

# **IP Australia response to public consultation on several Intellectual Property (IP) matters**

## **Introduction**

From 30 August to 17 November 2017, IP Australia sought public comment on five IP policy matters. Four of these form part of IP Australia's proposed implementation of the Government's response to the Productivity Commission's (PC) inquiry into Australia's Intellectual Property arrangements, and one matter relates to a trade mark issue.

Eighteen non-confidential submissions were received during consultation. IP Australia has considered all submissions and thanks all stakeholders who took the time to consider the proposals and respond to us.

## **Paper 1 – Amending the inventive step requirements for Australian patents**

Fifteen non-confidential submissions provided comments on the options for amending the inventive step requirements, technical features and transitional arrangements. The submissions mostly expressed a range of concerns with the proposed changes to inventive step and the introduction of a technical features requirement.

### **Part 1 – Inventive step**

#### *Summary of submissions*

Fourteen submissions did not support making changes to the inventive step test in Australia at this time. Many submissions expressed the view that insufficient time has elapsed since the inventive step requirements were reformed under the 'Raising the Bar' Act<sup>1</sup> for the effects of those changes to be fully evaluated. Concerns were raised that the implementation of a further inventive step test would be an extra cost to users and introduce unnecessary complexity. Submissions also expressed the view that the current test for inventive step does not appear to be significantly inconsistent with that in Europe and queried the rationale for change.

Nine submissions provided a preferred option despite their disagreement with the principle of the changes, with option IS-2<sup>2</sup> (implement the PC recommendation with clarification of prior art base and interpretation) most preferred.

One submission provided general support for the changes and expressed a preference for option IS-4 (enshrine the EPO problem-and-solution approach in the Patents Act).

#### *IP Australia response*

IP Australia notes that the Government has accepted the PC's recommendation to amend the requirements for inventive step. No new significant evidence for maintaining the status

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<sup>1</sup> *Intellectual Property Laws Amendment (Raising the Bar) Act 2012.*

<sup>2</sup> Refer to Attachment for proposed options.

quo was presented in the submissions that had not already been considered by the PC and the Government in reaching that decision.

IP Australia proposes to implement option IS-2 in concordance with the majority of stakeholder submissions that expressed a preference. IP Australia considers that the implementation of option IS-2 will give effect to the PC's recommendation, while providing an appropriate balance between complexity and flexibility in the legislation and the explanatory materials.

## **Part 2 – Technical features**

### *Summary of submissions*

Fourteen submissions were not supportive of the introduction of a separate technical features requirement. Concerns were raised that the requirement would impose a burden on applicants and that it is unnecessary in view of the existing test for manner of manufacture.

Seven submissions expressed a preference for option TF-2 (assessment by examiner through inventive step requirements) despite their disagreement with the principle of the proposals.

One submission provided general support for the changes and expressed a preference for option TF-1 (assessment by examiner through modified claim requirements).

### *IP Australia response*

IP Australia agrees with some of the concerns raised in the submissions. Taking these concerns into account, IP Australia proposes to implement a modified version of option TF-2, noting that this option was most preferred by those submissions that expressed a preference.

Under the modified version there will be no legislative change. Instead, guidance will be provided in the explanatory memorandum and the Patent Manual of Practice and Procedure on how technical features should be considered for the purposes of assessing inventive step under the European approach to be implemented under option IS-2. The guidance will note that in certain situations there may be a degree of overlap between the assessment of inventive step and the assessment of manner of manufacture.

## **Part 3 – Transitional arrangements**

### *Summary of submissions*

Eight submissions commented on the transitional arrangements. One submission provided support for option TA-2 (changes affect all patents applications without an examination request) and one submission preferred this option despite disagreement with the principle of the changes overall. Six submissions expressed a preference for option TA-3 (changes affect all newly filed patent applications) despite disagreement with the principle of the changes overall. Stakeholders were of the view that option TA-3 would ensure procedural fairness for existing applicants.

### *IP Australia response*

IP Australia proposes to implement option TA-2 in line with how the Raising the Bar reforms were implemented. If option TA-3 was implemented, it is likely to be five years or more before the changes have effect in patent examination, which would be an undue delay in view of the Government's commitment to implement this reform soon.

IP Australia notes that option TA-3 may have been more appropriate if other options for inventive step or technical features (particularly TF-1) were adopted, as these could impose new requirements on specifications that would be unfair if they applied to already-filed applications. Given the options for inventive step and technical features proposed for implementation, IP Australia considers that option TA-2 strikes a balance between giving timely effect to the PC's recommendations whilst providing procedural fairness for applicants. Applicants will be able to control whether their application is examined under the existing or new provisions by filing a voluntary request for examination before commencement. IP Australia expects that there will be a gap, as seen with Raising the Bar, between the Act being agreed and the measures commencing, which together with legislative timeframes should provide applicants with more than 12 months' notice regarding the changes.

## **Paper 2 – Introducing an objects clause into the *Patents Act 1990***

### *Summary of submissions*

Fourteen non-confidential submissions were received. Six submissions were in favour of introducing an objects clause. Two of these preferred option B (a modified version of the PC's proposed text), two suggested alternative wordings for the clause, one did not support either option A (the PC's proposed text) or option B, and one expressed no opinion.

Eight submissions did not support the introduction of an objects clause. Submissions expressed the view that the use of the term 'wellbeing of Australians' in option A could unintentionally result in the improper preferential treatment of Australians, which would conflict with Australia's international obligations.

Concerns were raised that the use of the term 'wellbeing of society' in option B would require a value judgement as to the social value of an invention. It was submitted that this could create legal and business uncertainty, and could be interpreted as a means to provide free access to patented products.

There was further concern regarding the use of the term 'technological innovation' in both options, as opposed to 'innovation', and whether this would change or narrow the patent eligibility threshold.

Five submissions expressed a preference for option B despite their disagreement with the principle of the proposal. Three submissions suggested using the purposes clause in the *Patents Act 2013* of New Zealand as a model.

### *IP Australia response*

IP Australia notes that the Government has accepted the PC's recommendation to introduce an objects clause.

IP Australia appreciates the concerns raised in the submissions. The objects clause is intended to provide guidance in the interpretation of the *Patents Act 1990*, and may be used to assist the court where there is uncertainty or ambiguity in the meaning of a provision. The objects clause is not intended to be a ground for challenging the subject matter of an individual patent or the grant of free access to it, particularly on the basis of its alleged social value.

Taking these concerns into account, IP Australia proposes to implement a modified version of option B, noting that this option was most preferred by those submissions that expressed a preference. The modified version addresses concerns regarding the use of the term ‘wellbeing of society.’

*‘The purpose of this Act is to provide a patent system in Australia that enhances the wellbeing of society by promoting economic wellbeing through technological innovation and the transfer and dissemination of technology. In so doing, the patent system should balance over time the interests of producers, owners, users of technology, and the public.’*

IP Australia considers that the inclusion of the words ‘economic wellbeing through’ limits the application of the term ‘wellbeing of society’, as it would need to be interpreted in the context of ‘*promoting economic wellbeing through technological innovation and the transfer and dissemination of technology.*’ The patent system is intended to benefit society generally through these mechanisms, rather than through any particular patent and the value associated with it.

Regarding the term ‘technological innovation’, as discussed above, the objects clause is not, in and of itself, intended to provide a grounds for challenging the subject matter of a patent, nor to override existing Australian jurisprudence on patentable subject matter and the manner of manufacture test.

However, the PC made it clear that the principal purpose of the patent system is to enhance the wellbeing of Australians by promoting technological innovation. The PC considered that the introduction of an objects clause containing this language would address a number of its concerns about the balance of the patent system. In particular, the PC considered that an objects clause would better balance the patent rights of software and business method innovators and users, and help alleviate its concerns regarding the quality of software patents.

IP Australia does not support using the purposes clause in the *Patents Act 2013* (New Zealand) as a model. This clause differs considerably from the description of the purpose of the patents system provided by the PC and is more prescriptive than options A and B proposed in the consultation paper. IP Australia considers that an objects clause which provides a general statement of principles and objectives is more appropriate for the Australian context.

IP Australia recognises the concerns regarding the introduction of an objects clause and subject to Government approval will prepare an exposure draft of the legislative amendments for public comment. A draft explanatory memorandum will also be released, which will provide further guidance on the intended purpose and interpretation of the

objects clause. Feedback on both the exposure draft and explanatory memorandum would be welcome.

### **Paper 3 – Amending the provisions for Crown use of patents and designs**

#### *Summary of submissions*

Seven non-confidential submissions commented on the proposal for amending the existing Crown use provisions. Five submissions supported amending the Crown use provisions, four of which supported IP Australia’s preferred option, option 2(c). Option 2(c) would implement the PC’s recommendations with a refined remuneration standard. One submission supported option 2(a), which would implement the PC’s recommendations<sup>3</sup> in full, and would not include the amendment to the remuneration standard proposed by IP Australia.

Two submissions were not in favour of the proposed amendments. These submissions were of the opinion that there was insufficient evidence to support change, and that the amendments would provide the government with a broad mandate to interfere with the rights of patent and designs owners in circumstances other than exceptional circumstance or last resort.

#### *IP Australia response*

A number of reviews in the past have recognised problems with the existing Crown use provisions and the PC proposed reforms building on these earlier reviews. IP Australia proposed a preferred approach of option 2(c) which implements the recommendations of the PC, with an amendment to the remuneration standard (an earlier recommendation made by the former Advisory Council on Intellectual Property<sup>4</sup>). The preferred solution clarifies the scope of the services for which Crown use can be invoked and addresses the lack of transparency and accountability within the provisions.

We disagree that the amendments would provide the government with a broad mandate to interfere with the rights of patent and designs owners. The rights of the vast majority of patent and design owners will be unaffected. Crown use provisions provide the public with confidence that the patents and design systems do not prevent the Government from acting in the public interest. Crown use is intended to be a rarely used safeguard which should only be invoked to address exceptional circumstances.

We consider that the proposed approach will better protect the rights of IP owners due to the increased certainty and requirement of Ministerial oversight providing for a structured process for invoking Crown use. IP Australia will proceed to consult on an exposure draft and explanatory memorandum with the preferred option 2(c) to introduce greater clarity and transparency to the legislation.

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<sup>3</sup>[PC, 2013, \*Compulsory Licensing of Patents\* \(2013\) pp 164-181.](#)

<sup>4</sup>[ACIP, 2005, \*Review of Crown use Provisions for Patents and Designs\*.](#)

## **Paper 4 – Amending the provisions for compulsory licensing of patents**

Eight non-confidential submissions provided comments on the options for amending the compulsory licensing provisions. Three submissions were in favour of changing the provisions and five were opposed.

### **Part 1 – Compulsory licensing of patents**

#### *Summary of submissions*

Of the three submissions in support, one preferred option 3 (implementing a refinement of the PC's recommendation) and two preferred a combination of option 1 and option 3 (public education and awareness and implementing a refinement of the PC's recommendation), which was IP Australia's preferred approach, .

Five submissions did not support the proposal. Submissions expressed the view that the current arrangements are sufficient, and that the current test better balances the interest of patentees, the public and any party wishing to take advantage of patented inventions.

Two submissions expressed a preference for option 1 despite their disagreement with the principle of the proposal.

#### *IP Australia response*

IP Australia appreciates the concerns raised in the submissions. However, IP Australia agrees with the PC's analysis that uncertainty regarding the meaning of the reasonable requirements of the public test is likely to continue in the absence of any reform. IP Australia disagrees that the current test better balances the interests of the various parties, as it is worded in such a way as to make trade and industry in Australia the primary concern, rather than the balance of interests that would be required by the public interest test.

IP Australia proposes to implement a combination of option 1 and option 3, as proposed in the consultation paper. IP Australia considers that the combination of these options will provide stakeholders and the general public with greater awareness and understanding of the compulsory licensing provisions, and ensure that a compulsory license can only be granted when it is in the public interest to do so.

### **Part 2 – Compulsory licensing for dependent patent owners**

#### *Summary of submissions*

Five of the eight submissions commented on this part. Three submissions supported option 1 (amend subsection 133(3B) so that it applies only to dependent patent owners). One submission supported change generally but did not express a preference, and one submission did not support any change, but expressed a preference for option 2 (repeal subsection 133(3B)) despite disagreement with the principle of the change.

#### *IP Australia response*

IP Australia notes that the issue regarding compulsory licensing for dependent patent owners was identified by stakeholders.

IP Australia proposes to implement option 1, as proposed in the consultation paper, which was the option supported by stakeholders who responded to the consultation on this issue.

IP Australia considers that the dependent patent provisions are an important safe-guard for follow-on innovation, and as such should be amended to more clearly reflect the original policy intention of the provisions.

## **Paper 5 – Introducing divisional applications for international trade marks**

### *Summary of submissions*

Four non-confidential submissions made comments on the proposals for divisional applications for international registrations designating Australia (IRDAs). All submissions supported the introduction of divisionals for IRDAs.

Three submissions strongly opposed aligning the process for examination of domestic divisionals with the approach adopted by Madrid Contracting Parties, as this would reduce the timeframe for acceptance. The submissions stated that reducing the timeframe for acceptance would disadvantage applicants. For example, applicants who used the 15 month timeframe to gather evidence of use in order to overcome an objection are concerned that they would not have sufficient time.

Submissions also stated that it was not appropriate to reduce the timeframe in order to align practice with other jurisdictions such as the US and the UK, because these countries have different time limits in their trade mark systems. Stakeholders submitted that applicants would also face additional costs and time pressure to resolve any grounds for rejection.

One submission supported the proposals in the consultation paper to reduce the timeframes for domestic divisionals and aligning it with the proposed timeframes for IRDAs.

### *IP Australia response*

IP Australia notes the concerns about reducing timeframes and amending scope for trade mark divisionals, and accepts that this proposal needs further consideration and development. As such, IP Australia will not proceed with these proposals at this time.

IP Australia will implement divisionals for IRDAs on the same basis and with the same timeframes as divisional applications for national applications. This will require an amendment to the *Trade Mark Regulations 1995*. We expect that this amendment will come into force before the end of 2020, with the exact timing dependent on Government priorities.

IP Australia considers that a number of aspects of trade mark timeframes, including divisional timing, still require review and possible amendment to ensure the system is operating efficiently and effectively. When the implementation of the Government's response to the PC's review of Australia's IP arrangements is complete, IP Australia proposes to conduct a holistic review of trade mark timeframe issues. This review will include acceptance and divisional timeframes, response periods, extensions of time, deferrals of acceptance and other matters. This proposal will be placed on our [register of new policy issues](#) for future policy consideration.

## **Next steps and further information**

Subject to the Government's approval, IP Australia will prepare an exposure draft of the legislative amendments relating to these matters for public comment. IP Australia expects the draft to be released in winter of this year. Stakeholders will be advised when it is released and further feedback on the proposals would be welcome.

IP Australia proposes to include the legislative amendments in a Bill intended for introduction in the spring 2018 parliamentary sitting period. Please note that the final form of the amendments in the Bill is subject to the Government's final approval.

Stakeholders who would like further information or to discuss the proposed changes further may contact Paul Gardner on (02) 6283 2145 or at [Paul.Gardner@ipaustralia.gov.au](mailto:Paul.Gardner@ipaustralia.gov.au).



## Attachment

### Inventive step – Proposed options

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| <b>Inventive Step</b>            |  |
| Option IS-1                      | Implement the PC recommendation verbatim.  |
| Option IS-2                      | Implement Option IS-1 with clarification of prior art base and interpretation.   |
| Option IS-3                      | Implement Option IS-2 with amendments to Section 45 to codify that the Commissioner must determine if an invention is a solution to a technical problem. |
| Option IS-4                      | Enshrine the EPO problem-and-solution approach in the Patents Act.   |
| <b>Technical Features</b>        |  |
| Option TF-1                      | Assessment by examiner through modified claim requirements.  |
| Option TF-2                      | Assessment by examiner through inventive step requirements.  |
| Option TF-3                      | Assessment by examiner through a separate document requirement.  |
| <b>Transitional Arrangements</b> |  |
| Option TA-1                      | Changes affect all patent applications without a first examination report.   |
| Option TA-2                      | Changes affect all patent applications without an examination request.   |
| Option TA-3                      | Changes affect all newly filed patent applications.  |

### Objects clause – Proposed options

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| Option A | The purpose of the legislation is to enhance the wellbeing of Australians by promoting technological innovation and the transfer and dissemination of technology. In so doing, the patent system should balance over time the interests of producers, owners and users of technology.  |
| Option B | The purpose of this Act is to provide a patent system in Australia that enhances the wellbeing of society by promoting technological innovation and the transfer and dissemination of technology. In so doing, the patent system should balance over time the interests of producers, owners, users of technology, and the public. |

### **Crown use – Proposed options**

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| Option 1    | Public education and awareness.  |
| Option 2    | Amend the Crown use provisions of the Patents Act and Designs Act.                         |
| Option 2(a) | Implement the PC's recommendations.  |
| Option 2(b) | Specify services of the Crown in a list.   |
| Option 2(c) | As per option 2(a), but refine the remuneration standard.                                  |
| Option 2(d) | As per option 2(a), but permit a waiver for Ministerial approval in certain circumstances. |
| Option 3    | Implement the Bandt amendments.  |

### **Compulsory licensing – Proposed options**

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| <b>Compulsory Licensing of Patents</b>                  |  |
| Option 1  | Public education and awareness.  |
| Option 2  | Implement the PC's recommendations in full.                                  |
| Option 3  | Implement a refinement of Recommendation 6.2 only.                           |
| <b>Compulsory Licensing for Dependent Patent Owners</b> |  |
| Option 1  | Amend subsection 133(3B) so that it applies only to dependent patent owners. |
| Option 2  | Repeal subsection 133(3B).   |