



Australian Government

IP Australia

Position Paper

**Overview of responses to the public consultation paper
*Removal of the obligation to lodge search results under
subsection 45(3) and section 101D of the Patents Act 1990***

October 2007

INTRODUCTION

This paper provides an overview of the feedback that was received in response to IP Australia's consultation paper *Removal of the obligation to lodge search results under subsection 45 (3) and section 101D of the Patents Act 1990* ([the consultation paper](#)), which was released on 16 May 2007.

BACKGROUND

Under the *Patents Act 1990*, patent applicants and patentees are obliged to inform the Commissioner of Patents (the Commissioner) of the results of various prior art searches by foreign patent offices in respect of corresponding patent applications filed in overseas jurisdictions. The obligation covers the results of all documentary searches completed prior to the grant of the Australian patent (or certification, in the case of an innovation patent), with the exception of any searches that are prescribed in the *Patents Regulations 1991*. The legislation prescribes time limits within which information must be provided to the Commissioner, and fees are payable in respect of search results outside of these time limits.

These obligations were introduced into the patents legislation in response to recommendations by the following bodies: the Industrial Property Advisory Committee (IPAC), the Advisory Council on Intellectual Property (ACIP) and the Intellectual Property Competition Review Committee (IPCRC). The purpose behind the amendments was to contribute to a greater presumption of validity for granted patents, and to make the process of finding relevant prior art more reliable.

The legislative provisions were introduced in 2002, and amended in 2003 in response to stakeholder feedback. In response to further feedback in relation to the provisions, IP Australia consulted on some proposed changes in 2005 and 2006, and identified amendments to the Patents Regulations that would simplify the provisions. In May 2007, IP Australia commenced consultations on a proposal to further simplify the provisions. Under this proposal, the obligation for applicants and patentees to inform the Patent Office of the results of documentary searches would be removed. This proposal came about in light of developments in the availability of foreign patent office search and examination results over the Internet. According to the proposal, patent examination staff would retrieve foreign patent office search and examination results from the Internet during examination.

The consultation paper sought views in relation to amending the Patents Regulations to:

- remove the onus for applicants and patentees to inform the Patent Office of the results of documentary searches, and instead place the onus on Patent Office staff to retrieve these; and
- extend the time period for lodging notices under section 27 of the Act until three months after advertisement of the notice of acceptance.

Further background can be found in the consultation paper itself, and this paper should be read in conjunction with that consultation paper. The consultation period was four weeks.

The consultation paper was:

- made available on:
 - IP Australia's web site to invite general public comment;
 - the Government's business consultation web site www.consultation.business.gov.au;
- forwarded to:
 - representatives of IP Australia's newly-formed Patent Consultative Group;
 - the Institute of Patent and Trade Mark Attorneys (IPTA);
 - the Law Council of Australia, the International Federation of Intellectual Property Attorneys (FICPI);
 - the New Zealand Intellectual Property Association (NZIPA)
 - the Australian Manufacturers' Patents, Industrial Designs, Copyright and Trade Mark Association (AMPICTA);
 - the Advisory Council on Intellectual Property (ACIP); and
 - members of the Intellectual Property and Competition Review Committee (IPCRC).

Submissions Received and IP Australia's Position

Nine submissions were received during the consultation process, with a two day extension of time in which to make a submission being granted to one respondent. In addition, a comment in relation to the proposal was made on one blog site.

Submissions were received from:

- Virient Pty Ltd, a member of ACIP's patents reference group;
- FICPI;
- Baldwins;
- NZIPA;
- IPTA;
- Mr Mark Roberts;
- Mr Richard Aarons of CSIRO;
- Mr Mark Smith; and
- Freehills Patent and Trade Mark Attorneys.

The submissions indicated that there was a general level of consensus that the existing search result disclosure provisions were onerous and costly for applicants and other users of the patent system. There was also a level of doubt expressed as to the value or the benefits arising from the present provisions. This echoes views expressed to IP Australia on other occasions. There was a general view that the proposed changes would not adversely impact on the validity of granted patents.

Although the submissions indicated general support for IP Australia's proposal, there were different views on how this proposal ought to be implemented.

Some specific issues that were raised are discussed below.

A. Whether the proposal can be implemented through regulation amendments alone

While not contained in a formal submission to IP Australia, a [blog article](#) by Mr Warwick A Rothnie, dated 18 May, commented adversely on the use of the Patents Regulations to, in his words, ‘negate an obligation imposed by’ the Patents Act:

In a curious twist for those appellate court judges who think that regulations are always subject to the Act they are promulgated under, IP Australia therefore is considering amending to the regulations to negate the obligation imposed by the sections ... OK, the provision does require notification in accordance with the regulations, but amending the regulations to remove the obligation???

IP Australia notes that the obligation imposed by paragraph 45 (3) (a) of the Patents Act is to inform the Commissioner of the results of ‘documentary searches by, or on behalf of, a foreign patent office, *other than searches prescribed by the regulations*’ (emphasis added). In other words, the Patents Regulations may prescribe search results of which applicants or patentees are *not* obliged to inform the Commissioner. The obligation in the Patents Act to inform the Commissioner only extends to search results which are *not* prescribed in the Patents Regulations. Therefore IP Australia disagrees that the Act imposes an obligation which, under the proposal, the regulations would negate. Rather, the power to make these amending regulations is clearly provided by the Patents Act.

B. Biotechnology patents

The IPCRC report noted that prior art was more difficult to search in fields such as biotechnology, and was generally not found in the patent literature.

Virient, a biotechnology company, submitted that in the biotechnology field, a greater number of industrially applicable inventive findings are being directed into the patent system, so that more prior art is now found in the patent system than ten years ago.

Virient’s observations accord with IP Australia’s own experience. As a result, IP Australia considers that the IPCRC’s observation, made in 2000, no longer serves as a basis for the present search result disclosure regime.

C. Repeated changes to the provisions

FICPI referred in its submission to the ‘repeated changes’ to the provisions, and anticipated that users who have spent time implementing systems to comply with current requirements, and who have employed extra staff, would be angered that the system is changing again.

Mr Mark Roberts echoed these concerns, stating that:

In my view one of the major difficulties for both practitioners and users of the patent system in relation to search results has been the repeated changes to the regime since it was first introduced. Since inception of the extended requirement to file search results practitioners have spent a great deal of time and effort in explaining the requirements to clients and in assisting clients to establish and refine their internal systems required to meet the requirement. Of course practitioners have also spent considerable time and resources on establishing and refining their own systems. It seems, however, that as soon as clients have come to terms with a version system, the system has then changed.

IP Australia is of the opinion that these comments could be criticised for overstating to some extent the frequency of changes that have been made.

The *Patents Amendment Act 2001* implemented the ACIP and IPCRC recommendations. This Act commenced on 1 April 2002. In view of concerns raised in a hearing conducted by the Senate Economics Legislation Committee into the Patents Amendment Bill 2001, the Committee recommended that ‘this aspect [an increased burden on the research sector] of the new provisions should be monitored and, if a significant level of concern is expressed, that it be subject to review two years after the commencement of the Bill’.¹

As a result of the concerns raised before that Committee, and other concerns raised with IP Australia, the provisions were reviewed and amended prior to the expiry of this two year period. The amended provisions were implemented by the *Intellectual Property Laws Amendment Act 2003*, and commenced on 26 August 2003.

The extended requirement to file search results has been amended only once since its introduction. IP Australia therefore considers that the expression ‘repeated changes’ overstates how frequently the provisions have been amended. These changes were made in response to stakeholder feedback. No submissions to the consultation paper expressed anger on this basis. Rather, the responses have generally welcomed the proposed changes.

D. Costs versus benefits of the current provisions

FICPI noted that the entire search result filing episode has been a source of much frustration for practitioners, their clients and other users of the Australian patent system. It noted that the system has necessitated the introduction of new procedures within attorney firms and major corporations, the employment of additional staff, and special information sessions and workshops with local and overseas users, and notes that this has been a long and costly exercise.

Baldwins viewed the changes as essentially removing the burden on the patent applicant and removing the risk of potential invalidity by inadvertently failing to disclose relevant prior art to the Commissioner. It noted that the time and cost in providing search results has proved onerous for all parties.

IPTA noted in its submission that it has expressed concerns on many occasions relating to the difficulties in administration and costs of the system. It noted that these difficulties have created great expense in time and cost to IPTA’s members and clients, and emphasised that this past considerable expenditure needs to be recorded. Although IPTA supports moving away from the positive disclosure system, its support is clearly on the proviso that the costs of the old system are not replaced with the costs of the new.

Mr Mark Roberts described the current provisions as a ‘burdensome and costly requirement for users of the Australian patent system that appears to offer little or no practical benefit to IP Australia in the course of examination’. His submission also noted that the search result provisions (and the frequency with which they change) give the appearance that the Australian patent system is unduly costly and complex, with the likely result that applicants will increasingly exclude Australia from their patent filing strategy.

¹ Senate Economics Legislation Committee, *Consideration of Legislation Referred to the Committee – Patents Amendment Bill 2001*, August 2001, at 1.52.

Freehills noted that, under the proposal, compliance and administrative burdens will be considerably reduced for clients and patent attorneys alike, and that Australia would be regarded more favourably by foreign applicants as a filing destination. Freehills also commented that:

the requirement is of limited effect in achieving its aims, in that it sets arbitrary obligations which fall far short of a full US-type duty of candour as embodied in the original ACIP recommendations.

In our experience, the provision of search results currently appears to have little, if any, effect on the quality of examination.

IP Australia notes that this feedback is in accordance with its own assessment of the costs of the system to users. IP Australia considers that feedback of this nature highlights the need for change.

E. Repeal of subsection 45 (3), section 101D and subsection 102 (2C)

The search result disclosure scheme includes a sanction which prohibits certain amendments being made to patent specifications if applicants or patentees fail to discharge their obligation under subsection 45 (3) or section 101D to inform the Commissioner of the results of documentary searches. This sanction is provided in subsection 102 (2C) of the Patents Act, which is as follows:

- (2C) An amendment of a complete specification relating to a patent is not allowable if:
- (a) the patentee or the patentee's predecessor in title failed to ensure the provision to the Commissioner of the information required by subsection 45 (3) or section 101D in relation to the patent; and
 - (b) the effect of the proposed amendment would be to remove a lawful ground of objection under paragraph 18 (1) (b) or 18 (1A) (b) [novelty and inventive or innovative step] to the specification arising from the existence of some or all of the information not provided.

This sanction aims at encouraging compliance with the obligations under subsection 45 (3) or section 101D.

In its submission, FICPI strongly urged IP Australia to implement the current proposal in tandem with the repeal of subsection 45 (3), section 101D and subsection 102 (2C) of the Patents Act. FICPI noted that there was no counterpart to subsection 102 (2C) in any other jurisdiction.

If this is not done, FICPI submitted, the resulting system would be unduly complicated and inequitable. This would be because there would be two classes of patents—those to which subsection 102 (2C) may apply and which may thereby be barred from being amended, and those to which that provision will not apply.

Mr Mark Roberts reiterated these concerns, stating that, unless subsection 102 (2C) were repealed at the same time, the system would be:

unjust (as an equivalent amendment would be allowable on a case granted at one point in time but not on the same patent if it was granted at another point of time) and unnecessarily complex (as in case of proposing or assessing the allowability of post grant amendments it would be necessary to determine under which regime the particular patent falls).

IPTA also submitted that subsection 102 (2C) should be abolished at the same time as the proposed changes are implemented:

The requirement for positive disclosure and sanctions for non-disclosure should be abolished without temporary or transitional provisions. The reform should create a regime as if the disclosure provisions had never existed, there no longer being any sanction through s102 on past failure to disclose search results.

IPTA does not support abolition of the disclosure regime exclusively through amendments to the Patents Regulations. It considers that this would still generate uncertainty for patent applicants, as the regulations are easily amended, and could be changed in the future, allowing the search disclosure requirement to resurface:

Abolition of the requirement to file search results should be enacted through amendment of the Patents Act to eliminate ss 45 (3) and 101D. IPTA does not support abolition of the requirement through regulation which leaves the statutory principle of positive disclosure intact and, in doing so, creates uncertainty for patent applicants and their advisors.

No other submissions commented on these matters.

IP Australia does not support these views. Nor does IP Australia consider it appropriate to repeal subsection 102 (2C) in the manner suggested in these submissions. Instead, IP Australia considers it appropriate that this sanction remains in force even after removal of the obligation to inform the Commissioner of the results of documentary searches.

This sanction was in force at the time that applicants and patentees were obliged to inform the Commissioner of the results of foreign patent office searches under subsection 45 (3) and section 101D. It is not a new sanction of which applicants and patentees were unaware at the time. It is proposed to remove the obligation to inform the Commissioner of the results of searches *in futuro* only.

It is *not* proposed to remove this obligation retrospectively, so that there was never any obligation to inform the Commissioner of the results of *any* documentary searches. It is unclear to IP Australia why this should serve as the basis for the repeal of the sanction in relation to any *past* non-compliance with the provisions. Applicants and patentees would have been expected to comply with the obligation to inform the Commissioner of the results of documentary searches during the time that obligation was in force, and would have been well aware of the sanction for non-compliance with that obligation. IP Australia can see nothing unjust or inequitable in maintaining the *status quo* regarding the sanction in these circumstances. If a patentee finds at a later stage that they are unable to amend their patent, then this would be a natural consequence of the operation of legislative provisions that were in force at the relevant time, and not an issue that requires law reform.

On the contrary, IP Australia is of the view that it would be unfair to *remove* this sanction retrospectively. It is apparent from the submissions that users of the patent system have gone to some trouble and expense to comply with the search result disclosure provisions. Users who have gone to these lengths to comply with the relevant provisions of the patents legislation would unlikely be in jeopardy of being adversely affected by the sanction in the future. However, there is a possibility that other users of the patent system may not have gone to the same lengths in order

to comply with the disclosure requirements: they may, for example, have accepted the risk of the sanction in future, to reduce their compliance costs pre-grant. IP Australia considers that it is only fair that users who have ensured compliance with their obligations bear the fruits of those efforts. For users who have not taken the necessary steps to ensure the validity of their patents, IP Australia can see no reason why they should be excused from any future consequences of their actions.

Regarding the issue of the repeal of subsections 45 (3)-(5) and section 101D of the Patents Act, IP Australia accepts this point, and agrees that these (but not subsection 102 (2C)) should be repealed. IP Australia will seek suitable amendments to the Patents Act to implement this.

F. Transitional arrangements

Several submissions alluded to whether IP Australia's proposal would necessitate complicated transitional arrangements. The amending legislation does not incorporate any transitional arrangements.

G. Use of electronic databases by IP Australia

The submission from Baldwins expressed confidence that, with the ready availability of search and examination reports in foreign jurisdictions on the Internet, examiners 'will be able to maintain their current high standard of examination'. A submission by Mr Richard Aarons noted that the proposal maintains the integrity of the examination process because relevant foreign search results will continue to be obtained by the Patent Office.

However, IPTA expressed concern that available electronic databases should be used to an extent that provides a thorough understanding of the prior art and enables a high quality examination. It recommended that:

[t]he electronic databases containing official search results should be used by IP Australia to a reasonable and thorough extent supporting a documented high quality examination process based on Australian law and practice.

IP Australia already has in place a process whereby staff routinely determine if there are any search and examination reports already completed by other IP Offices on equivalent applications by accessing a number of databases, including those of other IP offices and those that identify family member listings. Where examination reports are available, IP Australia's examiners review the contents of these reports to consider if the objections raised are appropriate to the relevant Australian application, based on the claims under examination and Australian law and practice. If such objections are appropriate, the relevant foreign examination report will be acknowledged in the examination report issued by IP Australia. Where only foreign search results are available, examination staff will review the appropriateness of the search already conducted to determine if a further search is required to be carried out.

H. Amendment to regulation 2.5

Under section 27 of the Patents Act, persons may notify the Commissioner of matters affecting the validity of applications for standard patents. Under regulation 2.5 of the Patents Regulations, such notices were previously required to be filed before acceptance of the patent request and complete specification. IP Australia proposed, as a consequential amendment, to amend regulation 2.5 to extend the period for lodging notices under section 27 of the Act until three months after advertisement of the notice of acceptance.

This amendment is proposed as an additional means of ensuring that the validity of granted patents is not adversely affected by the change to the search result disclosure regime. The extended period in which to lodge section 27 notices is intended to provide a further avenue for third parties to provide relevant documentary material, including foreign patent office search results, for consideration by the Commissioner. This documentary material would, if appropriate, form the basis of a re-examination of the application under subsection 97 (1) of the Patents Act.

Unanimous support was expressed for this proposal. IPTA noted that this change could be made irrespective of the other aspects of IP Australia's proposal, in order to achieve a patent grant with a high presumption of validity.

I. Commissioner requesting search results

Mr Mark Smith's submission suggested amending the Patents Regulations so that the Commissioner only needs to be informed of search results when elicited by an examiner during official examination, after the examiner has attempted to access the corresponding results on-line. The applicant would have a generous compliance period of, for example, up until 3 months from acceptance. This submission pointed out that such a request, which should be discretionary, could be conveniently included in the first official report, in the event the examiner was unsatisfied with the available search results.

IP Australia does not favour such a system. This reflects the system available under the *Patents Act 1990* when originally enacted, which the IPCRC criticised and recommended be replaced with a disclosure system similar to the one that was subsequently implemented. IP Australia considers that this would be more difficult and complicated to administer than the proposed approach, and does not favour it.

Conclusion

For these reasons, IP Australia is of the view that it is appropriate to proceed with the proposed amendments to the Patents Regulations.