Australian Government
IP Australia

Patents Trade Marks Designs Plant Breeder's Rights

Delivering a world leading IP system

Submission to the Attorney-General's Department on the Recognition and Enforcement of Foreign Judgements

27 April 2018

IP Australia

IP Australia is the Australian Government agency responsible for administering Australia's patents, trade marks, designs and plant breeder's rights systems. IP Australia operates as a listed entity within the Industry, Innovation and Science portfolio. Our vision is to deliver a world leading intellectual property (IP) system building prosperity for Australia.

As well as granting exclusive rights under the statutes it administers, IP Australia performs a number of functions including working closely with the Department of Industry, Innovation and Science to advise the Australian Government on IP policy; providing IP information and education services to business and the broader community to increase understanding of the important role IP plays in innovation; actively engaging in international IP fora; and contributing to bilateral and multilateral negotiations.

Submission

This submission outlines some considerations on IP matters raised in the AGD's public consultation document including the potential for unforeseen consequences for the IP system. IP stakeholders include rights holders, consumers, competitors and potential defendants, who may, under this draft Convention, face sanctions they do not currently anticipate.

IP Australia acknowledges that as the value of IP in business, trade and investment grows, the importance of a high-performing IP system that is integrated into the global system of IP rights and aligned with our major trading partners increases. It is also important to retain flexibility to ensure the IP system in Australia remains adaptable. However, we emphasise the importance of ensuring Australian IP stakeholders are not exposed to unintended, adverse consequences through efforts to harmonise and connect legal systems.

It is important to note that while Australia's IP system continues to rank highly in global ratings, including ranking 14th on the Global IP Index 2018,[1] Australia is a net importer of IP with the majority of patents, design rights and plant breeder's rights in Australia filed by overseas applicants.[2] It is important to ensure that stakeholders are given an opportunity to comment before changes are made which may have unintended consequences, and that full consideration is given to the benefits for the Australian economy from changes to the global system.

- ***There does not seem to be a problem***

It is not clear to IP Australia that there are current issues for IP stakeholders which will be or need to be addressed through the inclusion of IP in the draft Convention. Accordingly, we are interested to hear from IP stakeholders whether they have experienced or anticipate problems with the enforcement of foreign or domestic IP judgments, and if so, the size and nature of the problem. If IP is to be included in the Convention, the reasons for doing so, the problems being addressed, and the full range of consequences should be clearly identified for the benefit of Australian IP stakeholders.

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[1] US Chamber International IP Index, Global Innovation Policy Center, *Global IP Index* (2018) <http://www.theglobalipcenter.com/wp-content/uploads/2018/02/GIPC_IP_Index_2018.pdf> 6.
[2] IP Australia, *Australian Intellectual Property Report* (2018) <https://www.ipaustralia.gov.au/sites/g/files/net856/f/ip_report_2018.pdf> 7, 15, 21, 25.

- ***Increased exposure for Australian stakeholders***

The draft Convention may result in increased exposure for Australian stakeholders by having Australian courts recognise and enforce foreign judgments where such judgments are based on laws contrary to domestic policy and/or seek to enforce remedies that may be considered excessive by Australian standards. For example, while judgments awarding exemplary or punitive damages that do not compensate for actual loss or harm suffered may be refused (Article 10(1)), this is discretionary and it remains unclear how courts may apply any such safeguards.

It also appears that the draft Convention may also allow judgments to be recognised and enforced where statutory damages are awarded, despite these types of damages only being available in a limited number of jurisdictions.

Such examples highlight the territorial nature of IP rights and avenues for infringement, and how the draft Convention may increase complexity and legal uncertainty for IP stakeholders.

IP Australia understands and recognises the benefits and principles in supporting compliance with domestic laws (both in Australia and in foreign jurisdictions). Companies operating in foreign jurisdictions must avail themselves of the local laws and potential legal risks. However, there are some IP rights that are unregistered; can be difficult to ascertain; or which exist via international agreements without a list of protected IP rights being publically available, and having such rights within the scope of this treaty would expose Australian stakeholders to additional risk with little in the way of information or clarity on existing rights.

- ***Potential for increased complexity***

IP Australia understands that the draft Convention aims to enhance cross-border cooperation in civil and commercial matters. The inclusion of complex issues such as IP in the Convention would add an additional layer of complexity to current legislative and common law systems in Australia and abroad.

Further, IP Australia also understands that the application of the draft Convention is limited to Contracting Parties and matters that fall within the scope of the draft Convention, which means that existing regimes will continue to apply in a number of instances, leading to the potential for increased complexity.

- ***Apparent insufficiency of safeguards***

The IP safeguards included in the draft Convention, and as outlined in the consultation paper (Articles 5(3), 6(a), 7(1), 8(3) and 11), are sometimes uncertain, appear to be mostly discretionary, and could be insufficient. For example, recognition or enforcement of a judgment may be refused if it would be manifestly incompatible with the public policy of the requested State (Article 7(1)(c)). While differences exist among IP systems based on different public policy positions, these differences might fail to reach the very high threshold required for manifest incompatibility with public policy, which historically has been more likely to be considered in cases involving issues such as national security or human rights violations.

Additionally, some of the language included in the safeguards is unclear. For example, it is unclear what is considered 'activity [that] cannot reasonably be seen as having been targeted at that State' (Article 5(3)(a) and (b)). The onus appears to be on the party wishing to employ the safeguard to prove that the activity could not reasonably be seen as targeting the relevant State and there is little in the draft Convention to provide guidance on how this could be used.

As discussed above, exemplary or punitive damages that do not compensate for actual loss or harm suffered may be refused (Article 10(1)), but such refusal is at the discretion of the particular court.

- ***Grant or registration of rights deemed to have taken place under the terms of an international or regional instrument (Article 5(3)(a))***

The draft Convention refers to international and regional instruments but does not provide a definition for these, this seems inherently risky. International and regional instruments, such as memorandums of understandings, trade agreements or multilateral treaties, can be binding between two or more countries. There are instances of such instruments affording IP protection, the acquisition of which has not been transparent or subject to the usual checks and balances available in Australia, such as the opportunity for objections and consideration of prior IP rights. The objects or terms covered by such protection are sometimes not readily available on public registers.

Unlike some instruments, applications for IP rights are usually published before they are granted and businesses seeking to ascertain whether they have freedom to act in certain territories can see when there is a claim that is not yet granted. As such, we see a risk that an international or regional instrument entered into by other parties could be read as enforceable under the Convention, and affect Australian stakeholders.

- ***Relationship with international instruments***

IP stakeholders may be unclear as to which IP instruments continue to operate separately to this draft Convention, adding an additional layer of complexity and legal uncertainty. In particular, Article 25(5) states that a member to the draft Convention may declare that other international instruments remain unaffected by its operation. Yet it is unclear if and how such declarations will be made public.

Conclusion

It is not clear to IP Australia that there are current issues for IP stakeholders which will be or need to be addressed through the inclusion of IP in the draft Convention. There also appears to be a number of risks and potential for unforeseen consequences for the IP system, which may not benefit Australia.

We are interested to see the outcome of the consultation, and take the view that if IP is to be included in the Convention, the reasons for doing so, the problems being addressed, and the full range of consequences should be clearly identified for the benefit of Australian IP stakeholders, but do not believe that case has yet been made.

Please contact Tanya Duthie on tanya.duthie@ipaustralia.gov.au to discuss this submission further.