Australian Government

IP Australia

Getting the Balance Right

Toward a Stronger and More Efficient IP Rights System

IP Australia
Consultation Paper
March 2009

Introduction

This paper is the first of several papers[1] setting out proposals directed at improving the fit and function of the Australian patent 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 will be 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, but especially 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, 8 May 2009.

Written submissions should be sent to:
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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 IP Australia consultation paper 'Exemptions to Patent Infringement' at www.ipaustralia.gov.au

Executive Summary

This is the first in a series of consultation papers setting out proposals directed at improving the fit and function of the Australian patent system.

The proposals are directed at ensuring that there is a proper balance between the patent system and competition. The patent system provides an incentive to innovate in the form of time-limited exclusive rights to make, use and sell inventions. For the system to support innovation the exclusive rights associated with grant of a patent need to be balanced by:

- access to information about new inventions
- patent standards set at a level that does not discourage local innovators from conducting follow-on innovation and
- certainty in the validity of granted patents.

At present Australia's patentability standards are set at a level that is lower than the standards set in countries who are our major trading partners. Our standard for full description of inventions is lower than that elsewhere, as is our standard for inventive step. These differences potentially upset the balance between the patent system and competition. They allow the grant of broader patents in Australian than elsewhere, and they allow the grant of patents that may disclose less information about the inventions that they claim than is disclosed elsewhere. This reduces access to follow-on innovation for Australian innovators and the advantages that flow to Australian consumers from access to information about new technology and competition in the Australia marketplace.

Currently, there are also differences between the grounds that the Commissioner can consider during examination, re-examination and opposition proceedings and the grounds that may lead to revocation in the Courts, and between the standards of proof against which patentability standards are assessed. These differences reduce certainty in the validity of granted patents and compromise the balance required for effective operation of the patent system.

The proposals in this paper are directed at improving the balance in the patent system by:

- raising the thresholds set for grant of a patent in Australia and better aligning Australia's key patentability standards with standards in countries which are our major trading partners; and
- improving the scope and stringency of examination to reduce inconsistencies and give greater certainty in the validity of granted patents.

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1. The Importance of a Strong and Aligned Patent System to Trade and Technology Transfer

1. The first and fundamental role of the patent system is to provide an incentive to invest in innovation. Where the potential for free-riding exists the patent system encourages innovation by providing innovators with exclusive rights to their inventions.[2] A second and equally important role of the patent system is to increase access to information about new technology. The patent system achieves this by requiring inventors to disclose information about their inventions and how they work in exchange for patent protection. This helps subsequent innovators to build on previous innovations and enables the public to perform inventions once patents have ceased.

2. The patent system works by striking a balance between the scope of exclusive rights granted and public access to information and new technology. The level at which patent thresholds are set, and certainty about the validity of granted patents is critical to achieving the right balance between the scope of exclusive rights granted and access to, and development of, new technologies.

3. In today's global economy, where innovation is an increasingly internationalised activity, it is important that patent systems facilitate import and export of technology and knowledge across national borders. For a country such as Australia, which is a net importer of technology, it is especially important that the national patent system encourages the flow of innovation, technology and knowledge into the country, giving Australians access to new technology and helping Australian businesses which rely on foreign technology to remain competitive.

[2] Arrow, K. "Economic Welfare and the Allocation of Resources for Inventions." In The Rate and Direction on Inventive Activity: Economic and Social Factors. Ed R.R. Nelson. Princeton, NJ: Princeton University Press.

4. Studies show that for countries that are net importers of technology it is advantageous to have patent thresholds set at levels that are at least as high as the thresholds set for countries with which they conduct the majority of their technology trade. Strong thresholds and confidence in the validity of granted patents encourages inventors to exploit their inventions and invest in foreign markets where they have confidence that their inventions are afforded similar levels of protection from imitation. This is particularly true for countries that also have developed economies and the ability to adopt and adapt new technologies.[3]

5. Strong thresholds also ensure that unduly broad patents do not prevent local innovators from conducting follow-on innovation and improving on existing technology. Low thresholds and resulting broad patents allow earlier patentees to carve out too broad a monopoly, suppressing competition and deterring follow-on innovation and improvements to existing technology.

6. Strong thresholds also ensure that Australians do not pay more for technology in Australia than is paid elsewhere. If patent standards are lower in Australia than elsewhere, Australian patents grant a broader monopoly, reducing competition and giving patentees the opportunity to charge a premium and control access across a broader sweep of innovation.

7. Strong and aligned thresholds and confidence in the validity of granted patents also give local innovators confidence that their innovations patented in Australia will meet patent standards elsewhere, thus affording protection not only in Australia but also in a global marketplace. Hand-in-hand with this, aligned thresholds also reduce the costs for Australian applicants seeking patent protection overseas and for foreign applicants seeking patents in Australia as they reduce the need for applicants to modify their applications to address disconformity between Australian and overseas thresholds.

8. Although there currently is no global standard for patent thresholds, and differences exist between the patentability thresholds set in jurisdictions such as the US, EP, Japan and the UK, there currently is a greater degree of consistency between each of these countries than there is between any of these countries and Australia. The aim of this paper is to raise Australian standards to a level that is more consistent with the general levels set in countries such as the US, Japan and European countries with which we conduct the majority of our technology trade.

[3]Sample sources of commentary and study include:

- Maskus K et al (1997) Quiet Pioneering: the international economic legacy of Robert Stern, Ann Arbor, University of Michigan press, pp95-118;
- Branstetter et al (2006) Quarterly Journal of Economics 121(1), 321-49;
- Mandeville TD et al Economic Effects of the Australian patent system – a commissioned report to the Industrial Property Advisory Committee, April 1982.
- Maskus K (2000) Intellectual Property Rights in the Global Economy, Institute for International Economics, Washington D.D. and
- Review of Intellectual Property Legislation under the Competition Principles Agreement, ‘the Ergas Report’, September 2000.

2. Areas for Proposed Reform

9. The following sections, sections 3 to 6, outline proposals for raising Australian patentability standards and improving certainty in the validity of granted patents.

10. Sections 3 and 4 focus on **full description[4] and fair basis**[5] (section 3) and **inventive step**[6] (section 4). Australian standards for full description, fair basis and inventive step are set at levels that are lower than the levels for set for equivalent criteria in major jurisdictions, such as the US, Japan and the European Patent Convention (EPC) and levels set by the Patent Cooperation Treaty (PCT). As a consequence broader patents can be granted in Australia than in countries which are our major technology trade partners. The sections discuss the problems with full description, fair basis and inventive step and propose solutions to improve alignment of the thresholds set for these patentability standards with thresholds set in other major jurisdictions.

11. Sections 5 and 6 focus on **requirements considered during examination and re-examination** (section 5) and the **standard to which requirements are assessed during examination and opposition** (section 6). Currently, there are inconsistencies between the grounds that the Commissioner of Patents can consider during examination, re-examination and opposition proceedings, and the standards of proof applied, and the grounds and standards applied by the courts in revocation proceedings. These inconsistencies contribute to uncertainty in the validity of granted patents. The sections discuss existing problems with the restricted grounds and standard of proof applied during examination, re-examination and opposition proceedings and propose solutions to improve certainty in the validity of granted patents.

3. Raising Patentability Standards – Full Description and Fair Basis

3.1 Full Description and Fair Basis

12. It is a fundamental basis of the patent system that the patentee describe their invention fully and that the scope of protection obtained does not go substantially beyond what has been described (is 'fairly based'). In this respect, to justify the grant of a patent what is required is not merely knowledge about an invention but information that would enable a skilled reader to carry it out successfully without undue experimentation.

13. This is the *quid pro quo* that forms the basis of the patent system: the patentee is given a time limited monopoly in exchange for public disclosure of their invention and detailed information about how to make and use the invention. In this way the patent system encourages innovation through economic incentive, and facilitates innovation through public disclosure.

[4] *Patents Act 1990*, s40(2)(a)
[5] *Patents Act 1990*, s40(3)
[6] *Patents Act 1990*, s18(1)(b)(ii)

14. In Australia a complete specification must 'describe the invention fully, including the best method of performance known to the applicant of performing the invention'.[7]

15. Recent Australian court decisions[8] have clarified the first part of this requirement with the following statement: 'It is not necessary for the inventor to disclose all the alternative means; it is enough that there is disclosure in the sense of enabling the addressee of the specification to produce something within each claim'.[9]

16. Australian law also requires that the claims defining the invention be 'fairly based' on the matter described in the specification.[10] This fair basis requirement has come to be understood as one of consistency between the specification and the claims.[11] It is not a test whether the description of the invention and technical detail in the body of the specification is sufficient to support the scope of the invention that is claimed; rather it is a test whether there is consistency between what the body of the specification says is the invention and what the claims define as the invention.

17. There is a notable difference between the full description and fair basis requirements in Australia and requirements in the US[12], Europe[13] and Japan[14]. The US, Europe and Japan all require that the patent specification provide sufficient details of the invention to enable the reader to produce anything across the full scope of the invention claimed. This means that where the claim defines a broad class of invention the specification must provide sufficient details to make any member of that class. For example, where a patent claims a broad class of chemicals, all of which possess a particular chemical or physical property, the specification must provide sufficient detail to enable the reader to make any member of the class. This contrasts with the Australian situation where the requirement is simply that there is sufficient detail to produce something, potentially only one thing, within the scope of the claim. Returning to the chemistry example, Australia's lower standards allow for situations where the specification only provides details sufficient to enable production of one member of class of chemicals but not all members.

18. Higher requirements, similar to those in the US, Europe and Japan also appear in the Patent Cooperation Treaty (PCT) and in the draft substantive patent law treaty (SPLT) that has been the subject of discussions within the World Intellectual Property Organisation (WIPO) Standing Committee on the Law of Patents (SCP).[15]

19. Requiring that the specification provide sufficient detail to make the invention across the full scope of the claims ensures that the *quid pro quo* is met. The patentee is granted a time limited monopoly and in exchange the public is given the full details of the patentee's invention. In contrast the lower Australian threshold allows a patentee to monopolise a greater field than they

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[7] *Patents Act 1990*, s40(2)(a)
[8] *Kimberly-Clark Australia Pty Ltd v. Arico Trading International Pty Ltd* (2001) 207 CLR 1.
Lockwood Security Products Pty Ltd v Doric Products Pty Ltd [2004] HCA 58
Pfizer Overseas Pharmaceuticals v Eli Lilly and Company [2005] FCAFC 224
[9] *Lockwood v. Doric* at 60
[10] *Patents Act 1990*, s40(3)
[11] *Lockwood v. Doric* at paras 68,69
[12] 35 USC - 112 Specification, Manual of Examining Procedure 706.03(d) and In re Wright, 999 F.2d 1557, 1561, 27 USPQ2d 1510, 1513 (Fed. Cir. 1993)
[13] EPC Art 83 – Disclosure of the Invention, EPO Manual 4.10, Chapter II Part C and EPO Case Law of the Boards of Appeal (Fourth Edition) p156 *Asahi Kasei Kogyo KK'sApplication* [1991] RPC 485
[14] JP s36(4) and Examination Guidelines for Patent and Utility Model in Japan Part 1, Chapter 3
[15] Most recent draft available at http://www.wipo.int/meetings/en/details.jsp?meeting_id=5084

have disclosed to public. This raises questions as to whether Australian law strikes the right balance between protection for the inventor and disclosure for the public, and whether an invention may be afforded substantially broader protection in Australia than could be obtained in other jurisdictions.

3.1 Proposed change

Amend s40 of the Act to:

- introduce descriptive support requirements analogous to those applied in other jurisdictions including that the whole scope of the claimed invention be enabled and that the description provide sufficient information to allow the skilled addressee to perform the invention without undue experimentation.

3.2 Date at which new matter can be inserted into a specification

20. A further issue is the date at which requirements of the description should be met, and whether the description can be amended to include new matter after a patent application is filed. In Australia it appears that a failure to fully describe the invention or to include the best method of performing the invention can be rectified up to at least grant of the patent and hence those requirements do not need to be met at the time of filing.[16]

21. In contrast, European, Japanese and US patent law require that the invention must be fully described at the filing date of the patent application. If not, this cannot be rectified subsequently by amendment. This approach ensures that the patentee is only granted protection for what they have described in their complete application at the time of filing and not for an invention made subsequently.

22. Lower Australian standards may allow a patentee to obtain protection for an invention that they had not fully realised or described at the time of filing. They can also contribute to uncertainty for the public and competitors who may not be given the full details of an invention until well after the patent specification has been filed and published. Furthermore, innovation suffers from the delay in innovators being provided with sufficient information to commence follow-on innovations and understand the detail of new technologies.

3.2 Proposed change

Amend s40 and s102 and of the Patents Act to:

- explicitly indicate that the requirement for full description is met if the description of the claimed invention was sufficient at the filing date to allow the skilled addressee to perform the invention without undue experimentation.

[16] *Pfizer Overseas Pharmaceuticals v. Eli Lilly and Company* [2005] FCAFC 224

3.3 The level of disclosure required to support a priority claim

23. A further difference relating to fair basis and full description requirements exists between the level of disclosure required to support a priority claim under Australian law and the levels required in other major jurisdictions.

24. The priority date associated with a claim is the date at which certain requirements of patentabilitlity, including novelty and inventive step, are determined against the pre-existing prior art. The priority date is also the date from which the patent or patent application can itself be considered prior art against other patents and patent applications. Normally the priority date is the date of filing of a patent application, or the date of filing of an earlier related application, which is recognised for that purpose under the Paris Convention or the Patent Cooperation Treaty.

25. Consequently, the requirements to establish a priority date are closely associated with the requirements for the description and claims. In Australia the level of disclosure required to support a priority claim is the same as that for fair basis, and is that there is consistency between the invention as claimed and the disclosure in the priority document. In contrast, in the US and under the EPC, a claim to priority is supported if the priority document provides sufficient information to enable production of the invention across the full scope of the claims.

26. The lower Australian threshold may allow a patentee to gain the benefit of an earlier priority date than might apply in other jurisdictions, for example, on the basis of a more generalised non-enabling disclosure of the invention.

3.3 Proposed Change

Amend reg 3.12(1)(b) of the Patent Regulations to:

- replace the ‘fair basis’ requirement for establishing the priority date of claims with a descriptive support requirement analogous to those applied in other jurisdictions, and to that proposed for s40.

4. Raising Patentability Standards - Inventive Step

27. It is a fundamental requirement of the patent system that standard patents are only granted for inventions that are non-obvious, or that have an inventive step. In this way the public is not excluded from what it could have adapted as a matter of routine at the time that the invention was first filed.

28. There are a number of areas in which Australia’s requirements for inventive step are set at a lower level than those of other jurisdictions or of international norms. The three most significant differences are in the following areas:

- common general knowledge
- prior art
- threshold test for inventive step.

29. In particular this raises the question whether there is greater potential for the development of patent thickets in Australia than elsewhere. A patent thicket is an overlapping set of patent rights requiring those who wish to commercialise new technology to seek multiple licenses from multiple patentees. Patent thickets are most likely to occur in complex technologies and in jurisdictions where patent thresholds are low.[17] Patent thickets impede the effective functioning of the patent system in that they increase the complexity of identifying where there is freedom to operate and gaining access to patented technologies and act as a disincentive to engage in innovation within and around the scope of the thicket.

30. It is also worth noting that in our major trading partners such as the US and EP there is increasing attention given to the level at which inventive step thresholds are set. A recent landmark Court decision in the US reassessed the test used for inventive step and confirmed that tests previously used had set the bar too low.[18] In a similar vein, policy makers in the EPO have clearly flagged their interest in raising the bar for inventive step in the EPC.[19]

31. This highlights the importance of ensuring that at the very least Australian thresholds are raised to a level that is better aligned with the higher thresholds already in operation elsewhere.

4.1 Common general knowledge

32. In Australia inventive step is assessed:
- against a prior art base that includes information in a document, or information made publicly available by doing an act, anywhere in the world; and
- against common general knowledge in the relevant art in Australia.

33. This restricts common general knowledge in a way that it is not restricted in our major trading partners and under the PCT[20], where when assessing inventive step, common general knowledge anywhere in the world can be taken into account. Such a restriction is also at odds with deliberations in international forums such as the WIPO SCP and Group B+[21] where there has been a consistent move to global concepts of prior art and validity on the basis that information that invalidates a patent in one jurisdiction should also invalidate patents in others. It also does not take account of the global research, information and innovation environment that exists today.

34. Similar issues are increasingly being raised in the Australian context, as for example indicated in the Ergas Report[22], which recommended that the prior art base for inventive step be extended to include all information, including common general knowledge, anywhere in the world.

[17] Bessen J. (2003) Patent Thickets: Strategic Patenting of Complex Technologies *www.researchoninnovation.org/thicket.pdf*
[18] *KSR International Co. v. Teleflex Inc. et. al.* 550 US 127 S Ct 1727 82 USPQ2d 1385 (2007)
[19] Ciarán McGinley (2008) Intellectual Asset Management pg 9-14 "A European Perspective on Global Patent Workload"
[20] PCT Article 33, Rules 64-65
[21] WIPO Group B+ member states – Australia, Belgium Canada, Czech Republic, Denmark, European Commission, European Patent Office, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Japan, Netherlands, New Zealand, Norway, Poland, Portugal, Romania, Slovak Republic, Spain, Sweden, Switzerland, United Kingdom, United States (Council of the European Union)
[22] *Review of Intellectual Property Legislation under the Competition Principles Agreement*, Intellectual Property and Competition Review Committee, September 2000.

35. In the past it has been suggested that the Australian approach reflects a pragmatic approach to obviousness considerations with a reduced evidentiary burden associated with only needing to establish the common general knowledge in the art in Australia. It is however not clear that the current approach has in fact been beneficial in creating greater certainty and lower litigation costs over other jurisdictions, and not to the extent that it would balance other considerations particularly on the standard of validity required. More importantly, it is also not clear that the current approach remains relevant in the modern world of the internet and global communications and collaborations.

4.1 Proposed change

Amend s7(2) of the Patents Act to :

- remove the limitation that common general knowledge be confined to that existing in Australia

4.2 Prior art

36. Currently, Australian law places limitations on how prior art information can be considered that do not exist elsewhere. The prior art base is defined in Schedule 1 of the Act as:

- information in a document that is publicly available, whether in our out of the patent area; and
- information made publicly available through doing an act, whether in or out of the patent area.

37. In Australia prior art information must be such that a skilled person in the art could be reasonably expected to have ascertained, understood and regarded as relevant.[23] This approach has led to circumstances where the Federal Court has found that information in US patents, although highly relevant and readily understood, would not have been ascertained in certain circumstances.[24] The Federal Court also noted that when the ability of the skilled person to ascertain relevant prior art is in doubt it is necessary to have evidence to resolve the dispute. This has the potential to introduce significant additional costs to litigating patent disputes.

38. In contrast, in other jurisdictions, although prior art must pass the test of being considered relevant, and therefore understood by the skilled person, there is not the requirement that the skilled person would have been expected to have looked for and found the prior art. This latter approach is more aligned with the global innovation environment that exists today where there is more ready access to information via the internet and electronic means.

39. Although it has been argued that the transition costs involved in any changes to inventive step outweigh the advantages of improved alignment and stronger thresholds, these arguments do not take account of the costs to the innovation system as a whole when inventive step thresholds are too low and follow-on innovation is discouraged.

[23] *Patents Act 1990,* s7(3)
[24] *Commissioner of Patents v. Emperor Sports Pty Ltd* [2006] FCAFC 26 (10 March 2006).

40. These arguments also ignore that in Australia lack of inventive step can only be established where it can be shown that the skilled person would have found a relevant citation. This requirement does not exist in the US, UK, EPC or Japan and meeting this requirement places an extra evidentiary burden and extra costs on those seeking to defend or challenge Australian patents.

4.2 Proposed change

Amend s7(3) of the Patents Act to:

- remove the requirement that prior art information for the purpose of inventive step must be such that a person skilled in the art could be reasonably expected to have been ascertained, while retaining the requirements that prior art be understood and regarded as relevant.

The definition of the prior art base for inventive step will not change.

4.3 Threshold test for inventive step

41. A further difference arises in relation to the threshold test set for inventive step. This test was most recently considered by the High Court in *Lockwood v. Doric*[25], where the Court affirmed that the test for lack of inventive step, or obviousness, was whether or not the skilled person would be led directly as a matter of course to try a particular approach with a reasonable expectation of success.

42. In contrast, in jurisdictions such as the EPC the question that is asked is: 'Would the invention have been obvious to try with a reasonable expectation of success?'[26] This approach takes account of situations where it is routine in the art to conduct testing or combine particular approaches in order to solve a particular problem or in order to find a better way of doing things. As such it sets a lower requirement for establishing a lack of inventive step than the Australian requirement, in that it accepts that in certain circumstances some degree of routine experimentation would be standard practice for a skilled worker in the art.

43. It has been argued that changing Australia's test for inventive step introduces unnecessary uncertainty for Australian applicants and users of the Australian patent system. However, this argument does not reflect the global marketplace that exists today, where greater than 85% of Australian patent applications are filed by overseas applicants. In this environment improving conformity with overseas standards increases rather than reduces certainty for applicants, both Australian and foreign.

[25] *Lockwood v. Doric* [2007] HCA 21

[26] EPO approach to evaluating inventive step/obviousness, the 'obvious to try approach' was also endorsed by the US Supreme Court in *KSR International Inc. v Teleflex Inc.* 550 U.S. 398 (2007)

44. It has also been argued that differences between inventive step standards internationally make it difficult to identify an appropriate standard to set for Australian inventive step. However, while acknowledging that there are differences between the threshold levels set for EPC, Japanese and US inventive step, it would appear that there is closer alignment between these three jurisdictions than between Australia and any one of these three. In particular, all three jurisdictions accept a world-wide concept of common general knowledge and apply a test that, in contrast to the Australian test, does not necessarily require that it be established that a skilled person would have found a citation and would have been directly led to try a particular approach.

45. Doing nothing also ignores growing recognition in other jurisdictions that existing inventive step standards may not adequately reflect what would be obvious to the person skilled in the art, and moves to raise the inventive step bar to take account of the skilled person's much improved access to information tools and technology[27]. To continue to do nothing increases the risk of Australia becoming even further out-of-step with changing requirements in other jurisdictions and in the international environment.

46. As with full description and fair basis, lower inventive threshold requirements in Australia raise the question whether Australian law strikes the correct balance between the scope of monopolies and access to innovation and new technology. It also raises the question whether patent thickets are more likely to develop in Australia than elsewhere.

4.3 Proposed change

The proposed change seeks to:

- revise the inventive step test to a test where the claimed invention is obvious if it was 'obvious for the skilled person to try a suggested approach, alternative or method with a reasonable expectation of success'.

5. Improving Certainty - Requirements Considered During Examination, Re-examination and Opposition

47. Certainty in the validity of granted patents is an essential element of a strong patent system. Patentees, third-party competitors and the public in general are not well served by a system that restricts the Commissioner's power to consider and raise matters during examination, re-examination and opposition which might lead to revocation by the courts.

48. IP Australia is seeking to make changes that will improve consistency between the substantive grounds considered by the Commissioner during examination and opposition and the grounds that might lead to revocation of a patent by the courts. These changes will provide greater consistency and higher presumption of validity for granted patents.

[27] EPO 'Raising the Bar' proposals - Ingwer Koch, Director Patent Law, EPO – presentations to Bio-Europe 2007 & report of the Board of the Administrative Council of the European Patent Organisation.

5.1 Usefulness

49. Usefulness relates to the principle that patents should not be granted for inventions that are not useful i.e. that have no practical application or that do not work. Currently, usefulness is only a ground for opposition and revocation through the courts, and is not among the criteria assessed during examination.

50. The issue of usefulness was considered in the Ergas Report and by the ALRC Report[28], both of which recommended including usefulness among the grounds for examination and clarifying that the requirement for usefulness is only satisfied if a patent specification discloses a specific, substantial and credible use for the invention.

5.1 Proposed change

Amend the Patents Act and/or Regulations to:

- include usefulness among the grounds considered during examination and re-examination and clarify that the requirement for usefulness is only satisfied if the patent specification discloses a specific, substantial and credible use for the invention.

5.2 Consideration of prior use

51. While novelty and inventive step are grounds reviewed in examination they are limited to consideration of published documents. Information made publicly available only through doing an act, such as by sale or by public demonstration (prior use) cannot be considered during examination. Historically this approach made sense because information of this kind was not easily accessible by examiners and consideration of prior use was best restricted to opposition proceedings where the Commissioner could rely on evidence provided by the opponent. Today, however the situation has changed and information about this kind of disclosure is more readily available through the internet and examiners need not always rely on third parties to provide evidence of prior use.

5.1 Proposed change

Amend s(45) of the Patents Act to:

- include prior use among the grounds considered during examination and re-examination.

[28] Australian Law Review Commission Review of Gene Patenting and Human Health, Genes and Ingenuity: Gene Patenting and Human Health, 2004

5.3 Re-examination

52. Re-examination of a patent can occur on request from a patentee or a third party, or where the Commissioner believes there are reasons to do so. The Commissioner may also re-examine an accepted application prior to grant. This ensures that the Commissioner has the opportunity to review a patent where further information comes to light following completion of examination. Currently re-examination only occurs for inventive step and novelty, and not for other potential grounds of invalidity. Thus re-examination does not allow for a review of all of the grounds considered during initial examination, during opposition proceedings and during revocation proceedings in the courts.

5.3 Proposed change

Amend s(98) of the Patents Act to:

- expand the grounds for re-examination to all of the grounds considered during normal examination.

6. Improving Certainty - Balance of Probabilities

53. Currently, in patent examination and opposition some patentability requirements are assessed against the higher standard of proof known as 'balance of probabilities' whereas others are assessed against the lower standard of 'benefit of the doubt', with benefit of the doubt falling to the applicant. In contrast, during Court proceedings, the higher 'balance of probabilities' is applied to all requirements.

54. This issue was considered in the Ergas and ALRC Reports, both of which recommended that the higher standard of 'balance of probabilities' be applied to all requirements considered during examination, although the Ergas report's main focus was on raising the standard with respect to novelty and inventive step.

55. This recommendation would increase the presumption of validity of granted patents — if the Commissioner and the courts apply the same standard of proof, it is more likely they will reach the same decision in relation to validity issues, whereas if the Commissioner applies a lower standard, there is more opportunity for the courts to overturn the Commissioner's decisions.

56. It would also better align Australian practice with practice in the US, UK and Europe where the standard of 'balance of probabilities' is applied during examination.

6 Proposed change

Amend the Patents Act to:

- clarify that 'balance of probabilities' is the standard of proof applied to all requirements during examination, re-examination and opposition proceedings.

7. Questions for Consideration

Please consider the questions below in relation to each of the proposals.

1. Do you agree in principle with the proposals outlined in this paper?
   Please provide reasons and support for your answers.

2. Do you think that the formulations put forward in this paper are the best solutions?
   Please provide reasons and support for your answers.