

Public Consultation: Introducing an objects clause into the *Patents Act 1990*

August 2017



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Introduction

This paper discusses proposed amendments to the *Patents Act 1990* (the Patents Act) to introduce an objects clause.

The purpose of this paper is to encourage discussion and seek views on the proposed amendments.

IP Australia invites interested parties to make written submissions in response to the questions presented in this paper by **Friday, 17 November 2017**.

IP Australia will consider the submissions, and undertake further consultation during the legislation drafting process.

Written submissions should be sent to consultation@ipaaustralia.gov.au.

For accessibility reasons, please submit responses by email in Word, RTF, or PDF format.

The contact officer is Lisa Bailey, who may be contacted on (02) 6222 3695, or via email on Lisa.Bailey@ipaaustralia.gov.au.

This paper is also available at:

www.ipaustralia.gov.au/about-us/public-consultation

Submissions should be received no later than 17 November 2017.

Privacy Notice

Personal information is collected during this public consultation for the purposes of gaining stakeholder insights and comments on the proposed amendments to the Intellectual Property Rights legislation and regulations, and is protected by the *Privacy Act 1988*.

Your submission, along with any personal information you provide as part of that submission, will be published on IP Australia's website. Information published online may be accessed world-wide, including by overseas entities. Once the information is published online, IP Australia has no control over its subsequent use and disclosure.

If you would prefer that your submission, or any part of your submission, not be published on our website, please notify IP Australia in writing, clearly identifying that the whole submission is confidential or the particular parts of the submission you consider to be confidential. IP Australia will not publish any submission or part of a submission that you have marked as confidential.

Your submission, including any personal information you provide, may be disclosed to the relevant Ministers and their offices, the Department of Industry, Innovation and Science and other Commonwealth government agencies, for the purpose of briefing on the results of the consultation in general and/or about specific issues on which you have commented. This disclosure may occur whether or not your submission has been marked as confidential. Where contact details are provided, IP Australia may also contact you by telephone or email to discuss your submission.

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- IP Australia's privacy contact officer details.

By making a public submission, you provide your consent to your personal information being handled in accordance with this privacy notice and the IP Australia Privacy Policy.

Introducing an objects clause into the *Patents Act 1990*

Background

An objects clause is a provision, usually found at the beginning of legislation, which gives readers a general understanding of its purpose, or sets out general aims or principles that help readers to interpret its detailed provisions. According to the *Acts Interpretation Act 1901*, the interpretation that would best achieve the purpose or object of the Act is to be preferred to each other interpretation (whether or not that purpose or object is expressly stated in the Act). An objects clause provides additional clarity and guidance to the community on the purpose of legislation, assists the courts in interpreting the legislation, and can be used to resolve uncertainty and ambiguity.

ACIP review

In 2010, the then Advisory Council on Intellectual Property (ACIP) recommended the introduction of an objects clause in the Patents Act to 'clarify the interaction between the patent system and competition policy'.¹ In November 2011, the Australian Government accepted ACIP's recommendation on the basis that a statement of objectives in the Patents Act would provide a clear statement of legislative intent for the guidance of the courts in the interpretation of the Act. This has not yet been implemented.

IP Australia's initial public consultation

In July 2013, IP Australia released a consultation paper seeking interested parties' views on the wording of the objects clause.²

The consultation paper proposed two options:

- The wording proposed by ACIP in its review of patentable subject matter³ – the objects clause 'should describe the purpose of the legislation as being to provide an environment that promotes Australia's national interest and enhances the well-being of Australians by balancing the competing interests of patent rights holders, the users of technology, and Australian society as a whole' (Option 1).
- A modified version of ACIP's wording – 'The purpose of the patent system is to provide an environment that enhances the well-being of Australians by promoting innovation and the dissemination of technology and by balancing the competing interests of patent applicants and patents owners, the users of technology, and Australian society as a whole' (Option 2).

Of the 24 public submissions received, opinions were mixed. No one supported Option 1. About half preferred option 2 with reservations. Some concerns and issues raised include:

- an objects clause is neither necessary nor helpful;
- any objects clause should be consistent with international requirements including with TRIPS wording, and reflect the international nature of the modern IP system;

¹ Advisory Council on Intellectual Property (ACIP), [Patentable Subject Matter \(2010\)](#), page 3, Recommendation 1.

² Details of the 2013 consultation can be found at IP Australia's [website](#).

³ Advisory Council on Intellectual Property (ACIP), [Patentable Subject Matter \(2010\)](#), page 5, Recommendation 2.

- the reference to ‘competing’ interests misrepresents reality and unduly prejudices patent holders. ‘Competing’ should be deleted from ‘competing interests’ in the balancing statement; and
- neither option accurately identifies all stakeholders of the patent system. Stakeholders include inventors, competitors, downstream users of the technology and consumers of products that incorporate the technology.

Developments since IP Australia’s previous consultation

Since the 2013 consultation there have been some international and domestic developments.

New Zealand Patents Act

The New Zealand Parliament has passed new patents legislation (*New Zealand Patents Act 2013*), which came into effect on 13 September 2014. It implemented a comprehensive purposes clause as follows:

Section 3 Purposes

The purposes of this Act are to—

- (a) provide an efficient and effective patent system that—
 - (i) promotes innovation and economic growth while providing an appropriate balance between the interests of inventors and patent owners and the interests of society as a whole; and
 - (ii) complies with New Zealand’s international obligations; and
- (b) ensure that a patent is granted for an invention only in appropriate circumstances by—
 - (i) establishing appropriate criteria for the granting of a patent; and
 - (ii) providing for procedures that allow the validity of a patent to be tested; and
- (c) provide greater certainty for patent owners and the users of patented inventions that patents will be valid after they are granted; and
- (d) address Māori concerns relating to the granting of patents for inventions derived from indigenous plants and animals or from Māori traditional knowledge; and
- (e) ensure that New Zealand’s patent legislation takes account of developments in the patent systems of other countries; and
- (f) regulate the provision of patent attorney services by giving effect to the joint registration regime with Australia.

The New Zealand objects clause emphasises the Act should provide for an efficient and effective system that balances the interests of patent owners and society. The clause also emphasises the importance of ensuring patents are only granted in appropriate circumstances.⁴ To date, there has not been a court decision and it is too early to ascertain the effectiveness of this clause.

PC Review

In 2016, the Productivity Commission (PC) completed a public inquiry into Australia’s intellectual property arrangements. In its final report, the PC also recommended that the Australian Government should incorporate an objects clause into the Patents Act.

⁴ Productivity Commission 2016, *Intellectual Property Arrangements*, Inquiry Report No. 78, Canberra, page 217.

The PC discussed the previous 2013 consultation undertaken by IP Australia on the objects clause, as well as submissions that it had received during its inquiry.

The PC stated that an objects clause would provide a number of benefits⁵, as follows:

- It would help to ensure that decisions in the application and design of the Patents Act are consistent over time with a well-functioning IP system.
- It would help clarify the context for compulsory licensing, and the considerations that should guide a court.
- It could be useful in underpinning decisions on whether to grant a patent. This is important given the scope for administrative and judicial interpretation to diverge over time from the intent of policy.
- It would influence the granting of patents through the interpretation of the patent criteria, including the manner of manufacture test. At the margin, it would help to improve the likelihood that decisions align with policy objectives. The PC noted that in the *Myriad* case⁶ the High Court showed that it was willing to account for policy factors when considering the patentability of an invention.
- The broad guiding principles in an objects clause would also help ensure the system remains adaptable and fit-for-purpose as technologies emerge and economies and business models evolve, and would help frame policy debates and reform.
- Finally, by enshrining the core economic principles that underpin a well-functioning IP system, an objects clause could help shield the system against further expansion in the scope and strength of rights, and guide disputes over the intent of future legislative change.

The PC concluded that any short-term uncertainty from the introduction of an objects clause would be preferable to the alternative scenario where outcomes are certain but impose net costs on the community. Overall, the PC considered that the benefits from introducing an objects clause would exceed the costs.

Therefore the PC recommended that the Australian Government should incorporate an objects clause into the Patents Act. In its report, the PC noted that it had refined the proposed objects clause to more closely reflect the TRIPS objectives, as follows:

...enhancing 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.⁷

The Government supported the PC's recommendation in August 2017 on the basis that a statement of objectives in the *Patents Act 1990* would provide a clear statement of legislative intent for the guidance of the courts in the interpretation of the Act. The Government indicated that further consultation would occur on the precise wording of the clause, and options are presented below for this purpose.

Options on objects clause

The PC's recommended approach is proposed as **Option A** for the objects clause.

⁵ Productivity Commission 2016, Intellectual Property Arrangements, Inquiry Report No. 78, Canberra, pages 217-218.

⁶ *D'Arcy v Myriad Genetics Inc* [2015] HCA 35 [at 28].

⁷ Productivity Commission 2016, Intellectual Property Arrangements, Inquiry Report No. 78, Canberra, page 33, Recommendation 7.1.

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 A addresses the previous concern on ‘competing’ interests among stakeholders of the patent system, however its balancing statement lacks the inclusion of the public interest. While producers, rights owners and users of technology are important stakeholders of the patent system, the interests of the public, or of society as a whole, have not been mentioned. While reference is made to the wellbeing of Australians, there is an assumption that wellbeing is inherently enhanced as a result of the promotion of technological innovation and the transfer and dissemination of technology. The wording does not consider the rare case where promoting technological innovation and the transfer and dissemination of technology might not be in the interest of society as a whole⁸.

The wording of Option A may lead to confusion, as the ‘patent system’ is an international one, while the Australian patents legislation is limited in its scope to the patent system in Australia.

Another possible concern with Option A relates to the principal purpose of the legislation to enhance ‘the wellbeing of Australians’. This could be interpreted by some to suggest that the proposed objects clause requires Australian courts to give Australian interests preferential treatment. A counter-argument to this interpretation is that the reference to promoting wellbeing of Australians does not mean that Australians get preferential treatment, but that the standard of living in Australian society is enhanced by a patent system that fulfils the objectives that the clause sets out. Indeed, enhancing the wellbeing of Australia’s neighbours promotes Australia’s national interests by contributing to sustainable economic growth and poverty reduction in our region⁹. Nevertheless, other countries that have an objects clause in their patents legislation¹⁰ do not include reference to national interest or wellbeing. It may therefore be appropriate to consider alternative wording which removes the explicit reference to ‘the wellbeing of Australians’.

Therefore, in an attempt to address some of the possible issues that might arise with Option A, and to balance feedback from previous consultation and the current PC recommendation, we propose Option B below.

We propose that the Explanatory Memorandum to a Bill containing an objects clause will clarify that the statement of objectives would provide a clear statement of legislative intent for the guidance of the courts in the interpretation of the Act.

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.

⁸ See for example Chapter 15 of *the Patents Act 1990*, which contains special provisions relating to associated technology (subsection 4(1) of the *Nuclear Non-Proliferation (Safeguards) Act 1987*).

⁹ See the Australian Government’s development policy at <http://dfat.gov.au/aid/pages/australias-aid-program.aspx>.

¹⁰ For example [Article 1 of the Patent Act 1959](#) of Japan, [Article 1 of the Patent Act 1961 of the Republic of Korea](#); and [Article 1 of the Patent Law of the People’s Republic of China 1984](#)

Questions for consultation

OC1 Do you have a preference for one of the options proposed for the objects clause?

- If so, please explain the reasons for your preference.
- If you disagree with the wording of these options, please explain which elements you disagree with and why.

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