Law Council
OF AUSTRALIA
Business Law Section

Mr Victor Portelli
General Manager
Patents and Plant Breeders Rights Group
IP Australia
PO Box 200
Woden ACT 2602
Via email: victor.portelli@ipaustralia.gov.au

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Dear Mr Portelli

The right of an exclusive licensee to sue for infringement under the *Designs Act 2003* and the *Plant Breeders Rights Act 1994*

The Intellectual Property Committee of the Business Law Section of the Law Council of Australia (***Committee***) is writing to you regarding the inconsistency across the intellectual property statutes in relation to the right of an exclusive licensee to sue for infringement, particularly under the *Designs Act 2003* and the *Plant Breeders Rights Act 1994*.

The principal statute based intellectual property rights in Australia are:

- Patents – *Patents Act 1990*
- Copyright – *Copyright Act 1968*
- Trade Marks – *Trade Marks Act 1995*
- Designs – *Designs Act 2003*
- Plant Breeders Rights – *Plant Breeders Rights Act 1994*.

In each of these statutes the intellectual property (***IP***) right concerned is first granted to the entity responsible for its creation. The owner of the IP right, in each case, is entitled to assign its interest to a third party or it may choose to licence the right to a third party.

Licences of IP rights take one of three forms:

1. An exclusive licence permits the licensee to exploit the right to the exclusion of all others including the licensor;

2. A non-exclusive licence permits the licensee to exploit the right but is not guaranteed the right to do so to the exclusion of any other licensee or the exploitation of the right by the licensor;

3. A sole licence which is commonly accepted to mean that only the licensor and the sole licensee are entitled to exploit the right the subject of the licence.

Clearly the most valuable of these rights (usually for both licensor and exclusive licensee) is an exclusive licence. In such a case the licensor is completely reliant upon the exclusive licensee to receive consideration from the exploitation of the right and the exclusive licensee is able to extract maximum return from the licensed right free from any other party being able to exploit the right – even the licensor/owner of the right.

It is a consequence of this unique nature of an exclusive licence of an IP right that the exclusive licensee is, in most instances, provided with rights to protect its exclusive status.

In the case of the *Patents Act* an exclusive licensee of a patent may commence proceedings for infringement of the licensed patent against a third party[1] but must join the patentee to any infringement proceeding (as either plaintiff or defendant)[2].

In the case of the *Copyright Act* an exclusive licensee of copyright is given concurrent rights with the copyright owner to sue a third party for infringement of copyright the subject of the licence[3] but, if the exclusive licensee commences an action for infringement it must join the copyright owner as a plaintiff or add the owner as a defendant[4].

In the case of the *Trade Marks Act* the authorised user of the mark may commence proceedings against a third party for infringement of the mark[5] at any time with the consent of the owner or if the owner refuses consent, or after two months if the owner fails to commence infringement proceedings within that period after having been notified of an alleged infringement[6].

In the case of the *Designs Act* the registered owner of a design has the right to authorise a third party to do any of the things within the exclusive province of the design owner[7].

Accordingly, the registered owner of the design may grant an exclusive licence in respect of the design. However, there is no express provision in the *Designs Act* giving to an

[1] Section 120(1) of the *Patents Act 1990*.
[2] Section 120(2) of the *Patents Act 1990*.
[3] Section 119(1) of the *Copyright Act 1968*.
[4] Section 120(1) of the *Copyright Act 1968*.
[5] Subject to any agreement to the contrary.
[6] Being the combined effect of section 26(1) and Reg. 3.2 of the Trade Marks Regulations 1995.
[7] Section 10(1)(f) of the *Designs Act 2003*.

exclusive licensee the right to sue for infringement of the registered design and it appears that an exclusive licensee of a registered design therefore has no such right[8].

It has been suggested[9] that an exclusive licensee of a registered design may have an equitable right to sue a third party for infringement and that all that is required is for the exclusive licensee to join the registered design owner as either a co-plaintiff or nominal defendant.

However, it is far from clear whether an exclusive licensee of a registered design in Australia has any such equitable right to sue for infringement.

In the case of the *Plant Breeders Rights Act* the right to sue for infringement is very specifically given to the grantee[10]. The grantee of the PBR is given a right to licence the variety[11].

In many instances the grantee of the PBR is domiciled outside Australia and collects revenue by means of a licence, including, where appropriate, an exclusive licence, and the collection of royalties. The inability of an exclusive licensee of a PBR to sue for infringement creates considerable practical difficulties.

If, for example, an exclusive licensee of a PBR identifies an alleged infringement it may need to act quickly to prevent continued infringement and/or to gather evidence of infringement.

The ability to act quickly is hampered if the exclusive licensee has to inform the grantee of the alleged infringement and convince it to take action against the alleged infringer.

Oftentimes a foreign based grantee of the PBR is not strongly motivated to assist in pursuing a local alleged infringer either because of the cost associated with doing so or the administrative burden created. In such circumstances the unfortunate exclusive licensee is effectively deprived of any ability to protect its revenue stream.

On the face of it there does not appear to be any policy or practical reason why, in the case of registered designs and PBR, the ability of an exclusive licensee of such rights to sue for infringement should be curtailed.

The express right to sue for infringement given to exclusive licensees in the case of other, analogous, IP rights only serves to underscore the inconsistency of approach when it comes to registered designs and PBR.

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[8] See *Heap v Hartley* (1889) 6 RPC 495, an early UK case concerning patents (before an exclusive licensee was given an express right to sue) but the principle would appear to apply in relation to registered designs.
[9] *Russell-Clarke on Registered Designs*, 6th edition (1999) at para 6.12.
[10] Section 54(1) of the *Plant Breeders Rights Act 1994* states "*An action for infringement of PBR in a plant variety may be begun in the Court only by the grantee*" (emphasis added).
[11] Section 20 of the *Plant Breeders Rights Act 1994*.

In the UK an exclusive licensee of a registered design is given the right to sue for infringement concurrently with the registered proprietor of the design[12] however the design owner must be joined to any action commenced by the exclusive licensee either as plaintiff or defendant.

In New Zealand an exclusive licensee of a registered design is not given any express right to sue under the *Designs Act 1953*, however this is, arguably, not so important in New Zealand given that there is, in effect, a concurrent copyright right which could be relied upon by the exclusive licensee.

In New Zealand the equivalent of the *Plant Breeders Rights Act* is the *Plant Variety Rights Act 1987*. Under section 19 of the *Plant Variety Rights Act 1987* a licensee is given the same rights as the holder of a plant variety right. That includes the right to take proceedings in respect of any infringement of the rights committed after the granting of the licence.

The equivalent legislation in the UK is the *Plant Varieties Act 1997*. That Act provides that plant variety rights shall be actionable at the suit of the holder of the rights[13]. It therefore appears that the UK legislation operates in the same way as the Australian *Plant Breeders Rights Act* and limits the party able to sue for infringement of a PBR to the holder of the right. However, once again, there appears to be no self-evident or logical reason why the exclusive licensee of a plant variety in the UK should not have any right to prevent third parties from infringing the right which is the subject of the licence.

Conclusion

The Committee therefore proposes that an amendment be made to both the *Designs Act 2003* and the *Plant Breeders Rights Act 1994* to permit, in each case, the exclusive licensee of a right granted under either of those acts to sue third parties for infringement of the right.

Given the close connection between registered designs and copyright an amendment to the *Designs Act 2003* could reflect the provision in the *Copyright Act 1968* which enables an exclusive licensee to sue for copyright infringement[14].

In the case of the *Plant Breeders Rights Act 1994* the rights granted are akin to those granted under the *Patents Act 1990* and the enactment of a provision permitting an

[12] Section 24F of the *Registered Designs Act 1949* (UK).
[13] Section 13(1) of the *Plant Varieties Act 1997* (UK).
[14] Supra n. 3.

exclusive licensee of a PBR to sue for infringement could reflect the provision in the *Patents Act 1990* enabling an exclusive licensee to sue for infringement[15].

If you have any questions regarding this submission, please contact the Committee Chair, Richard Hamer, by phone on 03-9613 8853 of via email: Richard.Hamer@allens.com.au.

Yours sincerely

John Keeves
Chairman, Business Law Section

[15] Supra n.1.