the innovation. If the innovator is able to work the invention in secret this provides of itself an incentive to innovate. One of the requirements for patentability is that the invention must not be obvious, so it will be difficult for competitors to replicate an inventors invention even if they are aware the inventor is working it in secret. Therefore if a patent would be able to be issued in respect of an invention, the inventor will, in the absence of patent protection, still gain substantial benefits from innovation. This gets us back to the initial purpose of the Patents Act, which is to secure the public disclosure of those inventions.

3.2 What can a patent be issued over

- (a) Patents can be issued over inventions which meet the following criteria (section 18 of the *Patents Act 1990*):
- (i) it must be a manner of new manufacture within the meaning of section 6 of the Statute of Monopolies ((21 Jac. 1, c.3));
 - (ii) it must be novel (that is, it must not have been anticipated by material (prior art) published anywhere in the world prior to the priority date of the patent application);



- (iii) it must be useful. This does not mean that it actually has some practical use, but, rather, that the invention produces the results claimed to be produced in the specification;
- (iv) it must involve an inventive step. When considering the prior art, the reasonably skilled unimaginative practitioner in the field would not have come up with the invention; and
- (v) it must not have been secretly used. If it could have been used in secret prior to the priority date of the patent, then the inventor would use it in secret until they could keep it secret no longer, then would apply for a patent, thus effectively extending the term of the protection and undermining the primary rationale for patent protection – the disclosure to the public of inventions.

3.3 Innovation Patents

- (a) Innovation patents are a “lesser” form of patent available in Australia from 2001. Prior to the introduction of the innovation patent, Australia had a system of “Petty Patents”. Innovation patents are not available for as broad a range of inventions as patents are. Further, innovation patents need only show an “innovative step” rather than an inventive step for patentability. Innovation patents have a limit on the number of claims that can be made in respect of the innovation and have a monopoly period of 8 years. Innovation patents are not reviewed for validity at the time of grant by the patent office, the idea being that they patentee must establish their validity in court at the time of bringing an action. This has permitted, for example, the grant of an innovation patent over a wheel (<http://edition.cnn.com/2001/WORLD/asiapcf/auspac/07/02/australia.wheel/>).
- (b) The fact that innovation patents are not subject to a validity check at the time they are awarded can mean that businesses who secure the grant of an innovation patent have a false sense of security, in that the grant may not be valid. Conversely, the grant of an innovation patent may discourage people from implementing that innovation because an innovation patent has been issued, even though the innovation patent is invalid. That is, the invalid innovation patent has the practical effect of stopping people from doing something which they were legally entitled to do.
- (c) As at July 2005 there is little case law interpreting the new innovation patent provisions.

3.4 RMS Views on software patents

“Software patents are the software project equivalent of land mines: Each design decision carries a risk of stepping on a patent, which can destroy your project”

Stallman, R, *“How to fight software patents - singly and together”*
<http://www.newsforge.com/article.pl?sid=04/09/09/1612239>

- (a) RMS has written a wealth of material on this topic. Google for it. Here is some stuff to get you going:
<http://www.newsforge.com/article.pl?sid=04/09/09/1612239>
<http://www.guardian.co.uk/online/comment/story/0,12449,1510566,00.html>
<http://lpf.ai.mit.edu/Patents/rms-ptp.html>
<http://www.gnu.org/philosophy/amazon-rms-tim.html>

3.5 What does a patent cover/prevent

- (a) A patent application has two main components – the general specification, and a number of claims. Each claim defines a separate monopoly enjoyed by the patentee.
- (b) Patents give a right to prevent another person from “exploiting” the invention claimed in any claim. The case law history of the term “exploit” involved the concepts of “make, use, exercise or vend”, so any of these is likely to be within the scope of the patent.



- (c) Unlike copyright, there does not need to be a causal link between the invention and an infringing act. Thus, for copyright to infringe, one must actually copy something – independently arriving at an exact replica is not a copyright infringement. The same is not true for patents. You can be not only completely ignorant of a patent and still infringe but also you might not reasonably have been able to know about a patent and still infringe it. For example, typically 12-18 months will pass between the time an application is lodged and the time when a patent is awarded. In this time it is not possible for the public to be aware of the contents of the patent but they can still infringe it in this time (a patentee would commence action upon the award of the patent).

3.6 Evergreening

- (a) Evergreening refers to the attempt to artificially extent the life of a patent, by amending it to add additional claims. Evergreening is most prevalent in relation to pharmaceuticals. As a drug nears the end of its patent life, a manufacturer will attempt to add additional claims (eg a method of using or administering the drug). If granted those claims will prevent generic manufacturers from selling the drug for use in a manner which would infringe the added claims.

3.7 Submarine Patent

- (a) Submarine patents refer to the previous practice of the US patent office to not publish a patent until the time it was granted – however the priority date of the patent, and the coverage of the monopoly dated from the priority date of the patent (typically the filing date). This led to applicants filing very broad patent claims and then choosing not to prosecute them through the patent process. The patent applications then laid dormant, like a submarine, awaiting a competitor to make some invention which was covered by the scope of the patent. As it was drafted very broadly, the applicant could then refine the patent by narrowing the scope of the patent (such a narrowing is permitted as it was still within the scope claimed by the original patent, rather than being a new invention). Of course, the narrowing would be done in such a way as to specifically targeting the competitor's activities. The applicant would then prosecute the patent to grant. The competitor would be automagically infringing, yet would have had no way of determining that ahead of time. The submarine patents posterchild is the late Jerome Lemelson – google for him for some examples.
- (b) The US Patent Office has recently adopted a practice of publishing patents and specifications at an earlier date, lessening the scope for submarine patenting tactics. However, the reforms do not apply to patent applications made prior to the patent office reforms, so it will be some years before submarine patents are substantially eliminated from the US patent landscape. Further, in the software arena the pace of development still means that a lag of 12 -18 months (a typical time to publication of an application) will create a substantial blind side for market participants.

4. PATENT LENGTH

- 4.1 Standard Patent – 20 years from the date of the patent (s 67 Patents Act).
- 4.2 Innovation Patent – 8 years from the date of the patent (s 68 Patents Act).

5. SOFTWARE PATENTS (IN AU)

- 5.1 Software patents exist in Australia and have done so for some time. Patent office records indicate that at the start of the 21st Century, several hundred were being issued in Australia each year. The first Australian case relating to software patenting involved a patent by IBM (*IBM Corp v Commissioner of Patents* (1991) 22 IPR 417) in the early 90s. The invention in that patent consisted of the use of integer, rather than floating point, arithmetic in the calculation of a spline.



6. COSTS (DETAILS CURRENT AT JUNE 2005)

6.1 Prosecute, File, Search

- (a) There are a variety of costs involved in applying for a patent. These include:
 - (i) the filing fees charged by the Patent Office;
 - (ii) the fees to search prior art to determine whether or not the invention is novel, and to disclose relevant prior art;
 - (iii) the fees of a patent attorney to draft the patent application (potentially AU\$10K-AU\$20K for a complex application);
 - (iv) the fees of a patent attorney and/or lawyer to shepherd the application through the Patent Office review process
- (b) The Australian Patent Office (http://www.ipaustralia.gov.au/patents/fees_index.shtml) quotes a figure of \$5,000-\$8,000 to *file* a standard patent including patent attorney fees. There are also fees to maintain the patent which, if paid to the full period of the term, would cost another \$8,000 or so (June 05 AUD). People I have spoken with think this may be on the low side. This figure only refers to the costs of filing in Australia. This will only give you a monopoly in Australia. If you want monopolies in other countries you will also need to file for protection in each foreign jurisdiction where you want that monopoly. You should expect to pay a similar amount for each and every such foreign jurisdiction and, moreover, you only have a limited time in which to make applications.
- (c) If a patent is opposed during the review process, you may also need to engage a patent attorney and/or lawyer to prepare evidence in support of your application. This will be done at an hourly rate on the order of AU\$360-\$600 (excluding GST and as at June 2005).

6.2 Costs and Risks of Bringing a Patent Infringement Action

- (a) McKeogh, Stewart and Griffith (at §14.20, page 404) quote figures produced in 2001 relating to biotechnology patents as follows: “*the cost to the patent owner of bringing a patent infringement action at first instance before a single judge of the Federal Court was \$750,000-\$1,000,000*”. If the case is appealed costs would, of course increase (there are typically two further tiers of appeal available). In the same section the authors go on to observe that: “*Between October 1990 and October 1999 there were 59 Australian cases decided by the course, including appeals, alleging patent infringement, and in those cases only 12 patentees were able to establish that their patent was both valid and infringed.*”
- (b) If a patentee is unsuccessful they face the prospect of liability for the legal costs of the defendant.

6.3 Exemplary Damages (US)

- (a) Under Australian Patent law, a patentee is entitled to damages to recompense the loss they suffer as a result of an infringement. Exactly how this loss is calculated is a complex question, which is dependent upon the facts of the particular situation. However, the main aim of damages is to put the patentee in the position they would have been in had the infringement not occurred, or, alternatively, had the infringer paid a royalty in respect of the infringing acts. This is consistent with general principles of civil remedies at common law, which seek primarily to redress harm, rather than punish a transgressor.
- (b) The United States, on the other hand, has a concept of exemplary, or punitive damages for civil actions. This means that in addition to redressing the harm that a patentee suffers from an infringement, there are circumstances in which a patentee may be awarded extra damages because of the culpable conduct of the infringer.



7. REFERENCES:

Scott, B., *Copyright in a Frictionless World*, First Monday, September 2001
http://www.firstmonday.org/issues/issue6_9/scott/index.html

Braithwaite and Drahos, *Global Business Regulation*, Cambridge University Press, UK, 2000.

Drahos with Braithwaite, *Information Feudalism, Who Owns the Knowledge Economy?*, The New Press, New York, 2002.

McKeogh, Stewart and Griffith, *Intellectual Property In Australia*, Third Edition, LexisNexis Butterworths, Australia 2004

McKeogh, Bowrey, Griffith, *Intellectual Property Commentary and Materials* Third Edition, Lawbook Co, Australia 2002