Patents and Trade Secrets

1. The Patent System

1.1 The Nature of Intellectual Property

1.1.1 Cristie and Rotstein – *Nature of Intellectual Property*

Introduction

- IP law creates rights between individuals that are vested in abstract objects.
- IP law is rarely static, and is thus difficult to define.

What is Intellectual Property?

Different Meanings

- **First Meaning:** A sub-group of the category 'intangible subject matters' ('intangibles').
  - Intangibles within the IP category share certain features that warrant particular treatment under law.
- **Second Meaning:** Entitlements (i.e. rights).
  - Held by legal entities.
  - Exist in relation to intangibles.
  - Enforceable against other legal entities.
- **Third Meaning:** Laws which give rise to IP rights in respect of particular intangibles.
  - Grouped under particular titles (e.g. 'patent', 'copyright', etc).
- **Fourth Meaning:** The entire field of discourse concerning all of the above.

'Intellectual Property' Deconstructed – What Makes an Intangible Asset into IP?

'Intellectual'

- IP is derived from **human intellectual activity**.
- The particular human intellectual activities commonly resulting in IP are **innovation and creativity**, which result in **doing something new or bringing into existence something new**.

'Property'

- The legal concept of property is one of **rights to subject matter** rather than of subject matter per se.
- The **right of exclusivity** (i.e. possession to the exclusion of all others) is a hallmark of property.

'Intellectual Property'

- **Intellectual Property:** "[A]n intangible subject matter emanating from the human intellect in respect of which a legal right of exclusivity may be granted."

Intellectual Property vs Physical Property

Intellectual Property	Physical Property
Non-excludable: incapable of being possessed to the exclusion of others. BUT the law confers exclusive rights of exploitation. **CANNOT be protected without the intervention of the law.**	**Excludable:** capable of being possessed to the exclusion of others. BUT the law confers exclusive rights of exploitation. **Can be protected without the intervention of the law.**
Transferrable: the exclusive rights can generally be transferred (i.e. bought and sold, licensed, charged, etc).	**Transferrable:** the exclusive rights can generally be transferred (i.e. bought and sold, licensed, charged, etc).
Non-rivalrous: more than one person (all) can use it at the same time.	**Rivalrous:** only one person can use it at any one time.
Non-exhaustible: cannot be depleted/worn out.	**Exhaustible:** can be depleted/worn out.

- See ***Re Dickens***: Charles Dickens bequeathed an unpublished manuscript to his sister-in-law – She owned the manuscript – **She did not own the literary work embodied in the manuscript** (i.e. the intangible asset in which copyright subsisted) and so could not reproduce it.

Protecting Intellectual Property

Difficulties with Protection of Intangible Assets

- It is **difficult to define** the boundaries of intangible property (e.g. what amounts to a 'substantial recreation' of an artistic work?)
- It is **difficult to monitor** whether an intangible asset has been reproduced or used without permission (cf. a physical asset such as a car, which is relatively easy to monitor).
- It is often **difficult to prove** that IP has been reproduced or used without permission.

The Law's Response to These Challenges

- **The commercial value of IP is commensurate with the protection afforded to it by law.**

How does the law protect IP?	
Exclusive rights and correlative obligations.	• e.g. exclusive right to use – correlative obligation not to use without permission. • The law "creates an **artificial scarcity** by assigning an exclusive privilege of exploitation to the person it qualifies as right-owner or licensee" – MacCormick. • The rights are **essentially negative**; they confer the right to prevent others from engaging in unauthorised activities.
Intervention by the nation state.	• Rights-holders have the right to prosecute or sue those who infringe upon their rights.

The Creation of Intellectual Property Laws

- The nation state is also responsible for creating IP laws.
  There is constant pressure for change catalysed by emerging trends and technologies.

Protecting Intellectual Property Internationally

Territoriality

- IP moves across borders with relative ease.
- The principle of territoriality is that IP rights **do not operate outside of the national territory where they are granted**.
- IP can only be protected internationally via treaties.

Treaties

- **Treaty:** An agreement under international law entered into by a number of nation states.
- Treaties have led to a substantial integration of IP systems throughout the world.
- This integration has numerous key features:
  - treaties **set minimum standards**, producing a degree of harmonisation of IP laws;
  - the principle of national treatment means **domestic IP laws don't discriminate** against foreign IP owners;
  - the principles of international recognition and the right of priority means that domestic IP laws operate to ensure that IP owners in one country are **able to receive protection in other countries**.
  - HOWEVER, treaties generally don't provide for dispute settlement procedures.

1.1.2 [L] Property in Ideas

Free Competition and Intellectual Property Rights

- **General Rule:** free competition; as a matter of actuality, because intangibles are non-excludable, they are free to be used by everybody.
  - This is desirable as a matter of policy; we want people to build upon others' ideas and innovate.
- **Exception:** IP rights; prevents use by others.

2. THE PATENT SPECIFICATION

2.1 Components of the Patent Specification

2.1.1 [L] [M] Components of the Patent Specification

Introduction

- A patent specification must, inter alia:
  - disclose the invention; and
  - end with a claim(s) defining the invention.
- Main component of a patent specification:
  - **bibliographic information**, which informs when and by whom the invention was made so that the priority date and patentee may be known.
  - the **description**, which describes the invention; and
  - the **claims**, which define the invention.

Description

- **Description: describes** the invention, so the public is informed how the invention works, and how to make the invention (if it's a product) or use the invention (if it's a method/process).
  - The specification must "disclose the invention **in a manner which is clear enough and complete enough for the invention to be performed** by the person skilled in the relevant art."

Claims

- **Claim: defines** the invention, so the public knows what it is, and is thus informed about **what the patent's exclusive rights have been granted over**.
  - A claim is "something delimiting the area of … monopoly, an area which [the inventor] asserts is novel, and from which the public is therefore to be excluded"; Isaacs J in ***Ballantyne***.
- "It is not sufficient for the inventor to discover his gold mine - he must also peg out his claim. Outside the pegs, the gold, if it be there, is free to all"; Maugham J in ***Marconi's Wireless Telegraph***, adopted by the HCA in ***Shave***.

NB: MAKE SURE YOU UNDERSTAND THE DIFFERENCE BETWEEN THE DESCRIPTION AND THE CLAIM (DEFINITION).

2.1.2 *Patents Act 1990* (Cth) – Specifications

40. Specifications

(2) A complete specification must:

(a) disclose the invention in a manner which is **clear enough and complete enough for the invention to be performed** by a person skilled in the relevant art; and

(aa) disclose the best method known to the applicant of performing the invention; and

(b) where it relates to an application for a standard patent--**end with a claim or claims defining the invention**; and

(c) where it relates to an application for an innovation patent--end with at least one and no more than 5 claims defining the invention.

2.2 Principles of Construction of the Patent Specification

2.2.1 [L] [M] Principles of Construction of the Patent Specification

Axioms for Construing Patent Specifications

- The specification is to be **read through the eyes of the person to whom it is addressed**; the notional person skilled in the art of invention.
  - Hypothetical person.
  - Diligent and knowledgeable, but uninventive.
- The words of the patent specification are to be read in context, i.e., the patent specification is to be **read as a whole**.
  - This is subject to the principle that **the words of *claims* are to be given their ordinary meaning**, such that if they are clear in their own right, they are not to be given some other meaning of by virtue of words elsewhere in the specification.
- A patent specification is to be given a **purposive construction**, i.e., a construction which gives the patentee:

  the full extent, but no more than the full extent, of the monopoly which a reasonable person skilled in the art of the invention, reading the claims in context, would think that the patentee was intending to claim.

2.2.2 *Décor Corporation Pty Ltd v Dart Industries Inc* [1988] FCA 399

Rules of Construction of Patent Specifications

SHEPPARD J

NB: AC's order of rules – italicised text = from AC.

General Principles of Construction

RULE 3: Despite Rule 2, the task of construction requires that the specification be **read as a whole**.

RULE 6: A patent specification should be given a **purposive construction**, not a purely literal one.

- *Purely literal construction: obtained by looking at the ordinary meaning of words.*
- *Purposive construction: obtained by considering the purpose of the invention.*
- *Give words their literal construction, but not to the extent that the contextual meaning is lost.*

RULE 7: In construing a specification, the Court is not construing a written instrument operating *inter partes* (i.e. between the parties), but a **public instrument** which must define a monopoly in such a way that it **is not reasonably capable of being misunderstood**.

- *The meaning given must be applicable to all stakeholders, and not simply one that considers the particular parties to a dispute.*

RULE 10: If it is **impossible** to ascertain what the invention is from **a fair reading of the specification as a whole, it will be INVALID**.

- **BUT:** The specification MUST be construed in light of the **common general knowledge (CGK) of the person skilled in the art (PSA) (of the invention) BEFORE the priority date**.

Construction of the Description

RULE 8: The body (description), apart from the preamble, is there **to instruct those skilled in the art concerned** in the carrying out of the invention.

- Provided it is comprehensible to, and does not mislead, a skilled reader, the language used is **seldom of importance**.
- *i.e. because the description doesn't define the subject matter over which the rights apply, it doesn't need the fine, careful analysis required of the claims.*
- *BUT it still provides context, and is part of the specification that must be read as a whole.*

Construction of the Claims

RULE 1: The claims define the invention.

- Claims construed according to their terms upon ordinary principles.
- Any purely verbal or grammatical question that can be answered according to ordinary rules for the construction of written documents is to be resolved accordingly.
- *The same word is used to refer to the same thing.*
- *Different words are used to refer to different things.*

RULE 2: It is **NOT** legitimate to confine the scope of the claims by reference to limitations which may be found in the body of the specification but are **not expressly or by proper inference reproduced in the claims themselves**.

- i.e. cannot narrow/expand the claim based on sources within the specification, but outside the claim itself.

RULE 4: In **some** cases, the meaning of the words used in the claims may be **qualified or defined** by what is said in the body of the specification.

RULE 5: IF CLAIM IS CLEAR: it cannot be obscured just because obscurities can be found elsewhere in the document.

- **BUT: IF CLAIM IS UNCLEAR:** one may **resort to the body of the specification** to define/clarify the meaning of words used in the claim.
- Ambiguity refers to competing meanings that are **equally plausible**.

RULE 9: Despite Rule 8, the claims (since they define the monopoly) will be **scrutinised with as much care as is used in construing other documents** defining a legal right.

14. Action in Equity to Protect Trade Secrets

14.1 Introduction to Protection for Secrets

14.1.1 [L] [M] Protection for Secrets

Introduction

- **Secret:** information that is not widely known.
- Information is intangible; it can be easily communicated and thus easily (mis)appropriated by others.
- The law does not regard information as property; it cannot be 'owned' by someone.

> "The **general rule** of law is that the noblest of human productions – knowledge, truths ascertained, conceptions, and ideas – became, after voluntary communication to others, **free as the air** to common use.
>
> Upon these incorporeal productions the **attribute of property** is continued after such communication **only in certain classes of cases** where public policy has seemed to demand it.
>
> These **exceptions** are confined to productions which, in some degree, involve **creation, invention, or discovery**. But by no means all such are endowed with this attribute of property.
>
> …
>
> In [trade secrets] cases, the plaintiff has **no absolute right** to the protection of his production; he has merely the **qualified right to be protected as against the defendant's acts**, because of the **special relation** in which the latter stands or the **wrongful method or means** employed in acquiring the knowledge or the manner in which it is used": ***International News Service v Associated Press*** (US).

14.2 Action in Equity to Restrain a Breach of Confidence

14.2.1 [L] [M] Action in Equity to Restrain a Breach of Confidence

Introduction

- Protection in Australia for secrets is obtained primarily by way of the equitable action to restrain a breach of confidence.
- Equity allows a holder of confidential information to prevent another person, to whom the information has been disclosed, from making use of the information beyond the purposes for which it was disclosed.

14.3 Application of Equitable Principles to Trade Secrets

14.3.1 Application of Equitable Principles to Trade Secrets

Introduction

- Australian trade secrets law derived from the *TRIPS Agreement* (see 14.3.2).
- The basis of the equitable jurisdiction to relieve against an actual or threatened abuse of confidential information lies "in the notion of an obligation of conscience arising from the circumstances in or through which the information was communicated or obtained": ***Australian Medic-Care*** (quoting ***Moorgate***).

There is only one question: whether use/disclosure would be inequitable. These interrelated elements help answer that question.

1. Information That is Confidential

- **RULE:** the information in question must be **confidential in character**; it must have "the necessary quality of confidence about it": ***Australian Medic-Care*** (quoting ***Saltman***).
- ***"information"*** has a very wide meaning, which includes:
  - recipes;
  - activities; and
  - genes.
- **RELATIVE SECRECY:** the **"essential attribute"** of confidential information is **"relative secrecy"**, which refers to information that:
  - is not widely known or publicly available in the relevant industry/trade/etc;
  - is not capable of reverse engineering except by expenditure of time, money or effort;
  - was produced/obtained by confider only after expenditure of time and/or money by way of research OR in the application of skill and ingenuity (ask: could another person acquire or duplicate the information ONLY by going through a like process?);
  - the confider has taken steps to preserve the information's secrecy and prevent it becoming public knowledge;
  - is intrinsically valuable or valuable to the confider/a competitor/another interest party; and
  - a reasonable person in all the circumstances would recognise as the "property" of the confider: ***Australian Medic-Care***.
- **QUESTION OF DEGREE:** need not meet all criteria; whether relative secrecy exists in a given case will "often be a question of degree": ***Australian Medic-Care***.

2. Imparted or Acquired under an Obligation of Confidence

- **RULE:** the information must have been imparted in **circumstances importing an** obligation of confidence: ***Australian Medic-Care*** (citing ***Coco***; ***Ansell***).
- The obligation may arise:
  - by agreement (express or implied);
  - by nature of the relationship between the parties; and/or
  - by reason of the subject matter and the circumstances in which it came into the hands of the recipient: ***Australian Medic-Care***.
- **"PURPOSE" TEST:** whether the information was imparted for what was known, or ought reasonably to have been known, to be only for a particular purpose: ***Australian Medic-Care***.
  - **IF YES:** the information's use must be limited to that purpose.
  - **IF NO:** not limited to that purpose.
  - **NB:** not always appropriate; see below. **In any case**, think of this as an element to consider rather than a determinative test.
- **"REASONABLE PERSON" TEST:** whether a reasonable person standing in the shoes of the recipient would have realised that upon reasonable grounds the information was being given in confidence (i.e. that they are not free to do what they wish with the information): ***Australian Medic-Care*** (quoting ***Coco***).

3. Used by Recipient in an Unauthorised Manner

- **RULE:** there must have been an actual or threatened unauthorised use or disclosure of the information: ***Australian Medic-Care***.
- **"PURPOSE" TEST:** the obligation is to not use the information for a purpose other than that for which it was disclosed (i.e. the "purpose" test approach): ***Re Smith***.
    - **BUT:** the test of confider's purpose will ordinarily not be appropriate where each party's interests are different, and known to be so: ***Re Smith***.
- **"REASONABLE PERSON" TEST:** does not provide guidance as to the *scope* of an obligation of confidentiality (where one exists) **BUT** must keep sight of the broad principle of equity that the recipient of information in confidence **shall not take "unfair advantage"** of it; ***Re Smith*** (quoting ***Seager***).
    - To avoid taking unfair advantage of information does NOT necessarily mean the recipient must not use it for a purpose other than that for which it was disclosed: ***Re Smith***.
- **RULE: REGARDLESS OF THE TEST USED** there can be no breach of equitable obligation UNLESS "a confidence reposed has been abused, that **unconscientious use** has been made of the information": ***Re Smith***.
- **IF MARGINAL CASE:** "the Courts should not be too ready to import an equitable obligation of confidence": ***Re Smith***.
    - Do not want to unduly obstruct the administration of business and government or ordinary communication between people.
    - *Example:* substantial interference with the vital functions of government (in protecting the health and safety of the community) would ensue if SKF were to succeed: ***Re Smith***.

Example:

- **SKF:** supplied a partly confidential mass of information in pursuit of its commercial interests (i.e. obtaining authority to bring a pharmaceutical onto the market.
- **The Department:** received said information to establish whether the pharmaceutical was safe, and to use that information if a third party sought to get approval to market a generic version of the pharmaceutical.
- **HELD:** it was **NOT INEQUITABLE** for the DoH to make use of the SKF confidential information when assessing whether a third party's pharmaceutical could be given marketing approval.
    - The DoH's responsibilities were to assess the safety and efficacy of generic competitors' pharmaceuticals and have them brought to the marketplace for the use of consumers; this was **use for "internal purposes"**.
    - THEREFORE: it was irrelevant that:
        - the DoH sought to (and did) use the information for a purpose other than that for which it was given; and
        - for a purpose contrary to SKF's interests;
    - It wouldn't be an inequitable use; equity therefore wouldn't restrain that use.

Conclusion

IF ALL ELEMENTS PROVED: the court will restrain the recipient of the information from disclosing or using it beyond the purposes for which it was disclosed (i.e. restrain the recipient from breaching the confidence).

14.3.2 *TRIPS Agreement* – Trade Secrets

Article 39

1. In the course of ensuring effective protection against unfair competition as provided in Article 10bis is of the Paris Convention (1967), **Members shall protect undisclosed information in accordance with paragraph 2** …

2. Natural and legal persons shall have the possibility of preventing information lawfully within their control from being disclosed to, acquired by, or used by others without their consent in a manner contrary to honest commercial practices so long as such information:

> (a) is **secret** in the sense that it is not, as a body or in the precise configuration and assembly of its components, generally known among or readily accessible to persons within the circles that normally deal with the kind of information in question;
>
> (b) has **commercial value** *because* it is secret; and
>
> (c) has been subject to **reasonable steps** under the circumstances, by the person lawfully in control of the information, to keep it secret.