



INTERIM REPORT

of

**Intellectual Property & Competition Review
Committee**

COMMENTS

by

**THE INSTITUTE OF PATENT AND TRADE
MARK**

ATTORNEYS OF AUSTRALIA

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BACKGROUND

The following written comments from The Institute of Patent and Trade Mark Attorneys of Australia (IPTA) in relation to the Interim Report of the Intellectual Property and Competition Review Committee (IPCRC) are intended to supplement the comments made during the discussion sessions.

IPTA has noted the various matters raised in the Interim Report with interest, and whilst IPTA supports a number of the recommendations or proposals as set out in the Interim Report, it does not agree with other proposals and recommendations and requests that these matters be given further consideration.

In general, the position of IPTA in relation to the various matters raised in the Issues Paper circulated in September 1999 by IPCRC has already been set out in its previous submissions in this regard. The following comments relate particularly to individual matters raised in the Interim Report on which IPTA wishes to make specific comment:

PARALLEL IMPORTATION

1. Parallel importation and the Trade Marks Act (pp 23-25).

With regard to parallel importation of legitimately trade-marked goods, IPTA supports the "exhaustion of rights doctrine" and believes that the Trade Marks Act should be amended, if necessary, to clearly deal with the artificial arrangements which have been put in place in certain instances. The IPCRC has correctly recognised that some doubt presently exists as a result of recent cases. IPTA supports any proposal which removes the doubt and restores certainty in the market place.

It is clear from the July 1998 legislation preventing the use of copyright material to prevent parallel importation, that the Government supports the view that, in matters of trade, parallel importation is desirable in the market place and that artificial barriers should therefore be removed to free up trade. Accordingly, IPTA supports the recommendation of the IPCRC.

SECTION 51(3) TRADE PRACTICES ACT

2. Section 51(3) Trade Practices Act (pp 27-36).

IPTA supports the proposal by the Committee that "intellectual property rights continue to be accorded special treatment under the Trade Practices Act".

The position of IPTA is that it considers that Section 51(3) of the Trade Practices Act should be retained. In general, IPTA has already indicated that it considers that the amendments to Section 51(3) recommended by the NCC in its final report are acceptable, however it does not consider that there is any evidence of widespread and substantial difficulty with Section 51(3) in its current form, either from a IP perspective or in relation to competition policy, which would justify further action being taken in respect of Section 51(3) beyond that recommended by the NCC.

PATENT SYSTEM – THE THRESHOLD TESTS

3. Manner of New Manufacture (pp 39-41).

IPTA supports the IPCRC in its belief "that Australia has on the whole benefited from the adaptiveness and flexibility that has characterised the manner of "new manufacture" standard, for the reasons already set out in its November 1999 submissions.

4. Exclusions from Manner of Manufacture (pp41-44).

IPTA supports the IPCRC in its belief "that mere discoveries should continue to exclude from the class of patentable subject matter".

In this context, the Committee has invited comment in relation to the inclusion of "utility guidelines along the lines of those being considered by the USPTO as a requirement for patentability". IPTA points out that it is already a requirement of Section 18(1)(c) of the Patents Act that an invention be "useful", and it is not aware of any difficulty which has arisen in practice in the interpretation of this requirement, either during the examination process or at any later stage. The suggestion that IP Australia might adopt utility guidelines along the lines of those

being considered by the USPTO is considered to be a suggestion which should not go beyond guidelines for the application of Section 18(1)(c) in its current form. IPTA would strongly resist any move which would require a patent applicant to "prove" utility in the patent specification, rather than assert in the patent specification a utility which is, for example, specific, substantial and credible.

5. Inventiveness or obviousness test (pp 45-46).

IPTA supports the IPCRC in its belief "that the prior art base for obviousness should include information anywhere in the world which a person skilled in the art could reasonably be expected to find, ascertain and regard as relevant". IPTA also considers that whilst it should be permissible to combine two or more documents or parts of documents, and so on, when considering inventiveness step, it is most important that such combination should only be permitted in, and should be specifically confined to, situations where it would have been obvious to the person skilled in the art to combine or read together those documents or parts of documents at the date of the invention.

In this regard, IPTA wishes to emphasise that it is well recognised that in considering inventive step, there is considerable danger in using the benefit of hindsight in combining documents or parts of documents where such combination would not have been obvious to the person skilled in the art at the date of the invention.

6. Innovation Patent (pp 46-47).

IPTA reiterates its strong support for the recommendation of ACIP regarding implementation of an "innovation patent" system in place of the present petty patent system, but again expresses its strong concern that it is intended that the proposed innovation patent is to be granted without examination.

7. General considerations in applying the threshold tests (pp 47-48).

Whilst IPTA supports the IPCRC in its belief "that the existing evolutionary case-law path of the patent system has generally served Australia well and therefore recommend its major features be retained", IPTA does not consider that any

useful purpose would be served by including in the preamble to the Patents Act "a statement that more clearly sets out the objectives being pursued by the legislation". IPTA considers that these objectives are already well known and understood, as is evidenced by the historical development of the patent system in Australia to date.

PATENT SYSTEM – ADMINISTRATION OF THE PATENT SYSTEM

8. Stringency of tests (pp 51-52)

As part of the "package of measures" supported by IPTA in order to promote certainty in relation to granted patent rights, which package would include a "presumption of validity" as discussed below, IPTA would support a move to the position of granting patent rights on the "balance of probabilities" but emphasises that this move should apply only to issues of validity, that is essentially to novelty and inventiveness of the claimed invention.

IPTA emphasises that this change should **not** extend to the question of what is patentable subject matter in Australia for the reasons set out in its November 1999 submissions.

9. Quality of examination by the patent examiner (p 52).

IPTA supports the belief of the Committee "that IP Australia should continue to explore cooperation with other intellectual property offices in the region..... thereby enhancing quality and reducing the cost of examination".

Whilst IPTA would support measures to enhance the quality and reduce the cost of examination of patent applications by IP Australia, it is concerned that the suggestion that Australian applicants should "have the right to use other international searching authorities for entry into the PCT route" could be counter-productive and result in a reduction in the amount, and hence quality, of searching and examination performed by IP Australia. The IPCRC notes in its Interim Report the difficulties faced by IP Australia as a result of its relatively small size. In order to maintain its competitive position with respect to other intellectual

property offices, IP Australia needs to maintain and, if possible, improve, its skill levels and resources in the areas of search and examination; IPTA does not consider that this objective would be well served by allowing Australian applicants to have the right to use other international searching authorities within the PCT system.

10. Disclosure of prior art requirements (p 53)

IPTA supports the belief of the IPCRC "that the Act should be amended to require an applicant to disclose to IP Australia any prior art material that has come to the applicant's attention up to the date of advertisement of notice of acceptance".

It is emphasised, however, that a very important question arises as to where the obligation lies when the applicant is a corporate entity. In this regard, IPTA supports the recommendation in the ACIP Review of the Enforcement of Intellectual Property Rights "that the obligation of disclosure be restricted to knowledge possessed by the applicant or, where the applicant is a corporation, by the person employed by the applicant who is at the relevant time concerned with the preparation or prosecution of the application".

11. Hearing mechanism (pp 54-55).

IPTA understands that the view expressed by the IPCRC "that hearings should continue to be pre-grant and be the responsibility of IP Australia" is intended to refer to pre-grant oppositions. At this stage, IPTA does not consider that there is any strong argument against retaining pre-grant opposition in favour of post-grant opposition, and it notes that administrative measures are being taken by IP Australia in consultation with IPTA to ensure that the pre-grant opposition procedures do not involve undue delay.

IPTA notes, with considerable concern, that the IPCRC is of the tentative view that "a specialist hearing section would not be established but there would be a senior officer directly responsible to the Director General for hearings, with hearings officers continuing to be drawn from senior examination staff of the Patents Office". As outlined in the ACIP Report on Enforcement, referred to in the Interim Report, there are a number of matters which arise before IP Australia where a

decision needs to be made, and IPTA remains strongly of the view that these decisions should be made by an Appeals Board within the IP Australia organisation, operating independently and separately from the patent examination function. IP Australia has indicated in oral submissions to the IPCRC that it did not favour the setting up of a separate Appeals Board. Whilst the nature of these oral submissions has not been fully set out, it is noted that ACIP considered objections along the same lines but did not find them to be of sufficient weight to justify rejection of the proposed independent Appeals Board.

IPTA considers the establishment of an Appeals Board as proposed by ACIP and IPTA to be an important part of the "package of measures" previously mentioned. In particular, IPTA points out that if a "balance of probabilities" approach is to be used in relation to novelty and inventiveness issues during examination, it is important an independent body be available to evaluate whether or not an application should proceed on the "balance of probabilities" where the patent applicant and the patent examiner adopt a different position with relation to the novelty and/or obviousness of a claimed invention.

The IPCRC has requested submissions in relation to a patent tribunal independent of IP Australia, however IPTA does not support the establishment of such a tribunal in relation to the matters which arise before IP Australia, and where it is proposed that an Appeal Board would make the necessary decisions.

12. Presumption of validity of granted patents (pp 55-56).

IPTA supports the position expressed by the Committee "that the Patents Act should be amended to ensure the onus is on the opponent to prove the invalidity of a patent once granted", and understands the word "opponent" as being used in the broad, non-specific context of a party wishing to challenge the validity of a granted patent.

IPTA emphasises once again that it views this recommendation as part of a "package of measures", and in particular that the change of the "benefit of the doubt" to "balance of probabilities" during examination and the proposed changes to the inventiveness step test, so as to provide the basis for the presumption of validity of a granted patent, also require the setting up of an Appeal Board as

discussed above, providing in practice an independent avenue for appeal, particularly in relation to matters of novelty and/or obviousness arising during examination, and which would be determined on the "balance of probabilities".

13. Appeals, challenges and enforcement in the Courts (pp 56-57).

IPTA agrees that there is now an opportunity to again consider an extension of the jurisdiction of the Federal Magistrates Service into the area of IP law, particularly for matters relating to the innovation patent. IPTA does not, however, consider that the use of the Federal Magistrates Service should be regarded as an alternative to the Appeals Board within IP Australia as discussed above.

DESIGNS ACT 1906

14. Protection of Functionality (pp 88-89).

IPTA confirms its support for the view of the IPCRC that priority should be given to the introduction of new legislation in response to the report of the Australian Law Reform Commission, dated September 1995. With reference to the perceived "gap" between the designs legislation and the proposed innovation patent, IPTA considers that it would be appropriate to wait until both of the new legislative measures are in place and are being used in order to see whether any such "gap" is real and substantial.

15. Spare Parts (pp 89-91).

As previously indicated, IPTA does not have an established position in relation to the protection of spare parts under the designs legislation. Again, IPTA agrees with the IPCRC view that the new designs legislation should be given a reasonable time to take effect, and then its impact monitored.

TRADE MARKS ACT 1995

16. Disclaimers (pp 92-93).

It is the strong view of IPTA that the reintroduction of mandatory disclaimer powers of the Registrar of Trade Marks is both necessary and requires a high priority.

In the Interim Report, the IPCRC acknowledges that other received submissions pointing out the considerable uncertainty which now exists because trade marks are being registered with combinations of non-distinctive elements and questionably distinctive elements. However, it appears that the IPCRC would like to see evidence of this uncertainty. Members of IPTA can provide numerous examples where the existence of a trade mark of dubious distinctiveness, due to the non-distinctive nature of the constituent parts of the mark, leads to considerable uncertainty and cost in the trade mark community. Just one example of this type of trade mark is the use of a house mark, in relatively small lettering, and a descriptive element in much larger lettering. This type of registration often suggests particularly to the public, that protection has been obtained for the non-distinctive parts of the mark. An example of this type of trade mark is Registration No. 788124 in Class 3 in the name of Frostbland Pty.Ltd..



Examples of other trade marks which may cause uncertainty in the market place, extracted from the Trade Marks Office database, include the following registrations:

REGISTRATION No.	CLASS(ES)	TRADE MARK
793177	32	WORLD'S BEST BEERS
705133	31	NATURE'S BEST
728634	22, 23 and 35	BEST TASMANIAN WOOL
729543	5, 29, 30, 31, 32 and 33	SIMPLY THE BEST
748007	30	BETTA FRUIT BARS
751762	31	FRESH IS BEST
772693	29 and 41	DAIRY FARMERS BEST OF THE BEST

These are just a few random examples of trade mark registrations for which a disclaimer to the non-distinctive elements would add substantial certainty in the minds of the public and trade mark users as to the rights granted by the registrations.

It is pointed out that this uncertainty often leads to trade mark owners believing they have rights where no such rights exist. The simple expediency of reintroducing the mandatory disclaimer powers of the Registrar would reintroduce certainty, reduce expense and ensure that the scope of trade mark registrations is properly understood.

It is noted that the ISR submission to the IPCRC makes reference to the "post-implementation review of the Trade Marks Act 1995". IPTA has been involved in that review process which has concentrated on ensuring clarity of the existing legislation rather than looking at the substance of the legislation. Consequently, the issue of disclaimers has not been a part of that process. Nevertheless, the fact that the issue of disclaimers has not been a part of that review process is not a reason to suggest that it is not a major issue for the public as well as trade mark owners and users. In fact, in the experience of IPTA members, the removal of the mandatory disclaimer powers has resulted in substantial ambiguity and lack of clarity as to the nature and scope of certain trade mark registrations.

It has also been suggested that a considerable cost is involved in processing mandatory disclaimers. However, this is an administration matter and should not influence the IPCRC's view as to whether or not mandatory disclaimer powers of the Registrar should be reintroduced to the Trade Marks Act.

IPTA therefore reiterates its strong view that the IPCRC should recommend that mandatory disclaimer powers be reintroduced into the Trade Marks Act.

17. Trade Marks/Domain Names (pp 93-95).

IPTA supports the views of the IPCRC with regard to resolution of the issues arising from the interaction of trade marks and domain names.

PATENTS ACT 1990

18. Dissemination of patent information (p 96).

IPTA agrees with the IPCRC that IP Australia should be involved as much as possible in diffusion of technical knowledge within Australia to promote both innovation and competition.

19. Section 119 of *The Patents Act 1990* (pp 96-97).

IPTA agrees that consideration needs to be given to amending Section 119 to remove present ambiguities in the legislation and to provide effective protection to a party with prior use rights. IPTA considers that the broad approach of Section 119 is a far more preferable approach to protecting the rights of such a party than the previous situation under Section 110 of the Patents Act 1952.