

IP Australia response to public consultation on exposure draft of Intellectual Property Laws Amendment (Productivity Commission response part 2 and other matters) Bill 2018

Introduction

From 23 July to 31 August 2018 IP Australia released draft legislation for public comment. The draft legislation includes measures to implement aspects of the Government's response to the Productivity Commission's (PC) inquiry into Australia's Intellectual Property (IP) arrangements. The draft legislation also includes amendments to improve Crown use and compulsory licensing provisions in the *Patents Act 1990* (Patents Act), and to make some technical improvements to IP legislation.

18 non-confidential submissions were received during consultation on the Bill. No confidential submissions were received.

IP Australia has considered all submissions and thanks all stakeholders who took the time to consider the draft legislation and respond to us.

Schedule 1 - Responses to the Productivity Commission

Part 1 – Amending the inventive step requirements for Australian patents

Fifteen non-confidential submissions commented on inventive step changes. The submissions expressed a range of concerns with the drafting of the provision and proposed changes.

General comments

Summary of submissions

Fifteen non-confidential submissions provided comments on the amendments for the inventive step test and the prior art base. The majority of stakeholders who responded on this issue remain opposed to the changes to inventive step. Various reasons were submitted:

- Insufficient time has elapsed since the Raising the Bar legislation was introduced for further changes to be made to inventive step;
- There have been too many recent changes to inventive step and this places an undue burden on the applicant;
- Adopting a European approach to inventive step relies on “hindsight reasoning” and a greater propensity to combine documents which Australian examiners may adopt.
- Australian law is currently more closely aligned with the US, and adopting a European approach will move Australia further away from the US.

IP Australia response

IP Australia notes that the PC and the Government have already considered the general arguments for and against changing the inventive step threshold as raised above. The Government has accepted the PC's recommendation and remains committed to ensuring that the standard set in

Australia is equivalent to the standard set by our major trading partners, in particular the European Patent Office.

IP Australia is grateful for the considered comments on the effectiveness of the proposed changes, and the drafting will be considered further, with additional consultation (see below).

Effectiveness of the amendments and reliance on explanatory materials

Summary of submissions

Several stakeholders submitted that the proposed changes in the exposure draft were ineffective or problematic:

- Some stakeholders submitted that the proposed changes would make no practical difference to the inventive step test, as the text of the test has not sufficiently changed from the existing wording; and that the courts may not have sufficient regard to the explanatory memorandum to determine the intended meaning of the proposed changes;
- Other stakeholders argued that the EPO always uses a problem-solution approach, and the proposed changes would expand the approaches for inventive step to include the EPO approach, while combining it with our current practice and jurisprudence. This would raise the threshold higher than that of the EPO.

IP Australia response

IP Australia notes the submissions and considers that there is merit to the argument which requires further investigation. In particular, IP Australia is persuaded by the submissions that the proposed changes to the legislation and the accompanying EM will not achieve the intended outcome of sufficiently raising the threshold for inventive step, as the wording is not sufficiently different and that the courts may not have sufficient regard to the EM when considering the proposed inventive step changes.

IP Australia has advised the Government of the outcome of this consultation process. The Government has decided to postpone changes to inventive step to ensure there is sufficient time to formulate and consult further on options to ensure legislative changes have the intended effect.

IP Australia will continue to develop the Bill for introduction without the changes to inventive step. In addition, IP Australia will develop further options for amending the inventive step requirement, including ways to incorporate the European test for inventive step into the wording of the legislation. Further stakeholder consultation will follow in due course.

Prior art base

Summary of submissions

Three submissions considered that the proposed changes to the prior art base were problematic or would not achieve the desired outcome of aligning with the European test for inventive step. Stakeholders submitted that:

- The proposed changes retain the problems of the current definition of the prior art base by

merely reorganizing the provisions, rather than aligning the definition of prior art with the European definition;

- The proposed changes do not sufficiently acknowledge the importance of common general knowledge in the inventive step test.

IP Australia response

IP Australia appreciates these concerns, and noting that there will be further analysis and consultation on the inventive step provisions, IP Australia will explore options for streamlining proposed section 7(B) into something that more resembles the way prior art is defined in the European Patent Convention. However, IP Australia remains concerned that a more streamlined definition could override the improvements made by the Raising the Bar Act in how prior art information is identified and combined. IP Australia will consult further on these options in due course.

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

Fourteen non-confidential submissions discussed the objects clause. The submissions expressed a range of views concerning the drafting of the provision.

General comments

Summary of submissions

Two submissions supported the general principle of an objects clause, but suggested further changes to the provision. One of these submissions recommended that the objects clause should further require that patents only be provided for socially valuable innovations that would not have otherwise occurred.

Twelve stakeholders who responded on this issue were opposed to the introduction of an objects clause. Various reasons were submitted:

- There is a risk that the reference to “technological innovation” as opposed to “innovation” could be used to narrow or change the subject matter that can be granted a patent;
- The term “technological innovation” was claimed to be introduced in the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) to satisfy the European jurisprudence at the time, however, this European jurisprudence has resulted in a number of problems for later patents, and therefore similar issues could develop in Australia;
- The objects clause will introduce additional uncertainty and complexity into the legislation, and lead to greater litigation costs;
- An objects clause is unnecessary;
- It is not clear whose “economic well-being” is to be promoted.

The consultation specifically asked whether stakeholders could provide comment on whether the term “technological innovation” would restrict the concept of innovation to certain industries. Stakeholders were also asked to advise whether there was any subject matter that could currently be considered patentable, which would not be considered to fall within the term “technological”. In this regard:

- One stakeholder submitted that the term raised questions about whether a simple but inventive mechanical solution or some inventions in the field of life sciences would be protected, because these might not naturally be thought of as “technological innovations.”
- A second stakeholder submitted that introducing the term “technological” could narrow the scope of patentable subject matter such as software inventions which are considered to relate more to schemes or plans.

IP Australia response

Purpose of the objects clause

The PC recommended that the objects clause clearly establish that the principal purpose of the patent system is to enhance the wellbeing of Australians by promoting technological innovation, and by promoting the transfer and dissemination of technology. The Government has accepted the PC's recommendation and supports a clear statement of legislative intent for the guidance of the courts in the interpretation of the Act.

The role of the objects clause is to provide guidance in the interpretation of the *Patents Act 1990* ("Patents Act"). It may assist the courts in situations where there is uncertainty or ambiguity in the meaning of a provision. The objects clause is not intended to provide a ground to challenge a patent on the basis of its subject matter. Nor is the objects clause intended to override existing Australian jurisprudence on patentable subject matter. The objects clause is intended to provide increased clarity and certainty in the legislation by clearly stating the underlying purpose of the patents system in Australia.

Technological innovation

IP Australia considers that the term "technological innovation" should be included in the objects clause. This term is consistent with the recommendations of the PC. It is also consistent with how intellectual property is discussed internationally, including in the wording in Article 7 of TRIPS. The ordinary meaning of the term "technological" is "the application of scientific knowledge for practical purposes"¹ and IP Australia considers that it is unlikely that the courts would depart from this ordinary meaning. As such, IP Australia considers it unlikely that simple mechanical inventions or life sciences inventions would not be considered 'technology', as they are clearly included within this broad definition.

Furthermore, it is unlikely that the courts would interpret this term as being intended to narrow or change the subject matter eligibility threshold for grant of a patent, in the absence of some explicit provision to do so. The test for patentable subject matter in Australia is whether or not the invention is a 'manner of manufacture' under paragraph 18(1)(a) of the Patents Act, and this provision remains unchanged. For example, software patents would continue to be assessed according to this test.

Some submissions noted that the term "technological innovation" has resulted in problems for European patents. However these issues relate to the European requirements for patentable subject matter, which is different to that of Australia.

Social value

One submission stated that the objects clause should further require that patents only be provided for socially valuable innovations that would not have otherwise occurred. The patent system collectively is intended to benefit Australians by promoting technological innovation and dissemination, rather than through any one particular patent and its corresponding value. As such, IP Australia considers that there is no need for an explicit statement regarding socially

¹ Oxford English Dictionary

valuable innovations in the objects clause.

Additionally, whether or not an invention has social value would be impossible to determine until the resulting product has been placed on the market. Requiring examiners to undertake an assessment of social value would require subjective considerations which do not form part of the current requirements for the grant of a patent, and would increase uncertainty and the cost and duration of litigation.

Whose economic well-being is promoted

IP Australia disagrees that it is not clear whose “economic well-being” is to be promoted. The objects clause states “The object of this Act is to provide a patent system in Australia that promotes economic wellbeing through...” Accordingly, IP Australia considers that the term “in Australia” makes it clear that economic wellbeing is intended to be promoted in Australia and that this is consistent with the recommendations made by the PC.

Litigation uncertainty

IP Australia acknowledges that there is a risk that the clause might result in some uncertainty for users of the patent system in the short-term. The Productivity Commission considered this, but considered that in the long-term, the objects clause will provide certainty about the objectives of the patent system and thus ensure that the interests of producers, owners and users of technology are balanced. The PC considered that this long-term clarification would be worth any short-term uncertainty caused by the introduction of the clause.

Conclusion

The current text of the objects clause has been developed and refined over several years of consultation taking into account a wide range of views. IP Australia considers that the current text of the objects clause strikes an appropriate balance between the PC’s recommendations and the feedback from stakeholders, and that the clause should proceed as it is currently drafted.

Part 3 – Abolishing the innovation patent

Summary of submissions

Six non-confidential submissions provided comments on the amendments to commence the abolition of the innovation patent. The majority of the submissions did not comment on the drafting of the legislation, but expressed their continued opposition to the decision to abolish the innovation patent system.

Three submissions commented on the proposed transitional arrangements. One submission suggested that a transition period of three years for phasing out the innovation patent should be introduced. Two submissions (which supported abolition) suggested that divisional filings or requests for examination after commencement should not be allowed, in order to reduce uncertainty.

IP Australia response

IP Australia notes that the decision to abolish the innovation patent system was taken by the Government, and that this consultation was directed towards the implementation of that decision. No significant new evidence on the value of the innovation patent system was presented by the submissions that had not already been considered by the Productivity Commission and the Government in reaching that decision.

IP Australia has considered the submissions relating to the transitional provisions. The phasing out of the innovation patent by preventing the filing of new applications after commencement of the legislation will protect existing rights, while ensuring that there will be no innovation patents on the register more than eight years after commencement. Noting the range of views presented, IP Australia considers that the provisions as drafted strike a good balance between all relevant interests without adversely affecting existing rights.

IP Australia proposes to proceed with the amendments as currently drafted.

Schedules 2 and 3 – Amending the provisions for Crown use of patents and designs

Seven non-confidential submissions discussed Crown use. The submissions were mostly supportive of the proposed changes.

General comments

Summary of submissions

Seven non-confidential submissions discussed Crown use. The majority of stakeholders who responded on this issue supported the amendments to Crown use. Several stakeholders suggested minor technical amendments to improve the clarity of the legislation.

One submission did not support the amendments on the basis that the submitter considered that they are unnecessary and would provide the government with a broad mandate to interfere with the rights of patent holders. Additionally, the submitter argued that the “primary responsibility” test would expand the scope of Crown use.

IP Australia response

IP Australia disagrees that the amendments would provide the government with a broad mandate to interfere with the rights of patent and designs owners. Crown use is intended to be a rarely used safeguard, only invoked in exceptional circumstances. 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.

The “primary responsibility” test clarifies the circumstances in which Crown use can be invoked. IP Australia also considers that the rights of patent and design owners will be better protected due to the increased certainty and Ministerial oversight process resulting from the amendments.

IP Australia considers that the Crown use provisions of the Patents Act and Designs Act should proceed with minor technical changes to the drafting of the provisions suggested by stakeholders. These are discussed in more detail below

Terms to be complied with for Crown exploitation

Summary of submissions

One submission proposed that the legislation should clarify that any Crown use is subject to the terms set out in subsection 165(2). As currently drafted, proposed sections 163 and 163A of the Patents Act do not contain an express statement that Crown exploitation that occurs under these sections is subject to the terms set out in the proposed amendments to section 165. Another submission raised a concern that although section 165 of the Patents Act sets out the basis for determining any remuneration, it is not clearly stated that a patentee is in fact entitled to remuneration.

IP Australia response

IP Australia agrees that an express link between these provisions would provide greater clarity and certainty in their operation. IP Australia will seek amendments to the draft legislation to make it explicit that Crown exploitation under sections 163 and 163A is subject to the terms set

out in section 165 of the Patents Act.

Designs Act

The same amendments will be made to the *Designs Act 2003* (Designs Act), to ensure that the Crown use provisions in the Designs Act are consistent with those in the Patents Act.

Schedule 4 – Amending the provisions for compulsory licensing of patents

Eight non-confidential submissions discussed compulsory licensing. The submissions expressed a range of views concerning the proposed changes.

General comments

Summary of submissions

Eight non-confidential submissions provided comments on the compulsory licensing proposals. The majority of stakeholders who responded on this issue supported the proposed amendments. Several suggestions for amending the drafting of the provisions to improve the clarity of the legislation were submitted.

A few submissions opposed the changes. Stakeholders opposed to legislative change submitted that:

- There is no need for change as the current provisions are sufficient;
- The proposed amendments are inconsistent with Australia’s international obligations, particularly the Australia-United States Free Trade Agreement (AUSFTA).

IP Australia response

IP Australia appreciates the concerns raised by stakeholders, and are grateful for the considered suggestions on the drafting, many of which will be included in the Bill.

IP Australia considers that implementing the PC’s recommendation would clarify the operation of the legislation, providing greater certainty and transparency. The amendments would ensure that a compulsory licence can only be granted when it is in the public interest to do so.

The compulsory licensing provisions have been developed over several years of consultation taking into account our international obligations and IP Australia is confident that the provisions are consistent with these obligations.

IP Australia considers that the compulsory licensing provisions of the Patents Act should proceed with several technical changes to the drafting of the provisions suggested by stakeholders. These are discussed in more detail below.

Section 133(3) of the Patents Act

Summary of submissions

One stakeholder noted that paragraphs 133(3)(a) and 133(3)(d) are not aligned. Paragraph 133(3)(a) requires that the demand in Australia for the original invention is not being met on reasonable terms. Paragraph 133(3)(d) provides that the patentee has given no satisfactory reason for failing to exploit the patent. The latter could arguably be read as being satisfied by any exploitation, for example the patentee may be exploiting the patent by manufacturing the goods for export. This potentially creates a conflict between the two paragraphs. .

IP Australia response

IP Australia accepts this submission and will seek amendments to the draft legislation to clarify

paragraph 133(3)(d).

Section 133(3C) of the Patents Act

Summary of submissions

One stakeholder submitted that proposed subsection 133(3C), relating to the terms of a compulsory licence order, does not require the same balancing of factors as in paragraph 133(3)(e) to determine what is meant by the “public interest”.

IP Australia response

IP Australia accepts this submission and will seek appropriate amendments to the draft legislation to align the public interest considerations in subsection 133(3C) with those in paragraph 133(3)(e).

Subparagraph 133(5)(b)(ii)

Summary of submissions

One stakeholder submitted that it should be made clear that subparagraph 133(5)(b)(ii) applies only in the case of an order made under paragraph 133(2)(b) of the Patents Act, that is, as a result of a breach of the *Competition and Consumer Act 2010* (CCA)).

IP Australia response

IP Australia agrees with this submission and will seek appropriate amendments to the draft legislation

Subparagraph 133(5)(b)(iv)

Summary of submissions

As currently drafted, proposed subparagraph 133(5)(b)(iv) requires the court to consider the public interest in the efficient exploitation of the invention in determining the remuneration paid to the patentee. One stakeholder submitted that this provision does not provide sufficient guidance to the court in relation to the nature of public interest that needs to be taken into account when determining the remuneration to be paid. Therefore subparagraph 133(5)(b)(iv) should be aligned with the conditions for the grant of a compulsory licence set out in proposed paragraph 133(3)(e).

IP Australia response

IP Australia agrees with this submission and will seek amendments to the legislation so that subparagraph 133(5)(b)(iv) refers to the public interest objective of ensuring that demand in Australia for the original invention can be met on reasonable terms.

Subparagraph 134(2)(a)(i) of the Patents Act

Summary of submissions

As currently drafted, the proposed amendment to subparagraph 134(2)(a)(i) would provide that the patent could be revoked if it is in the public interest to do so (and the remainder of the conditions in section 134 are met). Stakeholders have submitted that the proposed amendment results in revocation on broader grounds than the requirements for granting a compulsory

licence under both the proposed new subparagraph s.133(3) and the existing provisions.

IP Australia response

IP Australia accepts these submissions. IP Australia will seek amendments to subparagraph 134(2)(a)(i) and (ii) to align these provisions with the new requirements for the grant of a compulsory licence under new subparagraph 133(3).

Dependent Patents

Summary of submissions

The majority of the submissions did not comment on the proposed amendments to the dependent patent provisions. Five submissions responded to the three specific questions asked regarding technical drafting of the legislation. The stakeholders generally advised that:

- the factors listed in paragraph 133(5)(b) are relevant to the dependent patent licence (**Question 3**);
- it is appropriate to allow a cross licence to be revoked under subsection 133(6) (**Question 4**); and
- there are no unforeseen consequences for the application provisions in item 11 of the exposure draft (**Question 5**).

IP Australia response

IP Australia appreciates these responses. IP Australia proposes to proceed with the dependent patent amendments as currently drafted.

Schedules 5, 6 and 7 – Technical fixes

Summary of submissions

No substantive submissions were received on schedules 5 and 7. Two submissions noted all the technical fixes changes without comment, and one supported schedule 5.

Two submissions supported the changes proposed to amendments by schedule 6, but opposed allowing opposition, revocation or re-examination of patents on the grounds of including omnibus claims. These submissions observed that it would not be possible to correct such a claim by amendment and that they can already be challenged on the grounds of clarity.

IP Australia response

IP Australia does not agree with the submission that it may be problematic for applicants if their claims are found invalid for unnecessary reference to the specification or drawings. If it is found that a claim refers to the description or drawings, but it was not necessary to do so to define the invention, then by definition, the claim can be redrafted to define the invention by incorporating matter from the specification or drawings directly into the claim. Such an amendment would be of identical scope to the accepted claim and would hence be allowable under section 102 of the Patents Act.

As such, IP Australia considers that claims that do not comply with section 40(3A) of the Act could almost invariably be overcome by amendment of the claims. IP Australia considers that it is appropriate that the Commissioner and courts can consider and revoke patent specifications on all grounds that would have constituted a refusal to grant. Furthermore, IP Australia notes that since the passage of the Raising the Bar Act, omnibus claims in granted specifications are rare.

IP Australia proposes to proceed with these amendments as currently drafted.

Additional matter

IP Australia has identified one additional technical amendment to include in the Bill. The amendment will clarify the regulation making power in the Act with respect to regulations requiring verification of translation of patent documents.

This change is merely enabling and will have no impact on its own. The substantive changes related to this matter will be contained in the regulations supporting the Bill, which IP Australia intends to consult on in due course.