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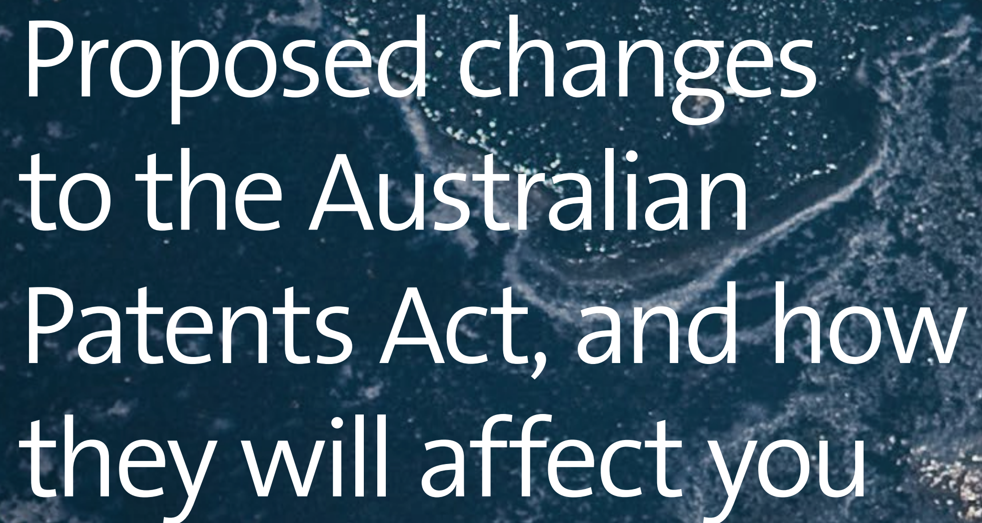

Proposed changes to the Australian Patents Act, and how they will affect you

AUGUST 2018

IP Australia has released an exposure draft of the Intellectual Property Laws Amendment Bill (Productivity Commission Response Part 2 and Other Measures) Bill 2018 (the ***Bill***), which seeks to implement further changes to the *Patents Act 1990* (Cth) (the ***Act***) in response to the Productivity Commission's recent inquiry into Australia's IP arrangements. IP Australia is accepting submissions on the exposure draft until 31 August 2018. We discuss the key changes.

Raising the bar on inventive step...again

The Bill seeks to raise the threshold for inventive step in response to concerns by the Productivity Commission that the 2013 *Raising the Bar* amendments to the Act did not go far enough. Ironically, these amendments have been proposed before the courts have had an opportunity to consider the current *Raising the Bar* legislation.

Currently, s 7(2) of the Act provides that '...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 contrast, amended subsection 7(2) would state:

> *...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.*

According to the draft Explanatory Memorandum, the revised inventive step provisions are intended to align Australia's inventive step requirements with Article 56 of the European Patent Convention (***EPC***) and should be given a similar meaning. Therefore, it is expected the Australian Patent Office will adopt the problem-and-solution approach used by the European Patent Office (***EPO***) in assessing inventive step. That is:

1. Determine the 'closest prior art'.
2. Establish the 'objective technical problem' to be solved in view of the closest prior art.
3. Consider whether the claimed invention, starting from the closest prior art and the objective technical problem, would have been obvious to the skilled person.

The current approach of the Australian Patent Office and courts to assessing inventive step involves starting from the common general knowledge, as opposed to the 'closest prior art'. Therefore, the draft Bill casts doubt over whether the existing jurisprudence in relation to inventive step will still apply, or whether the European courts will provide the leading guidance on the interpretation of the new provisions.

While the draft Explanatory Memorandum leaves it open to apply other tests in instances where the problem-and-solution approach is unsuitable, the Productivity Commission criticised the High Court's approach to assessing inventive step, including the 'Cripps question' and the requirement for a mere 'scintilla of invention', as providing a lower bar than other jurisdictions that are key trading partners of Australia (including Europe and the US).

Consequential amendments to the definition of the prior art base as it appears in current subsection 7(3) and Schedule 1 of the Act are also proposed, and will appear in new section 7B. The prior art base will continue to include combinations of documents that a skilled person could 'be reasonably expected to have combined', in line with the EPC.

However, in practice, the EPO appears more willing to combine documents, and it is likely that this enthusiasm will spill over into Australia.

The proposed amendments will apply to standard patent applications for which examination has not been requested prior to the commencement of the amended legislation.

Abolition of the innovation patent system

Despite the Institute of Patent and Trade Mark Attorneys (***IPTA***) and concerned users of the system successfully lobbying to remove draft provisions to abolish the innovation patent system from the earlier Intellectual Property Laws Amendment Bill (Productivity Commission Response Part 1 and Other Measures) Bill 2018, these provisions have reemerged in unamended form in the current Bill.

Remarkably, the Productivity Commission stated that small and medium-sized enterprises (***SMEs***) obtain little or no value from the innovation patent system – a position that was strongly refuted by SMEs and IPTA alike in response to the earlier draft Bill.

If implemented, the amendments will see the innovation patent system phased out over eight years. Importantly, the amendments will not apply to innovation patents with an effective filing date before the commencement date of the amended legislation, which will remain entitled to their full eight-year term. For example, it will still be possible to file divisional innovation patent applications and to convert a standard patent application into an innovation patent application after the commencement of the amendments, provided the effective filing date is before the commencement date.

In the meantime, IPTA and concerned users will continue to lobby to save the innovation patent system.

Introduction of an objects clause

Another controversial aspect of the Bill is the proposed insertion of an objects clause, as the new section 2A of the Act is as follows:

> *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 so doing, the patent system balances over time the interests of producers, owners and users of technology and the public.*

While it is not clear exactly whose economic wellbeing is in fact to be promoted, it is clear from the draft Explanatory Memorandum that 'ethical and social considerations' should not be taken into account (this is the realm of patentable subject matter considerations).

Further, while the Explanatory Memorandum states that the term 'technological innovation' in the objects clause is not intended to narrow or change the subject matter eligibility threshold for grant of a patent, there is a risk that it could be used as such in practice.

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Amendments to Crown use and compulsory licensing provisions

Amendments are also proposed to clarify the operation of the current Crown use and compulsory licencing provisions under the Act.

For example, the amendments will introduce new section 160A to clarify that Crown use can be invoked for the provision of a service that any Commonwealth, state or territory government has the primary responsibility for providing or funding. However, to the extent that this amendment applies to commercial use, it is arguably inconsistent with Art 17.9.7 of the Australia-US Free Trade Agreement, which prohibits Crown use for commercial purposes.

The relevant government will also be required under new paragraph 163(2)(a) in the first instance to negotiate use of the patented invention (e.g., via a licence) with the patentee for a reasonable period and on reasonable terms, except in the case of emergency. If such negotiations are unsuccessful, ministerial authorisation must be sought and the patentee must be notified 14 days before the exploitation starts.

Proposed changes to Australia's compulsory licensing provisions include replacing the current 'reasonable requirements of the public' test with a 'public interest' test. In considering whether to grant a compulsory license, the Federal court will be required to consider the public interest when specifying the terms of the licence, including the appropriate amount of remuneration (if any). The proposed change would address the problems with the current provisions as they relate to compulsory licences to exploit dependent patents, by clarifying that only the patentee of a dependent patent can seek a compulsory licence over the use of the original patent.

What action can you take?

1. File submissions – members of the public are invited to make submissions on any of these and other aspects of the exposure draft to IP Australia by **31 August 2018**. Further information can be found here.
2. Review your IP strategy – the draft amendments will not be implemented until the Bill has been considered and passed by both Houses of Parliament and attained Royal Assent. It will be another 12 months from the date of Royal Assent before the amendments come into effect. This means there is still plenty of time for applicants to review their Australian IP strategy and take appropriate action in line with their commercial strategy.
3. File applications before the amended legislation takes effect – if the Bill is passed into legislation in its current form, innovators should consider:
   - filing standard patent applications **and** requesting examination before the commencement date, to take advantage of the current inventive step threshold.
   - filing innovation patent applications before the commencement date.

We will keep you informed of developments in relation to the draft legislation and deadlines for any actions. In the meantime, please contact us if you have any questions, or require assistance with filing submissions.

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