



**THE AUSTRALIAN FEDERATION OF INTELLECTUAL PROPERTY ATTORNEYS
FICPI AUSTRALIA**

15 September, 2000

Ms K Collins
Director Intellectual Property & Competition Review Committee Secretariat
Attorney-General's Department
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Via e-mail

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Dear Ms Collins

Interim Report

FICPI believes the committee has provided an excellent report and that if the majority of the recommendations are implemented, the IP system in Australia will be enhanced.

We have some specific comments on parts of the report as follows:

The Patent System

Manner of new manufacture

We support the Committee's recommendation in relation to the test for patentability as applied in Australia. This does provide for the development of the patent system to cover new areas of technology and is superior to the fixed definitions applied in some other countries.

Exclusions from manner of manufacture

We support the recommendation of the Committee that mere discoveries should not be included as patentable subject matter. However, care needs to be exercised in defining this exclusion to ensure that it does not exclude, from patentable subject matter, matter that goes beyond mere discovery. An example is a pharmaceutical substance isolated from natural material or which may be isolated from natural material but is in fact synthesized. While the mere identification of a gene sequence might be excluded, strips of DNA and RNA which are not found in isolated form in nature are more than a mere discovery. A substance which has been so isolated satisfies the requirements for novelty since it has not existed in that form before and provided it is industrially useful, constitutes an invention. The current law, as applied by the Courts is, we submit, satisfactory. Any attempt to proscribe mere discovery in the Act is likely to lead to ambiguity and possibly result in the exclusion of things which are both discovery and invention.

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In relation to utility, we agree with the recommended approach based on the USPTO revised interim utility guidelines and that this should form part of the examination criteria provided that the assessment is based on the description of the invention. The applicant should not be required to provide evidence to supplement or support what is said in the description, provided that is credible. Of course, in revocation proceedings, where the opponent produces evidence to challenge the presumption that the invention is useful, the patentee may be required to support the utility.

Inventiveness or obviousness test

There are two issues involved and they should be considered separately:

- the prior art base The current Australian position includes a document published anywhere in the world and use in Australia. This is the same as the position in the United States and is favoured over the European system which includes use anywhere in the world. Publications in other countries are accessible from Australia but use may not be.

For obviousness, documents or use must be shown to be material so that the skilled person could reasonably be expected to have ascertained, understood and regarded them as relevant. We consider that test is appropriate. It is unrealistic to take into account material which does not fall within that qualification.

- the test to be applied The current Australian position of taking the common general knowledge with the prior art base as above defined is difficult to apply with consistency. It is costly to prove or disprove. This test is inconsistent with international practice.

We agree that the European test for obviousness is appropriate. Combinations of prior art documents should only be permitted where it would be obvious to the persons skilled in the art to combine the information to provide the solution. The application of a universal test of inventive step is of advantage to industry. Where the same prior art exists, it is not unreasonable to expect that a patent held valid in one country will be held valid in another or if invalid in one country will be invalid in another. We believe that the European standard is an appropriate bench mark and would create a level of certainty and uniformity.

Innovation Patent

We note that under the proposals for an innovation patent, no examination will occur before grant. The patentee will be misled into believing that the right is enforceable, as may the general public. This has the potential to create significant uncertainty and it is inconsistent with other aspects of the recommendations that the examination of patent applications should be thorough and that the granted patent should be presumed valid. Unless there is a pre-grant examination, we are not in favour of the proposed innovation patent. We agree with the proposal that there be a lower threshold of novelty provided that the same test is applied at the Patent Office level as it is applied by the courts (on the balance of probabilities test).

Administration of the patent system

We note the Committee's statement that it attaches "the greatest importance to ensuring that patents are granted when, and only when, they meet the statutory pre-conditions. The Committee notes that this will also ensure that patents that are granted are, and are known to be, strong, certain and enforceable. This will reduce the uncertainty involved in patent enforcement and increase the value of those inventions that legitimately attract the benefit of patent protection, thus further enhancing the incentive for innovation associated with the patent system". We agree with that sentiment but point out that the proposal regarding non-examination prior to grant for the innovation patent is inconsistent with it.

Also, we agree with the proposal to apply a “balance of probabilities” approach in the examination process provided that there is a corresponding presumption of validity in the patent once granted.

We note that the committee is considering recommending that Australian applicants have the right to choose to have other international searching authorities undertake the searching of PCT applications. Apparently, the rationale for this is to increase competition to IP Australia and give Australian applicants greater choice. FICPI believes that any such proposal would have an adverse effect on the quality of searching that would then result from the Australian Patent Office. FICPI Australia believes that allowing Australian applicants to take advantage of foreign searching will see a steady stream of cases searched by foreign Patent Offices rather than by the Australian Patent Office. The Australian searching staff may become less skilled at their searching tasks. This, in turn, may lead to reduced quality of searching in Australia. FICPI Australia cannot see any commercial advantage in allowing Australian applicants to have searching conducted by other international searching authorities. The committee’s recommendation is therefore seen as being inconsistent with the objective of maintaining quality examination in Australia.

Disclosure of prior art requirements

We agree with the proposition that the examiner should be aware of the prior art which is known and that the applicant should be required to put this material before the examiner. But there are significant difficulties with the practical implementation of such a recommendation.

- To whom is the material known? If this is to include anyone within the Corporate structure then it is an impossible requirement for a multi-national company with many thousands of employees in many countries to comply with. If it is merely the persons responsible for the filing and prosecution of the application then others in the company might avoid providing them with materials of which they should be aware.
- What prior art should be disclosed? Only that art which is directly relevant to patentability or should it include matters which have a general relevance? Clearly the latter would create a mischief and a volume of prior art placing a burden on applicants and the Patent Office. If the former ~ who should make the decision on relevance and what is the penalty for a mistake?
- When should it be disclosed? Clearly the material should be available to the examiner when the case is before him. If acceptance is recommended then the materials might arrive too late and it is not a date of which the applicant is aware.
- Would it be necessary constantly to update the prior art as further material becomes known to the applicant? This requirement would place a considerable burden on applicants and on examining staff who would be required to re-assess the application.
- Would it be necessary to submit copies of the references? Again, this provides a substantial volume of material for Patent Office files much of which would be of little relevance and it would place a cost burden on applicants. If it is not provided, there is a burden on the Patent Office to obtain details of the materials.
- Would it be necessary to provide a translation of materials not in English? Again, this would place a significant cost burden on applicants. Unless a translation is made an applicant may not appreciate relevance.
- What penalties would apply for non-compliance? In our view, the penalty should not go to the validity of the patent as occurs in the United States. This is a draconian measure. In our submission, the penalty should be that insofar as that piece of prior

art is concerned, the presumption of validity would no longer apply. In other words, the presumption of validity would apply except insofar as a cited reference was demonstrably known to the applicant but not provided to the examiner within the appropriate time requirements.

The system as it applies in the United States is unwieldy and works to the disadvantage of the patent system. There is an ongoing obligation to provide prior art and a patent might be held invalid for non-compliance although that matter might not have rendered the patent obvious.

Admission of Prior Art

In the United States of America, Europe and other countries, it is necessary to describe an invention in the light of the prior art. It is necessary to show not only that the invention is novel but what in it is novel. As a consequence, it is practice for patent specifications to begin with a full description of what was known before, including matters that were generally known and matters which were published but not generally known. Usually this traces the steps taken by the inventor pointing to the positive and negative aspects of what was published or proposed by others.

In Australia, the law is that, all that is necessary is that the invention is novel, "it does not have to go further and say what in it is novel" - see *BUSM v Fussell*.

However, patent specifications drafted for use in other countries are usually lodged in Australia in the same form. Indeed under the Patent Cooperation Treaty, the specification in an application entering the National Phase in Australia is the specification of the international application.

In recent times, the Australian courts have used admissions of prior art to invalidate the patent contrary to the manner in which those statements are used in other countries. Attached are pages of the decision of the Full Bench of the Federal Court in *Bristol Myers Squibb v Faulding*. Thus, what is required in many countries may lead to invalidity in Australia. As a consequence, a wise applicant is required to review and possibly amend the Australian specification after entry to the national phase to remove admissions to prior art. An Australian applicant filing an international application in Australia is wise to use the international format and also amend subsequently for Australia. This is so because amendment of the specification in the United States or Europe can be difficult. To some extent this defeats the purpose of the Patent Cooperation Treaty. We therefore urge you to a recommendation that for purposes of new manner of manufacture and inventive step, discussions of prior art are not to be taken as admissions. This would mean that such discussion is treated in the same way as in Europe and the United States.

Enforcement

We agree with the ACIP report referred to insofar as an appeals board should be established to hear the following matters:

- Hearings related to review of internal decisions of examiners. This would be most important under the proposed system of balance of probabilities where a significant number of cases may go to the board.
- Disputes related to requests for extension of time.
- Opposition hearings including related ex-parte matters.
- Re-examination and revocation proceedings.

We submit that this board should be independent of the examining function of the Patent Office and be seen to be so. This does not mean that it is independent of IP Australia. It

could and should operate as a division of IP Australia as does the Patent Office, Trade Marks Office and Designs Office. IP Australia's submission appears to be an overly pessimistic view of the adverse consequence for the examining officers and appears to ignore the fact that the Board would provide a body of precedent to guide examiners.

Presumption of validity of granted patents

For the reasons given before, we would support the recommendation in relation to novelty and inventive step. But this should not apply to procedural matters or to the question of what constitutes patentable subject matter. Otherwise this would confine the development of the concept of manner of manufacture which is a desirable feature of the system as explained by the High Court in the NRDC case and as embraced in your interim report.

Appeals and enforcement

We support the position of ACIP as quoted in the report. There is a need for a relatively inexpensive process for appeals from Patent Office decisions and to hear invalidity and infringement issues. While there are many cases of significant importance that would continue to be appealed to and litigated before the Federal Court, there are also a significant number of cases where a less expensive option would be taken if available and where, at the moment, the costs of litigation are not warranted. A Federal Magistracy could be comprised by experienced practitioners and this would not interfere with the current work of the Magistracy.

We believe that appeal to the Federal Magistracy should be on the materials presented to the Patent Office.

We are in favour of retaining pre-grant opposition. It is important that there be a relatively inexpensive mechanism for third parties to object to a patent and the opposition process has proved very successful in achieving this objective. In a decision *F Hoffman-La Roche AG v New England Biolabs* handed down on 28 April 2000 Mr Justice Emmett said:

*"The fact that the legislation contemplates two stages at which the question of validity of a patent might be challenged indicates that there must be a distinction between the two proceedings. Such an approach is consistent with the proposition that pre-grant opposition is intended to provide a relatively inexpensive mechanism for resolving third party disputes as to validity. The purpose of pre-grant opposition proceedings is to provide a swift and economical means of settling disputes that would otherwise need to be dealt with by the courts in more expensive and time consuming post-grant litigation; that is, to decrease the occasion for costly revocation proceedings by ensuring that bad patents do not proceed to grant (see *Genetics Institute Inc v Kirin-Amgen Inc* (1999) 163 ALR 761 at paragraph [19]). It is a good thing to have some process by which patents that are obviously invalid will not be allowed to clutter the register (see *McGlashen v Rabett* (1909) 9 CLR 223 AT 229)."*

The Court likened the opposition process to an interlocutory proceeding.

"The language employed in the cases to which I have referred suggests that it should appear clear to the Court that no patent granted in respect of the specification would be valid. I consider that, before the Court would uphold an opposition to the grant of a patent, the Court should be clearly satisfied that the patent, if granted, would not be valid. That, however, is not to say that an opponent should not be permitted appropriate opportunity to lead evidence-in-chief as to the facts that are designed to demonstrate, with the requisite degree of clarity, that a patent, if granted, would not be valid. Where the subject matter of the patent is one of complexity, of necessity, the evidence that an opponent would be entitled to adduce would itself be of considerable complexity."

“I would expect that there would be no occasion for extensive cross-examination of witnesses for either party, assuming both parties adduce evidence. That is not to say, of course, that one would ordinarily exclude all cross-examination. For example, it may be that counsel would seek to elicit evidence from a witness that is otherwise not available. However, extensive cross-examination to demonstrate that a witness’s views ought not to be accepted or are unreliable, would, in my view, be permitted only in very exceptional circumstances.”

This emphasises the nature of the opposition is the same at the “appeal” stage as it is before the Patent Office. In our submission, it shows that appeal to the Federal Court is inappropriate. A new tribunal or the Federal Magistracy would be more appropriate for such a review.

In addition, we would support the introduction of a post-grant revocation procedure available either before the Patent Office, a new tribunal or the Federal Magistracy.

The length of trials in the Federal Court in Australia generally go far beyond the length of trials in other countries. This might arise because the presiding judiciary are not experienced in intellectual property matters and therefore significant time is taken to explain points that would not need to be explained to a specialist intellectual property jurist. In addition, because practitioners cannot be confident that the judge will be aware of the relevant issues, the preparation is significantly more extensive than would otherwise be the case. Arguments are run that would not be run before an experienced IP jurist. Not only has this resulted in much more expense but some decisions are at odds with international patent practice. The establishment of a specialist intellectual property court within the Federal Court as exists within the High Court in England would go a long way towards obviating this major deficiency in Australia, particularly, when coupled with a Federal Magistracy with the right of appearance by Patent Attorneys (as in the High Court in England). This later point is relevant to competition also.

Trade Marks Act

Disclaimers

We are strongly in favour of the re-introduction of disclaimer requirements. Many registrations are in relation to a combination of words, words and devices or devices in which there are several components. Third parties searching the Register and, in some cases, proprietors themselves, may be misled into believing the rights extend to components of the mark, or at least, they are uncertain. Professional advisers are also in difficulty in providing opinions where the scope of the protection is uncertain.

In the past, it was common for a disclaimer to be requested by the Examiner. This could be rebutted on evidence. That is, the applicant's claim was sustained. Now, that registration will issue without the evidence, and the uncertainty remains. Examples of acceptances where a disclaimer would be appropriate are as follows:

1. Registration No. 746548 BIG BLUE, where a disclaimer to the word BIG and a separate disclaimer to the word BLUE is appropriate.
2. Registration 764105 BIG DIPPER, where a disclaimer to the word BIG is appropriate.
3. Registration 742039 GOOD SPORTS, where a disclaimer to the word GOOD and a separate disclaimer to the word SPORTS is appropriate.
4. Registration 710216 THE GOOD OIL and device, where a disclaimer to GOOD, and separate disclaimer to OIL is appropriate.
5. Registration 787528 e-POWER, where a disclaimer to e and a separate disclaimer to POWER is appropriate.

The above are merely exemplary, and not representing an exhaustive list.

Domain Names

FICPI strongly supports the initiatives of WIPO and ICANN in relation to the settlement of disputes. At the moment, registration in Australia is restricted to those holding a registered business name. The holder of a registered trade mark should be entitled to obtain registration of the corresponding domain name based on that registration, if available, without the need to obtain a business name registration.

The use of domain names should not be allowed to dilute the rights of trade mark owners. Whilst Australia itself cannot interfere with registrations in other countries, we can legislate in relation to Australian registration and we can amend the Trade Marks Act to say that the use of a domain name in relation to a business offering goods or services, or information about goods or services, is an infringement of a trade mark registration in respect of those goods or services. We believe the current laws are inadequate and the problem should not be left for others to solve in the future.

Dissemination of Information

Whilst we fully support the recommendation regarding the availability of information, it should be made clear that IP Australia must avoid undertaking validity and infringement searches for the public. Despite any warnings, it might give to the contrary, such search results are taken by the public as being official. For example, at the moment, an inexpensive trade mark search is offered to persons filing applications for business name registrations. Those searches are inadequate as infringement or availability searches and do not claim to be so. However, they are taken by many of the customers to be adequate. Thus, whilst the data bases and searching tools should be provided, the results of investigations should not be.

Prior User Rights

We are pleased that the interim report has dealt with this question and would urge the recommendation outlined be made in the final report. We believe the Section 119 option is preferable to the option of Section 110 of the Patents Act 1952. Under the 1952 Act, the patent was invalid in circumstances where another had used the invention secretly.

If the prior use was known, the patent would be invalid under a different heading. If the patentee was unaware of the prior use, it seems unfair to deprive him of the benefit of his inventiveness, except insofar as it relates to the prior secret user. However, the right of the prior secret user to continue should be broad and to the extent outlined in the interim report.

Yours faithfully
Noel T Brett
PRESIDENT