

# Raising the Bar

## Significant Australian patent law changes proposed. Should you be bothered? Yes, you should!

In March, the Australian Government released for comment an exposure draft INTELLECTUAL PROPERTY LAWS AMENDMENT (RAISING THE BAR) BILL 2011, and accompanying Explanatory Memorandum ("EM"). The Bill underwent a period of public consultation before being introduced into the Senate for debate in June. This article addresses some of the significant proposed changes affecting patents.

The stated policy behind the law changes is a perception that it is too easy to obtain patent protection in Australia and additionally too difficult to invalidate or limit the scope of overly broad patents. The EM notes:

*"In order to meet its objective of supporting innovation, the patent system must strike a balance. It must provide sufficient protection to reward innovation, but not so much protection as to block future or follow-on innovation. Concerns have been raised that the thresholds set for the grant of a patent in Australia are too low, suppressing competition and discouraging follow-on innovation. Particular concerns have been raised that patents are granted for inventions that are not sufficiently inventive, and that the details of inventions are not sufficiently disclosed to the public."*

### Inventive step

The Bill removes the local restriction on the person skilled in the art (PSA) which limited the common general knowledge (CGK) to that in Australia, bringing Australia's obviousness tests closer to those of the USA, Europe and Japan. In the assessment of obviousness, CGK can be combined with a single piece of prior art, or with a combination of prior art if the PSA would be "reasonably expected" to combine the prior art. This change will make it easier for Patent Office Examiners to sustain inventive step objections, meaning the scope of protection will be correspondingly narrower.

### Standard of proof in examination

A higher standard of proof will be imposed



by the Patent Office when deciding to accept (i.e. allow) a patent application. The present situation requires the Examiner only to be "satisfied" that the invention as claimed is novel and inventive and applying a "benefit of the doubt" test to other examinable grounds. The Bill introduces the requirement that the Examiner be "reasonably satisfied" that the invention as claimed meets all patentability criteria.

### Patent specifications

The Bill defines the existing requirement of utility, as being a "specific, substantial and credible use for the invention", and requires that use to be disclosed in the specification.

The EM explains that the language will have the same meaning as applied by the US Courts and US Patent and Trademark Office.

A modified enablement requirement requires that specifications must be "clear enough and complete enough" for a skilled person to perform the invention".

The "fair basis" rule, and its long line of case law, is being replaced. Claims must now be "supported by matter disclosed" in the specification, and such will be applicable for establishing priority, making amendments and internal claim support.

### Exemptions from infringement

A specific infringement exemption for acts required to obtain regulatory approval, within or outside Australia, which would otherwise have been an infringement is proposed. (This complements an existing infringement exemption for regulatory approval of pharmaceuticals.) The new exemption will apply to all technologies for which regulatory approval must be obtained prior to release, such as veterinary and agricultural products, medical and electrical devices. As with the existing pharmaceutical exemption provisions, the exempted "use" must be "solely" for obtaining regulatory approval thereby preventing the provision being used to exempt activities such as stockpiling of the patented product for later sale or manufacture for export markets.

An important explicit exemption from infringement is also proposed for acts done for "experimental purposes". This is stated in the EM to be consistent with the "policy objective of freeing researchers to innovate". The provision – that removes the lack of certainty under the current common law – applies to experimental activities, but will not cover activities of a commercial nature.

The Bill gives the following (non-exhaustive) examples of exempted research activities:

# Innovation Patent Strategies

## Have you considered all the options?

- a) determining the properties of the invention;
- b) determining the scope of a claim relating to the invention;
- c) improving or modifying the invention;
- d) determining the validity of the patent or of a claim relating to the invention;
- e) determining whether the patent for the invention has been infringed.

### Modified examination

This examination option, available since the early 1970's, is to be removed. The provision has not been extensively used and differences in examination standards and laws have diminished its value.

### Transition Provisions

There has been a partial win for patent applicants, in that the substantive changes for considering patent validity (e.g. tougher inventive step/obviousness test, and stricter utility/usefulness and enablement requirements) will only apply to patent applications where a request for examination has not been filed by the date of commencement (as opposed to the original proposal of the date of the First Examiner's Report/Office Action, being a date that the applicant does not have control over).

### Commencement Date

The commencement date will be 12 months after the Act is formally adopted by Royal Assent (which may occur in the next few months, depending on how quickly the legislation passes through the two Houses of Parliament) – the period is normally 6 months. The commencement date therefore is likely to fall in late 2012.

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The Australian innovation patent system has been around for almost ten years now, but is yet little used. Innovation patents are a patent tool and should always be considered when framing an intellectual property strategy.

The innovation patent was introduced in Australia in 2001 to provide protection for "lower level inventions". Whilst innovation patents provide the same exclusive rights as standard patents, albeit for a shorter term of eight years from the filing date, there is no requirement for the invention to involve an inventive step (i.e. non-obviousness). The requirement for an inventive step is replaced by an "innovative step" test. The test for an innovative step involves:

- a) comparing the invention, on a claim-by-claim basis, with each prior art disclosure separately, to determine any differences between the claimed invention and the prior art disclosure; and
- b) looking at the differences through the eyes of a person skilled in the relevant art and assessing whether the invention as claimed in the relevant claim only varies from the prior art disclosure in ways that make no substantial contribution to the working of the invention.

In the well-reported Delnorth series of cases, where Spruson & Ferguson was successful on the patent owner's behalf, the term "working of the invention" was confirmed by the Federal Court to be the working of the device or process that is the subject of the relevant claim, and that the assessment is a factual enquiry from a perspective of a person skilled in the art possessing the relevant common general knowledge. It does not matter whether features that distinguish the invention from the prior art are well-known or obvious to a person skilled in the art. All that is required is for at least one distinguishing feature of the claimed invention to make a substantial

contribution, being a contribution that is "real" or "of substance", to the manner in which the claimed device or process works.

How can an innovation patent be used? Consider the following:

- » A divisional innovation application could be filed in circumstances where a standard patent might be open to an attack on the basis of a lack of inventive step (e.g. during a pre-grant opposition or re-examination).
- » A divisional innovation application could be lodged where potential infringement is identified and the standard patent application is delayed in prosecution or an opposition.
- » A divisional Innovation application can be granted, published and certified to be enforceable within a matter of months.
- » A divisional innovation application could be filed, or a standard application could be converted to an Innovation patent application where inventive step (obviousness) objections are preventing the acceptance of the standard application.
- » A divisional innovation application could be filed as a backstop for commercially important inventions that may be subject to a validity attack (i.e. doubling up).

You really cannot afford to ignore the innovation patent system.



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**In practical terms, we recommend all patent applicants file a request for examination before the commencement date to gain the benefit of the current standards.**

#### **What does this mean for patent system users?**

We expect the new laws, if passed in their current form, will mean patent attorneys will have to work even harder for their clients in arguing that inventions involve an inventive step over the prior art. But we expect the standard to be similar to that in the US; in that case, the bar has not been raised beyond reach.



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## IP Australia Backlog Statistics

IP Australia (incorporating the Patent, Trade Marks and Designs offices) is continuing to work on reducing the backlog of patent applications by moving forward with the comprehensive program they introduced in 2008 to address the issues. As outlined in the Department of Innovation, Industry, Science and Research Annual Report 2009-2010, IP Australia is continuing to work *"to improve the timeliness of patent examination and modernise its ICT systems to enhance its capacity to handle interactions with customers in efficient ways."*

One way in which it aims to improve timeliness is by increasing the number of Australian patent examiners. This increase in examiners is to be funded by the increase to patent fees, introduced in August 2010. As explained in the Annual Report the *"revenue generated through these modest increases, the first general fee increases from IP Australia since 2007, will assist with funding the increased numbers of patent examiners, enabling continued progress in addressing the backlog and service time frames."*

The report acknowledges the current average time between requesting an examination and the examination itself is 14 months. IP Australia aims to reduce this in the "long term" to nine months. According to the patent data published by IP Australia, 42% of standard patent applications are now examined and issued with reports within 14 months of receiving exam request, up from 30 % in 2009. Further, in accordance with the Charter Standards, 72% of international search reports are issued for patents within nine weeks of receiving the request.

Only time will tell whether the program will make strides in reducing the backlog.

In a surprising result, a majority of the Full Federal Court of Australia has upheld an appeal by the Bodum Group in a long running dispute about a "copy" CHAMBORD coffee plunger.

In the first instance and on appeal, Bodum submitted that it had a reputation or secondary meaning in the design of its CHAMBORD coffee plunger among a significant number of people in Australia and that DKSH, the company responsible for importing a coffee plunger called EUROLINE with very similar features to the CHAMBORD coffee plunger, misled consumers by selling products whose features signify that they were made or licensed by Bodum, part of the Bodum range or otherwise associated with Bodum.

The trial judge rejected this proposition finding that Bodum's reputation didn't lie in the features of the Bodum products per se but were "distinctly tied to its products being properly labelled and sold in conjunction with reinforced packaging and, significantly, by reference to the Bodum name. He noted that the evidence indicated that "Bodum understood the need to (and did) educate the relevant market to be aware of copyists, and to look for the 'original'". The trial judge endorsed the general principle laid down in the High Court case of *Parkdale v Puzo* that "If an article is properly labelled so as to show the name of the manufacturer or the source of the article, its close resemblance to another article will not mislead an ordinary reasonable member of the public. This long held principle of the High Court has been adopted in many other cases.

Interestingly, in light of the orthodox way in which the trial judge approached the case, a majority of the Full Federal Court came to a different view on the facts by primarily focusing on evidence rejected by the trial judge concerning the way in which the product is at times offered for sale outside of its box.

The primary judge found that the absence of the Bodum name and logo in connection