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Privacy Law Changes and Intellectual Assets

Key Points –

- **The current 10 ‘National Privacy Principles’ (‘NPPs’) have been replaced with 13 Australian Privacy Principles (‘APPs’).**
- **There are expanded obligations and liability where an entity discloses personal information cross-border to overseas recipients.**
- **There are broader powers for the Privacy Commissioner and increased penalties for breaches (up to \$340,000 for individuals and \$1.7 million for companies).**

Australian Privacy laws have changed, effective 12 March 2014.

To the extent that, for example, databases of customer or supplier details are considered part of the intellectual capital of an organisation, it is important to understand how the changes to Privacy Law will impact management of these assets.

13 new Australian Privacy Principles

There are 13 new Australian Privacy Principles (APPs) which regulate the handling of personal information by Australian businesses with an annual turnover of \$3 million or more, some other organisations, such as health service providers and government agencies, or any small businesses that:

- trade in personal information;
- provide services under a Commonwealth contract;
- run a residential tenancy database;
- is related to a larger business;
- is a reporting entity under the Anti-Money Laundering and Counter-Terrorism Financing Act.

What is ‘personal information’?

The definition of ‘personal information’ extends to information or an opinion about an individual who is reasonably identifiable, whether or not the information or opinion is recorded in a material form (this includes information communicated verbally) and regardless of whether that identification or re-identification is practicable from the information itself or in combination with or reference to other information.

Personal information includes information about an individual collected in a business context, regardless of whether that information is in the public domain. Information as simple as a name and email address can be personal information for the purpose of the Privacy Act.

How does this directly affect your business?

You are affected if your business:

- collects personal information for use in connection with the business;
- handles and processes personal information;
- uses personal information for direct marketing;
- discloses personal information to people overseas.

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The Privacy Act changes also give the Privacy Commissioner the ability to:

- investigate serious breaches (including the right to impose penalties on businesses); and
- assess the privacy performance of businesses.

Significantly, the amendments to the Privacy Act introduce substantial financial penalties for non-compliance with the Act.

Under the new laws, it is no longer sufficient for businesses to simply have a Privacy Policy in place. The new laws require businesses to implement practices, procedures, documentation and systems to ensure and validate compliance. As with any internal compliance program, your privacy regime needs to be visible, actually used and its use recorded.

How can your business respond?

You must ensure that the personal information you collect is accurate, up-to-date and complete. It is also your responsibility to protect personal information from being misused, interfered with and/or lost. You must also protect it from unauthorised access, modification or disclosure and it is mandatory to destroy or de-identify personal information in certain circumstances.

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Privacy Law Changes in Australia – continued from page 1

All businesses subject to the Privacy Act need to have a compliant privacy policy and provide training to employees on Privacy Act issues. These should be part of a broader intellectual asset management strategy.

By Sean McGuire

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If you require expert assistance with managing your databases as an intellectual asset, please contact Watermark for a confidential discussion on +613 9819 1664 or mail@watermark.com.au. A detailed fact sheet is also available on request via email: journal@watermark.com.au.

Changes to the R&D Tax Incentive in the Federal Budget.

As part of the 2014–15 Federal Budget, from 1 July 2014 the Government has reduced the rates of the R&D tax offsets by 1.5%.

Consistent with the Government's commitment to reduce the company tax rate from 1 July 2015, this reduction in the offset will retain the relative value of the R&D tax incentive to companies.

- For companies with an annual aggregated turnover of less than \$20 million, the offset has been reduced from 45% to 43.5%;

- For companies with an annual aggregated turnover of at least \$20 million to less than \$20 billion, the offset has been reduced from 40% to 38.5%.

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Racial slurs, vulgar language and scandalous terms – all in the name of a trade mark

A landmark decision in the US cancelling six registered trade marks of the NFL Washington Redskins has caused a significant amount of commentary recently. In light of the decision and the controversy surrounding the use and registrability of 'scandalous' marks, we reflect on what the law and practice are on our own soil.

What is the Australian Law?

Under section 42, the Australian Trade Marks Act 1995, provides grounds for rejecting an Australian trade mark application through the use of 'scandalous' terms:

An application for the registration of a trade mark must be rejected if:

- a. the trade mark contains or consists of scandalous matter; or
- b. its use would be contrary to law.

What are the classes of scandalous matter?

Trade marks containing or consisting of scandalous matter have been broadly described as being divisible into seven possible categories: those:

1. with religious nexus;
2. consisting of or comprising racial slurs or epithets;

3. consisting of or comprising profane matter;
4. consisting of or comprising vulgar matter;
5. relating to sexuality;
6. involving innuendo;
7. suggesting or promoting illegal activity.

Infamous cases of 'scandalous' trade marks registered in Australia

In 2003, the Cosmetics, Toiletry and Fragrances Association opposed the registration of an application by Fanni Barnes Pty Ltd to register 'Look Good+Feel Good = Root Good' in relation to cosmetics and sexual hygiene products and clothing. The Delegate of the Registrar of Trade Marks took into consideration that contemporary language is evolving, and that the language of the trade mark did not cause a significant degree of shock or

disgrace. The opposition was unsuccessful and the trade mark was registered as Australian trade mark application no. 852238.

In respect of Australian trade mark application no. 1267253 which consisted of the word POMMIEBASHER, IP Australia refused registration under s 42(a). The applicant, Peter Hanlon, who was self-represented, had the decision overturned in 2011. The Delegate found that the term was not scandalous and is 'part of ordinary and acceptable, colourful and colloquial, language.' Further, the Delegate stated 'the term does not go so far as to suggest that such a person engages in racial vilification, or is prone to verbal abuse or is literally one who 'bashes' or assaults English people.'

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What are the consequences of the NFL Washington Redskins decision in Australia?

Interestingly, the NFL Washington Redskins has three trade marks registered in Australia; in classes 23 (yarns and threads, for textile use), 25 (clothing, footwear, headgear) and 28 (games and playthings). Nestlé also has a registered trade mark for its confectionary product 'Redskin', which formerly featured a photo of a Native American wearing a traditional headdress.

In the 2-1 ruling, the US Patent and Trade Marks Office Trial and Appeal Board was charged with determining only whether

the trade mark was offensive to the people it referenced, not the entire U.S population. The Board ruled the name was 'disparaging to Native Americans' at the date the applications were filed, and so should never have been registered.

We have previously seen in the POMMIEBASHER case that there is definitely a 'line in the sand' when it comes to trade marking racial connotations. So the question is: would the term 'Redskins' have the same connotation here, as it does in the US? How would we go about establishing this? Given the very specific reference to the American First Nation peoples that the term 'Redskin' involves, no Australian Court would find the term

'scandalous' in terms of s 42(a). It would be very difficult to establish any argument along the same lines as the US case were the case to be run in Australia.

If a case were to be filed, the mechanism in Australia for cancelling the trade mark would be under s 88(2)(a), through the Federal Court, not at IP Australia.

By Dr Renee White

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Dr Renee White joined Watermark in early 2014 and was previously a Research Fellow at the Burnet Institute in Melbourne focusing on HIV research.

Claiming the wrong chemical structure: A patentee's worst nightmare

Key Points –

- **Oncoceutics has claimed the wrong chemical structure in its granted patent, US 8,673,932. The drug candidate has since entered Phase I/II clinical trials.**
- **The Scripps Research Institute has recently identified the correct structure, which it has gone on to license to Sorrento Therapeutics.**
- **Sorrento Therapeutics has subsequently filed a US patent application for the correct structure.**

The Mistake

TIC10 and its synthesis were first reported in a 1973 Boehringer-Ingelheim German patent (2150062). At some stage, the National Cancer Institute (NCI) incorporated TIC10 into one of its publicly accessible databases, and listed the chemical structure according to that shown in the Boehringer-Ingelheim patent (Figure 1).

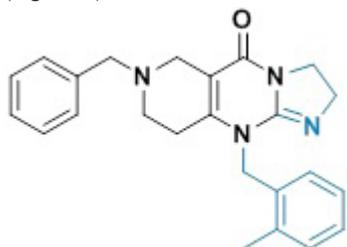
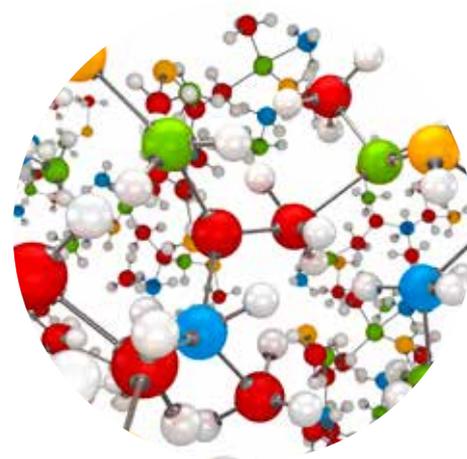


Figure 1: Linear structural isomer as shown in the 1973 Boehringer-Ingelheim patent, The NIC database, and the Oncoceutics patent (US 8,673,932 B2).

In 2013, Wafik S. El-Deiry's laboratory at Pennsylvania State University reported that TIC10 demonstrated potential anticancer activity, and patented this use on 18 March 2014 (US patent no. 8,673,932 B2). The patent was licensed to Oncoceutics, which synthesised TIC10 following the method disclosed in the Boehringer-Ingelheim patent. The drug candidate is currently in Phase I/II clinical trials as ONC201, a potential anticancer agent.

The Competition

Professor Kim D. Janda's research group at The Scripps Research Institute commenced studies on TIC10, synthesising the compound via its own method, finding TIC10 to be inactive against cancer. In its subsequent analysis, Janda's group confirmed that the angular structural isomer (Figure 2) is the correct structure of NIC's TIC10, and the active



compound against cancer. It seems that Oncoceutics has patented the wrong chemical structure.

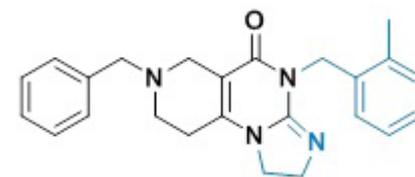


Figure 2: Angular structural isomer identified and published by Janda's group in *Angewandte Chemie*, and as shown in the Sorrento patent application.

An Intellectual Property Perspective

The drug discovery blunder raises two key questions:

1. Is the Oncoceutics patent valid?
2. Will the Sorrento application be granted, regardless of whether the Oncoceutics patent is valid?

Several US patent attorneys have weighed in on the debate with varying opinions. Some believe that the mistake may not

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Claiming the wrong chemical structure: a patentee's worst nightmare

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be fatal for Oncoceutics. Others believe that Oncoceutics' patent may prevent Sorrento's application from being allowed, as the identification of the correct chemical structure may have been within the skill of a person working in the field.

Under Australian patent law, the Oncoceutics patent may have significant problems that would probably render it invalid. A clerical error would probably not be a viable basis for amendment. El-Deiry's group didn't know the angular structure existed, and it could only be a clerical error had they known of the alternate structure. In addition, the structure is depicted several times in the patent as the linear isomer. The Australian Patents Act 1990 requires that a patent specification must disclose the invention in a manner that enables a person skilled in the art to perform the invention, and that the subject matter of the claims must fulfil the promise of the invention ('sufficiency' and 'fair basis', s 40(2) and s 40(3)). Quite simply, if a person skilled in the art were to attempt to perform the invention according to Oncoceutics' disclosure, they would not

arrive at a chemical compound capable of reproducing the biological activity disclosed in the 72 Figures of the granted patent. On this basis alone, the patent should be held invalid.

Whether the invention of the Sorrento application would be considered obvious to a person skilled in the art in view of Oncoceutics' patent is debatable. Pragmatically, given the mistake has existed since the 1973 Boehringer-Ingelheim patent, it would appear as though Sorrento's invention may not have been obvious to a person skilled in the art. However, it's not that simple. In considering Sorrento's application, it may be found that it would be obvious for a person skilled in the art to try to synthesise the angular structural isomer in the search for the biologically active compound with a reasonable expectation of success. If so, then the claims of Sorrento's application cannot be granted. Conversely, on the basis of the 2009 Australian decision in *Lundbeck v Alphapharm* ([2009] FCAFC 70) the opposing view that the angular structure would not be obvious in light

of the linear structure might be taken. In *Lundbeck*, it was found that an enantiomer of Citalopram was patentable despite the other enantiomer being prior disclosed.

This decision was founded in the difficulty of synthesis of the second enantiomer, and would support the patenting of Sorrento's invention.

This, here, is the key matter. Will a prior disclosure, albeit an incorrect disclosure, be considered to render the current invention obvious? We will have to wait and see. No doubt many, both scientists and intellectual property experts alike, will be eagerly awaiting the outcome.

By Dr Brittany Howard

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Dr Brittany Howard commenced at Watermark in early 2014 after completing a post doctoral term at the National Institutes of Health in Maryland USA. Brittany's PhD is in medicinal chemistry.

IAM: Watermark

Watermark is proud to announce and wishes to congratulate:



Carla
Cher

Carla was recently elected a Fellow of the Institute of Engineers Australia.



Raj
(Shriraj)
Takle



Jeremy
Robinson

Raj (Shriraj) Takle and Jeremy Robinson have both now received their registration papers and are officially Registered Patent and Trade Marks Attorneys.