

## DRAFTING INSTRUCTIONS

### INTELLECTUAL PROPERTY LAWS AMENDMENT BILL

<b>DRAFTING INSTRUCTIONS INTELLECTUAL PROPERTY LAWS AMENDMENT BILL</b> .....	1
<b>Introduction</b> .....	1
<b>1 Specifications</b> .....	2
<b>1.1 Raising patentability standards – full description and fair basis</b> .....	2
<b>1.2 Amendments</b> .....	10
<b>1.3 Priority dates</b> .....	13
<b>1.4 Inventive Step</b> .....	15
<b>1.5 Requirements considered during examination, re-examination and     opposition</b> .....	18
<b>1.6 Standard of proof (balance of probabilities)</b> .....	22
<b>2 Exemptions to patent infringement</b> .....	25
<b>2.1 Experimental use</b> .....	25
<b>2.2 Regulatory review of a patented invention</b> .....	28
<b>3 Patent oppositions</b> .....	30
<b>3.1 Commissioner’s powers and sanctions for non-compliance</b> .....	31
<b>3.2 Amendments directed by court—section 105</b> .....	32
<b>3.3 Powers of the Federal Court—section 160</b> .....	33
<b>4 Trade mark oppositions</b> .....	33
<b>4.1 Commencement of opposition proceedings</b> .....	35
<b>4.2 Amendment of other documents</b> .....	36
<b>4.3 Dismissal of opposition</b> .....	36
<b>4.4 Lapsing of application</b> .....	36
<b>4.5 Registrar’s powers</b> .....	37
<b>5 Divisional applications</b> .....	37
<b>5.1 Introduction</b> .....	37
<b>5.2 Identification of divisional applications</b> .....	38
<b>5.3 Time for filing divisional applications</b> .....	39
<b>5.4 Withdrawal of applications</b> .....	40
<b>Annex I – Commencement date and application provisions</b> .....	41
<b>Annex II - Proposed patent opposition regulations changes</b> .....	44
<b>Annex III – Proposed trade marks opposition regulations changes</b> .....	45

### *Introduction*

1. These drafting instructions relate to amendments to the *Patents Act 1990*, the *Trade Marks Act 1995* and the *Designs Act 2003*.
2. The amendments to intellectual property legislation covered by these instructions result from several reviews of Australia’s intellectual property system, including:

- The Australian Law Reform Commission’s (‘ALRC’) 2004 report ‘Genes and Ingenuity: Gene patenting and human health’, accessible from <http://alrc.gov.au/inquiries/title/alrc99/index.html>.
- The Advisory Council on Intellectual Property’s (‘ACIP’) 2005 report ‘Consideration of patents and experimental use’, accessible from [http://www.acip.gov.au/reviews\\_completed.html#expuse](http://www.acip.gov.au/reviews_completed.html#expuse).
- A series of consultation papers released by IP Australia during 2009, accessible from [http://www.ipaustralia.gov.au/resources/news\\_new.shtml#41](http://www.ipaustralia.gov.au/resources/news_new.shtml#41):
  - ‘Getting the balance right’
  - ‘Exemptions to patent infringement’
  - ‘Resolving divisional applications faster’
  - ‘Resolving patent opposition proceedings faster’
  - ‘Resolving trade marks opposition proceedings faster’

3. The broad aim of these reforms is to improve the fit and function of the Australian intellectual property (IP) system. The reforms cover proposed changes aimed at raising patentability thresholds to align more closely with major overseas markets. They address concerns that low thresholds lead to broad patents which discourage research and follow-on innovation. The reforms also include a proposal to introduce an exemption from infringement for research and experimental use. This addresses concerns about patents acting as a barrier to research because of uncertainty about where there is freedom to operate. Other reforms cover proposals for reducing delays in the resolution of patent and trade mark applications.

4. See Annex 1 for general principles that IP Australia intends to apply with respect to application provisions.

## ***1 Specifications***

### **1.1 Raising patentability standards – full description and fair basis**

#### **1.1.1 Complete specifications—requirement to describe the invention fully**

5. A person applies for patent protection by filing a patent request and other prescribed documents under section 29 of the Act. An application for a standard or an innovation patent must be accompanied by a complete specification (subsection 29 (4) of the Act). The term ‘complete specification’ is defined in the Dictionary in Schedule 1 to the Act.

6. Essentially, a complete specification consists of two parts:

- a description of the invention, which must contain sufficient information to enable a sufficiently skilled addressee to perform the invention once the patent has expired
- one or more claims, delineating the scope of the patentee’s monopoly.

7. A complete specification must describe the invention for which patent protection is sought fully—paragraph 40 (2) (a). This is sometimes referred to as ‘sufficiency’. There are two aspects to this full description requirement<sup>1</sup>:

- The specification must make the nature of the invention plain to persons having reasonably competent knowledge of the subject.
- The specification must make it plain, to persons having reasonable skill, how to perform the invention.

8. Recent case law has clarified the extent of this full description (or disclosure) requirement. It is not necessary for the applicant to disclose *all* alternative means of performing the invention. It is sufficient if the applicant discloses enough to enable the addressee of the specification to produce *something* within each claim.<sup>2</sup> The Federal Court has noted that these statements ‘necessarily mean that one embodiment is sufficient’<sup>3</sup> and ‘should be followed by a judge at first instance’.<sup>4</sup> But the claim or claims could cover a monopoly which is significantly broader than such a disclosure.

9. As a consequence, a patentee may be given a monopoly that extends significantly beyond what could be made based on the information provided in their specification. Patent law essentially operates on the principle of a reward of a monopoly as consideration for public disclosure of an invention. However, under this interpretation of the law, the reward can go significantly beyond what is disclosed.

### ***Instructions***

10. We therefore seek amendments to paragraph 40 (2) (a) of the Act to strengthen the disclosure requirement for a complete specification.

11. The amended provision should require the applicant to describe the invention fully in a manner which enables the invention to be performed across the whole scope of the claim or claims by a person skilled in the relevant art without undue experimentation. The requirement that the description should include the best method known to the applicant of performing the invention should be retained.

12. The concepts of an ‘enabling disclosure’ and ‘enablement’ are well understood in patent law, so references to that term, or to similar terminology, should not cause difficulties of interpretation.

13. The phrase ‘person skilled in the relevant art’ is used in the Act to refer to the addressee of the patent specification, that is, a person who might seek to perform the invention on the basis of the description contained in the complete specification, in paragraphs 41 (2) (b) and (c). There is well-settled case law that the ‘person skilled in the relevant art’ in this sense is a

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<sup>1</sup> *Patent Gesellschaft AG v. Saudi Livestock Transport and Trading Company* (1997) 37 IPR 523 at 530.

<sup>2</sup> *Kimberly-Clark Australia Pty Ltd v. Arico Trading International Pty Ltd* (2001) 207 CLR 1; *Lockwood Security Products Pty Ltd v Doric Products Pty Ltd* [2004] HCA 58; *Pfizer Overseas Pharmaceuticals v Eli Lilly and Company* [2005] FCAFC 224.

<sup>3</sup> *Eli Lilly and Co v. Pfizer Overseas Pharmaceuticals* [2005] FCA 67, 64 IPR 506 at [184]; finding upheld on appeal in *Pfizer Overseas Pharmaceuticals v. Eli Lilly and Co* [2005] FCAFC 224, 68 IPR 1 at [325]-[347].

<sup>4</sup> *Eli Lilly and Co v. Pfizer Overseas Pharmaceuticals* [2005] FCA 67, 64 IPR 506 at [184]; finding upheld on appeal in *Pfizer Overseas Pharmaceuticals v. Eli Lilly and Co* [2005] FCAFC 224, 68 IPR 1 at [325]-[347].

person who has ‘a reasonably competent knowledge of what was known before on the subject to which the patent relates’ and has ‘a reasonably competent skill in the practical mode of doing what was then known’: they are not a person who is ‘wholly ignorant of the subject-matter to which [the] invention relates’.<sup>5</sup> It is generally understood in patent law that the person skilled in the relevant art should be expected to engage in a degree of ‘reasonable trial and error’—the details contained in the description do not have to be so precise as to avoid this. However, that person should be able to perform the invention ‘without new inventions or additions or prolonged study of matters presenting additional difficulty’.<sup>6</sup> This case law currently places a limitation on how much must be disclosed by the complete specification in order to meet the full description requirements, and the amendments should preserve this approach.

14. The aims of this amendment is to clarify that:

- the specification must provide sufficient information to enable the skilled person to perform the invention (it must be an ‘enabling disclosure’) across the full scope of the claims (ensuring that the description in the complete specification is sufficient to justify the grant of a monopoly of the breadth outlined in the claim or claims)
- a degree of routine work and experimentation is allowable—for example, the addressee of the specification can be expected to display a certain level of skill and common general knowledge in the art and to recognise and correct obvious errors or omissions. However, the skilled person should not be expected to exercise invention or undertake prolonged experimentation in order to perform the invention across the whole scope of the claims based on the written description
- the specification should not be required to provide directions for the making of *every* alternative embodiment—so long as it is possible to generalise the teaching of the written description across the whole scope of the claims, the requirement would be met.

15. We envisage that the number of examples or the extent of description required under this new descriptive requirement will vary depending on the area of technology and the particular invention. In some circumstances a single example may suffice, so long as it enables performance of the invention across the full scope of the claims. However, where the applicant claims, for example, a broad class of chemical compounds, it may be necessary to provide a number of examples extending across the broad class. The test should not come down to the number of examples that are provided. Rather, the test should focus on whether the person skilled in the relevant art can perform the invention across the whole scope of the claims without an unreasonable amount of trial and error, based on the information that is provided in the complete specification. We intend to clarify this expectation in the Explanatory Memorandum accompanying the Bill.

16. Case law already makes it apparent both that the written description is aimed at the skilled person, and that a degree of routine work and experimentation are allowable. So even

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<sup>5</sup> *Edison & Swan Electric Light Co v. Holland* (1889) 6 RPC 243 at 280 per Lindley LJ, and adopted by McTiernan J in *Samuel Taylor Pty Ltd v. SA Brush Company Limited* 83 CLR 617 at 624-625.

<sup>6</sup> *Lockwood Security Products Pty Ltd v. Doric Products Pty Ltd* [2004] HCA 58 at [60].

if these were not included in the amended statutory provisions, it is possible that a court or other decision-maker would read these factors into the new test. However, we would like these to be explicitly included in the amended provisions in order to reduce uncertainty as much as possible about the level of detail required in specifications under the new requirement.

### **1.1.2 Provisional specifications—requirement to describe the invention**

#### ***Background***

17. Section 29 permits a person to apply for a patent for an invention by filing a provisional application. A ‘provisional specification’ is defined in Schedule 1 to the Act as meaning ‘a specification filed in respect of a provisional patent application’. Under subsection 40 (1), a provisional specification must ‘describe the invention’.

18. A complete application may be ‘associated’ with a provisional application under section 5. The applicant has 12 months from the filing date of the provisional application in which to file the associated complete application—section 38 and regulation 3.10 of the Patents Regulations. A provisional application lapses at the end of this period—subsection 142 (1).

19. As noted by Lockhart J in *Anaesthetic Supplies Pty Limited v. Rescare Limited*<sup>7</sup>:

All that the provisional specification needs to do is to describe generally and fairly the nature of the invention, and not to enter into all the minute details as to the manner in which the invention is to be carried out. It is a mode of protecting an inventor until the time of filing the final specification. It is not intended to be a complete description of the invention, but simply to disclose the invention fairly, though in its rough state. The interval of time between the provisional and the final is intended to provide an opportunity for the development and precise expression of the invention foreshadowed in the provisional. ...

20. The provisional application is therefore an early filing, which may disclose the invention in a preliminary state, for the purpose of securing an early ‘priority date’. Under section 43, each claim of a specification must have a ‘priority date’. This is the date at which novelty and inventive step are assessed, and an earlier priority date is therefore usually beneficial to a patent applicant or patentee.<sup>8</sup>

21. There are several reasons applicants might elect to file a provisional application rather than a complete application. Traditionally, filing of a provisional application has given applicants a further 12 months in which to express and develop their invention fully before filing a complete application. But the 12 month period between provisional and associated complete can also be used for other purposes. For example, in this period, applicants are able to seek funding for prosecution and commercialisation of the invention, determine in which countries to seek patent protection, etc.

22. Australia’s provisions regarding the disclosure requirement in a provisional application are less stringent than those of other countries.

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<sup>7</sup> [1994] FCA 1065; (1994) 122 ALR 141 (1994); AIPC 91-076 (5 May 1994); 26 IPR 383.

<sup>8</sup> Note that the term of the patent runs from the ‘date of the patent’ (section 65, usually the filing date), rather than from the priority date.

23. As in other countries, Australian patent law requires the applicant to have devised the invention before it can be described in a provisional application.<sup>9</sup> However, Australian patent law does not include a requirement that the provisional application include an ‘enabling disclosure’—that is, a disclosure that would enable a skilled addressee to perform the invention.<sup>10</sup>

24. There is a distinction in patent law between devising an invention and enabling it through a disclosure<sup>11</sup>:

In my view, devising an invention and providing enabling disclosure are two quite different things. Although both may be necessary to secure valid protection ... they relate to different aspects of the law of patents. It is very possible to make a good invention but to lose one’s patent for failure to make an enabling disclosure. The requirement to include an enabling disclosure is concerned with teaching the public how the invention works, not with devising the invention in the first place.

25. Overseas patent law typically requires a provisional application (or other application on which a priority claim is based) to contain an enabling disclosure.<sup>12</sup>

26. These differences in law sometimes benefit Australian applicants seeking patent protection in Australia—allowing Australian applicants to secure an earlier priority date over competing overseas applicants who are also filing in Australia. But they may do a disservice to Australians seeking patent protection overseas. An Australian provisional might not provide a sound enough basis to establish a priority date in other countries.

27. We therefore seek an amendment to section 40 of the Patents Act to bolster the disclosure requirement of a provisional application.

### ***Instructions***

28. Subsection 40 (1) should be amended so that a provisional specification is required to describe the invention fully in a manner which enables the invention to be performed by a person skilled in the relevant art without undue experimentation.

29. The insertion of ‘fully’ into the disclosure requirement for a provisional specification would align that requirement with that of a complete specification—paragraph 40 (2) (a).

30. Under sections 45 and 48, applications for standard patents are examined for compliance with relevant provisions of the Act. Provisional applications are not examined,

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<sup>9</sup> *Dunlop v. Cooper* [1908] HCA 67; (1908) 7 CLR 146: ‘an applicant must have actually made an invention before he can describe it in his provisional specification. In other words, the thing described must exist in idea before the description of it.’

<sup>10</sup> In *Coopers Animal Health Australia Ltd v. Western Stock Distributors Pty Ltd* (1987) 11 IPR 20 at 27, Fox J cited with approval the statement by Lloyd-Jacob J in *Imperial Chemical Industries Ltd (Clark’s) Application* [1969] RPC 574 at 583 that ‘there is no real need for a description that would enable the reader to make the embodiment for himself’.

<sup>11</sup> Per Laddie J in *University of Southampton’s Applications* [2004] EWHC 2107; [2005] RPC 11 at [46]; approved by Lord Hoffmann in *Synthon v. SmithKline Beecham* [2005] UKHL 59; [2005] IP&T 81.

<sup>12</sup> Under UK patent law, note *Asahi Kasei Kogyo KK’s Application* [1991] RPC 485; approved in *Biogen v. Medeva* [1995] 2 RPC 25 and [1997] 1 RPC 1. Under the European Patent Convention, note for example point 3.1 of reasons for decision in T 193/95; the decision T 843/03; and page 302 of *Case Law of the Boards of Appeal of the European Patent Office*, Fifth Edition, December 2006. In the US, note 35 USC § 111 (b) (1) (A) and § 112 ¶ 1.

and under this amendment, would continue not to be examined. The sanction for non-compliance would relate to the priority date applicable to any complete application that may subsequently be associated with the provisional application (see instructions in section 1.2 below), or the priority date applicable to any application for a patent that may be made overseas.

### ***Consequential amendments***

31. Subsection 41 (1) of the Act provides that a complete specification is taken to comply with the requirements of paragraph 40 (2) (a) where the invention involves a micro-organism and the ‘deposit requirements’, set out in section 6, are met.

32. Section 41 should be amended so that it applies to both provisional and complete specifications.

33. Similarly, the ‘deposit requirements’ set out in section 6 are to apply to provisional as well as complete specifications, with the exception of paragraph 6 (c). It should not be necessary to include the information set out in subparagraphs 6 (c) (i) – (iii) in the provisional specification from the end of the period prescribed for the purposes of that section, or at any other point in time.

### **1.1.3 Time for meeting the requirement to describe the invention fully**

#### ***Background***

34. Although paragraph 40 (2) (a) of the Act requires the complete specification to describe the invention fully, the Act does not state *when* this requirement must be met.

35. It appears that, at least in the case of applications for standard patents, the requirements of paragraph 40 (2) (a) must be met at the date of grant of the patent.<sup>13</sup> However, there are indications that the final date for meeting these requirements could be even later.<sup>14</sup> For innovation patents, this has not been clarified. However, it is possible that this requirement would have to be met at a different date, for example, the date a certificate of examination is issued.

36. This outcome is undesirable for two reasons.

- It allows a patentee to be granted protection for matter, or for a new invention, which they have only fully realised or described some time after the time of filing their patent application.
- It can contribute to uncertainty for the public and competitors. They might not be given the full details of an invention until well after the patent specification has been filed and published. Follow-on innovation, such as experimental activities (see drafting instructions relating to experimental use) could suffer from the delay in provision of this information.

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<sup>13</sup> *Pfizer Overseas Pharmaceuticals v. Eli Lilly* [2005] FCAFC 224; (2005) 68 IPR 1 at [347].

<sup>14</sup> *Pfizer Overseas Pharmaceuticals v. Eli Lilly* [2005] FCAFC 224; (2005) 68 IPR 1 at [356].

37. We consider that the time for assessing compliance with paragraph 40 (2) (a) ought to be the filing date of the complete specification. In the decision *Pfizer Overseas Pharmaceuticals v. Eli Lilly*, French and Lindgren JJ noted that<sup>15</sup>:

There are provisions of the Act which specify times at or by which particular conditions must be satisfied, such as ss 6(a) and 42(1)(b) (relating to micro-organisms), s 79B (relating to divisional applications) and s 102(2)(a) (amendments). If parliament had intended a requirement that s 40(2)(a) be complied with at the time of filing and not later, it would similarly have said so. In the absence of such an express limitation, the requirement can be satisfied at any time down to grant.

### ***Instructions***

38. We therefore seek amendments to section 40 to impose such an express limitation, requiring the full description and the best method of performance requirements to be satisfied at the filing date of the patent application. The ‘filing date’ is defined in section 30 of the Act.

39. This amendment is intended to operate as follows.

- If a specification does not describe the invention fully across the whole scope of the claims, but does describe it across part of the claim scope, the application would be objectionable under s 40 (2) (a). The applicant would be able to propose amendments to ‘narrow’ the claims, restricting them to forms of the claimed invention which *have* been described fully.
- The applicant would *not* be able to amend the specification to add whatever further material is needed in order to ensure that the invention is described fully. The amendments described in section 1.2 below, which deals with allowability of amendments to patent specifications, would ensure this.
- However, sometimes non-allowable amendments are nevertheless made.
  - Section 26 would ensure that this does not impact on validity. If non-allowable amendments were nevertheless made, which added new material to the description, and which overcame the lack of sufficiency, the specification should no longer be objectionable for failure to describe the invention fully at the filing date. Nor should validity of any patent issuing on the application be impeachable on this ground.
  - Rather, the consequence would be that the claims *may* receive a later priority date as a result (the date the amendments were proposed), which could impact on their validity (see paragraph 65 below).

40. Consistent with existing law, the best method need only be the best method known to the applicant at the filing date.<sup>16</sup>

### ***Consequential amendments***

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<sup>15</sup> *Pfizer Overseas Pharmaceuticals v. Eli Lilly* [2005] FCAFC 224; (2005) 68 IPR 1 at [370].

<sup>16</sup> *Pfizer Overseas Pharmaceuticals v. Eli Lilly* [2005] FCAFC 224; (2005) 68 IPR 1 at [366].

41. Section 41 deems paragraph 40 (2) (a) to have been complied with if the ‘deposit requirements’ of section 6 are satisfied. This section should be amended as needed to ensure that the revised full description requirement will be met so long as the existing deposit requirements are satisfied.

#### **1.1.4 Fair basis**

##### ***Background***

42. Subsection 40 (3) of the Patents Act requires the claims of a complete specification to be, *inter alia*, ‘fairly based’ on the matter described in the specification. The concept of ‘fairly based’ was introduced into Australian patent law by the *Patents Act 1952* (Cth), based on corresponding provisions under the *Patents Act 1949* (UK). This concept disappeared from UK patent law, and was replaced with a test of the claims being ‘supported by’ the description, with the enactment of the *Patents Act 1977* (UK). However, it was retained as part of Australian patent law when the *Patents Act 1990* (Cth) was enacted.

43. The concept of ‘fair basis’ in Australian patent law is intended to achieve two results:

- To ensure some degree of consistency between the monopoly claimed in the patent and the description of the invention:
  - The claims are not permitted to ‘travel beyond’ what is described in the patent specification.
  - However, the claims are permitted to be broader than the disclosure to at least some extent—they are not limited to the preferred embodiments contained in the descriptive part of the specification.
- To ensure that the claims of a particular patent are entitled to the priority date which the patent applicant asserts.

44. A lengthy body of case law has developed over the decades interpreting the ‘fair basis’ requirement, culminating in the recent High Court decision *Lockwood Security Products Pty Ltd v. Doric Products Pty Ltd* (2004) 62 IPR 461. In clarifying the application and operation of the test, the full court of the High Court also noted that recent United Kingdom case law on ‘support’ is of no assistance in interpreting fair basis under the Australian patents legislation.

45. Overseas patent law generally includes a similar requirement for there to be some relationship between the claims and the description, and between the claims and any document from which priority is being claimed, but uses different terminology. As *Lockwood* makes clear, the different terminology produces different substantive law in different countries, despite the underlying concept and policy being similar.

46. We seek amendments to the Patents Act to align the ‘fair basis’ test more closely with corresponding tests used in overseas patent law. Our intention in doing this is to align the interpretation of this provision of the Patents Act more closely with corresponding provisions of international patent law. This intention would be made clear in extrinsic material, in order to increase the possibility of the intended interpretation being applied.

47. A common requirement in overseas patent law is a requirement for the claims to be ‘supported by’<sup>17</sup> or ‘fully supported by’<sup>18</sup> the description.

48. The concept of ‘support’ for claims in other jurisdictions generally picks up two concepts<sup>19</sup>:

- There must be a basis in the description for each claim.
- The scope of the claims must not be broader than is justified by the extent of the description, drawings and contribution to the art.

### ***Instructions***

49. Subsection 40 (3) should be amended to replace the requirement that the claims be ‘fairly based on’ the matter described in the specification with a requirement that the claims be ‘supported by’ the matter described in the specification.

50. Consistent with the instruction in paragraph 11 above, a claim could only be ‘supported by’ an enabling disclosure in the description.

## **1.2 Amendments**

### ***Background***

51. Under Australian patent law, a patent specification may be amended throughout the life of the patent. There are some restrictions, including the following:

- Under subsection 102 (1), the specification can never be amended so as to claim matter which was not ‘in substance disclosed’ in the specification as filed.
- Under subsection 102 (2), the specification cannot be amended after the ‘relevant time’ (subsection 102 (2A)—basically, acceptance of a standard patent or certification of an innovation patent) in such a way as to:
  - claim something that would not ‘in substance’ fall within the scope of the claims before amendment
  - or
  - cause the specification not to comply with subsection 40 (2) or (3).

52. The phrase ‘in substance disclosed’ has been interpreted in a line of court decisions, and has a well-understood meaning in Australian patent law. It is interpreted in a manner similar to ‘fair basis’.

53. The first bullet point, while allowing new material to be added to a patent specification, prevents the scope of the claims from being broadened as a result. It does not otherwise

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<sup>17</sup> European Patent Convention, Article 84; UK *Patents Act* 1977, paragraph 14 (5) (c).

<sup>18</sup> Patent Cooperation Treaty, Article 6; draft Substantive Patent Law Treaty, May 2004, Article 10 (3).

<sup>19</sup> *Guidelines for Examination in the European Patent Office*, European Patent Office, April 2009, at 6.1, accessed 6 November 2009.

prevent claim broadening by amendments. But the second bullet point *does* prevent the claims from being broadened after the application has been accepted, in the case of an application for a standard patent, or after the certification, in the case of an innovation patent.

54. However, these restrictions do not prevent a complete specification from being amended to add new information to the written description in order to overcome an objection or ground of opposition (and possibly revocation) that the specification does not describe the invention fully, or does not disclose a best method of performance.

55. In contrast, other jurisdictions' patent laws *do* prevent a written description from being amended to include new material, although the approaches in different jurisdictions differ in their details. As an exception to this principle, other countries generally permit amendments which add to the written description in order to correct obvious errors.<sup>20</sup> Subsection 102 (3) provides a similar exception under Australian law.

56. The restriction on adding new material to a patent specification under overseas patent law

is there to prevent the patentee disclosing either by deletion or addition any inventive concept which was not disclosed before but not to prevent a patentee claiming the same invention in a different way.<sup>21</sup>

57. A provision similar to these overseas prohibitions will be required under Australian law in order to support the amendments described in section 1.1.3 above.

58. In addition to section 102, regulation 10.3 prescribes a number of amendments which are not allowable. Having some non-allowable amendments set out in section 102 and some prescribed by regulation produces some inconvenient results:

- It may not be clear to a reader of the Act that there is also a regulation prescribing some non-allowable amendments.
- Section 105 permits a court to grant leave to direct amendments to a patent application or a patent. Neither the Commissioner nor a court is able to allow or direct amendments which are not allowable under section 102. Although the Commissioner is not able to allow amendments which contravene regulation 10.3 (paragraph 10.4 (a) of the Regulations), there is no such limitation applying to a court. This produces different outcomes for different non-allowable amendments before different decision makers.

59. We also seek amendments to address these issues.

### ***Instructions***

60. Subsection 102 (1) should be repealed and replaced by new provisions under which an amendment to a complete specification is not allowable if, as a result of the amendment:

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<sup>20</sup> See for example Rule 88 of the Implementing Regulations to the Convention on the Grant of European Patents; 35 USC § 132 (a), final sentence; rule 66 of the Regulations under the Patent Cooperation Treaty.

<sup>21</sup> *Southco Inc v Dzus Fastener Europe Ltd* [1990] RPC 587; upheld on appeal, [1992] RPC 299.

- the claims would not be supported by the matter disclosed in the specification at its filing date
- or
- the disclosure contained in the amended specification would go beyond the disclosure contained in the specification at its filing date.

61. We also seek the introduction of a provision which clarifies that the disclosure contained in a complete specification is what would be disclosed to a person skilled in the relevant art by information in the description, claims, any drawings contained in the specification and any other document which may be prescribed in the regulations.

62. This regulation-making power would enable an abstract to be prescribed. An abstract is currently a prescribed document for the purposes of subsection 29 (1) of the Act—see subregulation 3.1 (1) (prescribed documents: patent applications). Subregulation 3.3 (7) currently permits an abstract to be taken into account in determining, for subsection 102 (1), whether a matter was in substance disclosed in the specification as filed. This regulation-making power would maintain and formalise this arrangement, and would retain the flexibility in the future to provide that an abstract cannot be taken into account in assessing compliance with this requirement.

63. Subsection 102 (3) provides that section 102 does not apply to amendments which are for the purpose of correcting clerical errors or obvious mistakes in, or in relation to, complete specifications. This subsection should be amended so that it also does not apply to other amendments which are prescribed in the regulations. Regulations would then be made to prescribe amendments to the specification to include the information referred to in paragraph 6 (c) of the Act other than in the circumstances currently covered by subregulation 10.3 (2).

64. Section 102 should also be amended to enable regulations to be made prescribing further amendments which are not allowable.

### *Consequential amendments*

65. Section 114 of the Act deals with the consequences if an amendment is made contrary to subsection 102 (1).

- The validity of a patent is not impacted by this. Section 26 ensures that validity is not impacted by the claiming of an invention that was not described or claimed in the specification as filed, or, subject to section 112, by the allowance of an amendment that was not allowable.
- The amendment still stands, despite the fact that it should not have been allowed in the first place. This is confirmed by subsection 104 (6), which provides that, on the allowance of an amendment, the amendment is to be taken to have been made. See also subsections 105 (6), 106 (5) and 107 (5).

66. Instead, the consequence is that the priority date of the affected claim is determined under the regulations. Regulation 3.14 currently effectively provides that the claims have a later priority date as a consequence. The impact of this sanction depends on the particular circumstances. The later priority date may result in the claims lacking novelty in view of a

document or prior act which was published or undertaken before the new, later priority date. Section 114A restricts the ability to find the claims invalid on the ground that they lack an inventive step: in some cases, the validity of claims may not be impacted at all as a result.

67. Section 114 is headed: 'Priority date of certain amended claims'. It will need a consequential amendment to reflect the amendment to subsection 102 (1). The section should provide that the priority date of a claim of a complete specification must be determined under the regulations if:

- a complete specification is amended in contravention of subsection 102 (1) (paragraph 60 above)

and

- the claim of the complete specification claims matter that was not supported by the complete specification as filed, but is supported by the complete specification as amended.

68. This would allow regulations to be made under which the priority date of a claim which meets the criteria set out in paragraph 67 above is the date of filing of the statement of proposed amendments (see regulation 10.1) that resulted in the disclosure referred to in that paragraph.

69. The section heading may need revision too, as the section could operate as a result of amendments to the descriptive part of the specification, even without amendments to the claims. For example, certain embodiments falling within the scope of a claim might not be supported by an enabling disclosure in the specification. Rather than restrict the claim to the enabled embodiments, the applicant may seek to amend the specification by adding sufficient details to the description to enable the whole scope of the claims.

70. This amendment would not be allowable under the provision described in paragraph 60 above, as the amended description would go beyond the disclosure in the original specification. But if the amendment were to be allowed, notwithstanding this, section 114 as described in paragraph 67 above would come into operation, and would, in conjunction with regulations made under the provision, result in the claims having two priority dates. The forms of the invention which were disclosed in and enabled by the specification as filed would benefit from the original priority date. The forms of the invention which were only enabled by the amendments would only be entitled to the later priority date, corresponding to when the non-allowable amendments were proposed.

71. Section 114A will also require a consequential amendment.

### **1.3 Priority dates**

#### ***Background***

72. Under subsection 43 (1), each claim of a specification must have a priority date. The priority is:

- the date of filing of the specification (paragraph 43 (2) (a), section 30)

or

- another date, if the regulations so provide (paragraph 43 (2) (b) and regulations 3.12-3.14).

73. Under the Act, it is possible for different claims to have different priority dates (subsection 43 (4)), and for a single claim to have more than one priority date, with different dates for different claimed forms of the invention (subsection 43 (3)).

74. Regulations 3.12 and 3.13 provide that, in various situations, the priority date of a claim will be the date of filing of certain other documents, if the claim of the complete application is ‘fairly based’ on matter disclosed in those other documents.

75. Consistent with the change set out in section 1.1.4 above, the test should now be ‘supported by’ rather than ‘fairly based on’. As this test is prescribed in the Regulations, rather than specified in the Act, it would be possible to realise this change through amendments only to the Regulations, and not to the Act. However, in view of the fundamental nature of the priority date to patent validity, we consider it appropriate that this aspect of the priority date test be set out in the Act.

### *Instructions*

76. We therefore seek amendments to the Patents Act to amend paragraph 43 (2) (b) to provide that, if, in prescribed circumstances, a claim is supported by the matter disclosed in a prescribed document, the priority date of the claim will be the date that is determined under the regulations. This will ensure that the substantive nature of the test for determining a priority date is set out in the Act, but that the details of how the test is to apply are prescribed in the Regulations.

77. Consistent with paragraph 50 above, the prescribed document would have to provide an enabling disclosure in order to support the claims.

78. As there are other provisions within the Act relating to the priority date (for example, section 114 and subsection 36 (4)), this provision should explicitly be subject to the Act.

79. Subsection 43 (5) provides for the priority date for a claim in an innovation patent filed under section 79C of the Act. Similarly, this provision will require an amendment to codify the ‘supported by’ requirement in the Act. This could take on the form of a new paragraph 43 (5) (c), inserting a condition that a claim of the innovation patent is supported by matter disclosed in the specification referred to in subsection 79C (1). The aim of this amendment is to ensure a consistent approach to substantive requirements throughout the legislation, i.e. substantive requirements in Act rather than in the Regulations.

80. This amendment is intended to operate as follows. If a complete application is associated under section 5 with a prescribed document (such as a provisional application or an application made in a Convention country), and:

- the entire scope of the claims of the complete application is supported by the prescribed document (including that the prescribed document contains an enabling disclosure across the full scope of the claims)—the claims of the complete will be entitled to the priority date of the provisional

- the entire scope of the claims of the complete application is *not* supported by the prescribed document—
  - the claims or forms of the invention which *are* supported by the prescribed document will be entitled to the earlier priority date
  - the other claims or forms of the invention will not be entitled to the earlier priority date, and may only be entitled to the filing date of the complete application.

## 1.4 Inventive Step

### 1.4.1 Common general knowledge

#### *Background*

81. In Australia, a patent can be granted for an invention if it satisfies the requirements for patentability under section 18 of the Act. In general, these requirements are that an invention must be new, involve an inventive step and have a practical use. To determine if an invention has an inventive step, a comparison is made between the claimed invention and the prior art to determine if the invention would have been obvious to a person skilled in the relevant art in the light of common general knowledge as it existed in the patent area (Australia) before the priority date of the relevant claim.

82. This knowledge can be considered separately or together with any single piece of prior art information or a combination of any 2 or more pieces of prior art information, and is information that the skilled person would have been reasonably expected to have ascertained, understood and regarded as relevant.

83. The requirements for inventive step are set out under subsections 7 (2) and 7 (3). The terms ‘patent area’, ‘prior art base’ and ‘prior art information’ are defined in the Dictionary in Schedule 1 to the Act.

84. Common general knowledge has been defined by the courts as knowledge which is available to all in the trade<sup>22</sup> and that every worker in the art may be expected to have as part of his or her technical equipment.<sup>23</sup> Currently common general knowledge for inventive step is restricted to that which is known in Australia.

85. This restriction is not present in the patent laws of Australia’s major trading partners or under the PCT<sup>24</sup>, where when assessing inventive step, common general knowledge anywhere in the world can be taken into account. Therefore the person skilled in the relevant art would have all the common general knowledge that anyone in the art might have regardless of where that skilled person was.

86. Common general knowledge is also taken into account in the context of the skilled worker’s expertise and knowledge in the relevant art when construing patent specifications for disclosure of a claimed invention or when construing a potential citation for the purposes of novelty. In contrast to the geographical restriction placed on common general knowledge

<sup>22</sup> *Minnesota Mining and Manufacturing Co v. Beiersdorf (Australia) Ltd* [1980] HCA 9.

<sup>23</sup> *Automatic Coil Winder Co Ltd v. Taylor Electrical Instruments Ltd*, (1944) 61 RPC 41.

<sup>24</sup> PCT Article 33, Rules 64-65.

for the purpose of assessing inventive step, there is no geographical limitation placed on the common general knowledge of the skilled person when construing specifications for disclosure or citations for novelty.

87. Following extensive public consultation we are now seeking to amend subsection 7 (2) to remove the restriction that common general knowledge is limited to Australia only. Removing this limitation better reflects the global nature of today's research and innovation environment with increased access to information via the internet and electronic communication tools.

88. We are not proposing similar amendments to subsection 7 (4) in relation to innovative step which is a lower threshold test applied to innovation patents. Since innovation patents are granted for incremental and lower level inventions, at this stage, we believe it is necessary to retain the restriction that common general knowledge is that knowledge known to the skilled person in Australia.

### ***Instructions***

89. We seek an amendment to subsection 7 (2) of the Act to remove the limitation that the common general knowledge for the purposes of assessing inventive step is restricted to common general knowledge only in Australia, by deleting the words 'in the patent area'.<sup>25</sup>

90. The amendment would make the concept of common general knowledge more globalised and help ensure that patents granted in Australia are assessed against the said knowledge in the relevant art anywhere in the world, not only in Australia.

91. We require common general knowledge to be that knowledge which a skilled worker in the art may be expected to have as part of their background knowledge, not just that knowledge that a skilled worker in Australia would have.

### ***Related proposals***

92. Amendments are being made to how prior art is considered for the purposes of inventive step.

## **1.4.2 Prior art**

### ***Background***

93. As discussed in relation to the previous proposal, the current requirements for inventive step are set out under subsections 7 (2) and 7 (3), with s 7 (3) restricting the information considered for the purposes of assessing inventive step to that prior art information which the skilled person could have reasonably been expected to have '... ascertained, understood and regarded as relevant...'.<sup>25</sup>

94. In contrast, in other jurisdictions, all publicly available information is considered for the purposes of assessing inventive step.

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<sup>25</sup> Note however previous stakeholder comments that deleting these words may leave open the question of what is meant by common general knowledge.

95. The term ‘ascertained’ within subsection 7 (3) was considered by court in the Emperor Sports case.<sup>26</sup> Here, the Federal Court found that information in US patents, although highly relevant and readily understood, would not have been ascertained by the skilled person who was a football coach who would not normally search the patent literature. This resulted in a situation where documents that were clearly relevant, and that would have been considered under the laws of other countries, could not be considered for the purposes of assessing inventive step under Australian law. This approach also does not give account to the global innovation environment that exists today where there is more ready access to information via the internet and other electronic means.

96. In Emperor Sports the Federal Court also noted that when the ability of the skilled person to ascertain relevant prior art is in doubt it is necessary to have evidence to resolve the dispute. This has the potential to introduce significant additional costs to litigating patent disputes. We are therefore seeking to remove the term ‘ascertained’ from subsection 7 (3).

97. With regard to assessing inventive step, the courts have developed a number of tests as indicators of inventive step. These include considering factors such as whether the skilled person would have recognised the relevance of the prior art information to the problem they were seeking to solve and whether they would have understood the directions and teaching provided in that prior art information. These give account to factors such as whether or not prior art documents would have been understood and regarded as relevant as part of the general obviousness inquiry. Given this, the presence of ‘understood and regarded as relevant’ in subsection 7 (3) adds complexity to the provision but contributes little if anything to the outcome of inventive step assessments.

98. We are seeking to expand the prior art information considered for the purposes of inventive step to all publicly available information, and to simplify the provision by removing the requirement that prior art information is that which would have been understood and regarded as relevant. This will better align the prior art information considered for inventive step under Australian law with the prior art information considered for inventive step under the laws of other countries.

### ***Instructions***

99. We are seeking removal of the requirement that the information considered for the purposes of inventive step needs to have been ‘ascertained, understood, regarded as relevant’.

100. This would align Australia’s system more closely with other jurisdictions which do not have the terms explicitly in statute.

101. We are retaining the requirement that the said information can be a single piece of prior art information or a combination of 2 or more pieces of prior art information. Where 2 or more pieces of prior art information are combined the requirement that the skilled person could have been reasonably expected to have combined the said information will remain.

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<sup>26</sup>*Commissioner of Patents v. Emperor Sports Pty Ltd* [2006] FCAFC 26 (10 March 2006) (Emperor Sports).

102. The definition of the prior art base for inventive step will not change. We do not believe additional definitions or further elaboration in the provision is necessary to achieve our desired outcome.

### ***Related proposals***

103. Amendments are being made to the type of common general knowledge that can be considered for the purposes of inventive step.

## **1.5 Requirements considered during examination, re-examination and opposition**

### **1.5.1 Grounds for examination—usefulness**

#### ***Background***

104. Usefulness is a key criterion for patentability – s 18 (1) (c) and 18 (1A)(c) of the Patents Act. Patents should not be granted for inventions that are not useful, i.e. that have no practical application or that do not work.

105. We want to achieve two results in relation to “usefulness”:

- We want to define usefulness so that it requires demonstration of a ‘specific, substantial and credible use’; and
- We want to ensure that ‘usefulness’ becomes one of the tests which must be satisfied at examination - currently, usefulness is only a ground for opposition and revocation through the courts, and is not among the criteria assessed during examination.

106. There is existing case law interpreting the requirement of ‘usefulness’ or ‘utility’:

- ‘The ground of inutility is not concerned with the question of whether, in the present case, the apparatus to be used by following the directions in the Patent would not be commercially viable; rather, the question is whether the invention as claimed does not attain the result promised for it by the patentee’.<sup>27</sup>
- ‘[I]f an invention does what it is intended by the Patentee to do, and the end attained is itself useful, the invention is a useful invention’.<sup>28</sup>
- ‘The question “useful for what?” is to be answered “useful for the purposes indicated by the patentee”’.<sup>29</sup>

107. The Intellectual Property Competition Review Committee Report (‘Ergas Report’)<sup>30</sup> recommended ensuring in examination practice that the use described in the specification is specific, substantial and credible to a person skilled in the art. The Australian Law Reform Commission (ALRC)<sup>31</sup> went further and recommended amending the Patents Act to provide

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<sup>27</sup> *Rescare Ltd v Anaesthetic Supplies Pty Ltd* (1992) 111 ALR 205 at 231.

<sup>28</sup> *Rehm Pty Limited v Webster’s Security Systems (International) Pty Limited* (1981) 81 ALR 79 at 96; *Welcome Real -Time SA v Catuity Inc* (2001) 113 FCR 110 at 144; and *Fawcett v Homan* (1896) 13 RPC 398 at 405.

<sup>29</sup> *Lane Fox v Kensington & Knightsbridge Electric Lighting Co Ltd* (1892) 9 RPC 411 at 417.

<sup>30</sup> [http://www.ag.gov.au/www/agd/agd.nsf/Page/Publications\\_ErgasCommitteereport-September2000](http://www.ag.gov.au/www/agd/agd.nsf/Page/Publications_ErgasCommitteereport-September2000)

<sup>31</sup> ALRC, Review of Gene Patenting and Human Health, Genes and Ingenuity: Gene Patenting and Human Health, 2004

that an invention will satisfy the requirement of ‘usefulness’ only if the patent application discloses a specific, substantial and credible use.

108. Usefulness, within the meaning of s 18 (1) (c), is currently only considered at opposition (s 59) and in court revocation proceedings (s 138).<sup>32</sup> The ALRC also considered the issue of when it was appropriate for the Commissioner to assess usefulness. The ALRC recommended including usefulness among the grounds for examination. Furthermore, please note that we consider that usefulness should also be a relevant ground upon re-examination (see drafting instructions below).

### ***Instructions***

109. We seek amendments to the Act to provide that an invention will be ‘useful’ within the meaning of s 18 (1) (c) and 18 (1A) (c) only if the invention, so far as claimed in any claim, has a specific, substantial and credible use.

110. Additionally, we seek amendments so that ‘usefulness’ within the meaning of s 18 (1) (c) is a ground for consideration at examination.

111. We envisage that this could be achieved at examination of standard patents by amendments to s 45 (1) and 48 (1) providing that the Commissioner must examine the request and specification and report on whether, to the best of his or her knowledge, the invention, so far as claimed, satisfies the criterion mentioned in s 18 (1) (c).

112. We envisage that this could be achieved at examination of innovation patents by amendments to s 101B (2) (b) to provide for compliance with s 18 (1A) (c) in addition to the existing criteria.

### ***Related proposals***

113. There is a related proposal for expanding the grounds for re-examination, including the ground of usefulness.

## **1.5.2 Prior use**

### ***Background***

114. When assessing novelty and inventive step, the Commissioner must compare the claimed invention with the prior art (see s 7 and definitions of ‘prior art base’ and ‘prior art information’ in Schedule 1 of the Patents Act). The prior art base can consist of information in a document that is publicly available or information made publicly available through the doing of an act (eg by sale or public demonstration). Information made publicly available through the doing of an act will be referred to as ‘prior use’.

115. Currently, at examination and re-examination the Commissioner may not consider prior use - s 45 (1A), 48 (1A) and 98 (2) (standard patents) and s 101B (3) and 101G (5) (innovation patents). Originally this limitation was imposed in the Patents Regulations.

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<sup>32</sup> Note that considerations of usefulness are sometimes relevant to an assessment of whether the invention is a ‘manner of manufacture’ (s 18 (1) (a)) or whether the specifications properly disclose the invention (s 40), both of which are considered during examination. However, there is no direct consideration of usefulness or utility as a ground in its own right at examination or re-examination.

However, the *Patents Amendment (Innovation Patents) Act 2000* (No 140 of 2000) imposed the limitation in the Act.

116. Historically this approach made sense because information of this kind was not easily accessible by examiners and consideration of prior use was best restricted to opposition proceedings, where the Commissioner could rely on evidence provided by the opponent. Today, however the situation has changed and information about prior use is more readily available through the internet: examiners need not always rely on third parties to provide evidence of prior use.

### ***Instructions***

117. We seek amendments permitting the Commissioner to consider information made publicly available through the doing of an act (whether in or out of the patent area) when assessing novelty and inventive/innovative step during both examination and re-examination.

118. We consider, subject to any issues raised by the drafter, that this could be achieved by deleting s 45 (1A), 48 (1A), 98 (2), 101B (3) and 101G (5). It is our understanding that this would have the effect that the provisions of (a)(ii) and (b)(i) in the definition of ‘prior art base’ in Schedule 1 of the Patents Act would operate to ensure that the Commissioner would be permitted to consider prior use at both examination and re-examination.

119. While the Commissioner should be permitted to consider prior use information if they become aware of it, the Commissioner should not be required to actively seek out instances of prior use. Our intention is only that the Commissioner be able to consider prior use if they become aware of it in the ordinary course of examination. We do not seek to impose an obligation to conduct additional prior art searches specifically for prior use information. If the drafter is of the view that deleting the above provisions would require the Commissioner to conduct additional searches for prior use then we seek the drafter’s advice as to an appropriate amendment that would not impose such an obligation.

120. The proposed amendments would have the intended effect that the meaning of ‘prior art base’ in Schedule 1 of the Act would not be restricted for the purposes of examination and re-examination.

### ***Related proposals***

121. There is a related proposal to change how the person skilled in the art is taken to have considered prior art information (deleting the ‘ascertained, understood and regarded as relevant’ requirement).

## **1.5.3 Grounds for re-examination**

### ***Background***

122. In certain circumstances the Commissioner will re-examine a patent application or granted patent (see generally Chapter 9 and Chapter 9A, Part 2 of the Patents Act). Currently, this usually happens because the Commissioner or a third party becomes aware of previously unknown prior art which may affect the novelty or inventiveness of the application or patent.

Novelty<sup>33</sup> and inventive/innovative step<sup>34</sup> are currently the only substantive grounds that can be considered during re-examination – s 98 (1) and s 101G (3) and (4).

123. If new information comes to light indicating that an accepted application or granted patent may not meet one of the substantive grounds other than novelty or inventive/innovative step, there is no reason why the Commissioner should not be able to review the patent or application. Allowing the Commissioner to re-examine on any of the substantive grounds improves certainty in the validity of granted patents and provides a less expensive option than opposition or court proceedings for dealing with new information relevant to the validity of a granted patent or accepted application.

### ***Instructions***

124. We seek amendments to expand the grounds considered at re-examination of standard patents to include all the substantive grounds considered during examination. We envisage that this will involve amendment to s 98 (1) to provide that (in addition to novelty and inventive step) the Commissioner must ascertain and report on:

- s 40 (2) (full description and claims defining invention)
- s 40 (3) (clear, succinct and fairly based claims)
- s 18 (1) (a) (manner of manufacture)
- s 18 (1) (c) (usefulness)
- s 18 (2) (human beings and the biological processes for their generation are not patentable inventions)

125. We seek similar amendments to expand the grounds considered at re-examination of innovation patents. We consider that this could be achieved by equivalent amendments to s 101G (3) by providing for expanded grounds for revocation on the following criteria (in addition to novelty and innovative step):

- s 40 (2) (full description and claims defining invention)
- s 40 (3) (clear, succinct and fairly based claims)
- s 18 (1A) (a) (manner of manufacture)
- s 18 (1A) (c) (usefulness)
- s 18 (2) (human beings and the biological processes for their generation are not patentable inventions)
- s 18 (3) (plants and animals and the biological processes for their generation are not patentable inventions)

### ***Related proposals***

126. There is a related proposal to expand the grounds considered at examination to include usefulness. As instructed above, usefulness is also to apply to re-examination.

127. There is a related proposal to expand the types of information that the Commissioner may consider in determining the prior art base for assessing the requirements of novelty and inventive/innovative step to include prior use.

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<sup>33</sup> Sections 18 (1) (b) (i) and 18 (1A) (b) (i).

<sup>34</sup> Sections 18 (1) (b) (ii) and 18 (1A) (b) (ii).

128. There are related proposals to amend the current tests for usefulness (s 18 (1) (c)), full description (s 40 (2)) and fair basis (s 40 (3)). The new tests are intended to apply at all stages of consideration including re-examination.

## **1.6 Standard of proof (balance of probabilities)**

### ***Background***

129. There are two different standards of proof against which the Commissioner assesses the requirements to accept an application or grant a patent. The standard of proof that applies currently varies depending on the statutory requirement under consideration.

130. When considering novelty and inventive step, the Commissioner must be ‘satisfied’ that the application meets the relevant criteria. We have interpreted this as requiring the Commissioner to decide the matter on the civil standard of balance of probabilities (see s 49(1)(a) and *Dunlop Holdings Ltd's Application* (1979) RPC 523 generally).

131. However in considering the other requirements of the Act, the relevant question is whether the Commissioner ‘considers’ that there is no lawful ground for objection. We have interpreted this as requiring that the applicant is to be given the benefit of the doubt that the ground is met. That is the Commissioner ought not to refuse acceptance ‘unless it appears practically certain’<sup>35</sup> that the patent would be invalid.

132. The issue of the standard of proof has been considered in three previous reports. The Advisory Council on Intellectual Property (ACIP) recommended that the ‘balance of probabilities’ standard apply to the novelty and inventive step requirements.<sup>36</sup> This recommendation was accepted and implemented by the Patents Amendment Act 2001, which came into force on 1 April 2002. However, the Ergas Report had cast a similar recommendation in more general terms<sup>37</sup> and subsequently the ALRC recommended that the balance of probabilities apply to all statutory requirements at the stage of examination.<sup>38</sup>

133. In relation to post-examination consideration by the Commissioner the law currently limits the Commissioner to only rejecting or refusing an application where she or he is ‘practically certain’ that the patent would be invalid.<sup>39</sup>

134. As a matter of policy we consider it undesirable that invalid patents should regularly be able to proceed to grant simply because it is not ‘practically certain’ that they are invalid. There is increased business certainty to users of the patents system if they can get a better idea of the actual validity of their patent at an early stage. We do not seek to limit any right of appeal to a court and are aware that an administrative decision maker cannot resolve an issue with the finality of a court. However, we consider that there should be a stronger presumption of validity of a granted patent than is currently the case. Accordingly, we consider that the Commissioner should be required to apply a higher standard of proof than is currently the case.

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<sup>35</sup> *Commissioner of Patents v Microcell Ltd* (1959) 102 CLR 232 at 244.

<sup>36</sup> ACIP, *Review of Enforcement of Industrial Property Rights*, 1999, p 15.

<sup>37</sup> IPCRC, *Review of intellectual property legislation under the Competition Principles Agreement*, 2000, p 167.

<sup>38</sup> ALRC 99, *Genes and Ingenuity: Gene Patenting and Human Health*, 2004, 8.77.

<sup>39</sup> *Commissioner of Patents v Microcell Ltd* (1959) 102 CLR 232 at 244; *F Hoffman-La Roche AG v New England Biolabs Inc*[2000] FCA 283 (28 April 2000).

## *Instructions*

135. We seek amendments to eliminate the benefit of the doubt standard of proof and impose a higher standard of proof to all grounds considered at examination, re-examination and opposition. The higher standard of proof should be that the Commissioner be satisfied on the balance of probabilities. In particular, we seek amendments to the effect that:

- In a consideration of an application before grant, the Commissioner must grant a patent if she is satisfied that there is no lawful ground for objection;
- In a consideration of a patent after grant, the Commissioner must revoke the patent, either wholly or so far as it relates to a particular claim, if she is satisfied that a ground of revocation has been made out.

136. The amendments should make it clear that the Commissioner is to have a greater role in ensuring that invalid patents do not proceed to grant, even in cases where the invalidity is not ‘practically certain’. It should be clear that a higher standard is intended.

### Acceptance of standard applications and certification of innovation patents

137. Section 49(1) sets out that (subject to s 50) the Commissioner must accept a standard application if she is satisfied that the invention meets the criteria set out in s 18 (1) (b), and if she considers that there is no other lawful ground of objection. Section 18 (1) (b) relates to novelty and inventive step.

138. We seek an amendment of the Act to ensure that the same standard of proof applies to all grounds of objection. We consider that this could be achieved by amendment of s 49 (1) to provide that, subject to s 50, the Commissioner must accept a patent request and complete specification relating to an application for a standard patent if the Commissioner is satisfied that there is no lawful ground for objection to the request and the specification, or that any such ground of objection has been removed.

139. We require a similar amendment to the provisions for certification of innovation patents. Section 101E sets out that if after examining an innovation patent the Commissioner is satisfied that the claims comply with s 18(1A)(b), and also considers that no other ground for revocation has been made out, then the innovation patent will be ‘certified’. We consider that this might be achieved by amendment of s 101E (a) and (aa) to provide that if, after examining a patent under s 101B, the Commissioner decides in writing that he or she is satisfied that there is no lawful ground of objection, the Commissioner must do the acts in s 101E (c) to (f), which relate to issuance of a certificate of examination.

140. We consider that similar amendments will be required to s 101F (1) (a) to provide that if the Commissioner is satisfied that, after examining an innovation patent under section 101B, a ground for revocation of a patent has been made out and that the ground has not been removed (and the patent has not ceased under s 143A) the Commissioner must revoke the patent.

### Revocation and refusal after re-examination of standard patents and revocation of certified innovation patents

141. There are currently no provisions that set out the standard of proof applied when the Commissioner considers revocation of a patent or refusal to grant an application following re-examination. We seek amendment of the Act to state explicitly that the ‘balance of probability’ standard be applied.

142. In the case of refusal to grant a standard patent application after re-examination, we consider this could be achieved by amendment of s 100A (2) to provide that Commissioner must grant a patent if the Commissioner is satisfied that there is no lawful ground for objection to the grant of the patent.

143. In the case of revocation of a granted standard patent, we consider this could be achieved by amendment of s 101 to provide that the Commissioner must not revoke a patent, either wholly or so far as it relates to a particular claim, unless she is satisfied that a ground of revocation has been made out.

144. There is no equivalent provision to s 100A (2) or s 101 for court-directed re-examination of a patent according to s 97 (3). In such cases the Commissioner will ascertain and report on the claimed invention according to section 98, and provide copies of this report, together with any statement by the applicant or patentee filed under s 99, to the Court. It is intended that the court consider such material in the same way as presently occurs.

145. In the case of revocation of an innovation patent following re-examination of a certified innovation patent, we consider that this could be achieved by amendment of s 101J (3) to include a consideration that the Commissioner must not revoke a patent unless she is satisfied that a ground of revocation has been made out.

### Opposition

146. In the case of an opposition to an innovation patent, under s 101N (4) the Commissioner may revoke the patent, either in whole or so far as it relates to a particular claim, if she is satisfied that a ground exists for the revocation of the patent.

147. However, in the case of an opposition on a standard patent, there is no explicit provision in s 61 setting out the standard of proof required when granting an application following an opposition decision.

148. We seek amendment of the Act to set out that the standard of proof applied by the Commissioner in deciding an opposition to the grant of a patent is the ‘balance of probabilities’. We consider that this could be achieved by amendment of s 61 to provide that the Commissioner must grant a standard patent unless she is satisfied that there is a lawful ground of objection to the grant of the patent.

### ***Related proposals***

149. There are related proposals to expand the grounds considered at examination and re-examination to include additional grounds. In all of these cases, the higher (balance of probabilities) standard of proof should apply.

## 2 Exemptions to patent infringement

### 2.1 Experimental use

#### *Background*

150. In order to encourage primary innovation, the patent system gives inventors a monopoly on their technical advances. In order to promote further or secondary innovation, the patent monopoly granted to patent owners is limited so as to not hinder subsequent research and improvements on existing technology.

151. The grant of patent rights directly supports the first aspect of the policy, while an exemption for experimentation on patented inventions would support the second. An experimental use exemption would also reduce uncertainty, and the resulting inefficiencies and underperformance in the research industry, by clarifying the limits to patent rights.

152. Subsection 13 (1) of the *Patents Act 1990* provides that a patentee has the exclusive rights, during the term of the patent, to ‘exploit the invention and to authorise another person to exploit the invention’. To this end the term ‘exploit’ is defined in the Patents Act as follows:

*exploit*, in relation to an invention, includes:

- (a) where the invention is a product—make, hire, sell or otherwise dispose of the product, offer to make, sell, hire or otherwise dispose of it, use or import it, or keep it for the purpose of doing any of those things; or
- (b) where the invention is a method or process—use the method or process or do any act mentioned in paragraph (a) in respect of a product resulting from such use.

153. At present due to a lack of both statute and case law on the matter, it is unclear whether, or to what extent, an experimental use exemption applies under Australian Law. In particular, the Explanatory Memorandum (EM) to the Patents Bill 1990 notes the following<sup>40</sup>:

... it is not intended that clause 13 ... modify the present law relating to certain acts which have been held not to constitute infringement – for example, use of an invention for certain experimental or trial purposes,

154. However, there is no statute or Australian case law to clarify what the EM refers to as the ‘present law’. This has contributed to uncertainty about the existence or scope of an experimental use exemption.

155. An early English court decision has been suggested to provide a basis for an experimental use exemption<sup>41</sup>, but this has not been considered in Australian law and as a consequence its status as part of Australian law is uncertain. The Advisory Council on Intellectual Property (ACIP) sought advice from the Australian Government Solicitor regarding an experimental use exemption under Australia’s patent laws when formulating its 2005 report *Patents and Experimental Use*.<sup>42</sup> ACIP reported that this advice indicated that it is likely that a court would find that, *in some circumstances*, use of a patented invention for experimental or research purposes would not constitute an infringement of a patent. However

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<sup>40</sup> Paragraph 25 of the Explanatory Memorandum to the Patents Bill 1990.

<sup>41</sup> *Frearson v. Loe* (1878) 9 Ch. D. 48.

<sup>42</sup> Available at [www.acip.gov.au](http://www.acip.gov.au).

the advice also noted that it is difficult to predict how broadly or narrowly an Australian court would interpret the scope of an experimental or research exception and whether the use was for ‘commercial advantage’ would probably be central to the formulation of any relevant test.

156. The issue of an experimental use exemption has previously been considered by both the Australian Law Reform Commission (ALRC) and the Advisory Council on Intellectual Property (ACIP). In December 2002, the Australian Government asked the ALRC to undertake an inquiry into the intellectual property issues raised by genetic information. The resulting report, ALRC 99<sup>43</sup>, recommended amendment of the Act to incorporate an experimental use exemption provision.

157. Furthermore, in October 2005 ACIP reported the results of a review as to whether some types of patents are inhibiting research and development in Australia and whether Australian researchers and business would benefit from introducing an experimental use provision (or some other provision) into Australian patent legislation.<sup>44</sup> One of the recommendations made by ACIP was the adoption of a statutory exemption to patent infringement for experimental use of patented inventions.

158. We therefore seek an amendment to introduce an exemption to patent infringement for activities done for experimental purposes. This will improve certainty about where business and researchers have freedom to operate.

### ***Instructions***

159. We seek an amendment to Chapter 11 of the Patents Act to establish that certain experimental acts do not constitute an infringement of a patent.

160. Specifically, we seek amendment of the Act to establish that the rights of a patentee are not infringed by acts done predominantly for ‘experimental purposes’ on the patented invention. The exemption is not intended to derogate from any study or experimentation that may otherwise be permitted under the Act. Rather, it is intended to be an explicit statutory exemption in addition to any common law exemption or implied statutory exemption that might otherwise exist.

161. Acts done for experimental purposes on the patented invention include:

- Determining how the invention works.<sup>45</sup>
- Determining the scope of the patent claims.<sup>46</sup>
- Seeking an improvement to the invention.<sup>45</sup>
- Testing the validity of the patent.<sup>45</sup>

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<sup>43</sup> ALRC Report 99, *Genes and Ingenuity: Gene Patenting and Human Health* (the ALRC 99 Report), published June 2004.

<sup>44</sup> Australian Council on Intellectual Property report ‘Patents and Experimental Use’, November 2005 (the ‘ACIP report’)

<sup>45</sup> *Monsanto Co v Stauffer Chemical Company* [1985] RPC 515.

<sup>46</sup> ALRC Report 99, *Genes and Ingenuity: Gene Patenting and Human Health* (the ALRC 99 Report), published June 2004.

- Determining whether an act or product infringes the patent.<sup>47</sup>

162. These specific experimental activities are intended to be an inclusive rather than exclusive list of non-infringing acts.

163. The term ‘experimental’ is intended to import a limitation on the nature and scale of the activities. In this regard an experiment may be considered as being ‘something done on a small scale having regard to the nature of the subject-matter of the invention’.<sup>45</sup>

164. The existence of an ultimate commercial purpose for the study or experimentation should not preclude the application of the exemption. This reflects commercial reality, as most experimental or research activities on a patent would be with a view to some commercial end.

165. The exemption should also take into account that research often has mixed purposes. The exemption is intended to apply where the predominant purpose of the activity is study or experimentation.<sup>48</sup> For example, ‘commissioned’ research may be undertaken by one party (such as a university researcher) on behalf of another party (such as a company). In this case the first party would be undertaking the research on a commercial basis, but the overarching purpose of the activity is experimental.

166. The experimental use exemption is intended to cover experimental studies *on* a patented invention. Experimental studies where a patented invention is used in, but is not the subject of, an experiment should not fall within the exemption. For example, use of a patented microscope in an experiment would not be exempt from infringement if it was being used in its known manner. However, the experimental use exemption would apply if the experiments involved, for example, studies on the lens arrangement in order to improve the way in which the microscope worked.

167. In some circumstances the patented invention will not be commercially available. Accordingly, the exemption should allow for limited manufacture or production of the patented invention for experimental purposes in such circumstances.<sup>49</sup>

168. Activities for the purposes of gaining regulatory approval of a patented product are intended to be dealt with under existing section 119A, or in the case of other regulated inventions, by the provisions outlined in concurrent amendments to the Act—see section 2.2 below.

### ***Related proposals***

169. Amendments are being made to introduce an exemption from infringement for activities related to obtaining regulatory approval of a non-pharmaceutical patent.

### ***Affected provisions and consequential amendments***

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<sup>47</sup> *New York University v. Nissin Molecular Biology Institute Inc* (1994) AIPC 91-069.

<sup>48</sup> Some guidance in this regard may be taken from a recent UK decision, *CoreValve Inc v. Edwards Lifesciences AG and anr*, [2009] EWHC 6 (Pat), 9 January 2009, which dealt with a situation where there were mixed purposes to trials. In this case the preponderant purpose of the activities was not experimental.

<sup>49</sup> Some guidance in this regard may be taken from J. R. Thomas, CRS Report for Congress, ‘Scientific Research and the Experimental Use Privilege in Patent Law’ October 28, 2004 at page CRS-13.

170. The Act presently includes reference to ‘reasonable trial and experiment’ [paragraphs 9 (a), 18 (1) (d) and 18 (1A) (d)]. Regulation 2.2 (2) (d) (i) also includes reference to ‘reasonable trial’. Regulation 3.25 (4) (c) refers to use of a micro-organism for ‘experimental purposes’. It is not intended that the proposed experimental use exemption vary or limit the meaning of these terms, or *vice versa*.

## 2.2 Regulatory review of a patented invention

### *Background*

171. In order to encourage primary innovation, the patent system gives inventors a monopoly on the exploitation of their technical advances. In order to promote further or secondary innovation, the patent monopoly granted to patent owners is time limited so as to not hinder subsequent research and improvements on existing technology.

172. A 20 year patent term is accepted worldwide as providing the appropriate term of exclusivity needed to balance all of the interests impacted by, and meet the aims of, the patent system. After the expiry of a patent, any third party is able to market the previously-patented product in competition with the former patent holder. These competing products are often referred to as ‘generic’ products.

173. Subsection 13 (1) of the Act provides that a patentee has the exclusive rights, during the term of the patent, to ‘exploit the invention and to authorise another person to exploit the invention.’

174. The term ‘exploit’ is defined in the Patents Act as follows:

*exploit*, in relation to an invention, includes:

- (a) where the invention is a product—make, hire, sell or otherwise dispose of the product, offer to make, sell, hire or otherwise dispose of it, use or import it, or keep it for the purpose of doing any of those things; or
- (b) where the invention is a method or process—use the method or process or do any act mentioned in paragraph (a) in respect of a product resulting from such use.

175. Thus, the exclusive rights during the term of a patent include the manufacture, use and sale of the patented invention. Third parties generally cannot manufacture or use the patented invention during the term of the patent, including manufacture of the invention for any regulatory approval.

176. As a consequence, where products are required by law to undergo an assessment by a regulatory body before they can be brought to market, there can be delays between expiry of the patent and marketing of a ‘generic’ product. This delay, in effect, provides patentees with a bonus or ‘*de facto*’ extension of the patent term. In most cases this is relatively short, but in some industries it can be quite protracted.

177. ‘*De facto*’ extensions of patent term caused by regulatory delays may potentially reduce or delay competition in the market, leading to higher prices for consumers. Such extensions have not developed as a result of any detailed policy considerations, but rather are a consequence of the interaction of the Patents Act and the various regulatory laws.

178. In order to address such issues for pharmaceuticals, a provision allowing for regulatory studies to be undertaken on a pharmaceutical substance patent (that is, a patent claiming the

drug *per se*) was introduced into the Act with the *Intellectual Property Laws Amendment Act 1998*. This is known colloquially as ‘springboarding’, and a number of overseas jurisdictions have similar provisions (often referred to as ‘Bolar exclusions’), including the US, most European countries and New Zealand. Under the 1998 provisions, springboarding activities could only be carried out during the extended period of a pharmaceutical substance patent.

179. The *Intellectual Property Laws Amendment Act 2006* subsequently extended the springboarding exemption to cover activities involved in gaining regulatory approval *at any time* during the life of a pharmaceutical patent.<sup>50</sup> Furthermore, the exemption was extended to apply not only to patents covering pharmaceutical substances *per se*, but also to other types of ‘pharmaceutical patent’.<sup>51</sup>

180. The current springboarding provisions only apply to pharmaceutical patents, and not to any other regulated inventions. Australian ‘generic’ manufacturers in technologies other than pharmaceuticals are unable to commence regulatory approval processes until after patents have ceased. The present amendment seeks to address this issue by introducing an exemption from infringement for activities undertaken for the purpose of obtaining regulatory approval of a product or process.

### ***Instructions***

181. We seek amendment of Chapter 11 of the Act, probably near section 119A, to provide exemptions from infringement for activities undertaken during the term of the patent for the purpose of obtaining the information required for regulatory approval of a non-pharmaceutical product.

182. Specifically we seek amendment to establish that the rights of a patentee are not infringed by a person exploiting an invention claimed in a patent, if the exploitation is solely for purposes connected with obtaining regulatory approval of goods, other than goods covered by section 119A, under Australian law or under the law of a foreign country or part of a foreign country.

183. Importantly, we are not seeking to alter the existing provisions of section 119A (‘Infringement exemptions: acts for obtaining regulatory approval of pharmaceuticals’). Section 119A was developed for pharmaceutical patents, and takes into account Treaty obligations that are specific to pharmaceutical patents. We therefore seek a new provision to deal with non-pharmaceutical patents.

184. The exemption is not intended to be limited to any specific regulatory process. For example, the exemption is intended to apply to processes such as those involved in obtaining regulatory approval of agricultural chemicals, medical devices and other inventions, exploitation of which is regulated now or in the future. The exemption should also be flexible enough to apply to future technologies that may be subject to regulatory processes.

185. The exemption is intended to allow a third party to obtain the information required for regulatory approval of the patented invention at any time after filing of the patent application. It is not intended that the provision only apply after grant of the patent. This is consistent with the existing ‘springboarding’ provisions for pharmaceuticals under section 119A.

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<sup>50</sup> Subsection 119A (1) of the Patents Act.

<sup>51</sup> Subsection 119A (3) of the Patents Act.

186. The exemption is not intended to cover general research and development activities during the term of the patent. Experimental or research use of the invention is specifically considered under provisions that are being developed concurrently ('Exemptions from Infringement for Experimental Use of an Invention'—see section 2.1 above).

187. Australia is a signatory to a number of international treaties on intellectual property rights. The most important of these treaties is the World Trade Organisation (WTO) agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS). The present provision would need to be consistent with these treaties. We note in this regard that a WTO dispute settlement panel considered an analogous Canadian springboarding provision, and considered that it was TRIPS compliant.<sup>52</sup>

188. The exemption is not intended to allow activities of a commercial nature during the term of the patent, such as manufacturing quantities of the patented invention for export or stockpiling quantities for later sale. These activities would be inconsistent with requirements of the TRIPS Agreement.<sup>53</sup>

### ***Related proposals***

189. IP Australia is also seeking an amendment to introduce an exemption from infringement for experimental use of a patented invention.

## **3 Patent oppositions**

### ***Background***

190. The ability to oppose grant of a patent is one mechanism the patent system provides to ensure that the interests of all parties are taken into account in the patent process. Oppositions should provide for a swift and inexpensive determination, and should offer simple and straightforward processes. But the opposition system also meets an important public interest objective in preventing the grant of invalid patents. In this regard, oppositions provide for a review of decisions of the Commissioner of Patents. Oppositions focus on whether the patent should proceed to grant, usually on the basis of new material that was not previously available to the Commissioner during examination.

191. Stakeholders have indicated agreement that opposition processes should be quick and efficient, and that present processes are often unsatisfactory, being both too long and too expensive. They have indicated that proceedings are sometimes deliberately extended, and that the objective of the opponent can sometimes be delay. Other stakeholders have submitted that delays often relate to the negotiation of settlements, which they consider to be a positive thing. However, it is not in the public interest for negotiations to delay opposition proceedings, particularly where parties may be negotiating to reach agreement to exploit an arguably invalid patent.

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<sup>52</sup> EU v Canada- Patent Protection of Pharmaceutical Products, Decision of the WTO Dispute Panel, WT/DS/114, 17 March 2000 specifically considered the following provision: 'It is not an infringement of a patent for any person to make, construct, use or sell the patented invention solely for uses reasonably related to the development and submission of information required under any law of Canada, a province or a country other than Canada that regulates the manufacture, construction, use or sale of any product.'

<sup>53</sup> Ibid. The WTO Dispute Panel determined that stockpiling would be inconsistent with TRIPS Article 30.

192. It is against the background of these concerns that IP Australia seeks to reform opposition processes. Please note that the majority of the changes that IP Australia seeks to make involve changes to procedural actions, and particularly changes to the time periods for taking certain actions. These will be implemented through amendment of the Regulations rather than the Act (see Annex II).

193. The two key issues for which we seek amendment here involve the powers of the Commissioner under s 210 (and the sanctions for non-compliance with a request or summons by the Commissioner under s 210), and amendments directed by the Courts under Section 105.

### **3.1 Commissioner's powers and sanctions for non-compliance**

#### ***Instructions***

194. Section 210 of the Act sets out that:

The Commissioner may, for the purposes of this Act:

- (a) summon witnesses; and
- (b) receive written or oral evidence on oath or affirmation; and
- (c) require the production of documents or articles; and
- (d) award costs against a party to proceedings before the Commissioner.

195. Sections 179 to 181 set out criminal penalties for parties who fail to comply with a summons, refuse to give evidence or fail to produce documents or articles. These do not apply if a party has a lawful excuse, but the defendant bears the evidential burden in such cases.

196. We seek change to s 210 of the Act in relation to the powers of the Commissioner to require production of documents or articles and to summon witnesses, and to clarify that the Commissioner's powers under s 210 extend outside the patent area. We also seek removal of the criminal sanctions under s 179 to 181, and instead seek to introduce new non-criminal sanction.

197. Firstly, we seek amendment of the Act to specify that the Commissioner would only exercise the power to require the production of documents or articles or summon witnesses if he or she were satisfied that this would substantially contribute to making the correct decision in the opposition proceeding.

198. The Commissioner currently only requires that a requested document is *arguably* relevant to the issues before the Commissioner. This is problematic because the documents required to be produced in proceedings often delay the opposition process and cause parties additional cost whilst being of low relevance to the ultimate outcome of the matter.

199. The amendment we seek is intended to raise the requirements for production of documents above the present level, ensuring that the documents are essential to resolve a matter of dispute in the opposition, and are not peripheral to matters or intended merely to confirm existing evidence.

200. The onus would be on the party requesting the exercise of the power to satisfy the Commissioner that the documents meet this requirement.

201. Secondly, we seek amendment of the Act to stipulate that the Commissioner’s powers to require the production of documents or articles and summon witnesses in proceedings before the Commissioner apply to any party, whether or not that party is within the patent area.

202. The ‘patent area’ in this regard is defined in Schedule 1 of the Act (Dictionary). The amendment is intended to remove any uncertainty that the Commissioner’s powers extend to parties who are based overseas and are directly involved with the proceedings.

203. Thirdly, we seek repeal of s 179 to 181 to remove the criminal sanctions for non-compliance with a requirement to produce documents, to appear in response to a summons, or to refuse to give evidence when appearing as a witness.

204. Further to the repeal of s 179 to 181, we seek to introduce new sanctions wherein the Commissioner would may draw a reasonable inference from a person’s failure:

- to comply with a requirement to produce documents or articles
- to appear in response to a witness summons
- or
- to refuse to give evidence when appearing as a witness.

### **3.2 Amendments directed by court—section 105**

#### ***Instructions***

205. Recent decisions have highlighted the issue of the scope of the Federal Court’s powers in the case of appeals of decisions by the Commissioner. In one case<sup>54</sup>, Heerey J determined that the Court had the power to order that the Commissioner grant a patent subject to amendments considered appropriate by the Court during an appeal of a decision by the Commissioner. However, subsequent decisions have disputed such an approach, and determined that the Court may only consider the same form of the specification that the Commissioner considered.<sup>55</sup>

206. In order to address such issues, we seek amendment of the Act to provide the Federal Court with full powers to resolve a matter once a decision of the Commissioner has been appealed, including the power to direct amendments.

207. Specifically we seek amendment of the Act to give the Federal Court the power to direct amendment of a patent application, at the request of the applicant, during an appeal of a decision of the Commissioner.

208. The amendments are intended to clarify that the Court may order that the Commissioner grant a patent subject to amendments considered appropriate by the Court. We

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<sup>54</sup> Genetics Institute v Kirin-Amgen (1996) 34 IPR 513 at 515.

<sup>55</sup> F Hoffmann-La Roche AG v Commissioner of Patents [2000] FCA 1845 at [8], and Airtense Technology Limited v Vision Systems Limited [2007] FCA 828 at [15].

consider that this may be achieved by amendment of Section 105 to include directed amendments of applications that are under appeal of a decision of the Commissioner. It is intended that the processes in relation to amendments to applications follow the same processes as amendments to patents, that is, the procedure will progress according to the existing Court Rules.

209. We also seek amendment of Section 105 of the Act to set out that where there is a request under Section 105 for amendment of an application which is under appeal of a decision of the Commissioner, the Court may direct the Commissioner to consider and report to the Court on the allowability of the amendments.

210. The amendment is intended to provide a mechanism by which the Court may obtain an independent and informed opinion on the allowability of the amendments. The consideration will be in accordance with Section 102.

211. Further to this amendment, we also seek amendment of the Act to set out that a complete specification relating to an application must not be amended, except under Section 105, while relevant proceedings in relation to the application are pending. We note that a similar provision presently exists under Section 112 for granted patents.

212. This amendment is intended to ensure that amendments to a specification which is under appeal from a decision of the Commissioner must be processed using the provisions of Section 105.

### **3.3 Powers of the Federal Court—section 160**

#### ***Instructions***

213. We are aware that there may be cases where amendments have been made to the specification following a decision by the Commissioner and are on appeal to the Federal Court. In such cases the Court should have the power to consider such amendments, and not be limited only to a consideration of the same form of the specification that the Commissioner considered. Therefore an amendment to section 160 is needed.

#### ***Related proposals***

214. There are similar changes proposed for the trade marks opposition process.

## **4 Trade mark oppositions**

### ***Background***

215. The ability to oppose registration of a trade mark is one mechanism the trade marks system provides to ensure that the interests of commercial competitors are taken into account. Oppositions should provide for a swift and inexpensive determination, and should offer simple and straightforward processes. The opposition system serves the public interest objective of ensuring that only trade marks which comply with the Trade Marks Act are registered, and are registered in the name of the rightful owner. At the same time, the

216. Currently, opposition procedures are governed partly by the Trade Marks Act (see Part 5, Division 1) and partly by the Trade Marks Regulations (see Part 5). Section 54 (2) provides that, subject to giving the opponent and applicant an opportunity to be heard, the proceedings for dealing with oppositions must be in accordance with the regulations. Broadly, the steps in an opposition are:

- An opponent must file a notice of opposition<sup>56</sup> within the prescribed period<sup>57</sup> after the application has been accepted (currently 3 months<sup>58</sup> or longer if extended<sup>59</sup>).
- The opponent then has 3 months to provide evidence in support.<sup>60</sup>
- The applicant then has 3 months to provide evidence in answer.<sup>61</sup>
- The opponent then has 3 months to provide evidence in reply.<sup>62</sup>
- There is provision to extend the above evidentiary periods and for further evidence to be provided.<sup>63</sup>
- If the applicant or opponent requests it the matter is set down for a hearing<sup>64</sup> and the Registrar makes their decision after the hearing.<sup>65</sup>
- If no hearing is held the Registrar makes a decision on the evidence and information provided.<sup>66</sup>
- Either party may appeal to the Federal Court from a decision of the Registrar.<sup>67</sup>

217. There are concerns that present opposition processes do not meet the aim of providing a simple and efficient means to resolve trade marks disputes. Earlier reports<sup>68</sup> and IP Australia's own experience have highlighted concerns that opposition proceedings are unnecessarily protracted, expensive and complex. Against the background of these concerns, we intend to introduce a number of proposals to reform opposition processes. Broadly, these changes would involve:

- IP Australia, not the opponent, would give the applicant a copy of the notice of opposition.

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<sup>56</sup> Section 52 (1) of the Trade Marks Act.

<sup>57</sup> Section 52 (2) of the Trade Marks Act

<sup>58</sup> Reg 5.1 of the Trade Marks Regulations.

<sup>59</sup> Regs 5.2 – 5.4 of the Trade Marks Regulations.

<sup>60</sup> Reg 5.7 of the Trade Marks Regulations.

<sup>61</sup> Reg 5.9 – 5.10 of the Trade Marks Regulations.

<sup>62</sup> Reg 5.12 of the Trade Marks Regulations.

<sup>63</sup> Reg 5.15 of the Trade Marks Regulations.

<sup>64</sup> Reg 5.14 of the Trade Marks Regulations.

<sup>65</sup> Section 55 of the Trade Marks Act.

<sup>66</sup> Reg 21.16 of the Trade Marks Regulations.

<sup>67</sup> Section 56 of the Trade Marks Act.

<sup>68</sup> *Review of the Enforcement of Trade Marks*, 2004, the Advisory Council on Intellectual Property.

- The period to file the notice of opposition would be reduced to 2 months and the period would no longer be extended for the opponent to conduct research or negotiations.
- The opponent would be required to file and serve on the applicant a statement of the grounds on which they are opposing the application and the particulars of those grounds (SGP) within 1 month of filing the notice of opposition.
  - The opponent would only be able to amend the notice of opposition and the SGP in certain tightly-defined circumstances.
  - The Registrar would be able to dismiss an opposition if a SGP was not filed in 1 month or did not particularise the grounds.
- The applicant would be required to file and serve a notice indicating their intention to defend the opposition 1 month after the SGP.
  - The application would lapse if no such notice was filed.
- Repealing the existing provisions for extensions of time to serve evidence.
  - Only permitting the Registrar to provide extensions in exceptional circumstances.
- Introducing a cooling-off period of 6 months (extendable by 6 months) for parties to negotiate.
- Repealing the further evidence provisions.
- Requiring parties to provide summaries of their submissions prior to the hearing.

#### **4.1 Commencement of opposition proceedings**

##### ***Instructions***

218. Opposition proceedings are currently initiated by the opponent filing a notice of opposition and serving a copy of the notice on the applicant. We consider it would be more efficient if IP Australia, not the opponent, gave the copy of the notice of opposition to the applicant.

219. We intend for the Regulations to require the Registrar to serve a copy of the notice of opposition on the trade mark applicant as soon as practicable after the notice is filed.

220. We seek amendments to repeal s 52 (3) of the Trade Marks Act, which currently provides for the opponent to serve a copy of the notice of opposition on the applicant.

## **4.2 Amendment of other documents**

### ***Instructions***

221. We intend to limit the circumstances in which a notice of opposition or SGP can be amended. The purpose of this is to ensure that the applicant is aware of the true nature of the opposition they face at an early stage.

222. We intend to make regulations prescribing the narrower circumstances in which a notice of opposition or a SGP may be amended (see Annex III for more information).

223. We seek amendments to s 66 of the Trade Marks Act to ensure that an opponent cannot rely on s 66 (b) to amend a notice of opposition or a SGP. We consider that this could be achieved by amending s 66 to provide that s 66 does not apply to certain types of documents as prescribed in the regulations. We would then make regulations prescribing a notice of opposition and a SGP as documents to which s 66 does not apply. We do not intend to prescribe any other types of document at this stage.

## **4.3 Dismissal of opposition**

### ***Instructions***

224. We intend that an opponent must comply with their obligation to provide a SGP in order to be able to continue their opposition. Failure to comply with this obligation should result in the opposition being dismissed and the mark being registered

225. We intend to make regulations providing a new power for the Registrar to dismiss an opposition if an opponent does not file and serve a statement of grounds and particulars in the relevant time period, or if the statement does not particularise the grounds (see Annex III for more information).

226. We seek amendment to the Trade Marks Act to ensure that once an opposition is dismissed, the mark will proceed to registration.

227. Please amend s 68 (1) (b) (iii) to add that, where a trade mark has been accepted and opposed, the Registrar must register the mark if the opposition has been dismissed by the Registrar in accordance with the Regulations.

## **4.4 Lapsing of application**

### ***Instructions***

228. We intend for an applicant to be required to file a notice indicating their intention to defend the opposition. The purpose of the proposal is to ensure that an opponent is not put to unnecessary expense preparing for an opposition that the applicant has no intention of defending. We intend to implement the proposal by amending the Trade Marks Regulations to provide that an applicant must file a notice of intention to defend within one month of the opponent filing the SGP.

229. We seek amendment to the Trade Marks Act to provide that an opposed application lapses if the applicant does not file a notice of intention to defend as prescribed in the

regulations. We seek the drafter's advice as to how best to achieve this. We note that s 68 provides for lapsing of applications that have been opposed

## **4.5 Registrar's powers**

### ***Instructions***

230. As noted above, we intend to introduce a number of substantial changes to opposition procedure in the regulations. We seek a broad regulation-making power to cover all of the proposed changes.

231. Please amend s 231 (2) of the Trade Marks Act so that the regulations may provide for and in relation to opposition proceedings. We seek a power similar to s 228 (2) (h) of the Patents Act.

232. The specifics of the regulations we intend to make are set out in Annex III.

### ***Related proposals***

233. We also have a number of proposals to implement similar changes in the patent oppositions system. Please note that, while we generally seek to align legislation across our IP rights where appropriate, there are a number of instances where the patents opposition proposal differs from the trade marks proposal due to differences in the existing legislation or in the nature of the IP rights in question.

## **5 Divisional applications**

### **5.1 Introduction**

234. Under the Patents Act, an applicant is able to file several types of applications. One is known as a 'divisional application', also described as a 'further complete application' in the Act.

235. Applicants may choose to file divisional applications for a variety of reasons. A common reason is if a patent application claims more than one invention, contrary to subsection 40 (4). To seek protection for the additional inventions, an applicant may file a divisional application, 'dividing out' the other inventions.

236. Once made, divisional applications are processed in the same manner as are other applications. They are examined, and possibly accepted, opposed, granted etc.

237. A key benefit of filing a divisional is that it preserves the priority date of the claims from the original application.<sup>69</sup> Paragraph 43 (2) (b) of the Act provides that the regulations may specify a different date from the filing date as the priority date. Paragraph 3.12 (1) (c) of the Regulations is applicable to divisional applications and sets out the requirements which must be met for a claim in a divisional application to have the priority date of the original application.

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<sup>69</sup> The concept of priority dates is discussed elsewhere in these instructions.

## 5.2 Identification of divisional applications

### *Background*

238. These instructions concern how an applicant identifies their application as a divisional.

239. Subsection 79B (1) requires a divisional application to be made in accordance with the regulations. Paragraph 6A.1 (a) of the Patents Regulations requires a divisional application to be made under section 29 of the Act. Subsection 29 (4) requires a patent request in relation to a complete application to be in the ‘approved form’. Schedule 1 to the Patents Act defines ‘approved form’ in terms of being a form approved by the Commissioner of Patents. The form currently approved by the Commissioner requires identification of the parent application on the patent request form.<sup>70</sup>

240. In contrast, when other types of applications for patents rely on earlier applications for a priority date, the Patents Act explicitly requires identification of the earlier application on the patent request form. That is, this corresponding requirement is imposed by the Act, rather than by an approved form. These types of application are:

- Associated applications—when a complete application is ‘associated’ with a provisional application, section 5 requires identification of the associated provisional application on the patent request form, as well as a statement that the applications are associated.
- Convention applications—when a complete application is made under the Paris Convention for the Protection of Industrial Property, paragraph 95 (2) (a) of the Act requires the patent request form to include the prescribed particulars relating to the basic application. Subregulation 8.6 (1) prescribes the relevant particulars.

241. The priority date of claims is fundamental to patent validity, and it is appropriate for it to be an explicit statutory requirement, rather than an administrative requirement which is part of an approved form.

242. This amendment is also important as we are proposing to limit the period in which it is possible to amend a patent request form to claim status as a divisional application. This proposal is facilitated by an explicit statutory requirement to identify the parent application on the patent request form.

### *Instructions*

243. We seek amendments to sections 79B and 79C of the Patents Act to include an explicit requirement to include, on the patent request form of a divisional application, prescribed details of the parent application or patent.

### *Related proposals*

244. A related proposal is set out above concerning the conversion of applications to become divisionals.

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<sup>70</sup> See form P/00/001 (0708), accessible on IP Australia’s web site at: <http://www.ipaustralia.gov.au/pdfs/patents/applications/p00001.pdf>.

### 5.3 Time for filing divisional applications

#### *Background*

245. These instructions concern when a divisional application under section 79B of the Act can be made.

246. Section 79B permits either an application for a standard or an innovation patent to be divided out from the parent application, so long as the divisional application is made before:

- the parent application lapses (section 142), is refused (section 50) or is withdrawn (section 141)—subsection 79B (1)

and

- a patent is granted on the parent application—paragraph 6A.1 (b) of the Patents Regulations.

247. Paragraphs 79B (1) (a) and (b) impose two limitations on the content of a divisional application.

- Paragraph (a) requires the invention covered by the divisional to have been disclosed in the parent. This is consistent with the concept of ‘dividing out’ an invention from the parent application.
- Paragraph (b) only applies when the divisional application is filed more than 3 months from the date of publication of a notice of acceptance of the parent application (paragraph 49 (5) (b)). In that case, the claims of the divisional must fall within the scope of the claims of the accepted specification, that is, the claims cannot be broadened. This aims to provide some certainty to the public, preventing divisionals from being filed with broader claims than an accepted parent application.

248. These provisions generally permit divisional applications to be made at any time up to grant of a patent on the parent application. This is not an unusual aspect of Australia’s patent system, as many other countries’ patent systems permit divisionals to be filed at any time up to grant. However, Australia’s patent system differs from those of other countries in that it permits any person to oppose grant of a patent, *prior to grant*. See Chapter 5 of the Act. In contrast, many other countries only permit patents to be opposed, *after grant*.

249. This permits divisional applications to be filed during an opposition proceeding. This has proven problematic, as divisionals are used in an apparently tactical fashion, seemingly to frustrate an opponent. For example, applicants sometimes file divisional applications late in the opposition proceedings, potentially leaving the opponent with two applications to oppose—the parent, and the divisional. In some cases, the applicant withdraws the opposed application, leaving the opponent to monitor progress of the divisional application, and to oppose it once more some years later. This usage of divisional applications can be particularly problematic when divisionals are filed late in the opposition proceedings, as it can result in significant costs to the opponent in relation to the opposition to the parent being thrown away.

250. Applicants seem to value the flexible provisions governing divisional applications in Australia, as they enable applicants to keep their options open. But we are concerned that the benefits to applicants are outweighed by the adverse impacts on opponents and on public certainty regarding the eventual fate of the patent.

### *Instructions*

251. As such, we seek to provide an earlier cut-off to the period within which an applicant is able to file a divisional application. We note subsection 79C (2) (which sets out when a divisional of an innovation patent may be filed), and this appears to be an effective structure.

252. We therefore seek amendments to provide that an applicant may only make a further complete application for a patent for an invention under subsection 79B (1) during the period:

- starting on the filing date of the parent application

and

- ending when any of the following happens:
  - the parent application lapses
  - the parent application is refused
  - the parent application is withdrawn
  - a period prescribed by the regulations ends.

253. Subsection 79B (1) would be amended consequentially to delete the text in parentheses.

254. We intend to prescribe in the regulations the period of 3 months after publication of the notice of acceptance under section 49 of the Act in the Official Journal (defined in Schedule 1 to the Act). This is the final date a person is able to oppose grant of a patent on an application—see subregulation 5.3 (1) of the Patents Regulations. The intention of prescribing this period would be to prevent the filing of divisionals during opposition proceedings. Notices of opposition are usually filed on the last day of the period which is available under subregulation 5.3 (1), so an applicant would generally not be aware whether their application will be opposed by the time they have to decide whether to file a divisional.

255. It would be necessary to prescribe this cut-off period in the regulations rather than to provide for it more explicitly in the Act. This is because the period and process for opposing grant is prescribed by regulation, so in order to marry the period for filing a divisional with the period for opposing grant, this new period must also be prescribed by regulation.

## **5.4 Withdrawal of applications**

### *Background*

256. Under subsection 141 (1), a patent application may be withdrawn at any time, except during a period prescribed for the purposes of that section. Withdrawal is a useful part of the patent process, and is a means of getting applications for patents ‘off the books’ when applicants lose interest in proceeding with them.

257. There is also a strategy which appears to be used from time to time, under which, during an opposition to a patent, an applicant will make a divisional application, and then withdraw the opposed application. This is not such a useful part of the patent process, as the applicant is usually still interested in proceeding with the application, and, even despite the withdrawal, an application for protection of the invention remains 'on the books'. It can also inconvenience the original opponent, who may have undergone expense in opposing the original application and who may have to undertake additional expenditure in monitoring and the progress of, and possibly opposing, the divisional application.

258. To limit this behaviour, we seek amendments to the Patents Act under which an opposed application could only be withdrawn if the Commissioner grants leave for the withdrawal.

### ***Instructions***

259. Subsection 141 (1) should be amended to provide that:

- If the grant of a standard patent is opposed under section 59, the relevant patent application may only be withdrawn with the leave of the Commissioner.
- Otherwise, a patent application may be withdrawn at any time except during a period prescribed for the purposes of that section (as that subsection provides at present).

## ***Annex I – Commencement date and application provisions***

### **Commencement of the new provisions**

260. In view of the comprehensive nature of the amendments proposed in this legislative package, IP Australia considers it appropriate to defer commencement of the legislation for some period after the legislation receives the Governor-General's Royal Assent. This would allow sufficient time for users of the legislation to familiarise themselves with the amendments and how they may impact on their activities. It would also ensure sufficient time for IP Australia to:

- upgrade its manuals and processes
- adjust IT systems
- ensure that examiners were trained in the new requirements and processes.

261. The usual 'default' commencement period is 28 days after the date of Royal Assent - s 5 (1A) of the *Acts Interpretation Act 1901* (Cth). IP Australia considers that, given the nature and extent of the proposed changes, this would be insufficient time, and that a longer period would be appropriate.

262. The usual practice when Commonwealth legislation is to commence at a date which is different from this default date is for it to commence 6 months from the date of Royal Assent, or sooner if the Governor-General were to proclaim an earlier date.

263. IP Australia considers that this would represent an adequate balance between the competing aims of:

- deferring commencement by long enough to give users sufficient time in which to adjust to the changes

and

- ensuring commencement occurs soon enough after Royal Assent to ensure that the benefits from the legislative amendments will accrue as soon as possible.

264. For simplicity, IP Australia would seek to ensure that all provisions commenced on the one date.

### **Application provisions**

265. Application provisions can be detailed and complicated. The draft drafting instructions set out proposed details. The general principles underlying these draft instructions are as follows:

- Procedural changes - when procedural rules change, the new procedures will apply to all procedures which begin after commencement, and not to procedure which already began prior to commencement.
  - For example, changing which grounds can be considered during re-examination is considered to be a procedural change. If the re-examination began prior to the date of commencement, it would continue as against the grounds that were available prior to commencement. But if the re-examination begins after commencement, it would be conducted as against the new grounds that are available. This would be the case, whether the application or patent being re-examined was filed before or after commencement.
  - As another example, if an applicant who has made an application for a patent prior to commencement requests examination of their application prior to commencement, it would not be examined for usefulness. But if they do not request examination until after commencement, it *would* be examined under that ground.
- Substantive changes to patentability requirements - these would generally apply to:
  - all applications which are made on or after commencement

and

  - all applications which were made prior to commencement, if examination is requested (or, in the case of innovation patents, if the Commissioner decides to examine the patent) on or after commencement.

- For example, if an applicant who has made an application for a patent prior to commencement requests examination of their application prior to commencement, it would be examined for inventive step with the 'ascertained, understood and regarded as relevant' limitations to the prior art base. Then, if a patent is granted on the application and another person seeks revocation of the patent on the ground of obviousness, the inventive step test will still include the 'ascertained, understood and regarded as relevant' limitations. But if they do not request examination until after commencement, it would be examined without these limitations.
- New exemptions from patent infringement - these would apply to an act done, or an exploitation of the invention, on or after commencement.

266. By aligning the changes to substantive patentability requirements to the request for examination, applicants will have some opportunity (during the period prior to commencement by proclamation) to decide whether they wish to have their patent assessed under the new requirements.

267. We do not anticipate any injustice which could arise through the application of these general principles. However, as a protection against some situations arising which could be problematic, please include a provision which allows the application of the amendments in the Bill to be varied in particular cases or classes of case by Regulation.

## *Annex II - Proposed patent opposition regulations changes*

268. A number of amendments will also be made to the Patent Regulations 1991:

- Subregulations 5.3(7) and 5.3AA (The Commissioner, and not the opponent, will give a copy of the notice of opposition to the applicant)
- Subregulations 5.3(3), 5.3(5), 5.3(5A) and 5.3(6) (A notice of opposition on a procedural matter to be filed within 2 months of the relevant publication in the Official Journal)
- Regulation 5.4 (For oppositions on procedural matters, the statement of grounds and particulars is required to be filed within 1 month of the date of filing of the notice of opposition)
- Regulation 5.8 (For oppositions on procedural matters, evidentiary periods to be set by direction of the Commissioner)
- Regulation 5.4 (Particularised documents to be provided with the statement of grounds and particulars)
- Subregulation 5.8(4) (Removal of the requirement that a party serve a notice of intention to serve evidence in reply. Evidence in reply to be filed within 2 months from the date of service of evidence in answer).
- Subregulations 5.10(2) and 5.10(5) (Extensions of time to serve evidence to be by direction of the Commissioner, and only where the Commissioner is satisfied that certain conditions have been made out).
- Subregulation 5.10(4) (Further evidence provisions to be repealed).
- Amendment to include a new regulation that where a party does not intend to rely on evidence in an opposition, they may serve a notice to that effect.
- Amendment to include a new regulation requiring parties to file a summary of submissions before the hearing. The opponent's submissions are to be filed before 10 working days prior to the hearing, and the applicant's summary 5 days prior to the hearing.

### ***Annex III – Proposed trade marks opposition regulations changes***

269. The following sets out the changes to trade marks opposition procedures that we propose to make in the Trade Marks Regulations.

#### ***IP Australia would give the applicant the notice of opposition***

270. To ensure the applicant becomes aware of the opposition in an efficient and timely manner, we intend that IP Australia, not the opponent would provide the applicant with the notice of opposition.

271. We intend to make regulations providing that the Registrar must serve a copy of the notice of opposition on the trade mark applicant as soon as practicable after the notice is filed.

#### ***Period to file notice of opposition***

272. To reduce uncertainty and delays in initiating opposition proceedings we intend to reduce the time period in which a notice of opposition must be filed and narrow the grounds on which the period to file an opposition may be extended.

273. We intend to make regulations:

- amending Reg 5.1 of the Trade Marks Regulations to reduce the period to file a notice of opposition to 2 months from the day on which acceptance was advertised
- repealing Reg 5.2 (2) (d) and (e) of the Trade Marks Regulations, so that the time to file a notice of opposition cannot be extended to conduct negotiations or undertake research
- providing that the Registrar may extend the period to file a notice of opposition if the extension is required despite the person applying for the extension having taken due care as required in the circumstances.

#### ***Statement of Grounds and Particulars***

274. We intend to require the opponent to set out the grounds on which they are opposing the application and the particulars of those grounds. The purpose of this is to give the applicant an idea of the nature of the opposition at an early stage, so that they can make an informed decision whether to defend the application, initiate negotiations or let the application lapse.

275. We intend to make regulations providing that:

- an opponent must:
  - within 1 month of filing the notice of opposition, serve on the applicant a copy of the statement that sets out the grounds of the opposition and the particulars relating to each ground, and

- as soon as practicable after the copy has been served on the applicant, file the statement.
- the Registrar is not required to consider a ground that is not stated and particularised in the SGP (as amended)
- if the statement does not provide adequate particulars, the Registrar may direct the applicant to provide further and better particulars
- a failure to provide further and better particulars could be considered by the Registrar in any award of costs.

### *Amendment of notice of opposition and SGP*

276. We recognise that there are some circumstances in which it will be desirable for an opponent to be able to amend the notice of opposition or the SGP after filing. However, to ensure the policy intention that the applicants know the nature of the opposition at an early stage, we consider that the notice of opposition and SGP should only be able to be amended in certain narrowly defined circumstances.

277. We intend to make regulations providing that notices of opposition and statements of grounds and particulars are documents to which s 66 of the Trade Marks Act does not apply.

278. We intend to make regulations providing that the opponent can only amend the notice of opposition:

- to correct a clerical error or obvious mistake by the opponent or by his or her agent, or
- to change the name of the opponent.

279. We intend to make regulations providing that the opponent can only request an amendment of a statement of grounds and particulars:

- to correct an error or omission in the grounds
- to amend the grounds consequentially if the application is amended
- to amend the particulars
- to add any ground of opposition, but only if the Registrar is satisfied that they are raised as a result of new information of which the opponent could not reasonably have been aware at the time of lodgement of the SGP.

280. We intend to make regulations providing that, in each case, the Registrar would:

- have the power to grant the request on specified terms
- give the parties an opportunity to make representations concerning the proposed amendment
- give the applicant a copy of the notice or statement as amended.

### *Dismissal of opposition*

281. We intend that the SGP be an obligatory requirement and that failure to comply with this requirement should mean that the opponent loses the right to prosecute their opposition. Accordingly, failure to file or serve a SGP in the relevant time period or a failure to particularise the grounds at all should result in the Registrar being able to dismiss the opposition, with the result that the trade mark is registered.

282. We intend to make regulations providing that:

- the Registrar may dismiss an opposition if the opponent does not:
  - serve a SGP on the applicant within one month of filing the notice of opposition
  - file the SGP as soon as practicable after serving the copy on the applicant
  - particularise the grounds of opposition in the SGP
- the applicant may request the Registrar to dismiss the opposition within 1 month of when the SGP was due to be served
- the Registrar must inform the opponent as soon as practicable after the request was made
- the Registrar may dismiss the opposition regardless of whether or not the applicant has requested dismissal.

### *Notice of intention to defend*

283. We consider that the opponent should not be put to the expense of preparing further evidence and submissions where the applicant does not intend to defend their application or take any further part in the proceedings. Accordingly, we intend to require applicants to indicate their intention to defend their application. If an applicant does indicate their intention to defend their opposition, the period for providing evidence in support would begin from that date. If the applicant does not indicate their intention to defend the opposition their application would lapse.

284. We intend to implement the proposal by amending the Trade Marks Regulations to provide that:

- an applicant must file a notice in the approved form indicating its intention to defend its trade mark application within 1 month after the opponent has served the SGP
- the Registrar must notify the opponent that a notice of intention to defend has been filed as soon as practicable after it has been filed.
- the applicant must serve a copy of their evidence in support 3 months from the day on which the notice of intention to defend was filed (Reg 5.7 (1)).

### *Periods to serve evidence*

285. We consider that the existing provisions for the extending the period to provide evidence are causing unnecessary delays. We consider that the in most cases 3 months should be sufficient to provide evidence in support and evidence in answer. Evidence in reply should only be in response to evidence in answer and therefore should require less time: we consider that 2 months should be sufficient in most cases. Extensions to those periods should be the exception, not the rule. Accordingly, we intend to reduce the period to provide evidence in reply to 2 months and introduce a stricter test to extend any of the evidentiary periods.

286. We intend to make regulations:

- amending Reg 5.12 (1) to reduce the time to serve a copy of evidence in reply to 2 months.
- amending Reg 5.13 (1) to reduce the time to serve a notice stating that an opponent does not intend to rely on evidence in reply to 2 months.
- repealing Reg 5.15
- providing that the Registrar may give directions to extend a period to provide evidence
- providing that the Registrar may only direct that a period to serve evidence in an opposition be extended only if he or she is satisfied that:
  - the party entitled to serve evidence in that period has acted promptly and diligently at all times since the opposition proceedings began but, despite that, cannot serve the evidence in that period, or
  - because of some other compelling circumstance, he or she should give the direction.
- providing that the party seeking the direction bears the burden of satisfying the Registrar of the above matters
- clarifying that the Registrar must not give a directions to extend a period solely because of delays caused by an agent or legal representative failing to act promptly or diligently.

### ***Cooling-off period***

287. Negotiated settlements of trade mark oppositions can result in a more expeditious resolution of proceedings, and can save parties from being put to unnecessary expense preparing evidence for an adversarial opposition. Frequently, an opposed trade mark will be generally compliant with the requirements of the Act, and the key issue in the opposition will relate to determining which competing trader is properly entitled to be registered as the owner of the mark for particular goods and services. Negotiation can be the most efficient means of settling this issue.

288. Negotiations are currently facilitated by providing for extensions of the period to lodge a notice of opposition or evidence and by direction of the Registrar. We consider that these

mechanisms are unsuitable and intend to introduce a formal ‘cooling-off’ period that parties may use to negotiate.

289. We intend to make regulations providing that:

- at any time after a notice of opposition is filed but before the opposition is decided, the Registrar may suspend the opposition for a period of 6 months if all parties to the opposition file a notice requesting suspension in the approved form
- the period of suspension would begin only when all parties had filed notices requesting suspension
- the Registrar must suspend the opposition for a further 6 months if all parties to the opposition file a notice requesting an extension of suspension in the approved form before the first suspension period ended
- the Registrar must not suspend the opposition for more than 12 months
- the Registrar must terminate the suspension if, at any time, a party to the opposition files a notice requesting termination of suspension
- if the suspension is discontinued, whatever period was interrupted by the suspension will commence once again
- the Registrar may at any time give directions as to the steps to be taken should a party terminate the suspension.

#### *Further evidence*

290. Even after completion of the evidentiary stages, parties are currently able to seek leave at any time to serve further evidence. The ability to serve further evidence outside the statutory evidential time table is one means of ensuring that a serious opposition is decided on its merits. But it can also cause significant delays in an opposition, and can introduce procedural complexity. Experience has shown that it is rare for further evidence to be crucial to the outcome of an opposition.

291. We intend to remove the ability for parties to lodge ‘further evidence’. Parties would still be able to provide information to the Registrar at any stage under Reg 21.19 of the Trade Marks Regulations. This would ensure that the Registrar could consider late information that was relevant to the decision, while refusing to exercise their discretion if the information was irrelevant.

292. We intend to implement this by repealing Reg 5.15 of the Trade Marks Regulations.

#### *Summary of submissions*

293. It is helpful to the Registrar’s delegate to have a summary of the submissions that each party intends to make before the hearing. This permit the delegate to better prepare for the hearing. While it is common for the Registrar to issue directions to the parties to provide submissions, in practice these directions are often not complied with. We intend to introduce a legislative requirement for both parties to provide submissions.

294. We intend to make regulations providing that:

- the opponent must file and serve on the applicant a summary of the submissions that they intend to make at the hearing no later than 10 business days before the hearing is scheduled
- the applicant must file and serve on the opponent a summary of the submissions that they intend to make at the hearing no later than 5 business days before the hearing
- in considering any award of costs between the parties, the Registrar may take into account a failure to file or serve a summary of submissions
- in considering any award of costs between the parties, the Registrar may take into account the extent to which a party's submissions at the hearing depart in substance from their summary of submissions, except where the departure is in response to an issue raised by the other party or the Registrar's delegate.