

Repeal of the IP exemption

What this means for you?

KING & WOOD
MALLESONS
金杜律师事务所

Time starts now

Businesses who license their intellectual property (IP) rights need to **act now** and review their licensing and assignment arrangements to ensure compliance with the provisions of the *Competition and Consumer Act 2010* (Cth) (CCA). Licensees should also reconsider the licensing and assignment agreements they've entered into, as certain restrictions may no longer be lawful.

The *Treasury Laws Amendment (2018 Measures No. 5) Bill (Bill)*, which repeals the longstanding IP exemption found in section 51(3) of the CCA, passed both Houses on 18 February 2019.

The repeal of section 51(3) of the CCA will take effect in six months, on 13 September 2019. Importantly, existing arrangements will not be grandfathered, but this delayed commencement gives your business time to review its existing arrangements to ensure they now comply with the competition provisions of the CCA.

What's changing?

The removal of this exemption means that commercial arrangements concerning IP rights will be subject to competition laws in the same way as any other commercial arrangement. This change may therefore have a significant impact on the lawfulness of existing IP licensing and assignment arrangements.

What are the consequences?

Given that the ACCC made submissions to the Productivity Commission's (PC) Inquiry into Intellectual Property Arrangements in Australia that "there is no strong policy rationale that supports the treatment of IP rights differently from the way other property rights are dealt with under the CCA", the ACCC is likely to take an interest in this development.

Combating cartel conduct causing detriment in Australia is also an enduring priority for the ACCC, evidenced by its current, vigorous enforcement of the criminal cartel laws.

The consequences for corporations and individuals found guilty of cartel conduct are severe. A court may make a range of orders (including imposing criminal and civil penalties), and the reputational harm that will likely result may be lasting.

What do you need to do?

We see this as a four stage process to ensure your business is ready for the change. KWM can assist with any, or all of these stages, and tailor our support to your needs.

STAGE 1

Scoping

2 – 4 weeks



Identify and gather all your commercial contracts and arrangements concerning IP rights.

STAGE 2

Review

4 – 6 weeks



Carefully consider each of these commercial contracts and arrangements to identify whether they rely on the IP exemption or any other exemption in the CCA, and whether there are any cartel conduct risks.

Some examples of potentially anti-competitive provisions include clauses that create quantity, price or geographical restrictions, exclusive cross-licensing arrangements and settlement agreements.

STAGE 3

Strategy

~ 2 – 4 weeks



Consider how you want to deal with any contracts and arrangements that may pose a risk. Do you want to vary the agreement? Do you want to continue to impose conditions on the licensing or assignment of your IP rights? These are just some of the questions you'll need to ask.

STAGE 4

Implementation

~ 3 months



Depending on the strategy that you've decided to adopt, you may need to engage in negotiations and make some drafting changes to your contracts and arrangements concerning IP rights.

How can we help?

If you have any questions about this provision and how the change may impact you, and would like to discuss how we can help, please get in touch.



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