



Australian Government
IP Australia

Flexible search and examination

**Toward a stronger and more efficient
IP rights system**

**IP Australia
Consultation paper
August 2009**





Introduction

This paper is the one of several papers¹ setting out proposals directed at improving the fit and function of the Australian intellectual property system as a vehicle to support innovation.

The object of this paper is to encourage discussion on the proposed changes and their likely impacts on Australian business and innovation.

IP Australia invites any interested parties to make a written submission, and in particular seeks responses to the questions posed in the paper. Comments are welcome from anyone interested in the operation of the patent system in Australia and its interaction with patent systems in jurisdictions of Australian business interest. Comments are especially welcome from those who have been, are, or expect to be users of the Australian patent system and/or those of other jurisdictions.

IP Australia will consider submissions and then make recommendations to Government on the way forward.

The closing date for submissions is Friday, 16 October 2009.

Written submissions should be sent to:

Les McCaffery
Assistant Director, Office of the Director General
IP Australia
PO Box 200
WODEN ACT 2606

Email: MDB-Reform@ipaaustralia.gov.au
Fax: 02 6283 7999

The contact officer is Les McCaffery, who may be contacted on (02) 6283 2573.

Please note that, unless requested otherwise, written comments submitted to IP Australia may be made publicly available.

A request made under the *Freedom of Information Act 1982* for access to a submission marked confidential will be determined in accordance with that Act.

¹ See also: 'Getting the Balance Right' and 'Exemptions to Patent Infringement', released 29 March 2009; 'Resolving Divisional Applications Faster', 'Resolving Patent Opposition Proceedings Faster' and 'Resolving Trade Mark Opposition Proceedings Faster', released 15 June 2009; and 'Streamlining the patent process', released August 2009.



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1. Background

1. The patent system stimulates innovation by granting limited monopoly rights to inventors, and by increasing public availability of information on new technology. To promote and foster innovation the patent system must strike an appropriate balance between the competing interests of the applicant, their competitors and the public. Applicants are well served by a patent system that is accessible and cost effective, with an examination system that has some flexibility. Third parties and the public are well served by a system that provides transparency, and timely information about the patentability of competing technology.

2. At present, Australian patent search and examination takes a ‘one size fits all’ approach to examination, with the same standard examination processes applied to all but a few applications. This does little to cater for the differing needs of applicants filing in multiple jurisdictions, applicants filing only in Australia and stakeholders seeking early information about the patentability of technology. This inflexibility can result in additional costs for applicants and limited choice for users of the patent system.

3. For applicants who file in Australia and at least one other jurisdiction (approximately 96% of applications), repeated search and examination in each jurisdiction of what is essentially the same application adds to the cost of obtaining a patent. Although the Patent Cooperation Treaty (PCT) provides for a single original application and a single search and examination for applicants seeking protection in multiple jurisdictions, the system does not at present produce a substantive examination that is relied upon across multiple jurisdictions. Ultimately, applicants bear the cost of duplicated work in each country in which they seek patent protection: work that often provides little value to the applicant or to the validity of the patent ultimately granted. These costs also flow through to consumers—the general public—as increased costs for goods and services.

4. Applicants who file only in Australia (approximately 4% of applications) are faced with different challenges. Currently these applicants do not have the benefit of an early search and examination, unlike PCT applications, for which an early search and preliminary examination are conducted. In most cases applications filed only in Australia join the standard examination queue and are not searched or examined until a number of years after filing. This can disadvantage the applicant, who does not have the benefit of an early search and examination. It also disadvantages the public and competitors, who do not have the benefit of information about the patentability of a competitor’s invention at an early stage in the patenting process.



5. This paper sets out proposals directed at improving the flexibility of examination by providing cost-effective tailored examination options, and improving transparency for the public and third parties.

6. The paper also includes proposals for reducing the timeframes for commencement and resolution of examination. The proposed timeframes aim to strike a better balance between giving the applicant sufficient time to prepare for examination and resolve issues raised during examination and reducing the period of uncertainty during which the public and third parties are unsure about where they have freedom to operate.

2. Overview of the proposals

7. The proposals described in this paper are intended to enhance the Australian patent process and ensure a better balance of public and applicant interests. The proposals have been divided into two main areas.

8. The first area relates to flexibility of examination options. A flow chart of the proposed examination options is given in section 6 of this paper, and comprises the following key elements which are discussed in section 3 below:

- An early search and opinion would provide an early indication of the validity of a patent (section 3.1). This would also provide the public and business with earlier certainty as to where they have freedom to operate.
- The introduction of various levels of examination. This would ensure that the fee charged to applicants for examination of a patent application would reflect the extent to which the examination relies on work done by other offices (section 3.2).
- An option for third parties to request examination of an application. This would provide third parties with an opportunity to obtain an earlier determination of a patent application that potentially impacts on their commercial interests (section 3.3).

9. The second area for improving examination processes involves proposals to adjust some examination timeframes to ensure a more timely resolution of applications. Further details of these proposals are provided in section 4.

3. Flexible examination options

3.1 Early search and opinion—earlier indication of validity

10. Under the PCT system, International Search Reports and International Preliminary Reports on Patentability are provided to the applicant at an early stage in the prosecution of their application. Similarly, many patent offices in other countries carry out a search on their national route applications shortly after filing. Under these systems a search report is generally published at around 18 months after the first filing of the application (this is when the application is published and becomes ‘open for public inspection’). These search and patentability reports provide the applicant and public with an early indication of the likely patentability of the claimed invention.

11. Currently, for non-PCT standard Australian applications, search results and an indication of validity are not provided until the first national examination report is issued, four or more years after filing. This results in a number of years during which there is no information available to the public and competitors about the extent of rights likely to be granted. For businesses and the public



this results in uncertainty about where there is freedom to operate, which can in turn act as a disincentive to develop products in the same technical field. For applicants, this can mean uncertainty as to the patentability of their invention and the scope of their patent rights, if granted.

12. Under the proposed system, applicants filing non-PCT applications originating in Australia would have an early search and validity opinion conducted on their application soon after filing. This would be conducted within the timeframes set for PCT searches, with the results of the search and opinion published at the same time as the application itself is published. Where the applicant has filed their application in another country, in addition to Australia, the applicant would have the option of deferring the search and validity opinion pending issue of a search and/or examination report by another recognised IP office, that is, either an International Searching Authority or an office with which IP Australia has conducted benchmarking activities.

3.1 Proposed change

Applicants filing non-PCT applications originating in Australia would have an early search and validity opinion conducted on their application.

This would be conducted within the timeframes set for PCT searches—that is, within 18 months from the priority date—with the results of the search and opinion published at the same time as the application itself is published.

Early search and validity opinion can be deferred where the applicant has filed their application in another country and another recognised IP office will issue a search and/or examination opinion.

Issue of an early search and validity opinion would *not* commence the usual examination process.

13. The proposed system would better align the timing of Australia’s searches and opinions with other offices around the world and would provide an earlier indication of patentability of the invention claimed in an application. Applicants would benefit from an earlier indication of any weaknesses in their application, and would be in a better position to make informed decisions about commercialisation and protection of their invention. Third parties would benefit from early information about the potential impact of the patent application on their business.

3.2 Tailored examination—recognising the work of other IP offices

14. IP Australia currently utilises (as appropriate) any available search results, opinions and examination reports from other recognised patent offices during examination of Australian patent applications. This means that for some applications, where quality foreign search and examination reports are available, a more ‘streamlined’ examination can be conducted. For other applications, where no such reports are available, a more substantial examination is required. Currently, the applicant has no say in this practice, and despite the efficiencies gained through using previous search and examination work, the same fee is paid for all standard applications.

15. Under the proposal, applicants would choose the level of examination they wish to have carried out according to the type of previous foreign office search and examination work they



identify for use during examination. The proposed system would comprise three different levels of examination as follows:

3.2 *Proposed examination options*

There would be three examination options:

- **Level 1 examination**

- This would apply if the applicant identifies a granted patent from a recognised jurisdiction which is substantially the same as the Australian application.
- The application would be accepted based on the text of the overseas patent.
- This option would replace the existing system of modified examination.

- **Level 2 examination**

- This would apply if:
 - the application is a PCT application with an international search and opinion
 - or
 - the applicant identifies a search and/or examination report from a recognised IP office at the time of requesting examination.
- IP Australia would base its search and examination on these results, and any others that IP Australia located.

- **Level 3 examination**

- This would apply if level 1 or level 2 did not apply, that is:
 - the applicant does not identify a suitable foreign granted patent and
 - the application is not a PCT application with an international search and opinion and
 - the applicant does not identify a search and/or examination report from a recognised IP office at the time of requesting examination.
- If there were no foreign search and/or examination results from a recognised office available IP Australia would generally carry out an original search and examination.
- However, if IP Australia were to come across foreign search or examination results, these would be used to the maximum extent possible.
- Level 3 would be the ‘default’ examination level when appropriate search and/or examination results are not identified when examination is requested.

Fees for each of the examination levels would reflect the examination effort required.



Level 1 examination

16. Level 1 examination builds on, and improves, the present modified examination system. Modified examination enables an applicant to request a restricted form of examination when their Australian application is substantially the same as another of their applications granted in a prescribed foreign country. Modified examination is restricted to novelty, inventive step and manner of manufacture (industrial applicability) only, and does not take account of fair basis or full description.

17. Currently modified examination is only requested for about 3% of applications. In part this low level of usage reflects costs and limitations arising from the requirements for modified examination. Modified examination is also only available for English language patents from a restricted number of recognised countries. This reduces the extent to which modified examination can be used.

18. Under the proposed level 1 examination process:

- The applicant would not need to provide a copy of the granted foreign patent if IP Australia could retrieve a copy of the foreign patent from a recognised digital library.
- If an amendment was required to make the Australian specification substantially identical to the foreign patent, the applicant could either provide a copy of the granted foreign patent or request the substitution of the Australian specification with the text of the foreign patent, if available from a recognised digital library.
- A translation of a foreign language patent could be used as the specification for level 1 examination. In such cases the applicant would identify the granted foreign patent and either provide the translation or identify a recognised digital library where a translation could be obtained.

19. Once the application was substantially identical to the granted foreign patent, and IP Australia had ensured that the applicant did not claim excluded subject matter² the application would be accepted.

Level 2 examination

20. Level 2 examination provides a flexible option that takes account of search and/or examination work already done by recognised foreign patent offices. As is currently the case, IP Australia would rely on this work to the maximum extent possible during examination. However, in contrast to the current situation where the same fee is paid regardless of whether or not foreign reports are used, where the applicant identified search or examination results from a recognised foreign office at the time that they requested examination, the applicant would pay a lesser fee than the full examination fee.

21. Under level 2 examination, as is currently the case, if the examiner had reason to believe that the foreign results were not sufficient, the examiner would conduct additional search and examination. The examiner would also have regard to any further available information that was likely to impact on the validity of the application.

² Subsection 18 (2) of the *Patent Act* excludes human beings and process for generating human beings from patentability.



Level 3 examination

22. Level 3 examination would take place where no previous search and/or examination reports from recognised IP offices were identified by the applicant at the time that the applicant requested examination, either because no foreign search and/or examination had yet taken place, or because the applicant did not identify the results at the time that they requested examination. Level 3 examination would attract the full examination fee. Where no foreign search or examination had yet taken place at the time of examination, IP Australia would carry out a full search and examination. Where search or examination results were identified by IP Australia prior to, or during examination, then these results would be used to the maximum extent possible.

23. Level 3 examination would be the default examination level, in that if the applicant does not identify foreign search and/or examination results at the time that they request examination, a level 3 fee will be charged. However, paying the level 3 fee does not necessarily mean that IP Australia would conduct an original search and examination. If foreign search and/or examination results became available prior to, or during examination, IP Australia would always use these results to the maximum extent possible.

24. Where a level 3 fee was paid and IP Australia identified and used foreign results during examination—so that, in effect, a level 2 examination was actually carried out—a proportion of the examination fee would be refunded to the applicant. This refund would be taken into account in calculating the existing acceptance fee.

25. Re-examination provisions would continue to apply. Regardless of the level of examination, the Commissioner could commence re-examination where new, relevant information came to light after acceptance or after grant.

26. This range of options would improve the choice available to applicants and provide a system where the level of examination fees charged reflects the level of work done by IP Australia

3.3 Third party requests for examination—helping businesses get certainty sooner

27. Many applicants like to have a significant period of time between filing a patent application and grant of the patent in order to further assess the exact nature and viability of the invention, and to tailor their patent claims accordingly. However, such delays can create uncertainty for competitors and others in the market, which in turn may adversely affect innovation. One mechanism for reducing uncertainty is to allow third parties to request examination of a patent application.

28. Currently the standard patent system provides some protection to third party interests, allowing third parties to ‘force the pace’ of the examination process by requesting the Commissioner to direct examination. The Commissioner must then issue a direction to request examination. Currently applicants have six months to respond to the Commissioner’s direction. This still gives the applicant six months within which to request examination, maintaining an up to six month delay in issue of a search and examination report. (Reducing the time within which an applicant can respond to the Commissioner’s direction to request examination is discussed in the following section.)

29. In contrast to the standard patent system, the innovation patent system allows third-parties to directly request examination of an innovation patent. This reduces delays, and removes one step from the process. The third party is also required to pay half the examination fees. IP Australia



believes that the approach for innovation patent third-party examination requests provides a better balance between the interest of patent applicants and the interests of third parties, and to this end proposes the following change:

3.3 *Proposed change*

Any person would be able to request examination of a standard application at any time after filing or, where the application is a PCT application, after national phase entry.

The applicant would have two months to decide whether they wish their application to be examined. If they do not, the application would lapse.

Where a third party requests examination the third party would be required to pay a proportion of the examination fee.³

30. IP Australia recognises that examination may occur in some cases before the applicant desires. Furthermore, the choice of examination available to applicants may be limited if recognised foreign search and examination results are still pending. However, IP Australia believes that the degree to which the proposed changes may impact applicants in some circumstances is counterbalanced by the advantages to third party innovators in having examination conducted early for those cases that are critical to their business. Furthermore, IP Australia expects that only a small number of requests would be filed, as is currently the case for third party requests for examination of innovation patents and for examination directions on standard applications.⁴

4. Requesting examination and gaining acceptance—providing certainty earlier

31. Australia has a system of deferred examination of standard patent applications where examination of an application does not occur unless requested by the applicant, either of their own volition or in response to a direction from the Commissioner to request examination. The applicant can request examination at any time after filing (or national phase entry for PCT applications), but in most cases applicants wait until receiving a direction from the Commissioner to request examination. The Commissioner times the issue of directions to balance workloads and office resources.

32. In most instances it is in the interests of the applicant to delay examination for as long as possible. Delays give the applicant time to assess the commercial prospects of an invention before incurring the expense of prosecution of an application, and extend the period during which competitors are uncertain about where they have freedom to operate. However, extended delays are not in the best interests of the public and competitors, who benefit from early certainty as to where they have freedom to operate.

³ The examination fee itself would be determined in accordance with proposal 3.2. That is, it would depend on the type of results available from a recognised patent office, as identified by the applicant and/or the requesting third party.

⁴ Figures for 2002-2009 indicate that about 55 third party requests for examination of innovation patents and fewer than 5 requests for the Commissioner to direct examination on a standard application have been filed over that period.



33. Stakeholders have expressed a preference for retaining the current system of deferred examination, and no change to this is proposed at this time. However, if applicants use available times to their full extent, finalisation of examination of a patent application can take significantly longer, resulting in extended periods of uncertainty. IP Australia considers that there is scope within the current system for timeframes to be adjusted to provide a quicker determination of applications following the Commissioner's direction to request examination and following commencement of examination. Reducing these timeframes would also make Australian timeframes more consistent with timeframes in overseas jurisdictions.

34. IP Australia considers that this can be achieved through the following two changes:

4. *Proposed changes*

- Applicants would have 2 months, rather than 6 months, to respond to a direction by the Commissioner to request examination.
- Applicants would have 12 months, rather than 21 months, to gain acceptance of their application following the first examination report.

35. The proposed timeframes are included in the attached flow chart (section 6). The proposed system would essentially follow the present deferred examination processes. Thus, examination of the application would not occur until after the applicant (or a third party under proposal 3.3) requests examination. This would continue to give applicants a reasonable period of time to decide whether they intend pursuing patent rights for the invention in Australia before incurring the costs of examination. However, once the applicant has indicated that they intend to pursue a patent in Australia, the proposed process aims to achieve a relatively quick determination of the matter.

36. Thus, following a direction by the Commissioner to request examination, the applicant would have 2 months (rather than 6 months) to request examination. If the applicant does not request examination within this timeframe, the application would lapse, as is currently the case. Once the first examination report issued, the applicant would then have up to 12 months, rather than the current 21 months, to gain acceptance.

37. Currently, applicants must pay monthly response fees when responses to examination reports are filed more than 12 months after the date of the first examination report. Under the proposed system, response fees would no longer apply.

38. In line with current practice, there would be no limit to the number of responses to examination reports that could be filed during the 12 month period. But as is presently the case, the Commissioner could consider setting the matter for hearing with a view to refusal if prosecution were to reach an impasse. Applicants would still have the option of voluntarily requesting examination at any time after filing, or of requesting expedited examination where they require an early determination of their application.

39. The proposed system aims to ensure that all examinations are determined within a shorter timeframe than presently occurs, giving the public the benefit of earlier certainty about where they have freedom to operate. IP Australia notes that most patent applications are accepted within 13



months of first report.⁵ The proposed changes are therefore not expected to significantly affect most applicants.

5. Questions

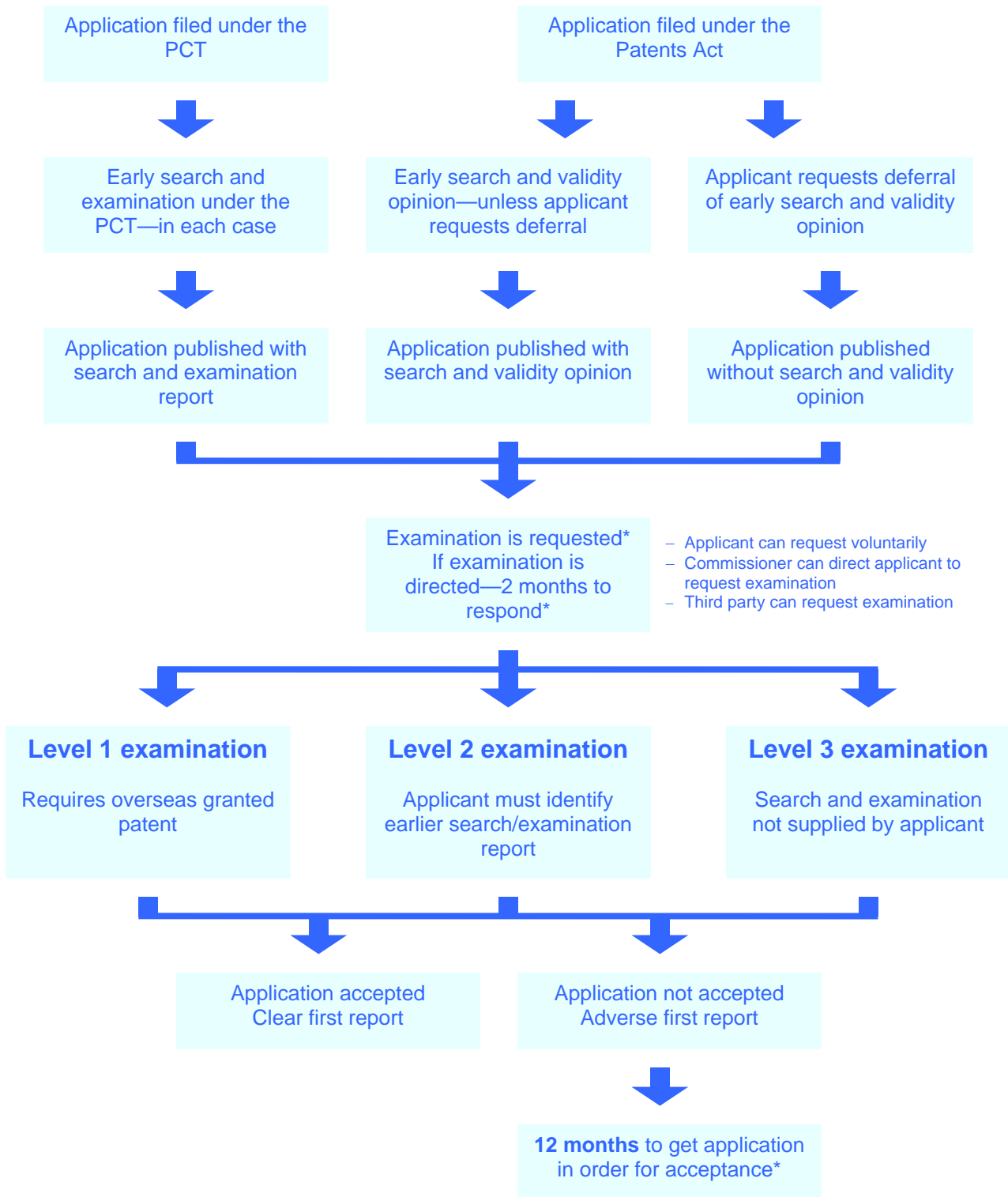
40. Do you agree in principle with IP Australia's proposals for improving the examination process?
41. How could these proposals be modified or improved? Please provide details.

⁵ IP Australia calculations based on standard applications which had a first report issued within the period July 2002 to August 2005. For applications with first reports issued in 2003, 2004 and 2005, the proportions that were accepted within 13 months from the first report are 80%, 77% and 72% respectively.



6. Flow chart of proposal

Proposed revised examination process



* Otherwise, application lapses