



Australian Government

IP Australia

Streamlining the patent process

**Toward a stronger and more efficient
IP rights system**

**IP Australia
Consultation paper
August 2009**





Introduction

This paper is one of several papers* setting out proposals directed at improving the fit and function of the Australian intellectual property system as a vehicle to support innovation.

The object of this paper is to encourage discussion on the proposed changes and their likely impacts on Australian business and innovation.

IP Australia invites any interested parties to make a written submission, and in particular seeks responses to the questions posed in the paper. Comments are welcome from anyone interested in the operation of the patent system in Australia and its interaction with patent systems in jurisdictions of Australian business interest. Comments are especially welcome from those who have been, are, or expect to be users of the Australian patent system and/or those of other jurisdictions.

IP Australia will consider submissions and then make recommendations to Government on the way forward.

The closing date for submissions is 16 October 2009.

Written submissions should be sent to:

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Please note that, unless requested otherwise, written comments submitted to IP Australia may be made publicly available.

A request made under the *Freedom of Information Act 1982* for access to a submission marked confidential will be determined in accordance with that Act.

* See also: 'Getting the Balance Right' and 'Exemptions to Patent Infringement', released 29 March 2009; 'Resolving Divisional Applications Faster', 'Resolving Patent Opposition Proceedings Faster' and 'Resolving Trade Mark Opposition Proceedings Faster', released 15 June 2009; and 'Flexible search and examination', released August 2009.



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1. Background

1. Over recent years, as businesses have increasingly realized the value and importance of intangible assets, there has been growing recognition of the important role that intellectual property rights play in the innovation system and in helping businesses maintain their competitive advantage in the marketplace. For the IP rights system to play this role well, it must be cost effective, efficient and accessible to its users.

2. This paper addresses a variety of procedural hurdles and inconsistencies that unnecessarily complicate the Australian patent system. In particular, a number of proposals are aimed at:

- Removing unnecessary differences in law between Australia and overseas jurisdictions. This would help reduce the cost to applicants of re-drafting claims to meet the various requirements of each jurisdiction. It would also reduce the potential for errors to occur as a result of the applicant being unaware of such differences.
- Simplifying and modernising systems for processing patent applications. These include processes associated with amending details relating to patent applications, processing Patent Cooperation Treaty² (PCT) applications entering the ‘national phase’, and accessing or restricting access to information relating to a patent.
- Remedying other procedural problems within the patent system..

² The PCT is an international treaty, administered by the World Intellectual Property Organization (WIPO), a specialised United Nations agency. The PCT simplifies the process for seeking patent protection for an invention around the world. Under the PCT, a single ‘international’ patent application can be filed, instead of applicants having to file patent applications in each individual country or region in which patent protection is sought.



2. Removing unnecessary differences

2.1 Novelty

3. One of the fundamental principles of the patent system is that patents are not granted for things that have been done before. That is, patents can only be granted for inventions that are new, or ‘novel’.

4. The novelty of an invention is assessed by comparing the claims in the patent application under consideration with the prior art. Currently, the prior art for novelty includes all documents published before the priority date of the patent claims, and certain prior patent applications with an earlier priority date than the patent application but published after the patent application’s priority date. To a large extent, novelty practices and novelty outcomes are similar between most jurisdictions. However, there are two key differences in approach between Australia and overseas jurisdictions:

- the way in which prior art documents are interpreted
and
- whether the information in certain prior patent applications can be taken into account when determining novelty.

5. With respect to interpretation of prior art, under Australian law prior art documents are interpreted in the context of what was known at the date of the prior art document’s publication, rather than what was known at the priority date of the patent claims that are under examination. This approach does not take account of technological developments or the extra knowledge and understanding in the field that might arise between the publication date of the prior art document and the later priority date of the patent claims. It also introduces a level of complexity, in that where there are multiple prior art documents with different publication dates, the Australian approach requires consideration of what was known in the art at each of these publication dates.

6. In contrast to Australia, many other jurisdictions interpret prior art documents in the context of what was known at the priority date of the patent claims. This is a simpler system, as it only requires consideration of what was known at a single date. It also better reflects what was known and available to the public at the priority date of the claims under examination.

7. The second issue concerns the situation where two Australian applications for the same (or similar) invention are filed at around the same time. Under Australian law, the information in the earlier application (called a ‘whole of contents’ citation) must be considered at both its filing date and its publication date when assessing the novelty of the invention claimed in the later application. Information that is either added or removed between those times is disregarded. In contrast, many other countries with similar prior art rules need only consider the content of the earlier application at its filing date.

8. The Australian approach introduces a level of extra complexity for users that does not exist in most other jurisdictions, and which does not add a substantial advantage in terms of improving the quality of granted patents. Most particularly, significant amendments of patent specifications before publication are rare.

9. IP Australia proposes the following changes to better align Australian practice with practice elsewhere and to reduce complexity for users of the Australian patent system.



2.1 Proposed change

Interpretation of the prior art—For the purposes of determining novelty, citations are to be construed at the priority date of the claims under examination rather than the date of publication of the citation.

Whole of contents citation—For the purposes of determining novelty, only the information in the citation at its filing date is to be taken into account.

2.2 Product-by-process claims

10. In Australia, where an invention relates to a process or method, it is standard practice to also claim the product produced by the inventive process or method. Claims of this type are known as ‘product-by-process’ claims and generally take the form: ‘product X obtained by process Y’. Under Australian law, these claims are construed as being limited to the product only when obtained by the inventive process or method, and not to the product when produced by any other process or method. Recent court decisions relating to pharmaceutical extensions of time have confirmed this interpretation.³

11. For example, if an application for a new method of preparing aspirin was filed in Australia, claims defining ‘aspirin prepared by the method of [the invention]’ would be construed as relating to a novel preparation of aspirin, regardless of whether the ‘new’ aspirin was indistinguishable from the regular, well known aspirin.

12. In contrast, other jurisdictions interpret product-by-process claims as claims to the product *per se*. The claimed invention is only considered novel where the product *per se* can be distinguished from similar products that were known at the priority date of the application.

13. The current Australian approach is consistent with UK practice prior to 2005, when product-by-process claims were accepted as a practical way of ensuring that protection of an inventive process extended to the product produced by that process. However, under recent developments in UK law⁴, product-by-process claims are now construed as defining the product *per se*. This change has brought UK law into line with the European approach. Protection of products of new processes is codified in both UK and EP legislation⁵, thus providing implicit protection for products of new patented processes.

14. Similar codification is present in Australian law⁶, with exploitation of an invention, as defined in the Act, including exploitation of the product of a patented method or process. This ensures that protection of an inventive process extends to the product of that process and obviates the need for product-by-process claims. Alignment of Australian law with international norms would reduce the costs for applicants of redrafting applications to meet the requirements of each jurisdiction, without affecting the scope or strength of the rights granted.

15. It is however appreciated that in rare circumstances a new product can only be defined in terms of its method of production and that any changes should not affect the patentability of these products.

³ *Pharmacia Italia SpA v. Mayne Pharma Pty Ltd* [2006] FCA 305 and *Boehringer Ingelheim Internationale GmbH v. The Commissioner of Patents* [2000] FCA 1918.

⁴ *Kirin Amgen Inc v. Hoechst Marion Roussel Ltd* [2005] RPC 9.

⁵ European Patent Convention Art 64(2) and UK *Patents Act 1977* s 60(1)(c).

⁶ *Patents Act 1990* Schedule 1 ‘exploit’.



16. IP Australia therefore proposes to align the interpretation of these claims with the practice elsewhere as follows:

2.2 Proposed change

A claimed product will no longer be patentable merely because it is produced by a patentable process or method.

If the product *per se* in a product-by-process claim is unpatentable in light of the prior art base, the claim to the product will be unpatentable even though the disclosed product was made by a patentable process.

2.3 Omnibus claims

17. Omnibus claims define an invention by reference to the whole or a part of the body of the patent specification, such as the drawings, figures or examples. Such claims are allowed in only a few jurisdictions, including Australia and the UK, and are not allowed in the US. The European Patent Office does allow some claims that rely on references to the description, figures or drawings, but only where reference to a specific part of the specification is absolutely necessary in order to concisely and clearly define the invention. Examples are where the invention involves a peculiar shape which is disclosed as a drawing, or a chemical feature that can only be defined by graphs or diagrams. References can only be to specific and tightly defined features within the description, drawings or figures, and cannot be broad references to the whole of, or broadly defined parts of, the specification. Similar requirements apply to applications under the PCT.

18. The reason that omnibus claims are not allowed in most parts of Europe and in the US is because it is difficult to determine what the claims define without delving into the body of the specification. Even with reference to the body of the specification, drawings or figures, it is often difficult to determine exactly which features fall within the scope of such claims. This is contrary to the principle that claims should stand alone and should not be unduly complex or difficult to construe. For this reason, in the US, omnibus claims are objected to on the basis that they are 'indefinite' and 'fail to point out what is included or excluded by the claim language'.⁷

19. Moreover, while omnibus claims can provide a safety net, there are only a very few cases in which the patentee needed to rely solely on an omnibus claim in court proceedings.⁸ Accordingly, it is questionable whether the value of these claims offsets the costs associated with retaining a provision that is inconsistent with most other jurisdictions.

20. IP Australia therefore proposes that omnibus claims in the general format no longer be allowable. However, IP Australia understands that there are circumstances where it may be necessary to refer to a part of the specification in order to clearly define the invention. For example it may be necessary to refer to a graph or diagram to define a feature of the invention. Accordingly the proposed change will provide scope for such claims.

21. The proposed change is as follows:

⁷ US Manual of Patent Examination and Practice – 2173.05(r) Omnibus Claims.

⁸ *Raleigh Cycle Co. Ltd. v H Miller and Co. Ltd.* (1948) 65 RPC 141.



2.3 Proposed change

The claims shall not, except where necessary, rely on reference to the description or drawings.

When an application includes an omnibus claim, an examiner is likely to object to the claim unless it is apparent from the face of the specification that it is necessary for the claim to refer to the description or drawings in order to define the invention.

2.4 Clarification of the unity of invention requirement

22. The Patents Act requires that the claim or claims within a patent application relate to *one* invention only. IP Australia interprets this requirement according to the corresponding requirement under the PCT. However, the wording of the PCT provision differs from Australian law in that the PCT wording sets out that claims must relate to one invention only or to *a group of inventions so linked as to form a single general inventive concept*.

23. In practice the Australian and PCT approaches may not be significantly different. Nevertheless, to remove any uncertainty in this regard, IP Australia is proposing that the unity of invention test under Australian law be aligned with that under the PCT as follows:

2.4 Proposed change

The claim or claims must relate to one invention only or to a group of inventions so linked as to form a single general inventive concept.

2.5 Disregarding earlier applications under the Paris Convention

24. As a member of the Paris Convention, Australia allows patent applicants to rely on an earlier application filed in another Paris Convention country for priority, provided that the complete Australian application is filed within 12 months of the earlier (first) application. On occasion, an applicant will seek instead to rely for priority on a second application, filed later than the first application, but prior to the complete Australian application. In such cases, Australian legislation enables the earlier application to be disregarded provided that:

- the applicant makes a formal request to the Commissioner of Patents to disregard the first application
- and
- the second, later application has been filed in the same country as the first, earlier application.

25. In contrast, other jurisdictions automatically disregard earlier applications when those applications meet certain basic requirements under the Paris Convention, that is, the earlier application has been withdrawn, abandoned or refused without becoming open to public inspection and without leaving rights outstanding or serving as a basis for claiming priority. In addition, a number of other jurisdictions also permit previous first applications to be disregarded even if they were filed in a different Convention country to the second application.

26. Foreign applicants may be unaware of the additional requirements under Australian law, and may therefore run the risk of inadvertently not making a formal request to the Commissioner to



disregard the first application, potentially invalidating their patent. Invalidity can result where the applicant fails to request that the first application be disregarded, files a second later priority application in a Convention country and then files their Australian complete application more than 12 months after filing the first application. Under Australian law, the applicant cannot rely on the Paris Convention because they have not filed their complete application within 12 months of the first filed application. Thus the priority date of the complete application would be its filing date, and not the earlier date of the first or second applications. Documents published and disclosures made between filing of the second application and filing of the complete application would then be relevant to the validity of the application.

27. To improve alignment between Australian patent law and practice and other jurisdictions, and to reduce risks for applicants, IP Australia is proposing the following change:

2.5 Proposed change

For the purposes of section 96 of the Act:

- An earlier application will be automatically disregarded where it has been withdrawn, abandoned, refused or lapsed before becoming open to public inspection, without leaving rights outstanding or serving as a basis for claiming priority.
- The earlier application may be disregarded even where the later application has been made in a different Convention country.

3. Simplifying processes

3.1 Simplifying the grant process

28. Under the Patents Act, grant of a patent is achieved by the Commissioner sealing a physical document—the ‘patent’. This process is a remnant of paper-based systems, where patent applications were filed and granted as paper documents. In contrast to patent grant, registration of a trade mark does not require the sealing of a physical document—rather a trade mark is registered by entry of certain particulars in the Register of Trade Marks (section 69 of the *Trade Marks Act 1995*) and the trade mark owner receives notification of the registration by way of an extract from the Register. This is a simpler and more efficient process that is better aligned with today’s electronic document management systems.

29. IP Australia proposes the following change to simplify and modernise the patent grant process and to remove the need for the ‘sealing’ of patents.

3.1 Proposed change

The grant of a patent (standard or innovation) would occur by entry of certain particulars in the Register of Patents.

30. The proposed process is analogous to the registration process under the Trade Marks Act. Thus, grant would occur upon entry into the Register of Patents of certain prescribed particulars (including applicant/nominated person, inventor name, title and the like). The patentee would receive notification of grant in the form of an extract of the Register.



31. Publication of the granted patent would occur according to existing processes, as would the on-going registration of particulars such as assignments, extensions of term and the like. IP Australia expects that the provision relating to the sealing of a duplicate deed (section 66) would no longer be required. Instead, the patentee would be able to request a certified extract from the Register at any time.

3.2 Simplifying the amendment of particulars

32. The Patents Act provides for the amendment of the patent request, or any other filed document. Currently, a change to particulars in these documents (applicant name, inventor names and the like) requires amendment of the existing document, either by substitution of the existing document with a new document or by physically making changes to the existing document. As with the existing process for sealing patents, this process is a remnant of paper-based systems and is not aligned with today's electronic document management systems.

33. In contrast to the patents system, the Trade Marks Act allows the amendment of 'any other *particular specified*' in the application. The effect of this is that an amendment to the particulars can be achieved by changing the information in the electronic database rather than physically amending or replacing a document.

34. IP Australia is proposing the following change to allow certain particulars to be amended without the need for documents to be filed incorporating those amendments.

3.2 Proposed change

Amendment of certain particulars in the patent request or in certain other filed documents (excluding specifications) will be made by requesting a change to the relevant particular, and if allowed, the change will be reflected in the relevant database.

Amendment of the filed document, including by filing a subsequent document incorporating the change, would no longer be required.

35. The proposed change would modernise the process of making relatively simple amendments and would reduce administrative costs (which impact on applicants indirectly through fees).

3.3 Simplifying legislation for PCT national phase processing

36. When Australia acceded to the PCT in 1979, a series of amendments were made to the Patents Act and the Patents Regulations to implement the treaty obligations. One of these amendments permitted regulations to be made modifying the operation of the Patents Act in relation to applications made under the PCT.⁹

37. A number of such regulations have since been made.¹⁰ Since 1979, the Regulations under the PCT have been amended through WIPO processes on several occasions. Consequently, the Patents Regulations have also been amended on several occasions, in order to ensure that Australia's patent legislation is consistent with obligations under the PCT.

38. IP Australia has received feedback from users that:

⁹ Paragraph 228 (2) (t) of the Patents Act, a so-called 'Henry VIII' provision.

¹⁰ Part 1 of Chapter 8 of the Patents Regulations 1991.



- the existence of regulations which modify the operation of the Patents Act makes the patents legislation overly difficult to use, as users have to have regard to several sources of law at the one time
- the regulations have become more and more complex as the PCT rules have been amended over time
- some of these regulations directly contradict some of the provisions in the Patents Act, but there is nothing in the Patents Act itself to signal the existence of contradictory provisions in the Patents Regulations.

39. For example, subsection 141 (2) of the Patents Act provides that a patent application is to be treated as having been withdrawn ‘if, and only if, the applicant lodges a written notice of withdrawal signed by the applicant’. On its face, this provision appears to provide one, and only one, mechanism for withdrawal of a patent application. However, subregulation 8.2 (2) of the Patents Regulations modifies this provision for PCT applications, and provides a further means by which a PCT application is treated as having been withdrawn, which does *not* require a written notice signed by the applicant. There is no clear and direct indication within the Patents Act itself that such a regulation exists. So unless an applicant or their advisor is aware of this modifying provision, it might be possible for their application to be treated as having been withdrawn without their knowledge.

40. This set-up can make the patents legislation more difficult to use, potentially giving rise to errors in the prosecution of, or advice given in relation to, PCT applications.

41. To address these concerns, IP Australia proposes the following change:

3.3 Proposed change

Provisions modifying the Patents Act for PCT applications will be revised to ensure that the requirements for and effect of those applications are clearly reflected in the Patents Act.

IP Australia is interested in any issues stakeholders may have with the way in which the PCT has been implemented in the Patents Act and Regulations, which could be addressed at the same time as this re-drafting is done.

3.4 Clarifying and simplifying information processes

42. Publication of patent information forms part of the basic *quid pro quo* of the patent system: in exchange for the monopoly rights granted, the applicant provides a full disclosure of the invention and the public benefits from the knowledge about the invention. Publication also provides transparency in the decision-making process by allowing interested parties access to the material on which decisions are made.

43. The Patents Act requires that a patent specification, and certain documents relating to a patent application, become ‘open to public inspection’ or ‘OPI’, at certain stages after filing of the application. However, applicants and others in rare circumstances provide information to IP Australia that is of a highly sensitive nature and which may not be appropriate for general public inspection. This could include details of serious medical conditions, or marital difficulties and resulting depression. The information may, relate to the party providing the information, or to another person who may not have consented to the information being provided.



44. This information may be relevant to a decision by the Commissioner, for example, to justify an extension of time. However, general availability to members of the public with no direct interest in the matter seems not to be justified. Presently there is no power in most cases by which the Commissioner can restrict or revoke general public access to such material.

45. In order to resolve this issue IP Australia is proposing the following change:

3.4 Proposed change

Information would not become open to public inspection, or would cease to be open to public inspection, if the Commissioner has reasonable grounds for believing that it is of a nature that is not appropriate for public inspection.

This will apply to both documents and articles that are filed with IP Australia.

46. There would be no obligation for the Commissioner to review material that is filed with IP Australia for potentially sensitive information. Rather, the Commissioner would only exercise the proposed power if he or she became aware that such information has been filed or existed on a file. IP Australia expects that access to information would rarely be restricted using these provisions.

47. The process is expected to be analogous to the current provisions for documents or articles produced under a notice of production issued under section 210 of the Patents Act.¹¹ Such documents do not become OPI if the Commissioner has reasonable grounds for believing that they should not become OPI. Access is then only granted subject to certain undertakings by the requestor. As occurs in that process, parties would be able to request a hearing before the Commissioner if the power was exercised in a manner that was adverse to them, and could seek a review of the Commissioner's decision by the Administrative Appeal Tribunal.

48. IP Australia considers that the proposed change would provide clearer processes for the handling of, and access to, material filed in relation to a patent application.

3.5 Rescinding acceptance

49. From time to time, IP Australia makes errors during the examination or acceptance process. Some of these can, if not remedied, lead to incorrect patent grants and low quality or invalid patents issuing. An example of this is when amendments to a patent specification are proposed but not considered by an examiner, and an application is accepted without those amendments having been acted on. Although general administrative law remedies might provide a solution in some cases, in others it can be difficult or impossible under existing provisions of the Act to remedy such errors. Also, general administrative law remedies can be unclear in their application and expensive to pursue, and do not necessarily address all technical errors and oversights which might occur. As a result, applicants often bear some cost in rectifying the error.

50. In contrast, when applications for trade marks are accepted following an error or omission, the Registrar of Trade Marks has the power to revoke the decision to accept the application, rectify the error or omission, and then finalise examination and acceptance. This provision has worked

¹¹ Section 210 of the Patents Act permits the Commissioner, for the purposes of the Act, to 'require the production of documents or articles'.



effectively for a number of years and substantially simplifies the process for dealing with errors or oversights that are not remedied at acceptance.

51. IP Australia proposes to introduce a provision into the Patents Act permitting the Commissioner of Patents to ‘undo’ or revoke acceptance of a patent application, if some error or oversight occurred during the examination process, as follows:

3.5 Proposed change

The Commissioner may revoke the acceptance of an application if:

- no patent has been granted on the application
- the application should not have been accepted
- and
- it is reasonable to revoke its acceptance, taking account of all the circumstances.

52. Revocation of acceptance is intended to address instances of applications being accepted following some error or omission by IP Australia staff. The provision is not intended to replace existing re-examination provisions. Consequently, if the Commissioner became aware of a document that impacted on the validity of an accepted application, this would be dealt with using the existing re-examination provisions, rather than by revoking acceptance in order to re-commence examination.

53. Revocation of acceptance would be at the Commissioner’s discretion. Applicant and third parties would not be able to require the Commissioner to revoke acceptance. The applicant, any opponent, and other interested parties would be given an opportunity to be heard prior to a decision to revoke acceptance of a patent application.

54. Once acceptance was revoked, the error or omission would be rectified and, if there were no outstanding issues, the application would be re-accepted. If there were outstanding issues examination would recommence, with the deadline for acceptance the later of the following:

- the last day of the original examination deadline
- or
- 3 months from the date of issue of the adverse examination report.

55. Revocation of acceptance would have the effect that the application would be taken never to have been accepted. Thus, subsequent actions would follow the normal processes. For example, if the application were subsequently accepted, its acceptance would be advertised and it could then be opposed. If the acceptance of an opposed application was revoked, any opposition proceedings would cease on revocation.

56. This proposal would enable more direct, efficient and certain means of dealing with errors and omissions during the examination process, and would improve the quality of granted patents. It would also provide an efficient mechanism to remedy errors and omissions without imposing unnecessary costs on patent applicants.



3.6 Removing the requirement for State sub-offices

57. IP Australia's goal is to develop state-of-the-art e-business channels which will enable applicants and attorneys to conduct their business and filing with IP Australia electronically. Currently, the Patents Act includes a requirement that there is a 'sub-office of the Patent Office in each State'. This requirement reflects a time when most business was paper-based and where payments and filings were made in person at State Offices. It does not account for today's business environment where business is conducted electronically and there is a diminishing need for physical lodgement facilities in each State.

58. IP Australia is proposing the following change to provide the flexibility to withdraw physical lodgement services in the States if and when they are no longer needed:

3.6 Proposed change

Remove the requirement that there is a sub-office of the Patent Office in each State.

59. This proposal does *not* mean that IP Australia would immediately cease to maintain such sub-offices. Rather, this proposal provides the flexibility to cease to do so in the future, if and when this becomes appropriate. Even if State sub-offices were no longer provided, it would still be possible to lodge physical material with IP Australia, either by post or in person at the Canberra office.

4. Remediating other problems with the patent system

4.1 Entitlement

60. Under the Patents Act:

- A patent may only be granted to the inventor or to a person claiming an entitlement through the inventor (that is, an assignee, a person deriving title from the inventor, or a legal representative).
- In the case of joint inventors, the patent must be granted to all co-inventors or persons claiming through them—otherwise the patent would be void.
- If there is more than one patentee, all must be inventors or co-inventors, or must claim an entitlement through an inventor or co-inventor—otherwise the patent would also be void.

61. The Patents Act provides several opportunities for ensuring a patent is granted to the properly entitled person or persons: during the examination process, during opposition, in other disputes between interested parties, and in various applications by persons claiming an entitlement to the patent.

62. However, patents are sometimes granted to parties who are not properly entitled, despite the availability of these opportunities. Recent court decisions have confirmed that such patents are liable to revocation on this basis. These decisions have also indicated that this ground of invalidity cannot be remedied by a subsequent assignment of the patent, or by a rectification of the Register of Patents. The only available remedy appears to be for the patent to be revoked and effectively re-issued in the names of the properly entitled person or persons.

63. There are deficiencies in this remedy:



- It can be inconvenient for the parties, who may prefer simply to correct the existing patent, rather than seek its revocation and re-issue.
- A re-issued patent effectively has a reduced term¹², eroding the patent rights of the new patentee or patentees.
- It can be costly, in some cases requiring court action.

64. It has also been alleged that this state of affairs causes injustice, as even an honest mistake in nominating the patentee can invalidate a patent. This seems to be a disproportionate outcome from what could be a simple clerical or administrative error. There also appear to be potentially significant compliance costs involved: so as to ensure validity, inventorship and ownership claims must be reviewed throughout the patent application process. If subject matter is deleted from a patent specification, changes to inventorship may be required and changes in entitlement must be reviewed.

65. In contrast, some other countries' patent legislation includes provisions permitting similar issues to be addressed without requiring revocation and the re-issuing of a patent. IP Australia proposes that the Patents Act should be amended to ensure that incorrect entitlement does not automatically invalidate a patent and that there are more effective legislative remedies to address entitlement issues, both before and after a patent has been granted.

66. The proposed legislative remedies would operate in the following manner.

67. Opportunities for ensuring that patents are granted to the 'correct' person would remain: the primary focus would still be on ensuring that patents are granted to the correctly entitled parties. But these provisions would be rationalised. The existing procedures—sections 32 to 36 of the Patents Act—have proven to be more complicated than desirable. In some cases, it can be unclear which of the various remedial provisions apply. The provisions involve different procedural steps, and have different appeal mechanisms, making their application and operation complicated for users. It appears that these provisions could be replaced with:

- a general power for either the Commissioner or a court to determine and declare what person has, or persons have, rights over a particular patent application or patent
 - a power for the Commissioner or court to rectify the Register of Patents to ensure that the patent is held in the name of the properly entitled person or persons
 - a procedure to be followed in the case that a re-issue of a patent in the name of the correctly entitled person or persons is appropriate
- and
- a provision ensuring that the original priority date is preserved when a patent is re-issued.

68. Under the proposed changes, a patent would *not* be invalid solely because it was granted to a person who was, or to persons who were, not properly entitled to it. The following remedies would be available to rectify this situation:

- A determination and declaration could be made, by either the Commissioner of Patents or a court, to establish the person who is, or persons who are, entitled to the patent.
- The Register of Patents could be rectified, by the Commissioner or court, to ensure the patent is held by the properly entitled person or persons.

¹² Re-issued patents are published on re-issue. A re-issued patent can only be enforced from this publication date.



- If rectification of the Register did not provide a suitable remedy, the patent could instead be revoked and a new patent or patents applied for, in the name(s) of person(s) with a proper entitlement. The patents legislation would be amended to ensure that the new patent(s) would not suffer from the present problem of effectively having a reduced term.

69. The powers of the Commissioner to rectify the Register would be of a similar scope to the powers possessed by the court.¹³ These powers would include, in connection with rectification of the Register:

- deciding any question which it is necessary or expedient to decide
- making any order the Commissioner thought fit.

70. Under this proposal, the Commissioner would be able to rectify:

- the omission of an entry from the Register
- an entry made in the Register without sufficient cause
- an entry wrongly existing in the Register

or

- an error or defect in an entry in the Register.

71. When these remedies are relied on, the legislation would include provisions protecting the interests of parties who had acquired a right of some kind in the patent, for example, a licence. This would be aimed at protecting and rebalancing the rights and interests of parties impacted by the transfer of the patent, or the revocation and re-issue, so as to reduce as much as possible any unwarranted commercial follow-on effects.

72. A patent would still be liable to revocation, either wholly or in part, if no patentee or joint patentee has any entitlement to it. But any action for rectification of the Register to ensure that the patentee of record is entitled would have to be considered and finalised prior to a decision being made to revoke a patent on this ground.

73. This proposal would effectively make patents less fragile to revocation on entitlement grounds than is currently the case. For example:

- In the case of a patent granted to A that should have been granted to B, as is the case currently, the patent could be revoked on entitlement grounds. However, as an alternative, the Register could be rectified to address this issue, recording B as patentee instead of A.
- In the case of a patent granted to A that should have been granted to A and B jointly, the patent would not be revoked on entitlement grounds. Rather, B would have a right to be recorded as joint patentee. This would differ from the existing law.
- In the case of a patent granted to A and B jointly that should have been granted to A solely, once again the patent would not be revoked on entitlement grounds. However, A could seek the removal of B as a joint patentee from the Register of Patents, due to B's lack of entitlement. Again, this would differ from the existing law.

74. Strengthening patents against attack on entitlement grounds is believed to be beneficial to innovation, providing more certainty in the validity of granted patents and removing existing compliance costs associated with ensuring that patentees are properly entitled.

¹³ Section 192, *Patents Act 1990*.



4.1 Proposed change

- (A) The Patents Act would be amended to ensure that a patent is not invalid solely because it is granted to a person who does not, or persons who do not, have a right to the patent.
- (B) The Commissioner or a court would be empowered to:
- declare what person has, or persons have, a right to a particular patent application or patent
 - rectify the Register of Patents to ensure that a patent is held by person(s) with a right to the patent, pursuant to such a declaration. The Commissioner would have similar powers to rectify the Register as a court now has.
- (C) The grounds of revocation of a patent would be amended to provide that a patent can be revoked, wholly or in part, if:
- in the case of a single patentee—that patentee has no right to that patent
 - in the case of joint patentees—none of the joint patentees has a right to that patent. That is, if any joint patentee had a right to the patent, the patent could not be revoked on entitlement grounds.

Any application for rectification of the Register of Patents to ensure that the patent is held by person(s) with a right to the patent would have to be considered and dealt with prior to revoking a patent on this ground.

- (D) In the case that the Register of Patents is rectified to ensure that the patent is held by person(s) with a right to the patent, and the patent is effectively transferred from one or more ‘old patentees’ to one or more ‘new patentees’:
- any licences or other rights in the patent granted or created by the old patentees would continue in force, unless there was *no* common person between the old patentees and the new patentees, or the Commissioner of Patents orders otherwise
 - the old patentees would be permitted to seek non-exclusive licences in limited circumstances, for example, if prior to the rectification, they were exploiting the invention in Australia, or had taken definite steps (contractually or otherwise) to do so.

Similar provisions would apply in the case that the patent held in the name of the old patentees is revoked and a new patent is applied for in the name of the new patentees.

This proposal is modelled on provisions of the *Patents Act 1977* (UK).

- (E) Standing to seek revocation of a patent on entitlement grounds:
- It has been suggested that only a person with a right to a patent should be able to seek revocation of a patent on entitlement grounds. IP Australia is interested in views on this suggestion.
- (F) Opportunities for ensuring that patents are granted to the ‘correct’ persons would remain but would be rationalised, as described in paragraph 68.



4.2 Non-infringement declarations

75. Under the Patents Act, a person (the applicant) is able to apply to a court for a declaration that the exploitation of an invention would not infringe the claims of a particular complete specification (owned by the respondent). This is known as a ‘non-infringement declaration’.¹⁴

76. The non-infringement declaration provisions were originally aimed at a manufacturer who was proposing to make an article or use a process, but who could not obtain clear legal advice, or an assurance from a patentee, that his or her proposed activities would not infringe a patent.¹⁵ To provide certainty to the manufacturer, the non-infringement declaration provisions permit a declaration to be obtained from a court that such actions would not constitute patent infringement.

77. A recipient of a non-infringement declaration is not liable to the patentee to account for any profits or to pay damages for any loss resulting from their activities, at least until the declaration is revoked or the patentee receives an injunction against the person.

78. Other features of Australia’s non-infringement declaration provisions include:

- the validity of a claim cannot be challenged during the proceedings for the declaration
- the applicant must pay the costs of all parties in the proceedings, unless the court orders otherwise
- only a court is able to make a non-infringement declaration
- a non-infringement declaration cannot be made unless a patent has been granted for the relevant invention.

79. The non-infringement declaration provisions were first introduced into Australia’s patent legislation in the *Patents Act 1952*. The first judicial consideration of the provisions appears to have been the recent Federal Court decision *Occupational and Medical Innovations v. Retractable Technologies Inc.*¹⁶ In this decision, these provisions were interpreted as applying only when:

- the applicant for the declaration was themselves seeking to exploit a patent
and
- the applicant’s patent has been granted.

80. This restriction that the applicant for the declaration must themselves be seeking to exploit a patent appears to be significantly narrower than the intended operation of the provisions. It does not reflect the policy intent of the provisions, which was to ensure that commercial activity is not unduly inhibited by the patent system, regardless of whether or not that activity is the subject of a patent. Australia’s provisions now seem significantly narrower than those of other countries which also have non-infringement declaration provisions.

81. This decision also held that a non-infringement declaration can be obtained even before the respondent’s patent has been granted. There are arguments both for and against permitting this. Patent grant can be delayed for some years, for various reasons. Permitting non-infringement declarations prior to grant of the respondent’s patent would prevent these delays from impacting adversely on competitor businesses, as competitors would be able to seek declarations at any time. However, a non-infringement declaration based on an application for a patent which has not

¹⁴ Part 2 of Chapter 11 of the Patents Act.

¹⁵ *Report of the Committee appointed by the Attorney-General of the Commonwealth to consider what alterations are desirable in the patent law of the Commonwealth*, 1952.

¹⁶ [2008] FCA 1102; 77 IPR570.



yet proceeded to grant may not be of much use to the recipient, as patent applications can be amended quite significantly during prosecution.

82. To address these concerns, IP Australia proposes the following change:

4.2 Proposed change

The Patents Act would be amended to clarify that a person would be able to seek a non-infringement declaration, whether or not they have applied for, or been granted, a patent relating to the activity for which they are seeking the non-infringement declaration.

IP Australia is also interested in stakeholders' views on the following issues:

- whether it should be possible to challenge the validity of the patent that is the subject of the non-infringement declaration during non-infringement declaration proceedings, as is possible under some other countries' provisions
- whether it is appropriate that the person seeking the declaration pay the costs of all parties, unless the Court orders otherwise, and if not, what alternative arrangement would be more appropriate
- whether the Commissioner of Patents, as well as the courts, should have jurisdiction to make a non-infringement declaration
- the appropriateness of permitting a person to obtain a non-infringement declaration prior to patent grant.

5. Questions

83. Do you agree in principle with IP Australia's proposals?

84. How could these proposals be modified or improved? Please provide details.