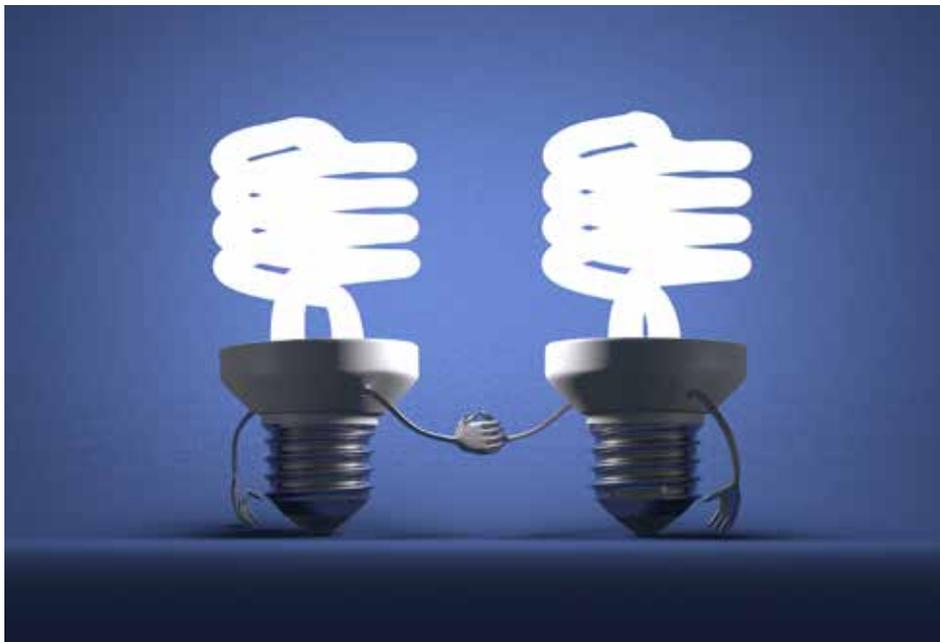




**IAM:** more than patents, beyond trade marks, way past IP. Fresh thinking from Watermark.

## Terminating patent licences



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### INTA 2015 San Diego

Watermark's Paul Fong will be attending INTA 2015 in San Diego. If you would like to arrange a meeting with Paul, please email: [events@watermark.com.au](mailto:events@watermark.com.au)

## Traps and opportunities for licensees and licensors

### Key Points -

- **Section 145 of the Patents Act provides that either party may terminate a patent licence on expiry of the licensed patent. The section overrides anything to the contrary in the licence agreement**
- **A multi-patent licence cannot be terminated under s.145 until the expiry of all of the licensed patents**
- **Patent licences that extend to Australia should be drafted carefully in light of s.145**

### Termination of patent licences

The question in *Regency Media v MPEG LA* \* was whether s.145 permitted the licensee to terminate a licence to multiple patents upon the expiry of some (but not all) of the licensed patents, or whether termination was only possible after the expiry of all the licensed patents.

The licence agreement in question related to a pool of “standards essential” patents for MPEG audio-visual encoding technology. Some

of the patents in the licence pool had expired, and so Regency Media (the licensee) argued that it was entitled to terminate the MPEG licence under s.145.

### The decision

At first instance, the Court held that the reference to “patented invention” in s.145 means an invention as identified in the licence contract. On appeal, the Full Court accepted Regency Media’s argument on this point and held that “patented invention” means an

invention as claimed in a single patent. On a literal reading of s.145, this would suggest that a multi-patent licence could be terminated upon the expiry of any one of the licensed patents. However, the Full Court relied on the Acts Interpretation Act 1901 (Cth). That Act provides that in the absence of a contrary intention, when interpreting legislation any word expressed in the singular includes the plural and vice versa (i.e. “patent” can be read as “patents”).

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# Design Registration System under review

## Key Points -

- **The Australian Designs Act 2003 is under review**
- **Options for change are aimed at stimulating growth in the use of the designs registration system by Australian design innovators**

In December 2014, the Government's Advisory Council on Intellectual Property (ACIP), released an 'options paper' arising from its 2013 review of the Designs Act 2003 (2003 Act). The 2003 Act had not provided a user friendly, streamlined or cost effective design registration and renewal regime, as was intended. The options paper proposed three escalating options for improvement of the designs registration system.

Option 1 proposed:

- aligning entitlement rules with the Patents Act 1990;
- removing the option to publish a design without registration;
- expanding the prior art base, not limiting it to the product underlying the design;
- clarifying that a registered design does not confer enforceable rights until certified; and
- reducing official fees for multiple designs included in a single application.

Option 2 proposed adding further to Option 1 by allowing access to the 'international design' system through accession to the Hague Agreement including:

- extending the term of protection from 10 years to 15;
- allowing third party opposition following certification; and
- introducing a 6 month grace period.

Option 3 suggested a major revision of Australia's designs system, including:

- providing a formal unregistered design protection system (though not a preferred ACIP option);
- extending protection to partial designs, virtual or non-physical designs (so called 'transient' designs such as GUI on-screen displays and icons); and
- allowing copyright enforcement of 2D and 3D designs regardless of industrial application.

Option 3 would only be appropriate if the policies reflected in the 2003 Act no longer make sense or had been superseded.

Although overseas originating design applications have increased since 2003 and, design filings have remained steady, Australian originating design applications have remained disappointingly static.

It is to be hoped that by further amending areas of the designs protection system, including potentially adjusting broader policy settings, the present issues will be addressed and there will be a much greater use of the designs registration system by Australian designers/companies.

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# Recent & Upcoming Changes to New Zealand Patent Law

## Key Points -

- **The New Zealand Patents Act 2013 introduces significant changes to New Zealand patent law including higher examination standards**
- **There was a surge in New Zealand patent filings leading up to the commencement of the 2013 Act**
- **A Bill will be introduced to New Zealand Parliament to allow patent work sharing between the New Zealand and Australian IP offices**

## Single Economic Market

A Bill is expected to be introduced to New Zealand Parliament this year to allow the implementation of the Single Application and Single Examination patent processes, which are part of the Single Economic Market agenda to create a seamless trans-Tasman business environment. These processes will allow patent work sharing between the Australian and New Zealand IP offices.

The Single Application process will allow applicants to file Australian and New Zealand patent applications at either the Australian or New Zealand IP office.

The Single Examination process will allow applicants to have the Australian and New Zealand patent applications examined by either the Australian or New Zealand IP office. Examination of applications will be allocated according to office workload, and each office will examine each application according to the national law that applies to that application.

## New Zealand Patents Act 2013

The 2013 Act recently replaced the New Zealand Patents Act 1953. The 2013 Act introduces higher standards of examination and aligns New Zealand patent law with that of its major trading partners, including Australia. The new Act is also a step forward towards the implementation of the Single Application and Single Examination processes.

The changes instigated a flurry of patent filings in the days leading up to commencement of the 2013 Act. Applications that were filed or entered national phase in New Zealand before commencement of the new Act will be examined according to the 1953 Act. The online patent records of the New Zealand IP office show that national filings and national phase entry of international (PCT) applications in September 2014 both more than doubled the respective patent filings of previous months.

At this stage, there appears to be only a minimal drop-off in patent filings since

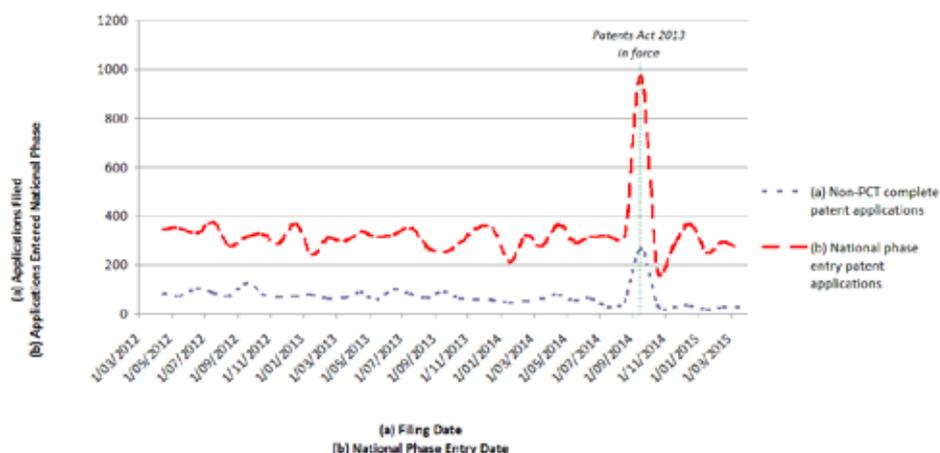
September 2014. However, because a high number of PCT applications entered the New Zealand national phase early to get in under the 1953 Act, there may be a drop-off in future New Zealand national phase entry patent filings over the next two to three years.

In view of the surge in patent filings in September 2014, there may be some delay in the New Zealand IP office issuing first examination reports as the office clears through the backlog of patent applications. The increased workload may also see the Bill relating to the Single Application and Single Examination processes be given some priority in Parliament.

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New Zealand Patent Application Filings





# Terminating patent licences

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Regency argued that the wording of s.145 expressly incorporates both the singular and plural, so the Acts Interpretation Act should not modify the literal meaning of the section.

The Full Court was not convinced, and found that s.145 permitted a multi-patent licence to be terminated only when all of the licensed patents had expired (by reading "invention" as "inventions").

## Commercial considerations

The Full Court was concerned that permitting termination of a multi-patent licence after the expiry of any one of the licensed patents would lead to uncommercial outcomes. The Court gave the example of a licensee of a machine who might be left "without the benefit of a licence where only one patent for one of the myriad of inventions the subject of the licence necessary for the working of the machine... had expired".

It is common for patent licences to form part of a wider transaction involving other IP rights, or the supply of products or services. A company might be licensed to sell a patented product under a registered trade mark, or to use confidential know how in addition to patented technology. The Full Court's concerns in relation to the position of a licensee would apply equally to those situations. On its face section 145 would allow termination of a hybrid licence involving a patent and other IP, despite the other IP remaining on foot after expiry of the licensed patent. But that issue was not considered by the Court.

The Full Court was also influenced by the fact that the expiry dates of patents will generally be known at the time a patent licence is negotiated and the parties can take this into account when negotiating the licence - for example by providing for royalty reductions as patents expire.

The Full Court's approach provides opportunities for patentees to secure royalty streams beyond the life of their core patents. For example, a licence might extend to patented improvements, even if the commercial value of those improvements is minimal, for the sole purpose of extending the licence term.

Section 145 requires that patent licences be drafted carefully. It might be prudent to a separate a hybrid patent and trade mark licence into separate contracts, each capable of independent termination. Royalty obligations might be limited to products that are within the scope of a claim of a current patent. As always, the best approach will reflect the commercial aims of the parties, and whether the agreement is drafted to favour the licensor or licensee.

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\* Watermark IP Lawyers represented Regency Media in the appeal.

## IAM: Watermark

### Meet Len Hickey

Len is a Senior Associate practising predominantly in the area of IP litigation.

Len loves a challenge - whether it's tackling a new piece of music or complex legal matters, Len focuses on the end result: his clients' commercial goals.

He has experience in litigation involving all forms of IP, and also regularly advises clients in relation to non-contentious IP transactional matters.

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