

**Exposure Draft Intellectual Property Laws Amendment (Productivity Commission Response Part 2 and Other Measures) Bill 2018**

**August 2018**

**Response to consultation questions**

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1. BACKGROUND

In August 2017 AIPPI Australia provided submissions in relation to IP Australia's Public Consultation Papers 1, 2 and 4.

Paper 1 related to issues relevant to inventive step and technical features while Papers 2 and 4 dealt with the introduction of an objects statement into the Patents Act (1990) and compulsory licensing provisions.

A copy of those submissions is **attached** for ease of reference.

In this submission, AIPPI Australia comments on the various items raised in the Consultation Questions on the Exposure Draft Intellectual Property Laws Amendment (Productivity Commission Response Part 2 and Other Measures) Bill 2018, specifically the following questions:

1. **Schedule 1, Part 1 – Inventive step:** the amendment to subparagraph 7(2) (definition of inventive step) uses the terminology ‘in comparison with’ the prior art base instead of the previously proposed ‘having regard to’ the prior art base. This change was made for consistency with the rest of the Act, but differs from the wording used in the European Patent Convention. Are there any unforeseen consequences of using this wording?
2. **Schedule 1, Part 2 – Object of the Act:** does the term ‘technological innovation’ restrict or narrow the concept of ‘innovation’ to suit certain industries only? Which industries? What subject matter that is currently patentable would not be considered ‘technological’? Note that the TRIPS Agreement refers to ‘technological innovation’ (Article 7) and states that patents shall be available ‘in all fields of technology’ (Article 27).
3. **Schedule 4 – Compulsory licenses:** amendments to paragraph 133(5)(b), are the factors listed relevant to the dependent patent licence?
4. **Schedule 4 – Compulsory licenses:** this amendment would allow a cross licence to be revoked under subsection 133(6). Is this appropriate?
5. **Schedule 4 – Compulsory licenses:** the application provisions, are there any unforeseen consequences which we have not considered?
6. ABOUT AIPPI

AIPPI is the world’s leading international organisation dedicated to the development and improvement of intellectual property, formed 120 years ago. It is a politically neutral, non-profit organisation, with its headquarters in Switzerland, having more than 9000 members in more than 100 countries. The members of AIPPI are actively interested in the intellectual property protection on a national or international level. They include lawyers, patent attorneys, trade mark attorneys, judges, academics, scientists and engineers.

The objective of AIPPI is to improve and promote the protection of intellectual property on an international and national basis. AIPPI pursues this objective by working for the development, expansion and improvement of international and regional treaties and agreements and by reviewing national laws relating to intellectual property. AIPPI operates by conducting studies of existing national laws and proposing measures to achieve harmonisation of these laws on an international basis. These measures are embodied in resolutions approved by the Executive Committee, after consultation and debate within our membership.

1. RESPONSE TO QUESTION 1: INVENTIVE STEP

The proposed amendment to s.7(2) reads as follows:

7(2) For the purposes of this Act, an invention is taken to involve an inventive step when compared with the prior art base if the invention is not obvious to a person skilled in the relevant art.

For comparison, the existing comparable provision reads as follows:

7(2)  **For the purposes of this Act, an invention is to be taken to involve an inventive step when compared with the prior art base unless the invention would have been obvious to a person skilled in the relevant art** in the light of the common general knowledge as it existed (whether in or out of the [patent](http://www6.austlii.edu.au/cgi-bin/viewdoc/au/legis/cth/consol_act/pa1990109/s178.html#patent) area) before the priority date of the relevant claim, whether that knowledge is considered separately or together with the information mentioned in [subsection](http://www6.austlii.edu.au/cgi-bin/viewdoc/au/legis/cth/consol_act/pa1990109/s153.html#subsection) (3) (bolding added).

There is clearly an improvement in clarity, and the removal of the prior art base to a separate definition clause is welcome. However, the only change to the substantive operative wording is to change ‘unless the invention would have been obvious’ to ‘if the invention is not obvious’.

There is little to separate the meaning of these clauses. According to ordinary principles of legislative construction, the court would presume that some change is intended by the very act of amendment. The context being addressed and the ‘mischief’ to be met by the amendments are relevant to interpretation. However, we consider that it is unlikely that the court will read the broad changes of intention and emphasis, and the various specific intended changes in the approach to assessment of inventive step that are the intention of the PC and the government response, into the proposed amendments.

The Productivity Commission (PC) recommendation noted that:

*The Explanatory Memorandum should state:*

*• a ‘scintilla’ of invention, or a scenario where the skilled person would not ‘directly be led as a matter of course’, are insufficient thresholds for meeting the inventive step*

*• the ‘obvious to try’ test applied in Europe would in some instances be a suitable test. IP Australia should update the Australian Patent Office Manual of Practice and Procedure such that it will consider the technical features of an invention for the purpose of the inventive step and novelty* tests.

We do not consider that the Explanatory Memorandum can or should be an effective mechanism to impose policy measures not reflected in the legislation.

The government response stated that:

*Although the Raising the Bar reforms made considerable improvements to the assessment of inventive step in Australia, they did not change the fundamental nature of the inventive step test in subsection 7(2) of the Patents Act 1990, or to the interpretation of that test developed by the 9 courts. Whilst the assessment of inventive step in the European Patent Office and in Australia is similar in most cases, the Productivity Commission considers that some differences still remain. The Government therefore supports the recommendation to put beyond doubt that the assessment of inventive step in Australia is consistent with the European Patent Office. The Government will seek amendments to the Patents Act to give effect to this recommendation. The wording of the legislative change and explanatory memorandum will be the subject of further public consultation.*

The current law and practice on inventive step under the European Patent Convention is a result of many factors, not merely the legislative provision, but also a series of Board of Appeal and Enlarged Board of Appear cases, national court judgements, and the guidelines and examples provided in the Guidelines of Examination in the EPO (which are themselves subject to a process of public comment and review). There is a formal concept of deference on such issues to the EPO decisions by national courts, partly reflecting the multinational nature of the EPO’s jurisdiction. This deference is not mirrored in Australia.

Our concern is that these amendments alone cannot give rise to the changes intended. We are also concerned at the prospect that IP Australia will implement a set of guidelines implementing the principles of the PC recommendations, aspects of EPC law, and the intention expressed in the explanatory memorandum. The courts, in due course, must read the legislation as it stands, and while the explanatory memorandum may assist in discerning the intentions of Parliament, those intentions cannot change the wording of the statute.

It is critical that IP Australia and the Courts apply the same rules on inventive step, for obvious reasons, and we are concerned that the proposed amendments and actions will not achieve this.

If the intentions of the PC and the government response as to be given effect, then these will have to find some substantive basis, for example:

* A provision comparable to s19 of the Design Act 2003, which lists factors to be considered in assessing substantial similarity in overall impression. This could enumerate specific factors to be weighed in determining in determining whether an inventive step is present
* The proposed IP Australia guidelines be placed in a regulation, and s7(2) be made explicitly subject to the corresponding regulation.

In terms of the specific question of using the terminology ‘in comparison with’ the prior art base instead of the previously proposed ‘having regard to’ the prior art base, we do not see any consequences from this change.

1. QUESTION 2: THE INTRODUCTION OF AN OBJECTS CLAUSE INTO THE *PATENTS ACT 1990*

IP Australia has proposed the following object clause in the *Patents Act 1990* (Cth) (***Patents Act***).

*The object of this Act is to provide a patent system in Australia that promotes economic wellbeing through technological innovation and the transfer and dissemination of technology. In doing so, the patent system* *balances over time the interests of producers, owners and users of technology and the public.*

The explanatory memorandum explains that the introduction of an objects clause will clarify the underlying purpose of the patent system and, over time, will reduce uncertainty in the operation of the Patents Act. It will also provide broad guiding principles that will help ensure that the patent system remains adaptable and fit-for-purpose as new innovations are developed in the future.

It states that the benefits of the patents system to society are primarily economic in nature, and these benefits are achieved through incentivising innovation and the dissemination of technology. Among other things, this results in better access to technology and new inventions, which will lead to improved economic wellbeing.

The explanatory memorandum suggests that these objects are not new, but reflect existing goals of the patent system. The clause is intended to clarify and clearly articulate these goals, and to assist courts in interpreting the Patents Act in cases where the text of the legislation is uncertain or ambiguous. Given this, the objects clause does not alter the ordinary meaning of the legislation or overturn existing case law and established precedent.

The explanatory memorandum states that the objects clause could assist to clarify the context of the newly introduced ‘public interest’ test inserted into the compulsory licensing provisions as per Part 1 of Schedule 4 of this Bill, but could not be used by patent examiners to introduce a new element when considering patentable subject matter, because the elements to be considered are clearly set out in the Patents Act and case law, and the objects clause is not intended to alter this.

**Question for consultation**

The question for consultation is:

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

AIPPI Australia is still opposed to the introduction of an objects clause (for the reasons set out in previous submissions to IP Australia’s consultation papers, made August 2017). It considers that although the explanatory memorandum states that the objects clause should not be considered in the context of patentability, the legislation does not provide any restriction on such use of the clause.

The following comments are made in the context of that opposition.

AIPPI Australia does not object to the language “technological innovation” (since, as noted in the questions for consultation, this language reflects the language in TRIPS, and the definition of “technology” is broad enough to capture all scientific fields of endeavour).

However, AIPPI Australia considers that if any objects clause is to be adopted, the clause should be more closely modelled on the wording of Clause 7 of TRIPS, to avoid any possible inconsistency or ambiguity between national and international law. Such a clause could read:

*The object of this Act is to provide a patent system in Australia in which the protection and enforcement of patent rights contributes to the promotion of technological innovation and to the transfer and dissemination of technology, to the mutual advantage of producers and users of technological knowledge*.

That language reflects the language of TRIPS.

* 1. Background

AIPPI Australia made submissions in relation to the Productivity Commission draft report addressing, amongst others, draft recommendation 6.2 concerning the incorporation of an objects clause into the Patents Act. AIPPI Australia did not support that draft recommendation on the basis of considerable concern with the proposal of an objects clause in the Patents Act *per se*.

As indicated above, AIPPI Australia responded to IP Australia’s consultation paper in August 2017, expressing the view that AIPPI Australia was opposed to an objects clause, and held the view that an objects clause is parochial and out of step with global international efforts towards substantive patent law harmonisation.

1. QUESTIONS 3 TO 5: COMPULSORY LICENSING OF PATENTS
   1. Background

As noted above, in August 2017, AIPPI Australia submitted comments in response to IP Australia’s ‘*Paper 4: Amending the Provisions for Compulsory Licensing of Patents*’. IP Australia now calls for further public consultation, in particular, in relation to the Draft Bill which introduces amendments to the provisions for compulsory licensing under Chapter 12 of the Patents Act[[1]](#footnote-1). AIPPI Australia’s submissions in relation to the current consultation are set out below.

## **5.2 Response to Question 3**

# AIPPI Australia notes that the proposed amendments to subsections 133(2), 133(3A) and 133(3B) of the Patents Act operate, among other things, to clarify that the requirement to grant a licence under the compulsory licensing regime may apply to the patentee of the *original invention* as well as the patentee for a relevant *dependent* *invention*.

# As amended, subsection 133(5) of the Patents Act ought therefore to apply to either the patentee of the original invention or the patentee of a dependent invention where that patentee is required to grant a licence to exploit the dependent invention ‘on reasonable terms’ under subsection 133(3A)(b).

# New subsection 133(5) of the Act allows a just and reasonable amount to be paid in respect of a licence to be determined by the Federal Court having regard to:

# the economic value of the licence; and

# the desirability of discouraging contraventions of Part IV of *the Competition and Consumer Act 2010* or an application law (as defined in section 150A of that Act); and

# the right of the patentee to obtain a return on investment commensurate with the regulatory and commercial risks involved in the developing the invention; and

# the public interest in the efficient exploitation of the invention.

## (i) and (ii) have been retained from the current form of subsection 133(5)(b), and (iii) and (iv) are respectively directed towards the interests of the patentee in recouping its investment costs and the public’s interests. Insofar as these considerations seek to balance the interests of Australian industry with the interests of the public, AIPPI Australia considers that they are equally relevant to the dependent patent licence as they are to the compulsory licence in respect of the original invention. Further, since it must be established that the dependent invention involves an important technical advance of considerable economic significance on the original invention, it is appropriate that the factors listed in subsection 133(5)(b) are also taken into account in determining the compensation due to the patentee of the dependent invention.

## **5.3 Response to Question 4**

## It is proposed that the words “revoke *the* licence” in sub-section 133(6) be substituted with “revoke *a* licence”. AIPPI Australia considers it appropriate to expand the scope of section 133(6) of the Patents Act to allow the patentee of the original invention, the patentee of the dependent patent or the Federal Court revoke the relevant compulsory licence or any cross-licence granted under section 133(3B), if the circumstances that justified the grant of either the compulsory licence or any cross-licence have ceased to exist. In this regard, AIPPI Australia considers that the form of sub-section 133(6), as amended, will be appropriate.

## However, AIPPI Australia notes that there is a potential incongruence with the proposed addition of paragraph (7), which states that if “the” licence is revoked under new subsection 133(6) of the Act, the court must also consider whether to revoke a cross-licence on a dependent patent. This appears to presume that the licence the subject of sub-section 133(6) is the compulsory licence for the original invention.

## **5.4 Response to Question 5 – Any unforeseen consequences of proposed amendments**

## AIPPI Australia notes that the effect of item 11 of the Draft Bill is that the amendments will apply only to:

## applications for an order for a compulsory licence under section 133 of the Patents Act made on or after the commencement date of Schedule 4; and

## applications for an order revoking a patent under section 134 of the Patents Act made on or after the commencement date of Schedule 4, if the order granting a compulsory licence relating to the patent was made under section 133 of the Patents Act after that day.

## Further, the proposed repeal of section 135 of the Patents Act will not apply to applications for an order under sections 133 or 134 of the Act if the application was made before the Schedule commences.

## AIPPI Australia considers that these transition and savings provisions are appropriate and unlikely to result in any prejudice to relevant stakeholders.

1. Neither the Draft Bill nor this submission addresses the regime in Part 3 of Chapter 12 of the Patents Act which relates to compulsory licences for the manufacture and export of patented pharmaceutical inventions to eligible importing countries. [↑](#footnote-ref-1)