

Via Email Only

consultation@ipaaustralia.gov.au

31 August 2018

The Commissioner of Patents
PO Box 200
WODEN ACT 2606

Attention: Paul Gardner and Brett Massey

Re: Exposure drafts of the Intellectual Property Laws Amendment (Productivity Commission Response Part 2 and Other Measures) Bill 2018 and Explanatory Memorandum to the Amendment Bill

Dear Paul and Brett,

We refer to the Exposure drafts of the Intellectual Property Laws Amendment (Productivity Commission Response Part 2 and Other Measures) Bill 2018 and Explanatory Memorandum to the Amendment Bill which were made available for review and comment by IP Australia on 24 July 2018.

The Institute of Patent and Trade Mark Attorneys of Australia (IPTA) makes the following submissions in connection with these exposure drafts.

About IPTA

IPTA is a voluntary organisation representing registered patent attorneys, registered trade marks attorneys and student members in the process of qualifying for registration as a patent and/or trade marks attorney in Australia. The membership of IPTA includes over 87% of registered patent attorneys located in Australia and it is believed that its members make up more than 90% of registered patent attorneys in active practice in Australia. The membership of IPTA includes registered patent attorneys in private practice as well as patent attorneys working in industry, universities, research institutes and others that practice as barristers. IPTA members represent large local and foreign corporations, SMEs, universities, research institutes and individual inventors. Since 24 February 2017 all Australian patent attorneys have become registered as Trans-Tasman patent attorneys, which also enables them to practice before the Intellectual Property Office of New Zealand. In addition to working with foreign applicants to assist them in obtaining and enforcing their intellectual property rights in Australia and New Zealand, IPTA members also work with clients in Australia and New Zealand to assist them in developing strategies for protecting and enforcing their intellectual property rights in Australia, New Zealand and overseas.

Submissions

IPTA has significant concerns in relation to a number of the provisions in the Exposure Draft of the Bill. Although IPTA has on several previous occasions expressed its concerns in relation to the Government's response to the Productivity Commission's

recommendations which have led to these provisions, IPTA wishes to take this further opportunity to summarise those concerns. In this regard, IPTA:

- does not believe that any changes are required to the current test for inventive step,
- does not believe that the introduction of an objects clause into the Patents Act 1990 is necessary, or that such an objects clause should qualify a general reference to innovation with the word 'technological', and
- does not believe that the innovation patent system should be phased out.

IPTA also has some concerns in relation to the provisions in the draft bill that extend the requirements of Section 40(3A) to post acceptance and post grant procedures.

Inventive Step

IPTA believes that the proposed amendments to the test for inventive step are ill conceived. In IPTA's view the Productivity Commission's recommendations in relation to amendments to Subsections 7(2) and 7(3) were based on a misunderstanding of the inventive step test applied in Europe, as well as a misunderstanding of the way the assessment of inventive step is now carried out following the commencement of the Intellectual Property Laws Amendment (Raising the Bar) Act 2012 (RTB Act).

The way in which patent offices, courts and tribunals assess inventive step varies from jurisdiction to jurisdiction, and it does not follow that the law from one jurisdiction can be simply transposed into the legislation of another. During the consultations leading up to the commencement of the RTB Act there was a clear aim to make the test for inventive step more onerous, and to achieve outcomes in relation to the assessment of inventive step similar to those achieved in Europe.

As a result of those consultations, and the detailed consideration given at the time to the historical development of the test for inventive step under Australian Patent Law, various amendments to the inventive step test in Australia were introduced. These included removal of the territorial limitation in respect of common general knowledge, and also removal of the requirement for a prior art reference used to support an obviousness objection to be "ascertained, understood and regarded as relevant". IPTA believes that these RTB Act provisions are the ones most likely to achieve an inventive step threshold in Australia which is comparable, in likely outcomes, to the tests applied in Europe. In IPTA's view, there is no need to make any further changes to this test.

IPTA also points out that, at this stage, there has been no case law in Australia in relation to the interpretation of the inventive step test as introduced by the RTB Act, and accordingly it is far too early to make any decisions as to whether or not the provisions have achieved their intended effect. IPTA believes that it would make far more sense to maintain the current provisions until they have received sufficient judicial consideration to enable a full and considered determination as to whether they have achieved the intended results. If after such a full and considered determination it is believed that, contrary to IPTA's expectations, the amendments have not achieved their objectives, consideration could then be given to introducing a revised test directed to any limitations identified.

Introduction of a new test so soon after the commencement of the RTB Act will create an undue burden for all those involved with Australia's patent system, for little if any gain. In this regard applicants, patentees, third parties, attorneys, examiners, lawyers, judges, etc. will all need to familiarise themselves with both the test introduced by the RTB Act, and the new test proposed in this Bill. They will also need to remain familiar with the various tests applicable prior to the commencement of the RTB Act, and for those also with an interest in New Zealand, the new and old inventive step test

applicable in New Zealand. Since the provisions introduced by the RTB Act only commenced in 2013, they will remain relevant for many years to come.

To illustrate our concern we provide the following brief summary of the various inventive step tests that are currently applicable under Australian law, and which will remain applicable along with any new test introduced by the current bill:

1. **Filing date from 30 April 1991 and 23 May 2001:** Original inventive step provisions introduced with Patents Act 1990. Common general knowledge (cgk), documents and prior use limited to Australia, and cgk can only be combined with a single document or single source of information. Further, prior art information must be ascertained, understood and regarded as relevant to work actually being carried out in Australia.
2. **Filing date from 24 May 2001 to 31 March 2002:** As for previous test, except document can be publicly available anywhere in the world. Prior use still limited to Australia.
3. **Filing date from 1 April 2002 and 14 April 2013:** As for previous test, but now a prior art information can be combined if obvious to do so, and prior use extended to prior use anywhere in the world. Limitation that prior art information must be relevant to work actually being carried out in Australia was removed.
4. **Exam request date from 15 April 2013 to present:** The limitation that cgk must be in Australia removed, and the limitation that prior art information must be ascertained, understood and regarded as relevant was also removed.

IPTA believes there is no need to introduce yet an additional test for inventive step.

IPTA remains concerned that the Productivity Commission, and those responsible for preparing the Government's response to their proposal to change the law on inventive step, did not and do not understand the way in which inventive step is to be assessed in Australia following the commencement of the RTB Act. This lack of understanding is evidenced by the continued reference to 'scintilla of invention' in consultation documents as the standard for inventive step in Australia. As pointed out by IPTA several times previously, the reference to a scintilla of invention is simply a shorthand way of saying that an invention either has an inventive step or it doesn't. Under Australian patent law, whether before or after commencement of the RTB Act, or even after commencement of the new provisions, the test will be one which ascertains whether or not an inventive step is present. There is no suggestion in the wording of the new provisions, or even in the Explanatory Memorandum, that there are different degrees of inventive step, some of which provide patent eligibility and some of which do not.

In summary, IPTA believes the amendments to the inventive step test should be removed from the Bill.

Objects Clause

IPTA is strongly opposed to the introduction of an objects clause into the Patents Act 1990 on the basis that, despite comments suggesting the contrary in the draft Explanatory Memorandum, it is clearly intended to significantly change the manner in which judicial patent decisions are made in relation to many aspects of patent validity, including the assessment of patent eligible subject matter and inventive step. In particular, the introduction of the word 'technological' to qualify the term "innovation" has the potential to cause significant misunderstandings and significant harm.

To fully appreciate the potential impact of the proposed object clause, it is necessary to understand the history behind its proposed introduction.

The chief advocate for the introduction of an object clause into the Patent Act is the economist, Dr Hazel Moir. Dr Moir has made a number of submissions, that expose how the proposed object clause has the very clear potential to detrimentally impact Australian innovation policy.

In her Response to IP Australia's " Consultation on an object clause and an exclusion from patentability", July 2013), Dr Moir criticises the following judicial decisions as being "economically dysfunctional", apparently simply on the basis that the decisions favoured the patentee.

- Minnesota Mining and Manufacturing v Beiersdorf (1980) 144 CLR 253
- Re International Business Machines Corporation v Patrick Anselm Smith, Commissioner of Patents [1991] FCA 625 (13 December 1991)
- Ccom Pty Ltd v Jiejing Pty Ltd [1994] FCA 1168 (22 June 1994)
- Anaesthetic Supplies Pty Ltd v Rescare Ltd (1994) 50 FCR 1
- Welcome Real Time SA v Catuity Inc (2001) 51 IPR 327.
- Aktiebolaget Hässle v Alphapharm Pty Ltd (2002) 212 CLR 411.
- Obiter in Full Federal Court Grant v Commissioner of Patents [2006] FCAFC 120,
- Commissioner of Patents v Emperor Sports (2006) 225 ALR 407; (2006) 67 IPR 488; [2006] FCAFC 26.
- Lockwood Security Products Pty Ltd v Doric Products Pty Ltd (No 2) [2007] HCA 21
- Sigma Pharmaceuticals v Wyeth [2009] FCA 595.
- Bayer Pharma Aktiengesellschaft v Generic Health Pty Ltd (No 2) [2013] FCA 279

Dr Moir concludes that "the reason why an objectives clause is needed in the Patents Act is that judges clearly need better parliamentary direction as to the reasons behind patent policy and the limits (balance) that needs to be achieved".

A review of these cases clearly indicates that the intended purpose of the object clause, at least if Dr Moir's views are to be accepted, is to impact at least judicial decisions in relation to patentable subject matter and inventive step.

When the Productivity Commission released its draft report, the proposed object clause did not include the qualifying term "technological" in relation to innovation. In her response to the Productivity Commission's draft response, Dr Moir argued strongly for the inclusion of the term "technological innovation" in the object clause on the basis that the interpretation of the High Court's 1959 NRDC decision has substantially undermined by subsequent judicial decisions because the current definition of a patentable invention in Australia is simply something artificial from which an economic return can be made. Dr Moir went on to say that this "radically extends the boundaries of the patent system beyond technology". Seemingly, on the basis of Dr Moir's submission, the Productivity Commission amended the proposed objects clause to include the term "technological innovation". This strongly suggests that the intended purpose of the object clause, or at least the purpose intended by the Productivity Commission, is to restrict at least patent

eligible subject matter in Australia. While this may not be the Government's purpose, this lead up to and history behind the Productivity Commission's recommendation, has the potential to confuse the intention behind the use of the term in the object clause.

IPTA is also extremely concerned that there is a lack of preciseness regarding the term "technological innovation". In other words, it is not clear what a technological innovation is, and what it is not. This lack of clarity will potentially impose greater costs for all parties during litigation proceedings.

According to Dr Moir (as presented by Hazel Moir at the 15th International Schumpeter Society Conference Friedrich Schiller University, Jena, Germany 27-30 July 2014), the limitation of technological innovations in the object clause will make the following subject matter ineligible for patent protection,:

- Inventions where R&D costs are low or exclusive time in the market without patents is long;
- Isolated products of nature that can be used in, for example, pharmaceutical compositions;
- Software inventions; and
- Methods of medical treatment including diagnostic, therapeutic and surgical methods of treatment.

IPTA notes that there are several statements in the Explanatory Memorandum which indicate that the object clause is not intended to qualify or change what is to be considered patentable subject matter. However, based on the comments above, IPTA believes there is a significant likelihood that the object clause will be relied upon by those seeking to limit the boundaries of what subject matter should be considered patentable. This will impose significant uncertainty and costs for all stakeholders in the IP system and is surely not in the broader public interest. There is a real risk that if the object clause is used to restrict patent eligible subject matter, ground breaking Australian innovation may not be protectable in Australia therefore reducing investment and resulting in an exodus of innovators to more patent friendly countries.

IPTA is particularly concerned by the current approach being adopted by IP Australia, and lower courts, in relation to the assessment of patentability of inventions based on software. Many inventions which satisfy novelty and inventive step requirements are being rejected outright by IP Australia, even when such inventions are considered patentable in Europe. IPTA is so concerned about this current trend within IP Australia that it has recently set up a working group to study this area to see what can be done to head off this disturbing trend. In this regard, any approach to the assessment of patentable subject matter which relies on any form of comparison with prior art is likely to lead to unpredictable results.

The High Court of Australia has not yet considered the patentability of software inventions, and IPTA is concerned that the introduction of the word 'technological' to qualify innovation in the object clause might be seized upon to support the rejection of patents in this important area of innovation. In this regard, introduction of the word 'technological' into the objects clause could limit Australia's ability to recognise patentable subject matter in areas where patentability has been recognised by our major trading partners. In IPTA's view the word 'technological' is not necessary and can only cause harm if introduced.

In summary, while IPTA does not agree that an object clause is required, if such a clause must be inserted into the Patents Act 1990, then we submit that the word 'technological' should be deleted.

Innovation Patents

IPTA is disappointed to see that the provisions removed from the previous 'Part 1' Bill to phase out the innovation patent system have been introduced into this Bill. As previously pointed out to the Productivity Commission and IP Australia, the innovation patent system is particularly important to SMEs in Australia. In this regard, the economic analysis applied to the innovation patent system yielded conclusions which are inconsistent with the experience of IPTA members and their clients. This is not entirely unsurprising, since, in IPTA's experience, the economic tools used to analyse intellectual property systems are not at this point in time sufficiently robust to be considered irrefutable, especially when the results are inconsistent with experience.

While IPTA has previously attempted to explain some of the flaws in the economic analysis, we note that the Government and IP Australia has continued with its push to phase out the innovation patent system. Since our previous written submissions, IPTA has introduced the Government and IP Australia to business owners who have explained in detail why the innovation patent system is important to them. One of those reasons is that the innovation patent system allows Australian SMEs to capture and protect their innovations at an earlier stage than would be possible under the standard patent system. Being able to capture and protect these innovations at such an early stage provides them with the confidence to further invest in their innovations and bring them to market. These advantages would still be obtained even if there was some raising of the level of the innovative step required for the grant of an innovation patent, a suggested by ACIP in its original report on the innovation patent system.

IPTA believes that the recommendations made by ACIP in its initial report on the Innovation Patent System should be implemented, with the exception of the limitation on the subject matter which can be protected by an innovation patent. In this regard IPTA believes that the recommendations made by ACIP would overcome all of the deficiencies which have been identified in the current innovation patent system.

IPTA also points out that there has been no analysis or study whatsoever of the use of innovation patents to streamline litigation, a function served by the previous petty patent system and a function described in the 1995 Draft Report of the Review of the Petty Patent System as a "legitimate and a useful aspect of the petty patent system". The proposal to remove the innovation patent system altogether has been made without any review or analysis of this alternate use of the innovation patent system.

For various reasons already explained by IPTA, which reasons are supported by business owners who rely on the innovation patent system, IPTA believes these provisions should be removed from the Bill.

Crown Use of Patents

IPTA agrees with the thrust of these provisions, but believes the provisions could be amended to clarify that any Crown use is subject to the terms set out in Subsection 165(2). This is particularly important since Crown use is exempt from infringement. In this regard the only 'terms' mentioned in Subsection 163(2) are the 'reasonable terms' which the relevant authority failed to negotiate with the patentee, while Subsection 163A(2) makes no reference whatsoever to terms for exploitation. IPTA believes that the connection between the terms set out in Subsection 165(2) and the non-infringing Crown use should be made more explicit. It should also be made explicit that new section 160A does not apply to commercial use, since Article 17.9.7 of the Australia-US Free Trade Agreement does not permit Crown use for commercial purposes.

Compulsory Licensing of Patents

As previously submitted, IPTA disagrees that the 'reasonable requirements of the public' test is unclear, and believes that the current test better balances the interests of the patentee, the public and any party wishing to take advantage of the patented invention. However, IPTA does not have a strong objection to the way in which the new public interest test is to be introduced.

Seals

IPTA supports the proposal to allow the Patent Office and the Trade Mark Office to keep and use a seal in electronic form.

Specifications

IPTA is concerned about the proposal to extend the requirements of Section 40(3A) to post acceptance and post grant procedures. Except in the case of post acceptance/grant amendments, the proposed provisions could be problematic for applicants or patentees to obtain the allowance or grant of claims which include references to the description. After acceptance it is not possible to amend the claims in a way that broadens a claim or claims beyond the scope of the claims before amendment. Since removal of a reference to the description or drawings from a claim could broaden the scope of the claim, it is possible that some applicants or patentees facing successful challenges under Subsection 40(3A) during opposition, re-examination or revocation would have no choice but to delete their claims, even where those claims are otherwise valid. In IPTA's view, it would be better to limit objections under Subsection 40(3A) to examination. In this regard, IPTA does not see any harm in limiting the application of Subsection 40 (3A) to examination, or the consideration of amendments after acceptance or grant.

Consultation Questions

IP Australia has sought specific comments in relation to a number of questions. IPTA's responses to those questions are set out below:

1. *For item 2, the amendment to subparagraph 7(2) (definition of inventive step) uses the terminology 'in comparison with' the prior art base instead of the previously proposed 'having regard to' the prior art base. This change was made for consistency with the rest of the Act, but differs from the wording used in the European patent Convention. Are there any unforeseen consequences of using this wording?*

IPTA is pleased that IP Australia has identified the difficulty in simply transposing provisions from the patent law of a foreign jurisdiction into the Patents Act 1990. We have already seen difficulties in relation to the European support and enablement provisions which have been introduced into the Patents Act 1990, with some decisions of IP Australia being inconsistent with the way the equivalent provisions are interpreted in Europe. Regardless of the words used to introduce the European test into the Patents Act 1990, IPTA believes that the current wording introduced with the RTB Act is to be preferred. If IP Australia and the Government continue with the proposal to amend, yet again, the test for inventive step in Australia, IPTA has no preference in relation to the language used, whether it be 'in comparison with' or 'having regard to'. Where IPTA does have a concern is the use of the word "if" rather than "unless" as used in connection with Section 7(1). IPTA believes there should be consistency between

the language used in Sections 7(1) Novelty and (2) Inventive step. The wording should be chosen to ensure that onus is not inadvertently placed on applicants/patentees.

2. *For item 8, does the term 'technological innovation' restrict or narrow the concept of 'innovation' to suit certain industries only? Which industries? What subject matter that is currently patentable would not be considered 'technological'? Note that the TRIPS Agreement refers to 'technological innovation' (Article 7) and states that patents shall be available 'in all fields of technology' (Article 27).*

For the reasons explained above, IPTA is concerned that a number of innovations which are currently patentable, or which should be patentable, may not be considered 'technological'. The reference to 'technological innovation' in the TRIPS Agreement was likely introduced to appease the Europeans, because they were concerned that not having that limitation in the TRIPS Agreement would require them to recognise as patentable subject matter which was not patentable in Europe at the time that the TRIPS Agreement was signed. However, as pointed out above, IP Australia's current approach to the assessment of software related inventions has led to the absurd result that software related inventions which are patentable in Europe are not being considered patentable in Australia. Introduction of the word 'technological' into the objects clause could irreversibly lock in this approach in Australia. There also could be other areas of innovation in the future which may warrant patent protection, but which may not be considered 'technological'. Introduction of the word 'technological' into the objects clause could limit Australia's ability to recognise these future areas of innovation as giving rise to patentable subject matter.

3. *For item 5, amendments to paragraph 133(5)(b), are the factors listed relevant to the dependent patent licence?*

IPTA believes that the factors are also relevant to a dependent patent licence.

4. *For item 7 - this amendment would allow a cross licence to be revoked under subsection 133(6). Is this appropriate?*

IPTA agrees that it is appropriate for a cross licence to be revoked under Subsection 133(6).

5. *For item 11, the application provisions, are there any unforeseen consequences which we have not considered?*

IPTA has not been able to identify any unforeseen consequences which may flow from the application provisions.

IPTA would be very pleased to provide further information or clarification in relation to any of the submissions discussed above.

Yours faithfully,



Michael J Caine

Vice President and Convenor - Legislation Committee
Institute of Patent and Trade Mark Attorneys of Australia