

**Via Email Only**[Consultation@IPA.gov.au](mailto:Consultation@IPA.gov.au)

10 February 2017

The Commissioner of Patents  
WODEN ACT 2606**Attention:** Lisa Bailey  
Contact Officer  
IP Australia  
PO Box 200  
WODEN ACT 2606**Re: Exposure Draft on Intellectual Property Laws Amendment Bill 2017  
and Intellectual Property Laws Amendment Regulations 2017**

Dear Lisa,

We refer to the Exposure Drafts of the Intellectual Property Laws Amendment Bill 2017 and Intellectual Property Laws Amendment Regulations 2017 and the accompanying draft explanatory memoranda, and thank IP Australia for the opportunity to comment on this important draft legislation.

**The Institute of Patent and Trade Mark Attorneys of Australia – (IPTA)**

IPTA is a voluntary organisation presenting registered Patent attorneys, registered Trade Mark attorneys and student members in the process of qualifying for registration as patent and/or trademark attorneys in Australia. Membership of IPTA includes over 87% of reregistered patent attorneys located in Australia. It is believed it is made up of more than 90% of registered patent attorneys in active practice in Australia. Membership of IPTA includes registered Patent and Trade Mark attorneys in private practice as well as Patent and Trade Mark attorneys working in industries or practising as barristers. IPTA members represent large local and foreign corporations, SME's, universities, research institutes and each individual inventor.

**Summary of IPTA's Position**

IPTA commends IP Australia on the majority of the provisions contained in the draft legislation and is broadly in support of the legislation proposed to improve Australia's IP system by aligning and streamlining the process for obtaining, challenging IP rights.

IPTA's main concerns in relation to the proposed legislation can be summarized as follows:

1. The proposal to allow a person requesting re-examination to appear at a hearing in connection with re-examination of a patent requires further thought, as it could be open to abuse and provide a mechanism for third parties to effectively oppose

patents at any time during their life without needing to satisfy strict requirements for pre-grant oppositions.

2. IPTA is concerned that the new provisions allowing the Commissioner the discretion to substitute a decision for a decision made by computer where the Commissioner is satisfied that decision made by the computer is incorrect may be insufficient to remedy a situation where a right is granted between the time the computer decision is made and the time the Commissioner is made aware that the computer made decision is incorrect. For example, IPTA is concerned that the Commissioner may not have the power, or may not be prepared to exercise the power, to revoke a patent which proceeded to grant only because an extension of time was allowed by computer which did not meet the requirements for an extension of time. IPTA is also concerned that if the Commissioner does indeed have this power, there are insufficient safeguards in place to allow a party, for example a patentee, to supplement the justification provided at the time an extension of time was requested with further explanation justifying the extension.
3. The rights provided to third parties who commence exploitation of a patented invention during a period of time when the patent is in a state of lapse need further clarification. The rights should also only apply when there is a causal connection between the lapsing of the application or patent and the exploitation by a third party.
4. The Bill includes an amendment to allow the Commissioner to set a period longer than 3 months for obtaining acceptance following issuance of a decision made following a hearing in relation to an innovation patent. An equivalent amendment should be made in relation to standard patents.
5. IPTA does not support the proposal to reduce the acceptance period within which to place an application for a trade mark into order for acceptance from 15 months to 6 months.
6. The provisions allowing a court to award additional damages against a person for making flagrant unjustified threats of patent, trade mark, and registered design infringement are welcomed, but further clarification needs to be provided in relation to the activities that can constitute an unjustified threat. For example, it should be clarified that mere notification of the existence of an IP right should not constitute an unjustified threat. Greater guidance should also be provided in relation to what might be considered "flagrant", particularly given that the assessment of whether two trade marks are too close is very subjective, and particularly in the subsection 120(2) case, where there will be different views about whether there is an infringement or not.
7. Consideration should be given to aligning the requirements for providing translations of PCT applications at national phase entry with the equivalent requirements in other jurisdictions, such as New Zealand and Singapore. In this regard, it should not be necessary to provide a translation of Article 19 or 34 Amendments at the time of national phase entry. The applicant should also have the discretion to enter national phase on the basis of a translation which does not include such amendments.
8. Consideration could be given to amending the patent term extension provisions to clarify that the 6 month period for obtaining allowance of the extension of term after issuance of the first adverse report is extended to a specified period following issuance of a decision on a hearing in respect of that patent term extension request. This provision could be drafted in a similar manner to the

equivalent provisions dealing with hearings in relation to innovation patents and standard patents.

9. Errors in the wording of legislation cause unnecessary expense and concern for parties potentially impacted by that legislation. Section 133(3B) is such a provision. This section includes a clear error which should be corrected at this time. The provision is clearly intended to implement the provisions of Article 31(I) of the TRIPS but does not achieve this.

Further elaboration of IPTAS's concerns is provided below:

### **Re-Examination**

The Bill includes amendments to clarify that during a re-examination of a standard patent or innovation patent multiple examination reports may issue. The time frame for concluding re-examination is defined such that in most cases re-examination must be completed within 6 months of the date of the first re-examination report. If the objections in a re-examination report are not overcome the Commissioner can bring the re-examination process to an end by providing the applicant or patentee with an opportunity to make written submissions or an opportunity to attend an oral hearing in relation to the exercising power under Section 100A, 101 or 101J of the Patents Act.

According to the proposed new provisions, where the re-examination relates to a granted patent or innovation patent, the third party who requested re-examination will be given the same opportunity to be heard as a patentee. IPTA believes this proposal to allow the third party to make submissions or attend an oral hearing in relation to the re-examination is likely to operate in practice in a manner which will be highly prejudicial to patentees, and will diminish the value of Australian patents in general by providing a mechanism for third parties to effectively bypass the pre-grant opposition system and conduct a re-examination process, at any time during the life of a patent, in the manner of a post-grant opposition.

Unlike the pre-grant opposition process, which stipulates strict time periods for the preparation of evidence, and time periods for responding to evidence filed by the other party, the third party is placed in complete control of the time periods for gathering evidence and initiating the re-examination process. By allowing a third party to appear at a hearing, presumably in many cases with counsel, hearings in connection with re-examination processes are likely to proceed in a similar manner to opposition hearings.

Since re-examination can be requested at any time during the life of a patent, a third party seeking to request re-examination of a standard patent will be able to take as much time as they require to locate and brief experts and obtain evidence supporting their grounds of re-examination. In contrast, in view of the 6 months period for finalising the re-examination, the patentee will be given a much shorter time to gather evidence to counter evidence filed by the person requesting re-examination.

Although a hearing can be avoided if a patentee is prepared to make amendments or submits arguments or otherwise deal with evidence and submissions made by the third party requesting the re-examination to the satisfaction of the Examiner, we expect that in many cases, because of the opportunity to have the matter considered at a hearing, the Examiner (or the delegate of the Commissioner) will choose to have the matter dealt with at a hearing instead of making a decision that the objections raised by the party requesting re-examination have been overcome by the patentee.

IPTA agrees there could be some benefits in allowing third parties to take part in a hearing in connection with a re-examination, for example by encouraging the patentee to work with Examiners to overcome the objections raised by the person requesting re-

examination to avoid a hearing with involvement of the party requesting re-examination. However, we believe this small benefit, in the form of an increased incentive to work with the Examiner, is far outweighed by the potential for unfairness to the patentee through the process.

If IP Australia intends to continue with this proposal, we strongly recommend that the legislation be amended to include safeguards to protect the interests of patentees and ensure that the re-examination process does not become a backdoor post-grant opposition, where third parties get to avoid meeting the strict time frames for requesting opposition and preparing evidence for pre-grant opposition. It will also be important to ensure that third parties cannot re-agitate grounds that were unsuccessful in an opposition or an earlier re-examination in a subsequent re-examination.

### **Extensions of Time**

IPTA supports the new regime for requesting and processing extension of time, including the requirement that extension time requests be filed within 2 months of the date the applicant becomes aware of the error or omission, or within 2 months of the date the circumstances preventing the relevant Act from being done within a certain time cease to exist. IPTA also supports expansion of the provisions for protecting the rights of third parties, although we do have concerns in relation to the way the third party protections are defined in the proposed legislation.

As a first point, IPTA queries why the provisions are not worded in a manner analogous to Section 119, which provides an infringement exemption for third parties who were exploiting an invention before the priority date of a relevant claim of a patent. It would appear that the proposed third party protections are intended to operate in a similar manner to the prior use exemption, however different language is used. For example, the new provisions refer to the "invention concerned" without providing any explanation to what this term means.

While IPTA does not necessarily believe that Section 119 is worded in a sufficiently clear manner to give effect to the purpose outlined in the explanatory memorandum accompanying the Intellectual Property Laws Amendment Act 2006, we query the need to use different language in two parts of the Patents Act which are intended to achieve a similar result.

When the prior use exemption was clarified in 2006 as statement was included in the explanatory memorandum to clarify that the exemption relates solely to the act that was being carried out, or for which definite steps to exploit had been taken, except that the various forms of exploitation in connection with that act would all be exempt. See paragraph 132 of the explanatory memorandum which states the following:

"as a result of this amendment, if a person had, before the relevant priority date, being doing one act that would have constituted exploitation of a product, method or process (for example if they had been making a particular product, or using a particular method or process), then even when the patent has been granted, they would have a right to continue to do that act, but in addition, they would have the right to any other act that would constitute an exploitation of that product, method or process (for example they would have the right to sell the product that they had been making or to sell a product resulting from using the method or process)."

For example, consider a single patent which describes and claims a vaccine as well as a diagnostic for a particular disease, where, prior to the priority date of the claims, a third party had been taking definite steps to make a vaccine, but had not taken any steps at all in connection with development of a diagnostic. The prior user exemption would be

limited to importation, manufacture, sale, offer for sale etc of the vaccine and would not extend to a diagnostic.

It is very important that a prior user right of this type be so constrained, since failure to constrain the right will allow the prior user to frustrate the commercial activities of the patentee under the patent. In this regard the prior user would effectively be able to copy and exploit all manner of forms of the invention developed by the patentee, including copying their diagnostics, without making the necessary investment in the development of those forms of the invention.

We consider that similar principles should apply to the infringement exemption introduced for parties who have availed themselves of inventions which are the subject of lapsed, but restored, patent applications or patents. This should be clarified in the legislation, or at the very least clarified in the explanatory memorandum. This is particularly important since the infringement exemption proposed replaces a licensing regime which allowed the Commissioner to set boundaries in connection with the extent of allowable exploitation of the patent invention by stipulating the terms of the licence so that they are reasonable. Without this safeguard it will be very important for the legislation to set the boundaries.

We also believe it is essential that the new provisions for the protection of third parties require the third party to either have knowledge of the lapsing of the application or patent before deciding to exploit the invention or take definite steps to exploit it, or for there to be at least some causal connection between the lapsing of the patent and the decision to exploit the invention or to take definite steps to exploit it.

Accordingly, in a situation where a third party carries out an infringement or freedom to operate search and fails to identify the patent because, at the time of the search was carried out, the patent was in the state of lapse, there would be a necessary causal connection because the decision taken to exploit the invention would be based, in part, on the fact that the patent was in the state of lapse at the time the search was carried out.

IPTA disagrees completely with the statement in the explanatory memorandum that the current requirement is too limiting "because it is reasonable to protect any person who began using an invention when no patent was in force". It is critical in a country like Australia which has a strong patent system for all persons seeking to introduce new products or offer new services to ensure that doing so will not infringe a valid IP right. This is why patent applications and granted patents are published as a notice to the public that patent protection is being sought for particular invention, or that patent protection has been granted for a particular invention.

The explanatory memorandum also includes the concerning suggestion that "requiring a person to be aware of the patent can penalise those who conducts due diligence search but failed to identify the patent due to the complexities of the patent system". Again, we disagree with this statement and believe it sends the wrong message to those in Australia seeking to sell new products or services. IPTA believes it is completely reasonable to require a person seeking to exploit an invention to conduct due diligence search before doing so. If they fail to identify the patent during the search because the patent is in the state of lapse then, as explained above, there would be causal connection between the third party reliance on those search results with the lapsing of a patent and the commencement of exploitation. If the patent is not found by a third party because a search was not done, or the search done was completely inadequate, then IPTA believes there is no good reason why the third party should get the benefit of the new and extensive third party right. This is the current state of law as decided by Bennett J Law Razer Industries Pty Ltd (2010) 190 FCR 166.

IPTA also believes there is a tension between the Bill and the Explanatory Memorandum as to whether short extensions of time will be automatically allowed when there is no objection. According to the Explanatory Memorandum short extensions will be automatically allowed, however the exact wording in the proposed legislation, using proposed new section 224B(6) as an example, appears in the following terms:

*(6) If no notice of objection is given in accordance with subsection (2) the registrar must:*

- (a) Grant, or refuse to grant an extension; and*
- (b) If the registrar grants an extension – specify the period of the extension (which may be less than the period sought by the applicant).*

This language indicates that short extensions could still be refused, which is contrary to the indication in the Explanatory Memorandum which indicates automatic allowance. We believe that clarification of this apparent discrepancy is needed.

Further, in relation to section 224 extensions and special circumstances under the Trade Marks Act 1995, it is stated that IP Australia will issue a notifiable instrument clarifying which circumstances may constitute special circumstances. However, we believe this guidance should be provided before introduction of this new provision as we are not in a position to provide meaningful comments without this guidance. Ideally, there should be a non-exhaustive list in the regulations.

IPTA is also concerned that the new provisions allowing the Commissioner the discretion to substitute a decision for a decision made by computer where the Commissioner is satisfied that decision made by the computer is incorrect may be insufficient to remedy a situation where a right is granted between the time the computer decision is made and the time the Commissioner is made aware that the computer made decision is incorrect. For example, IPTA is concerned that the Commissioner may not have the power, or may not be prepared to exercise the power, to revoke a patent which proceeded to grant only because an extension of time was allowed by computer which did not meet the requirements for an extension of time. IPTA is also concerned that if the Commissioner does indeed have this power, that there are insufficient safeguards in place to allow a party, for example a patentee, to supplement the justification provided at the time an extension of time was requested with further explanation justifying the extension.

IPTA believes the provisions should be clarified to ensure that rights, for example patents, which have been granted following an erroneous allowance of an extension of time by computer decision should be capable of being revoked by the Commissioner if the Commissioner subsequently becomes aware (or is made aware) that the original computer decision was incorrect. Of course the Commissioner should give the patentee in these circumstances an opportunity to be heard and the Commissioner should give the patentee an opportunity to supplement the initial justification provided at the time the extension was requested before making a decision that the computer decision was incorrect and should be substituted.

The importance of having these safeguards in place cannot be underestimated. If patents cannot be revoked in these circumstances, or the Commissioner has any discretion whatsoever to allow an IP right to remain in force even if an extension of time was allowed by a computer that should not have been allowed, then this will result in the potential for significant conflict of interest for the patent and trade mark attorneys, should they be asked by a client to request a short extension in circumstances where there is no error or omission or circumstances beyond the control of the person concerned. The conflict arises because the patent or trade mark attorney will know that even if they provide a truthful explanation of the circumstances leading to the failure to meet the deadline, and such circumstances make it clear that there was no relevant

error or omission, or circumstances beyond the applicant's control, the extension of time will be nevertheless allowed by the computer and the particular IP right will, eventually, proceed to grant.

If the patent attorney or trade mark attorney knows that any review of that extension of time will lead to revocation of the underlying IP right, then under the Code of Conduct (and putting acting in accordance with the law ahead of acting in the best interests of the client as required by Section 11(2) of the Code of Conduct), the attorney would presumably be precluded from filing the extension of time request. However, if there was a chance that the patent would not be revoked, or if the Commissioner had the discretion to maintain in place a computer decision that was made in error, then there is a strong argument that the attorney should file the extension of time. To do otherwise would not be acting in the best interests of the client, and the situation regarding the "law" would be unclear.

IPTA believes that the situation regarding an incorrect computer made decision, and the consequences that flow from such a decision, can be contrasted with the situation where an extension of time is allowed following consideration of the circumstances set out in a declaration supporting the extension of time. If the latter case IPTA does not believe the decision should be reviewable after the normal opposition period has expired. In other words, there should be no mechanism for interfering with the grant of an IP right that involves reconsideration of extensions of time previously allowed.

Finally, by not making it clear that valid extensions are only available where there has been an error or omission or circumstances beyond the control of the applicant, it may not be possible for applicants who intentionally allow their provisional applications to lapse at 12 months to be confident that they have left no rights outstanding in relation to that application. For example, the applicant may have the right (due to the computer making decision process) to file a complete application in Australia. This residual right, which may or may not be exercised, might interfere with the applicant's ability to rely on Article 4C4 of the Paris Convention by refiling their provisional application after expiry of the 12 month normal Convention period. Under the proposed regime, it might be necessary for them to wait until 15 months have passed before refiling their provisional application.

IPTA believes it is important for these matters to be clarified in the legislation and the Explanatory Memorandum to ensure that IP rights can be revoked if obtained as a result of an incorrect decision by a computer, and to clarify that such an IP right will not be revoked without giving the rights holder an opportunity to further explain the circumstances surrounding the need for the extension of time.

### **Examination of Standard Patent Request and Specifications**

The Patents Act is to be amended to clarify that a hearing in relation to an examination report must be requested before expiry of the relevant acceptance deadline. Where a hearing has been requested the period for acceptance is currently extended to 3 months from the date the decision is made in relation to the hearing. We note that the Bill includes an amendment to allow the Commissioner to set a longer period following a decision after a hearing in respect of an innovation patent. We also expect that there will be circumstances where the Commissioner may wish to set a longer period after a hearing in respect of a standard patent. Therefore it is not clear from the exposure draft why an equivalent amendment has not been made in relation to standard patents, especially since one of the aims of the IP Law Amendment Bill is to improve consistency.

Consideration could be given to amending the patent term extension provisions to clarify that the 6 month period for obtaining allowance of the extension of term after issuance of the first adverse report is extended to a specified period (e.g. 3 months or longer)

following issuance of a decision on a hearing in respect of that patent term extension request. This provision could be drafted in a similar manner to the equivalent provisions dealing with hearings in relation to innovation patents and standard patents.

### **Time period for acceptance of trade marks**

The draft legislation proposes to reduce the acceptance period within which to place an application in order for acceptance from 15 months to 6 months. IPTA is not in support of this proposed change.

In support of this reduction in the time period for acceptance, IP Australia's earlier consultation paper cited a number of examples of countries where acceptance was said to be six months or less. However, it is important to note that in each of these examples the deadlines are response deadlines and not acceptance deadlines. Accordingly, in each of these examples the applicant would have further time to address any further outstanding issues prior to the application lapsing, provided that a response is filed by the due date. The six month acceptance period is also inadequate given that IP Australia requires 3 – 4 weeks to action any response filed and requires a response to be filed at least 20 days prior to the acceptance deadline. If the acceptance deadline must be reduced to 6 months then IPTA strongly advocates for changing all deadlines to response deadlines and not acceptance deadlines.

The proposed legislation also seeks to abolish the ability of the applicant to seek "easy" extensions of time up to a maximum of 6 months. IPTA opposes this proposal in light of the proposed reduction of the acceptance period to 6 months.

Otherwise, an undue burden would be placed on applicants and legal representatives (especially those located overseas), particularly in light of the time required by IP Australia to do their part in the examination process which could eat significantly into the proposed shortened period. It is possible in most countries referred to in IP Australia's consultation paper for applicants to obtain easy extensions of the response deadline, including OHIM (2 months), Ireland (3 months), UK (3 months), Japan (1 month), and South Korea (2 months).

IPTA submits that the current provisions which allow a trade mark applicant to obtain "easy" extensions should be maintained. At the very least, we submit that applicants should have one "easy" extension of up to 3 months. Indeed, this would be consistent with the position overseas. We also note that this would reflect a streamlined approach as reasons do not need to accompany such a request and no assessment needs to be made by IP Australia.

Alternatively or in addition to the above, IPTA strongly advocates for:

1. The automatic grant of a two month free extension after a response is filed within which to allow the IP Australia one month to consider the response and the applicant one month thereafter to consider any subsequent report.
2. An extension of the period for deferment where evidence is being collected and proposed to be filed or where a letter of consent is being sought from six months to 9 months.
3. The ability to request deferment without payment of official fees beyond the initial acceptance deadline time frame. It is not unusual for applicants to first attempt to overcome objections through lodgement of arguments prior to committing to collecting evidence of use, as the latter is a much more costly and time consuming process.



## **Unjustified threats of infringement**

We note that the Bill includes amendment to allow a court to award additional damages against a person for making flagrant unjustified threats of patent infringement. While we agree with this amendment in principle, we are concerned that the legislation is not clear in relation to the types of activities that could constitute an unjustified threat. IPTA believes it is particularly important to clarify this if additional damages can be awarded for making such threats. For example, IPTA could see some benefits in at least clarifying in the legislation that drawing attention to the existence of an IP right should not be considered to be an unjustified threat, even if ultimately a party in receipt of such a notification is found not to be carrying out any activity which would constitute infringement of that right.

We also believe that IP Australia needs to provide greater guidance on what may be considered "flagrant", particularly given that the assessment of whether two trade marks are too close is very subjective and, particularly in the subsection 120(2) case, there will be different views about whether there is an infringement or not.

## **Additional Proposals for Streamlining IP Processes**

According to Section 29A(5) Patent Act 1990 it is necessary to file a translation of the PCT application into English if the PCT application was not filed at the receiving Office in English. It is also necessary to file the prescribed documents and pay the prescribed fees within the prescribed period. The prescribed period is defined in Regulation 3.5AE(i) as 31 months from the priority date.

As indicated in Regulation 3.5F(4), a PCT application is defined as including Article 19 and Article 34 amendments, as well as any rectifications under Rule 91 of the PCT. Accordingly, it would seem necessary for an applicant to file a translation of the specification which includes any Article 19 or 34 amendments, or rectifications under Rule 91, at the time of national phase entry in order to meet the requirements of Section 29A(5). Failure to meet the requirements of Section 29A(5) means that the applicant is not entitled to take any actions in respect of the application, for example, request examination. See Section 29A (6).

In contrast with the provisions of the Patents Act 1990, the Articles of the PCT refer separately to the translation of the international application, the translation of the Article 19 amendments and of the annexes to the international preliminary examination report which would include the Article 34 amendments.

In Singapore for national phase entry it is not necessary to file a translation of the application and/or amendments at all at time of national phase entry. However, within a set period following a national phase entry it is necessary to file a verified translation of the application with or without the amendments. The applicant has a choice as to whether or not they include the amendments in the Singapore application. In New Zealand the filing of the translation of the application is treated as an amendment to replace the filed foreign language specification with the English translation of the application. The applicant has a choice as to whether or not to include the amendments in the translation.

IPTA sees a benefit in providing the applicant with the discretion as to whether or not to include any Article 19 or 34 amendments, or Rule 91 rectification, at the time of national phase entry. Requiring the applicant to produce translations of the amendments as of the national phase deadline places an undue burden on applicants, a burden which they do not have to bare in other jurisdictions such as Singapore and New Zealand. We ask IP Australia to consider introducing an amendment to remove the requirement to

incorporate amendments into the translation filed at the time of national phase entry. Alternatively, IPTA would support removal of the requirement to file a translation at the time of national phase entry, instead introducing a requirement for the applicant to file a translation of the application (with or without Article 19 or 34 Amendments or Rule 91 rectifications) within a set period following national phase entry.

### **Compulsory Licensing Provisions**

Some of the provisions in the Patents Act 1990 are erroneous and should be amended. The erroneous provisions have already caused difficulties in the drafting of the legislation to introduce the TRIPS Protocol provisions. IPTA believe that now would be a good time to correct this erroneous legislation.

Section 133(3B) was introduced into the Patent Act by the *Patents (World Trade Organization Amendments) Act 1994*. The amendments introduced by *Patents (World Trade Organization Amendments) Act 1994* were for the purpose of amending the law with respect to patents to enable Australia to accept the Agreement Establishing the World Trade Organization. In particular, the *Patents (World Trade Organization Amendments) Bill 1994* was for ensuring Australia's "patents legislation is fully consistent with the TRIPS agreement" (see Hansard No. 197, 1994, page 2189). Accordingly, s133(B) should be in accordance with Article 31(I) of the TRIPS Agreement. However, s133(B) does not properly accord with the Article. Article 31 (I) states:

*Where the law of a Member allows for other use of the subject matter of a patent without the authorization of the right holder, including use by the government or third parties authorized by the government, the following provisions shall be respected...*

*(I) where such use is authorized to permit the exploitation of a patent ("the second patent") which cannot be exploited without infringing another patent ("the first patent"), the following additional conditions shall apply:*

- (i) the invention claimed in the second patent shall involve an important technical advance of considerable economic significance in relation to the invention claimed in the first patent;*
- (ii) the owner of the first patent shall be entitled to a cross-licence on reasonable terms to use the invention claimed in the second patent; and*
- (iii) the use authorized in respect of the first patent shall be non-assignable except with the assignment of the second patent.*

Article 31(I) is clearly intended to deal with situations where an application for a compulsory licence is made by the *owner* of the second patent in order to have a compulsory licence of the first patent to enable the invention of the second patent to be exploited. That is, the use of the first patent is authorized in order to permit the exploitation of the second patent by the holder of the second patent. This is the only appropriate construction bearing in mind the reference in Article 31(I)(ii) to the entitlement of a cross-licence. In this regard, a cross-licence can only occur if the owner of the first patent licences to the owner of the second patent and *vice versa*. Furthermore, as Article 31(I)(iii) states that the licence of the first patent can only be assigned with the assignment of the second patent, it is implicit that the licensee of the first patent is the same party that is able to assign the second patent. Thus, it is implicit that Article 31(I) concerns circumstances in which an application for a compulsory licence is made by the owner of the second patent.

In contrast, the current legislation concerns cases where "*the patented invention cannot be worked by the **applicant** without his or her infringing another patent*" (emphasis added). Thus, the current legislation is directed to situations in which the applicant obtains a licence to use the patented invention and a further licence to use the other invention. However, the legislation nevertheless states at sec 133(3)(b) that the Federal Court "***must further order that the patentee of the other invention ...is to be granted, if he or she so requires, a cross-licence on reasonable terms to work the patented invention***" (emphasis added).

In the second reading of the *Patents (World Trade Organization Amendments) Bill 1994*, it was noted that the amendments were intended to ensure "*the conditions under which compulsory licences to work a patented invention are granted by a court will be extended to take account of the economic requirements of both the patentee and the person wishing to work the patented invention*" (see Hansard No. 197, 1994, page 2189). The cross-licence might be viewed as a means of enabling the patentee of the other invention to be compensated for the grant of the further licence. However, the patentee of the patented invention is not making use of the other invention, the applicant for the compulsory licence is. It is not equitable to require the patentee of the patented invention to compensate the patentee of the other invention for the applicant's use of the other invention.

Where an applicant requires licences of more than one patent these should be treated as separate compulsory licence applications. That being said, in circumstances where one of these patents relate to a broad generic technology, we do see some benefit in the Court being able to make an order that the applicant may only exploit the broad patent insofar as it is necessary to work the narrower patent, and more particularly to work the specific patented invention.

In its present form, subsection 133(3B) of the *Patents Act 1990* (Cth) does not appropriately address situations in which the owner of a dependent patent wishes to obtain a compulsory licence in relation to a dominant (broader) patent so that they may work their own invention (i.e. the invention of the dependent patent) in Australia. This error could be readily addressed rewording the section so that it is completely independent from subsection 133(1) and the conditions set out in subsection 133(2) which do not apply to such compulsory licences.

IPTA is happy to answer any questions or provide further information in connection with the issues discussed above.

Yours sincerely



**Michael J Caine**

Vice President and Convenor - Legislation Committee  
Institute of Patent & Trademark Attorneys of Australia