



**Australian Government**

**IP Australia**

# **Toward a Stronger and More Efficient IP Rights System**

## **Proposed reforms:**

- Streamlining the Patent Process
- Flexible Search and Examination

**IP Australia  
Consultation Paper  
December 2009**





## Introduction

In March, June and August 2009 IP Australia released a series of seven public consultation papers proposing reforms to Australia's intellectual property system.

The papers were circulated to a wide range of stakeholders with an interest in Australia's intellectual property system, including legal professionals, industry and business, academia, research institutions and various government organisations and agencies. They were also placed on IP Australia's website. Also, representatives of IP Australia held a number of face-to-face meetings with interested stakeholders and stakeholder groups.

IP Australia has reviewed the submissions to the consultation papers and issues raised at stakeholder meetings and is now seeking to develop the detail of the proposals, taking this feedback into account.

In November 2009 a first paper discussing the detail of proposals in public consultation papers one to five was released in November 2009.

The following paper represents the second, and final paper detailing proposals sets out in public consultation papers six and seven.

- *Streamlining the Patent Process*
- *Flexible Search and Examination*

The object of this paper is to:

- seek views on the detail of the revised proposals
- summarise the key issues raised during consultation.

IP Australia invites written submissions on the detailed revised proposals. IP Australia will consider the submissions during development of the detail of the proposed changes. The closing date for submissions is Friday, 12 February 2010.

Written submissions should be sent to:

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The contact officer is Terry Moore, who may be contacted on (02) 6283 2632.

Unless requested otherwise, written comments 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.



## Executive Summary

This is the second of two papers setting out the detail of proposed changes discussed in the series of seven consultation papers released by IP Australia between March and August 2009.

This paper should be read in conjunction with draft drafting instructions, which are provided as an accompaniment to this paper.

The paper is divided into four sections and covers proposals put forward in the final two papers released as part of IP Australia's first-round of public consultation.

- *Streamlining the Patent Process*
  - 1 – Removing unnecessary differences
  - 2 – Simplifying processes
  - 3 – Remedying other problems with the patent system
- *Flexible Search and Examination*
  - 4.1 – Flexible Examination

The sections explain how IP Australia intends to progress each of the proposals put forward in the first-round consultation papers, provide details of the specific solutions proposed by IP Australia and summarise issues raised in submissions to the first-round papers.

Submissions to the first-round papers:

- expressed in-principle support for many of the proposals, but
- expressed mixed views as to the best way of achieving the proposed changes.

This paper follows an earlier paper, released in November, which covered the proposals put forward in the first five papers released as part of IP Australia's first-round of public consultation.

- *Getting the Balance Right*, March 2009
- *Exemptions to Patent Infringement*, March 2009
- *Resolving Patent Opposition Proceedings Faster*, June 2009
- *Resolving Trade Mark Opposition Proceedings Faster*, June 2009
- *Resolving Divisional Applications Faster*, June 2009.



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## 1 Removing unnecessary differences

### 1.1 Novelty

1. Under proposal 2.1 of *Streamlining the Patent Process* IP Australia proposed two changes to the way in which citations are considered when assessing novelty.
2. A first proposal related to changes to the information that is taken into account when determining 'whole of contents' novelty. The change proposed that all information in a citation at its filing date be taken into account when determining whole of contents novelty, rather than information only in the citation at both its filing and publication dates.
3. IP Australia proposes to proceed with this proposal.

#### 1.1 Proposed changes

- Amend the definition of 'prior art base' in Schedule 1 at part (b) (ii) (C) to set out that for the purposes of determining novelty, the information in the citation at its filing date is taken into account (whether or not that information is in the specification as published).

4. The intention of the amendment is to reduce complexity and to better align Australian practice with that in other major jurisdictions.
5. Submissions were evenly divided on the proposal. Some submissions argued that if the information were not present in the document as published there may be nothing to alert another party to a potential citation. IP Australia notes that, although there may be some circumstances where it is not apparent from the published patent specification that information has been removed, significant amendment of applications before publication is rare. Also, the information in the specification as filed is among the information that becomes open to public inspection and thus is available to the public; even though it is not part of the published specification.
6. Some submissions also noted that the current situation advantages parties who may be filing applications for similar inventions and who do not want information in an earlier application that is subsequently removed prior to publication to deprive a later application of novelty. However, such an approach is contrary to the principle that patents should not be granted for what has been done before the priority date of an application. Also, IP Australia believes that in these circumstances the onus sits with the applicant to avoid collision between their different patent applications.
7. A second proposal related to the way in which prior art documents are interpreted for the purposes of novelty. In particular the proposal set out that for the purposes of determining novelty, citations would be construed at the priority date of the claims under examination, rather than the date of publication of the citation, as is currently the case.
8. IP Australia does not intend to proceed with this proposal.
9. Submissions noted that a document is created in the context of the knowledge and events at the time at which it is written. Giving a meaning to the document from subsequent events could result in changes that were never intended by the author, and in effect the meaning of documents would change with time. Moreover, the proposed test was considered to combine old disclosure with new information. In this regard, submissions considered that the proposal blurred the necessary distinction between novelty and inventive step.





10. Other submissions noted that implementing the change would reduce the cost to parties of adducing evidence as to the common general knowledge, as the changes would mean that parties would no longer need to lead evidence on the common general knowledge at the publication date of the citation.

11. On balance IP Australia believes that there is insufficient argument to justify change at this stage, particularly given that the change would be inconsistent with the practice of some major jurisdictions who construe novelty citations at their date of publication.

## 1.2 Product-by-process

12. Under proposal 2.2 of *Streamlining the Patent Process* IP Australia proposed changes to the way in which product-by-process claims are interpreted. In particular, if a claim defines a product in terms of the method or process by which the product is produced, the claim will be construed as defining the product *per se*, that is, the product whether produced by the method or process, or by any other method or process. The proposed approach is consistent with the approach taken to product-by-process changes in Europe, the US and the UK.

13. IP Australia proposes the following change:

### 1.2 Proposed change

- Amend the Patents Act to set out that, if a claim defines a product in terms of the method or process by which the product is produced, the claim will be construed as defining the product *per se*, that is, the product whether produced by that method or process, or by any other method or process.

14. Under the proposed change, the patentability of a product would rely on the features of the product itself and not on the process by which it was made. Thus where a process does not impart distinctive characteristics to a prior art product, then the product will lack novelty. When the product can only be defined in terms of the method or process by which it is produced, the onus sits with the applicant to establish that the product *per se* is novel.

15. A number of submissions opposed the proposed change, noting that Australian law is well established as to the meaning and scope of such claims and the changes would introduce unnecessary uncertainty for applicants. Submissions in support considered that separating products from processes would bring greater clarity to the patent system and greater consistency with other jurisdictions.

16. IP Australia acknowledges that product by process claims are an established form of claim in Australia. However, protection for the product of a process has been codified in the Patents Act through the definition of 'exploit' in Schedule 1. As a consequence product-by-process claims are now redundant in all but those circumstances where the product can only be defined by the process by which it is produced.

17. Some submissions suggested that the status of product-by-process claims in the US was unclear as a result of a recent US court decision. However, this decision was in the context of infringement rather than patentability and did not suggest a change to US examination practice or patentability with respect to product-by-process claims.



## 1.3 Omnibus claims

18. Under proposal 2.3 of *Streamlining the Patent Process* IP Australia proposed that omnibus claims in the general format no longer be allowable. In particular, the proposal set out that the claims shall not, except where necessary, rely on reference to the description or drawings.

19. IP Australia therefore proposes the following changes:

### 1.3 Proposed changes

- Amend s 40 and s 102 of the Patents Act to set out that the claims shall not, except where absolutely necessary, rely on reference to the description or drawings.
- When an application includes an omnibus claim, an examiner is likely to object to the claim unless it is apparent from the face of the specification that it is necessary for the claim to refer to the description or drawings in order to define the invention.

20. The proposed change will limit the use of omnibus claims to situations where a reference to the description or drawings is absolutely necessary. The key consideration will be whether there is no other practical way to define the invention without referring to a drawing or figure. For example, where the invention is a compound that can only be defined by reference to a spectroscopic profile in a figure.

21. Submissions were evenly divided on the proposal. Some submissions argued that there was insufficient reason to take away the benefits provided by such claims. In this regard, submissions considered that Australian law is well established and there is no difficulty in construing such claims. Indeed it was noted that such a claim was relied upon in a Patent Office decision on an extension of term.<sup>1</sup> In this case the omnibus claim was used as the basis for an application for an extension of term when all other claims were found to lack fair basis.

22. However, as argued in submissions supporting the proposal, defining an invention with reference to the specification and drawings can impose a burden on the addressee, and lead to a lack of clarity as to the scope of the claim. Such claims are also contrary to the principle that claims should stand alone and should not be unduly complex or difficult to construe. It is questionable whether the value of these claims offsets the costs associated with allowing claims that are inconsistent with most other jurisdictions.

## 1.4 Clarification of unity of invention requirement

23. Under proposal 2.4 in *Streamlining the Patent Process* IP Australia proposed clarifying that the Australian test for unity of invention is the same as the Patent Cooperation Treaty (PCT) test.

24. IP Australia proposes the following change:

<sup>1</sup> *Zentaris Aktiengesellschaft* [2002] APO 41



## 1.4 Proposed change

- Amend s 40 (4) to clarify that, for the purpose of that subsection, the claims are taken to relate to one invention if they relate to a group of inventions so linked as to form a single inventive concept.

25. The changes will clarify that the practice applied during Australian examination is consistent with the approach to unity under the PCT.

26. Submissions were supportive of the change. However, one submission noted that the term 'invention' has a number of different occurrences in the Act and emphasised the importance of ensuring that there are no unintended flow-on effects from any changes. The proposed changes address this concern by clarifying that the reference to unity relates to the term as used in s 40 (4) only.

## 1.5 Disregarding earlier applications under the Paris Convention

27. Under proposal 2.5 in *Streamlining the Patent Process* IP Australia proposed changes to the provisions for disregarding priority applications filed in other Paris Convention countries.

28. IP Australia proposes the following changes:

### 1.5 Proposed changes

- Amend s 96 of the Patents Act to allow an earlier application to be automatically disregarded by the Commissioner where the application has been withdrawn, abandoned, refused or lapsed, without being open to public inspection and without leaving any rights outstanding, and if it has not yet served as a basis for claiming a right of priority.
- Amend s 96 (1) (d) to clarify that the earlier application may be disregarded even where the later application has been made in a different Convention country.
- Retain the current requirement in s 96 (2) (b) that the earlier disregarded application may not be used as a basic application under the Paris Convention.

29. The changes will provide a more streamlined means for disregarding withdrawn Convention applications, will improve alignment between Australian patent law and law elsewhere, and will reduce risks for applicants who rely on the Paris Convention for priority.

30. Most submissions supported the proposal. However one submission argued that the current system should be retained with respect to applications filed within 12 months of each other. This would allow an applicant to withdraw a first application, file a subsequent applicant within 12 months of the first application and continue to rely on the first application for priority, unless the application expressly requested the Commissioner disregard the earlier application.

31. Under the proposed changes, and as is the case in most Paris Convention countries, this would no longer be possible, as the first application would be automatically disregarded once withdrawn. However, this flexibility comes at a cost. It introduces complexity and a difference between Australian practice and practice in most other Convention countries. On balance, IP Australia considers that reducing complexity and





alignment outweigh any advantage from retaining the current system for applications filed within 12 months of each other.

## 2 Simplifying Processes

### 2.1 Simplifying the grant process

32. Under proposal 3.1 in *Streamlining the Patent Process* IP Australia proposed simplifying the way in which a patent is granted.

33. IP Australia proposes the following change:

#### 2.1 Proposed changes

- Amend s 61 (1) so that the Commissioner must grant a standard patent by registering the particulars of the patent in accordance with s 187 (1).
- Amend s 62 (1) so that the Commissioner must grant an innovation patent by registering the particulars of the patent in accordance with s 187 (2).
- Amend the Patents Act to provide that, upon granting a standard or innovation patent, the Commissioner must give to the patentee a certificate of grant in the approved form.
- Repeal s 66 (note that existing reg 10.7 of the Patents Regulations allows for amendment to the Register to correct a clerical error or obvious mistake or to change a name or address).

34. The changes are intended to provide a simpler and more efficient process, which is better aligned with today's electronic document management systems.

35. The proposal would require that grant no longer occur by physically sealing a patent, but instead by entry of particulars into the Register of Patents. Patentees will continue to receive a certificate confirming the grant. Additionally, they will continue to be able to request a signed extract of the Register, should they need to provide evidence in proceedings.

36. Most submissions supported this proposal. Some submissions were concerned to ensure that the meaning of 'grant' was not adversely affected elsewhere in the Act and that the differences between the grant and examination regimes for standard and innovation patents were accounted for. IP Australia will take care in the drafting process to guard against unintended consequences.

37. A number of submissions noted that patentees would still expect to receive letters patent. IP Australia will continue to provide patentees with a record of grant in the form of certificate similar to that received by trade mark and design owners on registration of their right.

### 2.2 Simplifying the amendment of particulars

38. Under proposal 3.2 in *Streamlining the Patent Process* IP Australia proposed changes to allow certain particulars to be amended without the need for documents to be filed incorporating those changes.

39. IP Australia proposes the following changes:



## 2.2 Proposed changes

- Amend s 104 (1) – (2), s 105 (1) and s 107 (1) so that the amendment is no longer to the ‘patent request’ or ‘other filed document’. It is envisaged that the amendments would be similar to either:
  - section 65 (7) of the Trade Marks Act which provides that ‘an amendment may be made to any other particular specified in the application’.
  - or
  - rule 92bis of the Regulations under the Patent Cooperation Treaty (PCT) which provides that the International Bureau shall ‘record changes in the following indications appearing in the request or demand’.
- The proposed changes will ensure that the Commissioner can still amend the actual document where appropriate (i.e. if the particulars are not recorded separately in an electronic database).
- The amendments will not apply to specifications, which will continue to be amended according to existing processes.

40. The intention of the proposed changes is to simplify the process by which the particulars of a patent application are amended. Where the information specified in a patent request, request or other document (excluding specifications) has been entered into an electronic database, amending the entry in the database would be sufficient to action the amendment and there would no longer be a requirement to annotate or replace the original document.

41. However, it should be noted that where a document is stored as an electronic document (for example the parts of the specification – the description, claims, figures or drawings and sequence listing are each stored as a separate electronic document), existing processes would continue to apply.

42. The changes would also allow for greater flexibility in the way that amendments to particulars are made as IP Australia’s systems and interface with customers develops.

43. There was general support for this proposal.

## 2.3 Simplifying legislation for PCT national phase processing

44. Under proposal 3.3 in *Streamlining the Patent Process*, IP Australia proposed a series of amendments to improve transparency and reduce complexity of PCT national phase requirements in the patents legislation.

45. IP Australia proposes the following change:



## 2.3 Proposed changes

- Proposal 3.3 of the *Streamlining the Patent Process* consultation paper will be implemented. Details are set out in the accompanying set of draft drafting instructions. Aims of these changes are to:
  - make the patents legislation simpler to navigate
  - reduce the need for regulations which modify the Act
  - no longer have a separate Chapter in the Patents Act for PCT applications
  - address some further issues with PCT implementation.
- Other details regarding implementation of this proposal are to be set out in regulations made under the amended provisions. Further consultation is planned on the details of these regulations.

46. A principle underpinning the changes is to move the requirements for all standard applications into common chapters, that is, move the requirements for PCT and Convention applications out of Chapter 8 and into the chapters dealing with standard applications. This will improve clarity and reduce complexity for applicants in respect of the requirements for Convention applications and PCT applications entering national phase

47. Having PCT requirements in a separate chapter reflects a time when the PCT was a relatively new addition to the system and PCT applications were only a very small percentage of total applications. The PCT is now the norm, with PCT and Convention applications making up over 95% of standard applications. Given this, it makes sense to deal with PCT and Convention applications in the same chapter as all standard applications.

48. IP Australia only received a small number of comments in relation to this proposal. Comments were generally supportive of the changes.

49. In the previous consultation paper, IP Australia sought views from stakeholders on any other issues they may have with the way in which the PCT has been implemented in the patents legislation, which could be addressed at the same time as this proposal is implemented.

50. One stakeholder group raised the following issue. When an applicant makes an application for a patent in Australia under the Paris Convention, the applicant is entitled to rely on an earlier application for priority if application, under Australian law, if they have the consent of the applicant of the earlier application or of another person listed in the relevant provisions of the Patents Act. The submission noted it is not as clear that the same applies with respect to PCT applications. That is it is not clear that the consent of the earlier applicant is sufficient to enable the applicant of the later PCT application to rely on the earlier application for priority. IP Australia acknowledges that there may be some uncertainty surrounding this issue, and proposes seeking clarification. As this matter essentially goes to the priority date of the PCT application, it is believed that this can be clarified in regulations made under the Patents Act. For this reason, the issue is not raised in the draft drafting instructions.



## 2.4 Clarifying and simplifying information processes

51. Under proposal 3.4 in *Streamlining the Patent Process* IP Australia proposed changes to give the Commissioner the power to restrict or revoke public access to material where she believes that the material is not appropriate for public inspection.

52. IP Australia proposes the following changes:

### 2.4 Proposed changes

- Amend Chapter 4 of the Patents Act to provide that a document or part of a document will not become open for public inspection ('OPI'), or will cease to be OPI, if the Commissioner has reasonable grounds for believing that the document or part of the document should not become OPI.
  - The proposed power would apply to all documents filed in relation to an application or granted patent, other than specifications.
- A party with a legitimate interest in a document that had been made non-OPI under the new provision would be able to seek access to the document. Similar to the existing processes under s 56 (1) (b), the Commissioner could grant inspection to
  - the party requesting inspection
  - their legal representatives
  - an independent third party (who would report to the party requesting inspection whether the information in the document was relevant to a decision of the Commissioner).
- The Commissioner would be able to grant inspection subject to any conditions or undertakings she thought fit (including requiring a confidentiality undertaking).
- In relation to both the power to make a document non-OPI and the power to grant inspection:
  - the Commissioner would not be able to exercise the power adversely to a party without providing an opportunity to be heard
  - a party could seek full merits review from the Administrative Appeals Tribunal (AAT).

53. The change is intended to protect the privacy of individuals where sensitive personal information about the individual is filed with the patent office. However, it is also recognised that there must be appropriate access to information about the invention, inventor and applicant and to information that may influence a decision of the Commissioner under the patents legislation.

54. The proposed changes would permit the Commissioner to restrict general public access to information that was of a nature not appropriate for public inspection. Decisions by the Commissioner under the proposed power would be reviewable by the AAT. The Commissioner would only exercise this power if she became aware of potentially sensitive information in the ordinary course of business. There would be no obligation for the Commissioner to review all filed documents for such information.

55. If such information was restricted, a party with a legitimate interest in the information would be able to seek access to the information.



56. Most submissions supported the proposal or supported it in principle. Some submissions considered that there must be appropriate mechanisms to permit a party with a legitimate interest in the information to have confidential access to it. IP Australia agrees with these concerns and the proposal includes such a mechanism.

57. One submission considered that the proposed power was too broad and that access to the information should only be restricted if the information was confidential. Given the wide range of circumstances in which the Commissioner could be given material inappropriate for publication, IP Australia considers that such a limitation would be too inflexible and may not adequately provide for the protection of privacy.

## 2.5 Rescinding acceptance

58. Under proposal 3.5 in *Streamlining the Patent Process* IP Australia proposed changes to give the Commissioner the power to undo acceptance in instances where an application has been accepted following some error or omission by IP Australia.

59. IP Australia proposes the following changes:

### 2.5 Proposed changes

- Introduce a provision into the Patents Act which states that the Commissioner may revoke the decision to accept an application for a standard patent if:
  - no patent has been granted on the application
  - the application should not have been acceptedand
  - it is reasonable to 'undo' its acceptance, taking account of all the circumstances.
- For innovation patents, the Commissioner would have the power to revoke the decision to accept an innovation patent or the decision to certify an innovation patent.
- The power would be at the Commissioner's discretion. The applicant, patentee, any opponent and other interested parties would be given an opportunity to be heard under Regulation 22.22 prior to the exercise of the proposed power.
- If the power were exercised:
  - a standard application would be taken not to have been accepted
  - an innovation patent would be taken not to have been acceptedor
  - a granted innovation patent would be taken not to have been certified.
- Where applicable, the standard patent application or innovation patent would not lapse on its final date of acceptance
- Any subsequent actions post-acceptance, for example, amendments under section 102 and oppositions, would also be taken to not have begun.





60. The change would provide a clear and simple means to rectify errors or omissions by an IP Australia employee, where the error is not discovered until after acceptance (standard patents) or acceptance or certification (innovation patents). The proposal would permit the Commissioner to 'undo' the acceptance or certification and rectify the error or omission. The proposal is intended to be similar to the existing power to revoke trade mark acceptance, which has been functioning adequately for a number of years.

61. Most submissions supported the proposal in principle. Some concerns were raised that the proposed power was too broad. IP Australia intends to develop guidelines to indicate the sorts of circumstances in which the power is intended to be used.

## 2.6 Removing the requirement for State sub-offices

62. Under proposal 3.6 in *Streamlining the Patent Process* IP Australia proposed removing the requirement that there is a sub-office of the Patent Office in each State.

63. IP Australia proposes the following changes:

### 2.6 Proposed changes

- Remove the requirement that there 'must' be a sub-office, and replace this with the discretion that there may be a sub-office of the Trade Marks, Patents and Designs Offices by amending:
  - section 199 (2) of the Trade Marks Act
  - section 205 of the Patents Act
  - section 125 (2) of the Designs Act
- The decision to create or remove a sub-office or to create an alternative means for applicants to file documents would be at the discretion of the Commissioner/Registrar.

64. The change would provide flexibility to withdraw physical lodgement services if and when they are no longer needed. The requirement for individual state sub-offices reflects a time when most business was paper-based and where payments and filings were made in person at State Offices. It does not account for today's business environment where business is conducted electronically and there is a diminishing need for physical lodgement facilities in each State.

65. Support for this proposal was mixed. A number of submissions were concerned that state office services would be withdrawn before e-business channels were implemented or before reliable alternate arrangements were implemented.

66. IP Australia acknowledges the importance of maintaining convenient and reliable lodgement services and will retain State-based lodgement services at least until such time as e-business channels are functional.

## 3 Remediating other problems with the patent system

### 3.1 Entitlement

67. In section 4.1 of the *Streamlining the Patent Process* consultation paper, IP Australia proposed changes to address issues with patent entitlement. In particular the changes are directed at reducing complexity and improving clarity and certainty for parties seeking to resolve entitlement issues.



68. IP Australia proposes the following changes:

### 3.1 Proposed changes

- The proposal outlined in the previous consultation paper will be introduced, without any significant variations.

69. Two key elements of the proposal are that:

- a patent will not be invalid solely because it was not granted to a party or parties who were correctly entitled and
- the Commissioner would have similar powers to rectify the Register as the courts now have.

70. Submissions were generally supportive of the proposal.

71. A number of submissions were received in relation to paragraph (D) of the proposal, which deals with licences following rectification of the Register.

72. Paragraph (D) relates to the situation when ownership of a patent is transferred, through rectification of the Register of Patents, into the name of a correctly entitled person or persons. In such a case, the status of any licences made with the originally recorded patentees may be unclear.

73. The proposal clarified that:

- any licences or other rights in the patent granted or created by the original patentees would continue in force, unless there was *no* common person between the original patentees and the new patentees, or the Commissioner of Patents orders otherwise
- the original patentees would be permitted to seek non-exclusive licences in limited circumstances, for example, if prior to the rectification, they were exploiting the invention in Australia, or had taken definite steps (contractually or otherwise) to do so.

74. This proposal was based on provisions in the *Patents Act 1977* (UK).

75. Comments received focused on the importance of ensuring that sub-licenses granted by licensees of the original patentee were also dealt with and how best to deal with existing licenses of original patentees. IP Australia is still developing a model to deal with licenses and will consult further as the model develops.

76. Comments were also received in relation to paragraph (E), which sought views on whether only a person claiming a right to a patent should be able to seek revocation of a patent on entitlement grounds. At present, any person is able to challenge a patent on entitlement or any other ground.

77. Views on this were mixed. Those who supported maintaining the current approach argued that entitlement is fundamental to establishing the link between effort and reward and that any party should be able to challenge a patent on entitlement grounds.

78. Those who supported change argued that challenges on validity on the basis of entitlement are usually for strategic reasons: for the interests of competitors. Thus there is the potential for abuse. However, it is arguably an even worse abuse of the patent system



for a person with no good claim at all to a patent being able to enforce it against other parties and to reap its benefits.

79. It was also suggested that it would be unlikely for a third party without entitlement to have sufficient information to substantiate such a ground of revocation. Thus there is limited value in having a broader requirement.

80. IP Australia's view is that, on balance, there is not a sufficient case for change to this aspect of the law.

## 3.2 Non-infringement declarations

81. Under proposal 4.2 in *Streamlining the Patent Process* IP Australia proposed changes to the provisions for obtaining a non-infringement declaration. In particular, the proposal set out that a person would be able to seek a non-infringement declaration, whether or not they have applied for, or been granted, a patent related to the activity for which they are seeking the non-infringement declaration.

82. IP Australia also sought stakeholder views on several other issues:

- a) Whether it should be possible to challenge the validity of a patent that is the subject of the non-infringement declaration action during the non-infringement declaration proceedings.
- b) Whether it is appropriate that the person seeking the non-infringement declaration pay the costs of all parties, unless the Court orders otherwise.
- c) Whether the Commissioner, as well as the Courts, should have jurisdiction to make a non-infringement declaration.
- d) The appropriateness of permitting a person to obtain a non-infringement declaration prior to patent grant.

83. IP Australia proposes the following changes:

### 3.2 Proposed changes

- Amend s 125 to clarify that a person would be able to seek a non-infringement declaration, whether or not they have applied for, or been granted, a patent relating to the activity for which they are seeking the non-infringement declaration.
- Amend s 125 to further provide that the declaration may be made in relation to a past, future or present activity.
- Amend s 126 to clarify that validity of a claim can be questioned in proceedings for a non-infringement declaration.
- Amend s 126 to remove the provision that the costs of all parties in proceedings for a non-infringement declaration must be paid by the applicant unless the court otherwise orders.

84. The proposed changes address perceived shortcomings in the current system, including deterrents such as cost provisions and the inability to challenge validity during proceedings. The changes also better align Australia's scheme for non-infringement declarations with overseas schemes.

85. The majority of submissions supported the proposal that the validity of a patent should be able to be challenged in the same proceedings as a request for a non-



infringement declaration. However, one submission, while supporting the proposal, noted that the option would have little practical significance, since a party who genuinely believed a patent was invalid would initiate separate invalidity proceedings.

86. A number of submissions considered that requiring the applicant to bear all costs acts as a disincentive for parties to seek non-infringement declarations, and that the provision would be used more often if each party bore its own costs, or if costs followed the event. Moreover, requiring the applicant to bear all costs does not take account of the fact that the patentee has already been given the opportunity to settle the matter prior to proceedings being undertaken. IP Australia considers that it is more appropriate that costs should follow the event.

87. Most submissions opposed the proposal that the Commissioner have the jurisdiction to make non-infringement declarations, noting that courts are specifically set up to deal with contested evidence, discovery processes, cross-examination and privilege issues. Investing such power in the Commissioner would divert resources from the primary responsibilities relating to examination and the like. One submission in support considered this would provide a quick and efficient means of resolution in some cases. However, it was acknowledged that in some cases only a court decision would provide the desired degree of finality. Consistent with these views, IP Australia does not intend to progress this option at this time.

88. Most submissions did not support a person being able to seek a non-infringement declaration prior to grant on the basis that the strength of a declaration depends on certainty of the scope of the claims. Accordingly, IP Australia proposes that a non-infringement declaration only be sought after the patent has been granted.

## 4 Flexible Examination

### 4.1 Early Search and Examination

89. Under proposal 3.1 of *Flexible Search and Examination* IP Australia proposed a system of early search and examination for non-PCT standard applications. The proposed system is intended to provide applicants and the public with an early indication of the patent rights that are likely to be granted for the invention.

90. IP Australia proposes the following system:



## 4.1 Proposed changes

- Amend Chapter 3, Part 2 of the Patents Act to give the Commissioner the power to subject a patent request and complete specification relating to an application for a standard patent to a preliminary search and examination, under the circumstances and as prescribed in the Patents Regulations.
- The circumstances would be:
  - where the application is other than a PCT or a divisional application, and
    - where the application does not have an equivalent application filed in another 'recognised' jurisdiction for which a search of the claimed invention by that jurisdiction is expected to be published prior to examination of the application under s 45.
- The preliminary search and examination would be similar to an international search and preliminary examination conducted under the PCT.
- 'Recognised' jurisdictions will be set out in the Regulations. These are intended to include overseas patent offices that have the highest standards in a comprehensive quality management system, so that IP Australia can be confident that the quality of their search and examination work is as good as IP Australia's.

91. The objective of the system is to provide applicants and third parties with a preliminary indication of the rights that are likely to be granted, similar to the preliminary indication provided for all PCT applications.

92. While applicants may defer preliminary search and opinion on the basis of a search being carried out on an equivalent application in a foreign IP office, the decision to defer search and examination will be at the Commissioner's discretion.

93. Where an applicant requests to rely on an alternative recognised jurisdiction's search and examination they must provide details of the equivalent foreign application at the time of filing their Australian application.

94. The preliminary search and examination will be used to the maximum extent possible during examination, as will any other foreign search and examination reports that are available to the examiner.

95. Most submissions supported the proposed system in principle, however some submissions raised concerns in relation to:

- The timing of the search and opinion. In particular, a search carried out prior to 18 months from priority may not retrieve relevant 'whole of contents' citations.
- A non-binding validity opinion early in the life of an application would necessitate IP Australia to expend effort and resources that would be better devoted to normal examination.

96. However, these same issues exist for PCT applications, where international search and preliminary examination is carried out within the same timeframes.





97. With respect to the first concern, IP Australia will apply the same practice to non-PCT applications as to the PCT applications, and where appropriate conduct top-up searching for whole-of-contents citations at examination.

98. With respect to the second issue, IP Australia believes that the benefits to the public and applicants of having information about the patentability of a claimed invention early in the life of an application justify the effort required to complete this work. Furthermore, this work is then available to the Australian examiner to be used to the maximum extent possible during national examination and to other offices, if the applicant chooses to file elsewhere.

99. Some submissions also raised concerns that the option to defer early search and examination would disadvantage local business that chose to file only in Australia. Overseas applicants and larger applicants filing in multiple jurisdictions could defer early search and examination and the costs associated with this, while applicants filing only in Australia could not. These concerns will be taken into account when IP Australia develops its fee structure for early search and examination and subsequent examination and acceptance of non-PCT applications.

100. Submissions also suggested that third parties and competitors would be no better off because the majority of non-PCT applicants would seek to rely on the search and examination from the alternative recognised jurisdiction. To some extent this will be addressed by requiring that where an applicant seeks to rely on the search and examination of the alternative recognised jurisdiction the applicant must provide details of the foreign application when they file their Australian application. This gives the public and third parties information about an equivalent application, which is to be searched and examined elsewhere. Third party requests for examination represent a further option for parties seeking information about, and resolution of, applications of interest. Third party requests for examination can be made at any time after an application has become open to public inspection.

## 4.2 Examination Options

101. Under proposal 3.2 of *Flexible Search and Examination* IP Australia proposed an examination system where applicants would choose the 'level' of examination carried out according to the type of available foreign search and/or examination work they identified. A first level of examination expanded on the present modified examination processes, a second level was based on the identification and use of work from a recognised foreign IP office, and a third level involved a full search of the invention by IP Australia.

102. Most submissions opposed the proposed system, with strong support for a single examination process rather than the proposed multi-level system. A common theme of submissions was that under level 1 examination foreign applications would not be subject to a rigorous examination. This would disadvantage local applicants by leading to an increased need for Australian business to instigate opposition or court action to defend against patents granted under level 1.

103. In response to the concerns raised by stakeholders IP Australia proposes the following system:



## 4.2 Proposed changes

- A single examination system would apply to all standard patent applications. The fees would then be varied to reflect the amount of original work by the examiner and the degree to which the examiner relies on work done by recognised foreign offices.
- Amend the Act to repeal the provisions allowing for modified examination.

104. In particular, the proposed changes address stakeholder concerns about the complexity of a system that requires applicants to nominate a particular level of examination, and concerns about the 'level 1' option: the equivalent of the current modified examination system.

105. IP Australia intends to develop a fee structure that reflects the amount of original work required by IP Australia and the reliance on work done by other recognised offices.

## 4.3 Third party requests for examination

106. Under proposal 3.3 in *Flexible Search & Examination* IP Australia proposed that any person would be able to request examination of a standard application or a national phase PCT application. The applicant would have had two months to decide if they wished their application to be examined. A third party requesting examination would have been required to pay a portion of the examination fee.

107. This would replace the present provision, which allows a third party to request that the Commissioner direct an applicant to request examination. Currently, applicants have six months within which to respond to the Commissioner's direction, otherwise their application will lapse. One of the issues with the existing provision for third party requests for examination is that it includes a six month delay corresponding to the period within which the applicant must respond to the Commissioner's direction.

108. IP Australia has reconsidered this proposal and has decided not to proceed with it.

109. The reason for not proceeding is linked with the proposal in the following section, which is to reduce time within which to respond to the Commissioner's direction to request examination to two months. This would be the same time period to respond to a request for examination by the third party as proposed under proposal 3.3. Accordingly, IP Australia considers that the present provision, with the reduced time frame to respond to the Commissioner's direction, will meet the aim of providing an avenue for third parties to 'fast track' search and examination of applications in which they have an interest.

## 4.4 Requesting examination and gaining acceptance

110. Under proposal 4 of *Flexible Search and Examination* IP Australia proposed a reduction in the time to respond to a direction by the Commissioner to request examination, and a reduction in the time to gain acceptance

111. Consistent with this IP Australia proposes the following changes:



## 4.4 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.

112. Several submissions suggested that the reduced period of 2 months to request examination after a direction by the Commissioner might be too short. However, IP Australia considers that 2 months should be sufficient time, given the relatively straight forward nature of the decision to be made.

113. Several submissions also suggested that short time periods to respond to an office action (for example of 3, 4 or 6 months) rather than a fixed acceptance deadline, would be preferable to the proposed 12 month acceptance period. However, IP Australia does not consider that fixed time periods to respond to an examination report would provide any additional benefits for applicants over a single acceptance period.