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

Draft Explanatory Memorandum

July 2018
Introduction

This draft Explanatory Memorandum accompanies an Exposure Draft of the Intellectual Property Laws Amendment (Productivity Commission Response Part 2 and Other Measures) Bill 2018, which is proposed to amend a range of intellectual property (IP) laws.

IP Australia invites interested parties to make written submissions on the Exposure Draft Bill and this draft Explanatory Memorandum by 31 August 2018.

We are seeking comments on the draft legislation, in particular on any unintended consequences of this legislation or issues with the drafting, rather than on the policy that underpins the amendments as this has already been agreed to by the Government.

Please note that the draft Explanatory Memorandum is still being developed and is intended only as a guide to assist with the interpretation of the draft legislation. IP Australia will undertake further editorial review and finalise the text when a final version of the legislation is settled.

Written submissions should be sent to consultation@ipaustralia.gov.au.

For accessibility reasons, please submit responses by email in Word, RTF, or PDF format.

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Background

The objective of the intellectual property (IP) rights system is to support innovation by encouraging investment in research and technology in Australia, and by helping Australian businesses benefit from their good ideas. The Australian Government proposes improvements to Australia’s IP rights legislation to better meet these objectives.

The Productivity Commission (PC) completed its public inquiry into Australia’s IP Arrangements and published the final inquiry report on 18 August 2016 (2016 PC Report). The Government asked the PC in its inquiry to consider whether current IP arrangements provide an appropriate balance between access to ideas and products, and encouraging innovation, investment and the production of creative works. The then Minister for Industry, Innovation and Science and the Minister for Communications announced the release of the Government’s response to the 2016 PC Report on 25 August 2017. The 2016 PC Report included a number of recommendations on IP matters, which received support from the Government.

Earlier this year, the Australian Government introduced the Intellectual Property Laws Amendment (Productivity Commission Response Part 1 and Other Measures) Bill 2018 into the Commonwealth Parliament. On 27 June 2018, the House of Representatives passed that Bill, and it was introduced into the Senate. That Bill proposes to address several recommendations concerning the trade mark and the plant breeder’s rights systems that the Productivity Commission made in its inquiry into Australia’s IP Arrangements. It would also make a number of other changes to modernise certain aspects of the IP system.

Outline

The purpose of the Intellectual Property Laws Amendment (Productivity Commission Response Part 2 and Other Measures) Bill 2018 (the Bill) is to make improvements to implement the second set of legislative measures in response to the 2016 PC Report. The Bill also proposes a number of technical fixes to the Australian IP system.

The Bill’s proposed amendments to the Patents Act 1990 (Patents Act), Designs Act 2003 (Designs Act) and Trade Marks Act 1995 (Trade Marks Act) can be divided into seven categories, corresponding to the following seven schedules:

• Schedule 1 – Responses to the Productivity Commission
• Schedule 2 – Crown use of patents
• Schedule 3 – Crown use of designs
• Schedule 4 – Compulsory licences
• Schedule 5 – Seals
• Schedule 6 – Specifications
• Schedule 7 – Protection of information

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Schedule 1: Responses to the Productivity Commission

Schedule 1 to this Bill is proposed to give effect to three recommendations in the 2016 PC Report that are now ready for implementation. These measures have been drafted in light of stakeholder feedback that IP Australia received during public consultation from 30 August to 17 November 2017.

These recommendations are:

- Amend the inventive step requirement (recommendation 7.2)
- Introduce an objects clause into the Patents Act (recommendation 7.1)
- Abolishing the innovation patent system (recommendation 8.1)

A standard patent must possess an inventive step to be granted. The relevant provisions are set out in section 7 of the Patents Act. The PC found that that the threshold for inventive step in Australia is still too low compared to other countries, despite reforms introduced following the implementation of the Intellectual Property Laws Amendment (Raising the Bar) Act 2012 (Raising the Bar Act).3

The PC considered that the inventive step threshold, at a minimum, should meet the highest threshold set by any country with which Australia conducts substantial technology trade. They also noted that the legislative wording for inventive step in the Patents Act is more complex than the analogous provisions in other jurisdictions.

The PC stated that further raising the threshold would have significant benefits, including improving the overall environment for innovation.4 Part 1 of Schedule 1 to the Bill proposes changes to the inventive step requirement to address the PC’s recommendation, and includes additional clarifying amendments proposed to align the definition of the ‘prior art base’ with the provisions of section 7 of the Patents Act.

The PC also recommended that an objects clause be included in the Patents Act.5 An objects clause is a provision, usually found at the beginning of legislation, which gives readers a general understanding of the legislation’s purpose, or sets out general aims or principles that help readers to interpret its detailed provisions. The PC considered that inclusion of an objects clause would help ensure that the patent system remains adaptable and fit-for-purpose, particularly as new technologies emerge and as economies and business models evolve. The PC also considered that an objects clause would help frame policy debates and reform. Part 2 of Schedule 1 to the Bill is proposed to insert an objects clause into the Patents Act.

The PC and the former Advisory Council on Intellectual Property (ACIP) have recommended that the innovation patent system be abolished. Both found that the innovation patent system is unlikely to provide net benefits to the Australian community or to the small and medium sized enterprises (SMEs) who are the intended beneficiaries of the system. The PC found that the majority of SMEs who use the innovation patent system do not obtain value from it, and that the system imposes significant costs on third parties and the broader Australian community. Given the overall lack of net benefits, the Government made the decision to abolish the innovation patent system. Details on these changes are provided in Part 3 of Schedule 1.

Details of these proposed amendments to the Patents Act are set out below in the notes on Schedule 1 to the Bill.

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3 Ibid, pp 221 – 223.
5 Ibid, p 219, Recommendation 7.1
Schedules 2 and 3: Crown use of patents and designs

The Government’s response to the 2016 PC Report also noted that the Government would consult further on the following recommendation made by an earlier report by the PC, Compulsory Licensing of Patents in 2013 (2013 PC Report):6

- Amend the provisions for Crown use of patents (2013 PC Report recommendations 7.1 and 7.2)

Crown use is a mechanism in the Patents Act and the Designs Act that allows Australian Federal, State and Territory governments to access and use patented technology and registered designs without the authorisation of the patentee or registered owner. A number of reviews in the past have recognised problems with the existing Crown use provisions. Building on these earlier reviews, the 2013 PC Report made several arguments for reform of the Crown use provisions for patents.

From 30 August to 17 November 2017, IP Australia consulted the public on proposed changes to the Crown use provisions in the Patents Act, and has taken stakeholder feedback into account in drafting the proposed amendments to the Patents Act in Schedule 2 to the Bill. Since the provisions for Crown use in the Designs Act are equivalent to those in the Patents Act, equivalent amendments to the Crown use provisions in the Designs Act are proposed in Schedule 3 to the Bill.

Details of the proposed amendments to the Patents Act and the Designs Act are set out below in the notes on Schedules 2 and 3 to the Bill respectively.

Schedule 4: Compulsory licenses

The Government’s response to the 2016 PC Report also noted that the Government would consult further on the following recommendation made by the 2013 PC Report:

- Amend the provisions for compulsory licensing of patents (2013 PC Report recommendation 6.2)

Compulsory licensing is one of several safeguards in the Patents Act that allow a patented invention to be used without the authorisation of its owner. These safeguards can be invoked in exceptional circumstances where exercising the exclusive rights associated with a patent would not serve the best interests of the community.7 The 2013 PC report and other reviews have raised issues with, and recommended amendments to, the compulsory licensing provisions.

Schedule 4 to the Bill would amend the Patents Act to address these issues. Details appear in the notes on that Schedule below.

Schedules 5, 6 and 7: Other measures

Schedules 5, 6 and 7 to the Bill are proposed to make a number of minor technical fixes to the Patents Act and Trade Marks Act:

- Schedule 5 – Seals (both Acts)
- Schedule 6 – Specifications (Patents Act only)
- Schedule 7 – Protection of information (Patents Act only).

Collectively, the measures in these schedules are proposed to address a small number of errors and inconsistencies in the IP legislation, and to improve the way IP Australia is able to deliver service to its customers by reducing the time both customers and IP Australia need to spend on administrative matters.

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6 Productivity Commission 2013, Compulsory Licensing of Patents, Inquiry Report No. 61, Canberra, Accessed 30 January 2018

7 Productivity Commission, Inquiry Report, Compulsory Licensing of Patents, 2013, p.47
Details of the proposed amendments to the Patents Act and the Trade Marks Act are set out below in the notes on those Schedules.
Notes on clauses

Clause 1: Short title
Upon enactment, the Bill will be known as the Intellectual Property Laws Amendment (Productivity Commission Response Part 2 and Other Measures) Act 2018.

Clause 2: Commencement
Schedule 1, Part 1 (Inventive Step) and Schedule 1, Part 3 (Innovation patents) in the Bill will commence 12 months after the day the Bill receives the Royal Assent. An extended commencement for Part 1 will give stakeholders time to consider how best to proceed with their applications, particularly in relation to the increased threshold for inventive step. The new higher standard will apply to existing applications or patents that have been granted, but where examination has not been requested at commencement (see below at Schedule 1 item 7 for further explanation). An extended commencement will give applicants time to decide whether to request examination or to amend their application before the changes take effect.

An extended commencement for Part 3 (Innovation patents) is necessary to ensure the existing rights of patent applicants are maintained. Currently the timeframe for filing an innovation patent application that claims priority from a provisional or basic application is 12 months, so this commencement timeframe will ensure that applicants who have filed a provisional or basic application before the Royal Assent date will continue to have the full 12 months to file an innovation patent. Applicants whose provisional or basic application is filed sometime between Royal Assent and the commencement of Schedule 1, Part 3 will have whatever period remains until that commencement to file an innovation patent, but will still have 12 months to file a standard patent.

The commencement provisions specify a fixed date to give stakeholders certainty. It is preferable that there be no facility for the Executive to shorten the 12-month commencement period, as this would make it difficult for users of the patent system to plan how they will prosecute their patent applications and to maintain their existing rights. Accordingly, there is no Executive discretion to fix an earlier commencement date.

The extended commencement will not apply to Schedule 1, Part 2 and Schedules 2 to 7. These items relate to matters which will not affect how applicants prosecute their applications. Given this, it is desirable to provide certainty sooner by commencing these provisions on the day after the Royal Assent.

Clause 3: Schedules
The Patents Act, the Designs Act and the Trade Marks Act are to be amended as set out below in Schedules 1 to 7 to the Bill.
Schedule 1 - Responses to the Productivity Commission

Part 1 - Inventive step

Introduction

This schedule amends the Patents Act to strengthen the inventive step requirement for standard patent applications. This addresses concerns that the inventive step threshold in Australia is too low. Raising the threshold will improve the overall environment for innovation in Australia, making the Australian economy more productive.

Background

A standard patent must possess an inventive step to be granted. In all major jurisdictions, including Australia, assessment of inventive step considers whether a claimed invention is obvious to a hypothetical skilled person (the person skilled in the art) in view of certain knowledge. This knowledge incorporates what is commonly known or used in the art (common general knowledge) and information made publicly available by publication or use (the ‘prior art base’).

The knowledge base against which inventive step is assessed was expanded by the Raising the Bar Act. In particular, the Raising the Bar Act removed the restriction that the common general knowledge be limited to what was known or used in Australia. It also removed the requirement that the prior art information be limited to only those documents that would have been ‘ascertained, understood and regarded as relevant’ by the skilled person. These amendments ensured that all information that was publicly available at the priority date of the claimed invention was taken into account when assessing inventive step, and increased consistency between the assessment of inventive step in Australia and other countries.

The 2016 PC Report\(^8\) found that although the Raising the Bar Act moved the inventive step threshold in the right direction, it was considered still to be too low.\(^9\) The PC stated that further raising the threshold would have significant benefits, including improving the overall environment for innovation.\(^10\)

The PC considered that the inventive step threshold, at a minimum, should meet the highest threshold set by any country with which Australia conducts substantial technology trade.\(^11\) The PC noted that the inventive step threshold adopted by the European Patent Office (EPO) is more effective at filtering out low-value patents than the thresholds used by other patent offices in other large markets for technology.\(^12\) The PC recommended that Australia raise its inventive step threshold by adopting the EPO approach.\(^13\) The Government accepted this recommendation.\(^14\)

The PC also considered means for improving the information available to the Commissioner of Patents (the Commissioner) when assessing inventive step. The PC stated that the inventive step test should better target an innovation’s technical features.\(^15\) The PC considered this would help ensure that the patent system targets technological innovations, particularly where innovations are based on a mix of technical and non-technical features, or mainly involve obvious and/or trivial combinations of pre-existing objects.\(^16\)

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\(^{9}\) Ibid, p 222.

\(^{10}\) Ibid, p 228.

\(^{11}\) Ibid, pp 225 – 226.

\(^{12}\) Ibid, p 221.

\(^{13}\) Ibid, p 226; Recommendation 7.2.


\(^{15}\) Ibid, p 227.

\(^{16}\) Ibid.
The PC noted that the EPO can request that patent applicants identify in their set of claims the technical features of the invention.\textsuperscript{17} The PC considered that requiring applicants to identify the technical features of their invention would improve the information available to the Commissioner, whilst imposing minimal burden.\textsuperscript{18} The PC recommended that IP Australia should reform its patent filing processes to require applicants to identify the technical features of the invention in the set of claims.\textsuperscript{19} The Government accepted this recommendation as well.\textsuperscript{20}

**Assessing inventive step**

When assessing inventive step, the fundamental question to consider is whether a claimed invention is obvious to the skilled person in view of the prior art. In answering this question the approaches used by the major jurisdictions vary.

The Australian High Court endorsed the ‘Cripps question’ approach to obviousness.\textsuperscript{21} Essentially the question is: would the person skilled in the art directly be led as a matter of course to try the claimed invention in the expectation that it might well produce a solution to the problem? The PC considered that this threshold is insufficient, and results in a lower standard of inventive step in Australia than in other jurisdictions.\textsuperscript{22}

Currently the approach that is generally used by the Australian courts and the Commissioner to assess inventive step is a problem-solution approach.\textsuperscript{23} A problem-solution approach helps to avoid \textit{ex post facto} analysis and has been endorsed by the Australian courts.\textsuperscript{24}

However, the Australian courts have recognised that the question of obviousness should not be confined to this problem-solution approach.\textsuperscript{25} Such an approach may not be suitable where the invention is a combination,\textsuperscript{26} or the invention lies in identifying the real nature of the problem.\textsuperscript{27}

The PC further considered the concept of a ‘scintilla of invention’, which has been discussed by the Australian courts. The High Court in \textit{Lockwood Security Products Pty Ltd v Doric Products Pty Ltd [No 2]}\textsuperscript{28} stated that in relation to the question of whether an invention is obvious, a scintilla of invention is sufficient to support the validity of a patent.

The PC considered that the scintilla standard creates a lower threshold in Australia for inventive step,\textsuperscript{29} and stated that a scintilla of invention is an insufficient threshold for meeting the inventive step requirement.\textsuperscript{30}

**Patents Act 1990**

**Item 1: Consequential amendment to section 7**

\[s 7\]

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\textsuperscript{17} Ibid, p 230.
\textsuperscript{18} Ibid, pp 230 – 231.
\textsuperscript{19} Ibid, Recommendation 7.3.
\textsuperscript{21} \textit{Aktiebolaget Hassle v Alphapharm Pty Ltd} [2002] HCA 59 at [53].
\textsuperscript{23} Patent Manual of Practice and Procedure, 2.1.5.6A.
\textsuperscript{24} \textit{HPM Industries Pty Ltd v Gerard Industries Ltd} 98 CLR 424.
\textsuperscript{25} \textit{Lockwood Security Products Pty Ltd v Doric Products Pty Ltd [No 2]} [2007] HCA 21 at [65].
\textsuperscript{26} Ibid.
\textsuperscript{27} \textit{Wellcome Foundation Ltd v VR Laboratories (Aust) Pty Ltd} (1981) 148 CLR 262 at 281.
\textsuperscript{28} \textit{Lockwood Security Products Pty Ltd v Doric Products Pty Ltd [No 2]} [2007] HCA 21 at [52].
\textsuperscript{30} Ibid, p 227.
This amendment is consequential to the changes to section 7B and Schedule 1 (see item 4 and item 5). The item amends paragraph 7(1)(c) such that the reference to the definition of the prior art base is to the new definition provided in section 7B (see item 4).

**Item 2: Inventive step - definition of and information**

This item amends subsection 7(2) of the Patents Act to replace the definition of inventive step. This item also repeals subsection 7(3), which relates to the information considered for the purposes of inventive step. The information in subsection 7(3) will now be included in the definition of the prior art base in section 7B (see item 4) and so is redundant.

The new definition of inventive step in this item is based on Article 56 of the European Patent Convention (EPC). Article 56 states that:

> ‘An invention shall be considered as involving an inventive step if, having regard to the state of the art, it is not obvious to a person skilled in the art’.

Article 54 indicates that the state of the art comprises everything made available to the public by means of a written or oral description, by use, or in any other way before the date of filing of the European patent application.

The item modifies subsection 7(2) to indicate that an invention will be considered to involve an inventive step if, when compared with the prior art base, it is not obvious to the person skilled in the relevant art. The wording is similar to that of Article 56 and as such is intended to be given a similar meaning.

Rewording the subsection in this way is intended to allow the assessment of inventive step to be unconstrained by rigid verbal formulations that have been adopted in the past (such as the ‘scintilla of invention’, referred to above). Instead, when assessing inventive step under this item, the key question to be answered is: at the time of the priority date, was the claimed invention obvious to the person skilled in the art, in light of the prior art base? In answering this question, the approach followed should as a minimum ensure that the inventive step threshold in Australia is the same as the other major jurisdictions.

A problem-and-solution approach is almost always used by the EPO to assess inventive step. It is expected therefore that this approach will be the one usually adopted by the Commissioner to examine inventive step under this new subsection 7(2).

The EPO problem-and-solution approach is considered to allow inventive step to be assessed in an objective manner and has three main stages:

1. Determine the ‘closest prior art’.
2. Based on the closest prior art, establish the ‘objective technical problem’ to be solved.
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.

**Closest prior art**

The closest prior art is normally a document which is directed to a similar purpose or effect as the claimed invention. In practice, the closest prior art generally corresponds to a similar use and requires the minimum number of structural and functional modifications to arrive at the claimed invention.

**Objective technical problem**

The technical problem (referred to as the ‘objective technical problem’) means:

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31 EPO Guidelines for Examination, Part G, Chapter VII.
32 Ibid.
‘the aim and task of modifying or adapting the closest prior art to provide the technical effects that the invention provides over the closest prior art’.  

The problem is determined by considering the patent application, the closest prior art and the difference between the claimed invention and the closest prior art in terms of structural and functional features. These differences are referred to as ‘the distinguishing features’ of the claimed invention. The technical effects that result from these distinguishing features are identified and the problem then formulated.

Features which cannot be seen to make any contribution, either independently or in combination with other features, to the technical character of the invention are not relevant for assessing inventive step. This excludes non-technical features from consideration, since non-technical features cannot contribute to the solving of a technical problem.

The EPO guidelines for examination further state that the ‘technical problem’ should be interpreted broadly; it does not necessarily imply that the technical solution is an improvement to the prior art. The problem could be to seek an alternative to a known device or process that provides the same or similar effects or is more cost-effective.

A technical problem is considered as being solved only if it is credible that substantially all the claimed embodiments exhibit the technical effects upon which the invention is based.

**Consideration of whether the claimed invention is obvious**

In determining whether the claimed invention is obvious, consideration is given to whether there is any teaching in the prior art as a whole that would (not simply could) have prompted the skilled person, faced with the objective technical problem, to modify or adapt the closest prior art, thereby arriving at something that falls within the claims and achieving what the invention achieves.  

The EPO guidelines for examination state that the point is not whether the skilled person could have arrived at the invention by adapting or modifying the closest prior art, but whether the skilled person would have done so because the prior art incited them to do so in the hope of solving the objective technical problem or in expectation of some improvement or advantage.

By adopting wording similar to Article 56 of the EPC, the purpose of this item is to expand the approaches for assessing inventive step to include the EPO problem-and-solution approach. As such, the EPO problem-and-solution approach would normally be the approach that is followed by the Commissioner. Following the EPO problem-and-solution approach is expected to ensure that the outcome of assessing inventive step in Australia is similar to that obtained by the EPO, thereby raising the threshold for inventive step. The Patent Manual of Practice and Procedure will be amended to state that the EPO problem-and-solution approach should normally be used by examiners in the assessment of inventive step.

However, the intention is not that the EPO problem-and-solution approach is the exclusive approach to assessing inventive step. As noted above, the fundamental question to be asked is whether the skilled person would have considered the invention obvious when compared with the prior art. The EPO problem-and-solution approach may be unsuitable to answer this question for some inventions, such as where the invention lies in the identification of the problem, or where there is no single piece of closest prior art.

Where the EPO problem-and-solution approach is not considered appropriate, there will be flexibility for the Commissioner and the courts to adopt other tests, in accordance with existing case law in Australia. For example, the Australian courts have recognised that a problem-solution approach (as applied in Australia) is one approach for addressing the question of obviousness. Expanding the approaches necessarily means

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33 Ibid.
34 Ibid.
35 T 465/92 (OJ EPO 1996, 32) where the EPO Technical Board of Appeal did not use the problem-and-solution approach when assessing inventive step, noting that the approach is one amongst other possible approaches, each of which has its own advantages and drawbacks.
that the Australian problem-solution approach can be retained in appropriate circumstances. However if there are circumstances where a claimed invention is considered obvious when assessed using one approach, but not using another, the approach to be followed is the one where the invention is considered obvious.

As previously noted, the EPO problem-and-solution approach inherently requires an assessment of the technical features of an invention when determining the ‘objective technical problem’. This complements the existing requirement in Australia that an invention be for a ‘manner of manufacture’ under paragraph 18(1)(a) of the Patents Act. Determining whether a claimed invention is a manner of manufacture involves identifying ‘the substance of the claimed invention’ (what is the alleged or actual contribution?). This requires the Commissioner to decide whether the technical features that are present in a claim are part of the substance of the invention. However, there may be situations where there is a degree of overlap between the assessment of inventive step and the assessment of manner of manufacture. The Patent Manual of Practice and Procedure will be amended to provide guidance in considering technical features for the purposes of assessing inventive step. Where the Commissioner is not satisfied that the claimed invention solves an objective technical problem, this would be raised as part of an inventive step objection. The applicant will have the opportunity to identify the technical features of the invention and the technical problem that they solve.

Item 3: Inventive step - notes

[s 7]

This item repeals the notes at the end of section 7, which provide references to the definitions of ‘document’, ‘prior art base’ and ‘prior art information’. These notes are redundant in light of the amendments in Item 4, because the definition of the prior art base has been moved and will be defined in section 7B (see Item 4) and ‘document’ has its ordinary meaning as defined by the Acts Interpretation Act 1901.

Item 4: Definition of prior art base

[s 7B]

This amendment is consequential to the changes to section 7 (see item 1 and item 2). The item amends the definition of the prior art base for inventive step.

The intention is to ensure that the existing advantages of codifying the prior art continue to apply. It is intended that, as is currently the case, all prior-published documents, as well as the common general knowledge in the art, will remain relevant prior art for the purposes of assessing inventive step. The ability to combine two or more prior art documents will also remain. It is noted that under the EPO problem-and-solution approach, it is permissible to combine prior art documents.

This item moves the definition of the prior art base from Schedule 1 to section 7B. This is to improve the coherence of the Act. The item also rearranges the definition of the prior art base to mirror the order in section 7, i.e. novelty, followed by inventive step and innovative step for the same reason.

Item 5: Consequential amendment to schedule 1

[Schedule 1]

This item amends the definition of ‘prior art base’ for the purposes of section 7 to refer to the definition in section 7B (see item 4). The definition has been moved from Schedule 1 to section 7B to increase the coherence of the Act.

Item 6: Consequential amendment to schedule 1

[Schedule 1]
This item repeals the definition of ‘prior art information’ for the purposes of subsection 7(3) in schedule 1 as it is redundant in view of item 4.

**Item 7: Application of amendments**

The amendments made by Part 1, Schedule 1 are to apply in relation to the following:

- standard and innovation patents for which the complete application was made on or after the day this part commences (paragraph a);
- standard patents for which the application was made before the day the part commences, but where the applicant has not yet requested examination of the application relating to the patent on or before that day (paragraph b);
- complete innovation and standard patent applications made on or after the day the part commences (paragraph c);
- standard patent applications made before the day the part commences, but where the applicant has not requested examination of the application before that day (paragraph d);

This means that the changes will only apply to standard patent applications and standard patents where, at commencement, the applicant has not yet asked for examination of whether the application meets the substantive requirements of the Act.

This strikes a balance between implementing the changes as soon as possible, addressing the need to strengthen the test for inventive step, and giving applicants control and certainty over whether the old or new rules apply to them. If an applicant wishes to avoid the new higher standards they can request examination before the commencement: the old rules will apply for the life of the application and any subsequent patent. Additionally, the fixed 12 month commencement period (see clause 2 above) will give applicants time to consider their business needs and decide whether to request examination under the old or new rules.

The changes will only apply to innovation patents where the application has been made on or after the day the part commences, noting that there is no change to the standard for innovative step or the prior art base – the changes applying to innovation patents are cosmetic only and consequential on the reorganisation of the definition of prior art base.
Part 2 - Object of the Act

Introduction
This Part amends the Patents Act to insert an objects clause to provide additional clarity and guidance on the purpose of the legislation.

Currently the Patents Act does not contain an objects clause. A number of reports, including the 2016 PC Report, have recommended the introduction of an objects clause into the Patents Act, which the Australian Government has accepted. These reports found that the patent system lacked a clear objective or overarching framework to guide decision makers and the community.

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.

Patents Act 1990

Item 8: After section 2

This item inserts new section 2A to introduce an objects clause into the Patents Act. The text of the objects clause is as follows and the language used is explained below:

‘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.’

The purpose of the objects clause is to articulate the underlying purpose of the patents system in Australia. The clause provides 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.

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.

For example, 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. However, it could not be used by patent examiners to introduce a new element when considering patentable subject matter. 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.

Economic wellbeing

The term ‘economic wellbeing’ is intended to indicate that the benefits of the patents system are primarily economic in nature. This limits the application of the objects clause to only economic factors and excludes


ethical and social considerations. It has been suggested,\textsuperscript{38} and not specifically addressed or rebutted in other reports,\textsuperscript{39} that the objects clause should impute ethical and social considerations into the patents system. However, ethical matters are difficult to consider objectively and including subjective considerations may lead to unintended adverse outcomes, particularly where the moral standard in which to judge an ethical matter is not defined or changes over time.

Moreover, the inclusion of social considerations risks introducing an expectation that each single patent application will be examined on its social merit as well as current requirements. This is not the intention of the objects clause. The objects clause is a broad guiding statement about the benefits of the patent system as a whole rather than an indication that the grant of any specific patent should achieve these objects. The social benefit of the patents system is achieved through its overall effect of incentivising innovation and promoting dissemination and transfer of technology.

As such, and to use patentable subject matter as an example, the current legislated exclusions (such as subsection 18(2) of the Patents Act), safeguard provisions (such as Crown use and acquisition), case law and specific Acts are better placed to address questions of morality.

**Technological innovation**

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. The test for patentable subject matter in Australia is whether or not the invention is a ‘manner of manufacture’ under paragraph 18(1)(a) of the Patents Act.

The term ‘technological innovation’ is intended to be interpreted broadly to mean the applications of scientific knowledge for practical purposes. This is consistent with the current patentable subject matter threshold under the Patents Act, interpreted in the light of case law handed down by the courts.

The use of the term ‘technological’ or ‘technical’ is used internationally in the context of objects of intellectual property systems. For example, the Agreement on Trade-Related Aspects of Intellectual Property refers to ‘technological innovation’\textsuperscript{40} and that patents ‘shall be available...in all fields of technology’\textsuperscript{41}.

\textsuperscript{40} Article 7 of the *Agreement on Trade-Related Aspects of Intellectual Property*.
\textsuperscript{41} Article 27 of the *Agreement on Trade-Related Aspects of Intellectual Property*. 
Part 3 – Innovation patents

Introduction

This Part contains amendments to the Patents Act to commence the abolition of the innovation patent system by preventing the filing of new applications, subject to certain limited exceptions.

The innovation patent system was established to provide Australian SMEs with a quicker and more affordable way to protect their innovations. However, the PC found that the majority of SMEs who used the system did not obtain much value from it and that the system imposes unreasonable costs on third parties. Both the PC and the former ACIP have recommended that the innovation patent system be abolished. The Government agreed with these assessments.

Abolishing the innovation patent system is not intended to affect existing rights. The system will continue to operate for innovation patents that were filed before these amendments commence. In addition, existing rights to file divisional applications and convert a standard patent application to an innovation patent application will be maintained for any patent or application that was filed prior to the commencement date of these amendments. This is achieved under the legislation by requiring that any innovation patent filed after the commencement date must have a date of patent and a priority date for each claim that is before the commencement date.

Patents Act 1990

Items 9, 10 and 16: Definition of ‘priority date’

[ss 3, 43, Schedule 1]

These amendments add the term ‘priority date’ to the dictionary in the Patents Act. They do not make any changes to the interpretation or function of the term ‘priority date’. They are intended only to improve the readability of the legislation.

Item 9 adds ‘priority date’ to the list of words in section 3 to indicate that a definition of this expression is provided in Schedule 1 to the Patents Act.

Item 10 adjusts the formatting of the words ‘priority date’ in subsection 43(2) to indicate that a definition is provided in Schedule 1 to the Patents Act.

Item 16 adds the definition of ‘priority date’ to Schedule 1. The priority date is determined in two ways, according to subsection 43(2) of the Patents Act. If subsection 43(2A) applies to the claim, the priority date is the date determined under the Patents Regulations. If subsection 43(2A) does not apply to the claim, the priority date is the date the specification was filed.

Item 11: Section 52

[ss 52]

This item inserts a new requirement into the formalities check for innovation patent applications. Under this new requirement, the date of the patent for an innovation patent application (if granted) must be earlier than the commencement date of this item. If the date of the patent would be on or after the commencement of this item, the innovation patent will not be granted.

Note 1 added by this item helps the reader identify the commencement date of this item by directing them to the amending legislation.

Note 2 added by this item directs the reader to section 65 of the Patents Act, which provides for the determination of the date of the patent.

Note 3 added by this item directs the reader to the other requirements of the formalities check, which are provided for in regulations made under paragraph 228(2)(ha) of the Patents Act.
**Items 12 and 13: Section 101B**

[s 101B]

Item 12 inserts a new requirement into the examination criteria for innovation patents. New paragraph 101B(2)(ha) requires the Commissioner to examine and report on whether each claim in the complete specification for an innovation patent has a priority date that is before the commencement date of this item.

The note added by item 13 helps the reader identify the commencement date of this item by directing them to the amending legislation.

**Items 14 and 15: Section 101E**

[s 101E]

Item 14 inserts a new requirement into the criteria that must be met before an innovation patent can be certified. Section 101E requires that the Commissioner must be satisfied, on the balance of probabilities, of a number of matters before issuing a certificate of examination to the patent owner. New subparagraph 101E(1)(a)(viiia) includes the requirement that the priority date of each claim in the specification must be earlier than the commencement date of this amendment.

The note added by item 15 helps the reader identify the commencement date of these amendments by directing them to the amending legislation.
Schedule 2 - Crown Use of Patents

Part 1 - Amendments

Introduction

This schedule amends the Patents Act to improve and clarify the operation of the Crown use provisions in Chapter 17 of that Act.

Crown use permits governments to exploit a patented invention without authorisation by the patentee, where exploitation of the invention is necessary for the proper provision of services of the Commonwealth or a State. Crown use provisions provide a rarely-used safeguard where the patent system may otherwise hinder government in taking necessary action to deal with urgent or major issues of concern to the public.

The Crown use provisions in the Patents Act allow the Commonwealth or a State or Territory, or a person authorised by the Commonwealth or a State or Territory, to use an invention without infringing a patent (or the rights that a nominated person would have if a patent is later granted on an application for a patent). However, where the provisions are invoked, the patent owner is entitled to remuneration for such use. This ensures that the rights of patent owners are taken into account, as well as the needs of the Australian public.

The provisions were reviewed by the 2013 PC Report. The PC was concerned that aspects of the process in using these provisions created uncertainty and that there was also a lack of transparency in the way in which they operated.

The amendments made by this Schedule provide several modifications.

To reduce uncertainty, the amendments will make it clear 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. This will ensure that the full range of services the public expects the government to provide is covered by the legislation.

At the moment, Crown use can be invoked without any prior notice to the patentee – although there is provision for subsequent discussion about remuneration. To improve transparency and accountability, the amendments will provide that governments are required to first seek a negotiated outcome (such as a licence to use the patent) with the patent owner. These requirements to first attempt to negotiate with the patent owner do not apply in an emergency.

Should negotiation be unsuccessful, or if access to a patented invention is required in an emergency situation, the amendments will provide that Ministerial authorisation for invoking Crown use must be sought. Should it be approved, the patent owner must be notified of the reasons for the decision. The reasons must be given to the patent owner prior to exploitation under the Crown use provisions, or if an emergency, as soon as practicable.

Patents Act 1990

Items 1 to 4: Section 3 (list of definitions)

Section 3 provides a list of expressions that are defined in the Patents Act. Item 1 inserts ‘exploited for Crown purposes’, item 2 inserts ‘relevant Minister’, and item 3 inserts ‘services’ into that list. Item 4 omits the term ‘State’ from the definition.

42 Productivity Commission 2013, Compulsory Licensing of Patents, Inquiry Report No. 61, Canberra.
These insertions are consequential to amendments made to the operation of the Crown use provisions in items 5, 7 and 26 (below).

**Item 5: When an invention is exploited for Crown purposes**

[s 160A]

This item introduces new section 160A before section 161 of the Patents Act. New section 160A provides a definition for the term that an invention is ‘exploited for Crown purposes’. New section 160A also restructures and remakes some parts of existing section 163, and defines terms the term ‘services’.

Currently, section 163 provides that Crown use applies where the invention is exploited for the services of the Commonwealth or a State. The main change introduced by new section 160A is to clarify that those services include services that the Commonwealth, State and/or Territory Governments have the primary responsibility for providing or funding. The intention is that this primary responsibility test would take account of all providers of similar services. This is discussed further below.

**Exploitation for Crown purposes**

New subsection 160A(1) provides that an invention is exploited for Crown purposes if the invention is exploited by a relevant authority or by a person authorised by a relevant authority, if the use is for the services of the Commonwealth or a State or Territory. The term ‘relevant authority’ is defined in the dictionary in Schedule 1 of the Patents Act and is amended by item 24 (below) to mean the Commonwealth or a State or a Territory or an authority thereof.

**Authorisation to exploit for Crown purposes**

Currently, section 163 provides that non-government bodies may be authorised by the Commonwealth or a State to exploit an invention for the services of the Commonwealth or State. The authorisation must be in writing. New paragraph 160A(1)(b) and subsection 160A(2) will continue to allow governments to authorise non-government bodies to exploit an invention under the Crown use provisions, on the same terms as under current subsection 163(2).

**For the services of a relevant authority**

New subsection 160A(3) remakes previous subsection 163(3) and updates the language used as a consequence of subsection 160A(1). It provides that, subject to section 168, an invention is taken to be exploited for the services of the relevant authority if the exploitation of the invention is necessary for the proper provision of those services within Australia.

New subsection 160A(4) includes an important clarification of the meaning of “services of a relevant authority”. The amended definition makes it clear that Crown use can be invoked for the provision of a service that the Commonwealth, State and/or Territory Governments have the primary responsibility for providing or funding.

Previous reviews of the Crown use provisions have identified uncertainty about the extent to which the infringement exemption arising under Crown use would extend to third-party non-government entities providing public services. The amendments made by this item addresses this uncertainty by making clear that the term ‘services’ in relation to the Commonwealth, a State or a Territory includes services primarily provided or funded by government. The intention is that this primary responsibility test will take account of all providers of similar services to those provided or funded by a government, including non-government providers.

For example, in a scenario where the patented invention concerns diagnostic genetic testing, genetic testing undertaken by private providers for private patients would be included in an assessment of whether governments have primary responsibly for providing or funding such testing. As governments are

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responsible for providing or funding the vast majority of genetic tests in the health care sector, they would have primary responsibility. As a result, genetic testing would be eligible for Crown use, including when it is undertaken by private providers for private patients, provided that when authorised by the Crown, private providers do not make a profit from their use of the invention. In this scenario, private providers could be authorised to exercise Crown use on behalf of a government, as is presently allowed under existing subsection 163(1) of the Patents Act.

Including a test based on primary responsibility for providing or funding the service is not intended to limit the scope of “for the services of the Commonwealth or a State” (or “for the services of a relevant authority” as represented in new subsection 160A(4)), or to remove the existing right of individual government bodies to exploit an invention under Crown use, regardless of their share of the relevant market.

**Item 6: Section 162**

[s 162]

This item repeals section 162 as a consequence of amendments made by item 24 (below).

**Item 7: Crown exploitation of inventions**

[s 163 & s 163A]

This item repeals section 163 as a result of the restructuring of the provisions and introduces new sections 163 and 163A. These two new sections implement additional requirements that must be satisfied in order for the exploitation of an invention by the relevant authority to be exempt from infringement of a patent or of rights in a patent application for the invention.

Section 163 provides the general rule for non-emergency situations. These amendments ensure that prior to exploitation of an invention by a relevant authority, governments are required to attempt to negotiate with the patent owner for an authorisation to exploit the invention. Should the negotiation attempt be unsuccessful, the relevant authority will need to seek approval from the relevant Minister (the Minister responsible for administering the Patents Act or the State or Territory Attorney-General) to rely on the Crown use provisions. If that approval is given, written approval and a statement of reasons for the approval must be provided to the patent owner.

New section 163A provides an exemption to deal with emergency situations. In emergency situations, several of the requirements in section 163 do not apply.

New subsection 163(1) provides that Crown exploitation of an invention is not an infringement of a patent, or the nominated person’s rights in the invention (if subject to a patent application), if several conditions are met. These conditions are set out in new subsection 163(2).

**Prior negotiation**

This item amends the Patents Act to introduce new paragraph 163(2)(a) which requires a relevant authority to first attempt for a reasonable period to negotiate with the patent owner for authorisation to exploit the invention on reasonable terms.

The current provisions do not require the Crown to obtain consent from, or inform, the patent owner of its intention to exploit a patented invention before exploitation has commenced. Currently, the Crown can voluntarily seek consent before, during or after it has exploited a patent.

Instituting a requirement to seek prior consent in Crown use should help achieve better outcomes for all parties. The requirement could result in a superior outcome for government because the agreement could, for example, incorporate other know-how of the patent owner. This would further ensure more efficient exploitation of the patented invention in addressing the situation at hand and provide greater transparency on the intentions of the Crown to exploit the invention.
New paragraph 163(2)(a) further provides that the relevant Minister must consider whether the relevant authority has attempted to negotiate with the applicant and the nominated person, or the patentee for an authorisation to work the invention. The introduction of a requirement for prior negotiation does not apply where the situation requiring the exploitation of the patented invention is for an emergency situation under section 163A (discussed below).

Ministerial oversight

This item also amends the Patents Act to insert new paragraph 163(2)(b) which introduces the condition that Ministerial approval must be obtained before a relevant authority can rely on the infringement exemption provided by the Crown use provisions.

Previous reviews have contended that there was a lack of clarity about which entities constituted the Crown. A number of entities could potentially qualify as the Crown, including: employees; commissions; statutory authorities; statutory corporations; government business entities; government owned corporations; and private corporations under contract to the government. Similar concerns of ambiguity relate to whether some research institutes have sufficient government involvement to be considered the Crown. This lack of clarity about which entities constituted the Crown may also lead to a lack of certainty as to who may authorise exploitation by non-government entities under the Crown use provisions.

The requirement in new paragraph 163(2)(b) for Ministerial approval will provide greater certainty for government or semi-government entities and for patent owners that the Crown use provisions apply to the exploitation of an invention. This will ultimately lead to a more effective application of Crown use. Ministerial consideration will ensure that Crown use is only invoked where the benefits outweigh the costs, will improve the clarity and certainty surrounding prior use, and give greater certainty to patent owners that the Crown use provisions will not be used inappropriately.

Requirements for Crown use to be authorised

New paragraph 163(2)(c) provides the condition that the invention must be exploited for Crown purposes for the Minister to authorise Crown use of the invention. The circumstances in which an invention is exploited for Crown purposes are outlined at new section 160A in item 5.

New paragraph 163(2)(d) provides that a person must be authorised to exploit an invention under the Crown use provisions before any act covered by that authorisation is done. Currently a person could be authorised before or after the act has been done.

Notification of Crown use

New paragraph 163(2)(e) provides that where a Minister has approved an instance of Crown use, the relevant authority is required to provide the applicant and the nominated person, or the patentee at least 14 days before the commencement of exploitation:

(i) a copy of the Minister’s approval to the Crown exploitation of the invention under new paragraph 163(2)(b); and
(ii) a written statement of reasons as to why the approval was given.

Providing the statement of reasons to the applicant and the nominated person, or the patentee, prior to the commencement of Crown exploitation will provide greater transparency to the patent owner about the decision to invoke Crown use.

New subsection 163(3) has been included to assist readers. The subsection informs that the instrument of approval made by the relevant Minister under paragraph 163(2)(b) is not a legislative instrument, as it is exempted by item 4 of regulation 6 of the Legislation (Exemptions and Other Matters) Regulation 2015.

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Subsection 163(3) is a declaratory statement of the law in the *Legislation (Exemptions and Other Matters)* Regulation 2015, rather than representing a departure from the requirements of the *Legislation Act 2003*.

**Definition of relevant minister**

New subsection 163(4) introduces a new definition into the Act. The subsection defines “relevant Minister” which is referred to in section 163 and in several following sections. In the case of exploitation by or on behalf of the Commonwealth, the relevant Minister is the Minister responsible for the administration of the Patents Act, as provided for in Section 19 of the *Acts Interpretation Act 1901*. In the case of exploitation by or on behalf of a State or Territory, the relevant Minister is the appropriate State or Territory Attorney-General.

**Emergency situation**

The amendments made by this item also introduce section 163A which provides for a modified approval process where the exploitation of the invention by the relevant authority is required due to an emergency.

New subsection 163A(2) provides the preconditions for relying on the Crown use safeguard. These are that the Minister considers that the exploitation is necessary because of an emergency, and that the Minister approves the proposed exploitation before the exploitation starts. It also states that the invention must be exploited for Crown purposes and that a person must be authorised to exploit an invention under the Crown use provisions before any act covered by that authorisation is done. During a period of emergency, and in contrast to the non-emergency approval process of new section 163, the requirement for prior negotiation and the requirement to provide the statement of reasons prior to Crown exploitation do not apply.

An emergency would include an unforeseen occurrence or a sudden and urgent occasion for action. It could include a public health crisis such as a plague or epidemic, or a medical emergency such as a pandemic. It could also include war, national security situations, perceived threats to law and order, natural disasters and other situations of urgency. It includes but is not limited to situations where a state of emergency has been declared by a government. The amendments do not specify any considerations as to what constitutes an emergency, as the nature of emergency situations is inherently unpredictable, and in such situations it is important that a government can act quickly and that all possible situations are covered by the legislation.

It is expected that this would be a rarely exercised power, particularly given that there have only been two reported cases in which Crown use has been contested in court. Given this and the urgency inherent in the situation, this decision to authorise Crown use is not merits reviewable.

However, this power is not without constraint. Although the requirements to negotiate and to provide the statement of reasons prior to exploitation do not apply in emergencies, new subsection 163A(3) requires that in all cases the relevant Minister must as soon as practicable provide the patentee with a statement of reasons for approving the Crown exploitation.

The patentee is also able to challenge the Minister’s decision through the judicial review processes under the *Administrative Decisions (Judicial Review) Act 1977* (Cth). The patentee is as also able to apply for a court order under amended section 165A of the Patents Act to declare that the exploitation is no longer necessary for the proper provision of services of the relevant authority concerned. If the court makes such an order under section 165A, it can further order that the government cease exploiting the invention. This ensures that the rights of patentees are not unduly compromised, and provides appropriate safeguards on the use of this power.

New subsection 163A(4) has been included to assist readers. The subsection informs that the instrument of approval made by the relevant Minister under paragraph 163A(2)(b) is not a legislative instrument, as it is

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exempted by item 4 of regulation 6 of the *Legislation (Exemptions and Other Matters) Regulation 2015*. Subsection 163A(4) is a declaratory statement of the law in the *Legislation (Exemptions and Other Matters) Regulation 2015*, rather than representing a departure from the requirements of the *Legislation Act 2003*.

**Items 8 and 9: Section 164**

[s 164]

Item 8 revises the heading for section 164 to more appropriately reflect the role this section provides in requiring the relevant authority to notify the applicant and nominated persons, or patentee of approval and proposed exploitation under Crown use.

Item 9 amends section 164 consequential upon item 7 that inserts new sections 163(2) and 163A(2).

**Items 10 and 11: Crown exploitation of inventions—terms (including remuneration)**

[s 165(2)]

Item 10 revises the heading for section 165 to reflect more appropriately the role this section provides in determining the terms for Crown use.

Item 11 repeals the previous subsection 165(2) and inserts a new subsection 165(2) which modifies how remuneration for exploitation of an invention is to be determined.

Currently, section 165 gives no guidance how remuneration is to be determined. Existing subsection 165(2) provides that, when parties fail to come to an agreement, either party can apply to a prescribed court for a determination on any terms of the exploitation, including remuneration. In the 2013 PC Report, the PC referred to previous reviews of the Crown use provisions, where it was contended that the lack of guidance on pricing can leave patentees disadvantaged, and that the lack of an applied standard or criterion to refer to in negotiations could weaken their bargaining position in seeking to obtain fair and equitable agreement. This was particularly the case for small and medium enterprises, which did not have the negotiating power or skills of large businesses.

Item 11 addresses these concerns by reforming the manner in which remuneration is determined under Crown use.

New subsection 165(1) will remake existing subsection 165(2), with some editorial changes to improve readability.

New subsection 165(2) provides that in determining the amount of remuneration, the prescribed court must determine an amount of remuneration that is just and reasonable and must take into account the economic value of the exploitation of the invention and any other matter the court considers relevant. This remuneration standard is a combination of the standard recommended by the PC and that of the former ACIP. It strikes an appropriate balance between ensuring compliance with international requirements as well as being sufficiently wide to take account of other considerations apparent in the circumstances of each case.

The new standard for remuneration allows consistency with existing subsection 165(4), which will be unchanged. It should also be noted that remuneration is only one of the terms of the Crown exploitation. A reduced remuneration may be negotiated or ordered because of other more advantageous terms.

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48 *Patents Act 1990* (Cth), s. 165(2)


**Item 12: Subsection 165(3)**

[s 165]
This item is consequential upon item 11, which amends section 165. This item amends the reference to ‘subsection (2)’ of section 165 to instead refer to ‘this section’.

**Item 13: Subsection 165A (heading)**

[s 165A]
This item revises the heading for section 165A to more appropriately reflect the role this section provides.

**Items 14 to 17: Subsections 165A(1) and 165A(2)**

[s. 165A(1) & s. 165A(2)]
Item 14 is consequential upon item 7, which amends subsection 163(2) and introduces subsection 163A(2). Items 15 to 17 are consequential upon item 5, which updates reference in new section 160A to use ‘relevant authority’ when referring to exploitation of the invention for Crown purposes.

**Item 18: Section 166**

[s 166]
Item 18 repeals section 166 and introduces new subsection 166 which updates references, simplifies the language used and breaks down the clause into two subsections for readability.

This item amends the heading for section 166 and is revised to more appropriately reflect the role this section provides.

The new subsection 166(1) outlines that an agreement or licence setting the terms on which a person other than a relevant authority may exploit an invention is inoperative with respect to the exploitation of the invention in the circumstances outline in item 7. These requirements currently exist, however, these amendments simplify the language to increase readability. The new subsection 166(1) also uses the expression ‘relevant authority’ when referring to exploitation of an invention for Crown purposes. The new section also provides amendments to section 166 consequential upon item 7 that inserts new subsections 163(2) and 163A(2).

The new subsection 166(2) provides that subsection (1) does not apply if the agreement or licence has been approved in writing by the relevant Minister. This exception currently exists, but has been reworded for clarity. It also amends the exception and references the ‘relevant Minister’. This is consequential upon item 7, which introduces a definition of ‘relevant Minister’ in new section 160A. The new definition is consistent with the reference in existing section 166 to the Minister or the Attorney-General of a State.

**Item 19: Subsections 167(1) and (2)**

[s 167(1) & s 167(2)]
Item 19 amends subsections 167(1) and 167(2) consequential upon item 7, which inserts new sections 163(1) and 163A(1).

**Item 20: Section 169**

[s 169]
This item repeals section 169 of the Patents Act. Section 169 allows a patent owner who considers that the patented invention has been exploited by a government for the services of the Commonwealth or a State to apply to a prescribed court for a declaration to that effect. If a court made such a declaration, the requirements for terms for the exploitation (including remuneration) in current section 165 would be
enlivened. Existing section 169 also allows the alleged relevant government authority to make a counter-claim that the patent is invalid and should be revoked.

Under the new arrangement set out in new sections 163 and 163A, this section is now longer needed. The infringement exemption for government use of a patented invention will be conditional on the relevant Minister approving the use as Crown exploitation and notifying the patentee. As such, Crown exploitation cannot take place without the patent owner being made aware of it.

If a patentee has concerns about government use of its invention, remedies remain available. Where the Minister has given this approval, a patent owner can apply to a prescribed court to determine the terms for the Crown exploitation, or order the Crown exploitation to cease under section 165A of the Patents Act. If the Minister has not given prior approval, the patent owner can take action under the infringement provisions in Chapter 11 of the Patents Act.

**Items 21 and 22: Section 170**

[s 170]

These items amend section 170 to include a reference to ‘Territory’ as well ‘State’. These amendments are consequential on item 26 (below) which repeals the definition of ‘State’ allowing it to take its ordinary meaning.

**Item 23: Schedule 1 (definition of exploited for Crown purposes)**

[Schedule 1]

This item amends Schedule 1 of the Patents Act to insert the definition for ‘exploited for Crown purposes’ (which has the meaning given by new subsection 160A(1)).

**Item 24: Schedule 1 (definition of relevant authority)**

[Schedule 1]

This item repeals the definition of ‘relevant authority’ and replaces it with a new definition which incorporates provisions repealed by items 6 and 26.

This item incorporates repealed section 162 (item 6 above). Current section 162 states that a reference to the Commonwealth includes a reference to a Commonwealth authority, and reference to a State includes a reference to a State authority. In the new Crown use provisions, references to the ‘Commonwealth’ and the ‘State’ (where needed) have been replaced with the term ‘relevant authority’ to reflect the new terminology introduced by item 5 (above). As a result, section 162 was repealed and incorporated into the definition of ‘relevant authority’ for ease of readability.

This item also incorporates changes consequential to the repealed definition of ‘State’ at Schedule 1 (item 26 below). As a result, a separate reference to ‘Territory’ is required and has been incorporated into this item. It further outlines that the definition of ‘relevant authority’ also includes a Territory or an authority of a Territory.

**Item 25: Schedule 1 (definition of relevant Minister and services)**

[Schedule 1]

This item amends Schedule 1 of the Patents Act to insert definitions for ‘relevant Minister’ (which has the meaning given by new subsection 163(4)) and ‘services’ (which has the meaning affected by new subsection 160A(4)) to account for the amendments made to the operation of the Crown use provisions in items 5 and 7 (above).

**Item 26: Schedule 1 (definition of State)**

This item repeals the definition of ‘State’ from Schedule 1.
Currently, Schedule 1 defines ‘State’ for the purposes of Chapter 17 only so that the expression includes the Australian Capital Territory, the Northern Territory and Norfolk Island. As a result of the specific inclusion of ‘Territory’ in the definition of ‘relevant authority’ (item 24 above) and in sections where reference to the Commonwealth and State have been retained (for example items 21 and 22), the expanded definition of ‘State’ is not required and so has been repealed.
Part 2 - Application and transitional provisions

Item 27: Definition

This item introduces the term ‘amended Act’ for use in Part 2 of Schedule 1 for the application and transitional provisions (items 28 to 31 below).

Item 28: Application of amendments

The principles underpinning the application provisions are that the changes should:

• take effect as soon as possible, to quickly improve the operation and transparency of the Crown use provisions; and
• not unduly prejudice users of the system, particularly with respect to not affecting any existing or in-force terms for Crown use of an invention, whether these are agreed between the parties or determined by a court.

Subitem (1) of item 28 applies to amendments made by Part 1 of Schedule 2, excluding section 166. The amendments made by Part 1 of Schedule 2 relate to the restructuring and modification of the requirements that must be met prior to an act of exploitation being considered authorised under Crown use. These changes are to apply in relation to Crown exploitation which starts, or is proposed to start, on or after the commencement of Schedule 2.

Subitem (2) of item 28 applies to the amendment made to section 166. This application provision ensures that section 166 can apply to agreements made or licences given before, on or after the day this Schedule commences provided the exploitation of inventions occurs on or after the day this Schedule commences. This avoids the situation where, for example, an exclusive licencing arrangement made with another party prior to the amendments could prevent Crown exploitation from taking place after the commencement of Schedule 2.

Item 29: Transitional—authorised person

This item relates to authorisation of a person by a relevant authority to exploit an invention under Crown use. Previously a person could be authorised before or after the act had been done. The amendments at items 5 and 7 operate so that a person needs to be authorised, in writing, prior to exploiting an invention for Crown purposes.

The transitional provision is consequential upon the changes that insert section 160A and repeal existing section 163 and remake it as new section 163. The provision ensures that an authorisation of a person under existing section 163 has the same force as it had before the changes were made, and as an authorisation provided under the amended provisions will have.

Item 30: Transitional—negotiations

This item relates to the new pre-condition introduced at item 7 that prior to Crown exploitation under new subsection 163(2), the relevant authority is required to attempt to negotiate for a reasonable period and under reasonable terms with the patent owner for authorisation to exploit the invention. If negotiation is unsuccessful, the relevant authority is to seek approval from the relevant Minister to invoke Crown use under new paragraph 163(2)(b).

The requirement for prior negotiation in paragraph 163(2)(a) is a new pre-condition that did not exist under the previous Crown use provisions. Nevertheless, a government agency may have entered into negotiations to gain the patent owner’s permission to use a patented invention.

The transitional provision ensures that, if a relevant authority has engaged in negotiation with the patent owner for authorisation to exploit an invention prior to commencement of this Schedule, the relevant authority is not required to repeat the negotiation process upon commencement of this Schedule.
Item 31: Transitional—agreements and determinations

This item relates to an agreement or determination of the terms for exploitation of the invention between the relevant authority and the patent owner for the purposes of exploitation of an invention under Crown use.

The transitional provision relates to the amendments made by item 11 above. The provision ensures that an agreement or determination under existing subsection 165(2) has the same force as it had before the changes were made, and as an agreement or determination made under new subsections 165(1) and 165(2) will have.
Schedule 3 - Crown Use of Designs

Part 1 - Amendments

Introduction

This schedule amends the Designs Act to improve and clarify the operation of the Crown use provisions in Chapter 8 of that Act.

The amendments made by this Schedule provide several modifications and are consistent with those made under Schedule 2 to the Crown use provisions in the Patents Act.

Designs Act 2003

Item 1: Section 5 (definitions)

This item amends section 5 of the Designs Act to insert a definition for ‘relevant authority’. The definition is consistent with the definition in the Patents Act as amended by Schedule 2 Item 24 above. The definition provides that a relevant authority is, in relation to the use of a design by or for the Commonwealth, the State or a Territory, the Commonwealth, that State, or that Territory respectively.

This item also provides definitions for ‘relevant Minister’ (which has the meaning given by new subsection 96(4)), ‘services’ (which has the meaning affected by new subsection 95(5)), and ‘used for Crown purposes (which has the meaning given by new subsection 95(2)) to account for the amendments made to the operation of the Crown use provisions in items 2 and 3 below.

Item 2: When a design is used for Crown purposes

This item repeals subsection 95(2) and introduces new subsections 95(2), (3), (4) and (5) to the Designs Act. New subsection 95(2) and (3) provide a definition for the term ‘used for Crown purposes’. New section 95(2) also restructures and remakes some parts of existing section 96, and defines the terms ‘used for Crown purposes’ and ‘services’.

Currently, section 96 provides that Crown use applies where the design is used for the services of the Commonwealth or a State. The main change introduced by new section 95 is to clarify that those services include services that the Commonwealth, State and/or Territory Governments have the primary responsibility for providing or funding. The intention is that this primary responsibility test would take account of all providers of similar services. This is discussed further below.

Use for Crown purposes

New subsection 95(2) provides that a design is used for Crown purposes if the design is used by a relevant authority or by a person authorised by a relevant authority, if the use is for the services of the Commonwealth or a State or Territory. The term ‘relevant authority’ is defined in the dictionary in section 5 of the Designs Act and is amended by item 1 (above) to mean the Commonwealth or a State or a Territory or an authority thereof.

Authorisation to use for Crown purposes
Currently, section 96 provides that non-government bodies may be authorised by the Commonwealth or a State to use a design for the services of the Commonwealth or State. The authorisation must be in writing. New paragraph 95(2)(b) and subsection 95(3) will continue to allow governments to authorise non-government bodies to use a design under the Crown use provisions, on the same terms as under current subsection 96(2).

**For the services of a relevant authority**

New subsection 95(4) remakes previous subsection 96(3) and updates the language used as a consequence of subsection 95(2). It provides that, subject to section 105, a design is taken to be used for the services of the relevant authority if the use of the design is necessary for the proper provision of those services within Australia.

New subsection 95(5) includes an important clarification of the meaning of ‘services of a relevant authority’. The amended definition makes it clear that Crown use can be invoked for the provision of a service that the Commonwealth, State and/or Territory Governments have the primary responsibility for providing or funding.

Previous reviews of the Crown use provisions in the Patents Act (and which are also applicable to the designs system) have identified uncertainty about the extent to which the infringement exemption arising under Crown use would extend to third-party non-government entities providing public services.53 The amendments made by this item addresses this uncertainty by making clear that the term ‘services’ in relation to the Commonwealth, a State or a Territory includes services primarily provided or funded by government. The intention is that this primary responsibility test will take account of all providers of similar services to those provided or funded by a government, including non-government providers.

Including a test based on primary responsibility for providing or funding the service is not intended to limit the scope of “for the services of the Commonwealth or a State” (or “for the services of a relevant authority” as represented in new subsection 95(5)), or to remove the existing right of individual government bodies to use a design under Crown use, regardless of their share of the relevant market.

**Definition of State**

This item also repeals the definition of ‘State’ from subsection 95(2).

Currently, subsection 95(2) defines ‘State’ for the purposes of Part 2 of Chapter 8 only and outlines that the definition includes the Australian Capital Territory, the Northern Territory and Norfolk Island. As a result of the specific inclusion of ‘Territory’ in the definition of ‘relevant authority’ (item 1 above) and in sections where reference to the Commonwealth and State have been retained (for example items 17, 18 and 19), the expanded definition of ‘State’ is not required and so has been repealed.

**Item 3: Crown use of designs**

[s 96 & s 96A]

This item repeals section 96 as a result of the restructuring of the provisions and introduces new sections 96 and 96A. Currently, section 100 provides that infringement proceedings do not lie in relation to the use of a design under section 96. These two new sections incorporate current section 100 and implement additional requirements that must be satisfied in order for the use of the design by the relevant authority to be exempt from infringement of a registered design.

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Section 96 provides the general rule for non-emergency situations. These amendments ensure that prior to the use of a design by a relevant authority, governments are required to attempt to negotiate with the design owner for an authorisation to use the design. Should the negotiation attempt be unsuccessful, the relevant authority will need to seek approval from the relevant Minister (the Minister responsible for administering the Designs Act or the State or Territory Attorney-General) to rely on the Crown use provisions. If that approval is given, written approval and a statement of reasons for the approval must be provided to the design owner.

New section 96A provides an exemption to deal with emergency situations. In emergency situations, several of the requirements in section 96 do not apply.

New subsection 96(1) provides that Crown use of a design is not an infringement of a registered design, if several conditions are met. These conditions are set out in new subsection 96(2).

**Prior Negotiation**

This item amends the Designs Act to introduce new paragraph 96(2)(a) which requires a relevant authority to first attempt for a reasonable period to negotiate with the registered owner of the design for authorisation to use the design on reasonable terms.

The current provisions do not require the Crown to obtain consent from, or inform, the design owner of its intention to use a design before use has commenced. Currently, the Crown can voluntarily seek consent before, during or after it has used a design.

Instituting a requirement to seek prior consent in Crown use should help achieve better outcomes for all parties. The requirement could result in a superior outcome for government because the agreement could, for example, incorporate other know-how of the design owner. This would further ensure more efficient use of the design in addressing the situation at hand and provide greater transparency on the intentions of the Crown to use the design.

New paragraph 96(2)(a) further provides that the relevant Minister must consider whether the relevant authority has attempted to negotiate with the applicant or entitled person, or the registered owner of the design for an authorisation to use the design. The introduction of a requirement for prior negotiation does not apply where the situation requiring the use of the design is for an emergency situation under section 96A (discussed below).

**Ministerial oversight**

This item also amends the Designs Act to insert new paragraph 96(2)(b) which introduces the condition that Ministerial approval must be obtained before a relevant authority can rely on the infringement exemption provided by the Crown use provisions.

Previous reviews have contended that there was a lack of clarity about which entities constituted the Crown in the Patents Act (and these concerns are equally applicable to the Designs system). A number of entities could potentially qualify as the Crown, including: employees; commissions; statutory authorities; statutory corporations; government business entities; government owned corporations; and private corporations under contract to the government. Similar concerns of ambiguity relate to whether some research institutes have sufficient government involvement to be considered the Crown. This lack of clarity about which entities constituted the Crown may also lead to a lack of certainty as to who may authorise use by non-government entities under the Crown use provisions.

The requirement in new paragraph 96(2)(b) for Ministerial approval will provide greater certainty for government or semi-government entities and for registered owners of designs that the Crown use

provisions apply to the use of a design. This will ultimately lead to a more effective application of Crown use. Ministerial consideration will ensure that Crown use is only invoked where the benefits outweigh the costs, will improve the clarity and certainty surrounding prior use, and give greater certainty to design owners that the Crown use provisions will not be used inappropriately.

**Requirements for Crown use to be authorised**

New paragraph 96(2)(c) provides the condition that the design must be used for Crown purposes for the Minister to authorise Crown use of the design. The circumstances in which a design is used for Crown purposes are outlined at new section 95 at item 2.

New paragraph 96(2)(d) provides that a person must be authorised to use a design under the Crown use provisions before any act covered by that authorisation is done. Currently, a person could be authorised before or after the act has been done.

**Notification of Crown use**

New paragraph 96(2)(e) provides that where a Minister has approved an instance of Crown use, the relevant authority is required to provide the applicant and the entitled person, or the registered owner at least 14 days before the use starts:

(i) a copy of the Minister’s approval to the Crown use of the design under new paragraph 96(2)(b); and

(ii) a written statement of reasons as to why the approval was given.

Providing the statement of reasons to the applicant and the entitled person, or the registered owner, prior to the commencement of Crown use will provide greater transparency to the owner of the registered design about the decision to invoke Crown use.

New subsection 96(3) has been included to assist readers. The subsection informs that the instrument of approval made by the relevant Minister under paragraph 96(2)(b) is not a legislative instrument, as it is exempted by item 4 of regulation 6 of the *Legislation (Exemptions and Other Matters) Regulation 2015*. Subsection 96(3) is a declaratory statement of the law in the *Legislation (Exemptions and Other Matters) Regulation 2015*, rather than representing a departure from the requirements of the *Legislation Act 2003*.

**Definition of ‘relevant Minister’**

New subsection 96(4) introduces a new definition into the Act. The subsection defines ‘relevant Minister’ which is referred to in section 96 and in several following sections. In the case of use by or on behalf of the Commonwealth, the relevant Minister is the Minister responsible for the administration of the Designs Act, as provided for in Section 19 of the *Acts Interpretation Act 1901*. In the case of use by or on behalf of a State or Territory, the relevant Minister is the appropriate State or Territory Attorney-General.

**Emergency situation**

The amendments made by this item also introduce section 96A which provides for a modified approval process where the use of the design by the relevant authority is required due to an emergency.

New subsection 96A(2) provides the preconditions for relying on the Crown use safeguard. These are that the Minister considers that the use is necessary because of an emergency, and that the Minister approves the proposed use before the use starts. It also states that the design must be used for Crown purposes and that a person must be authorised to use a design under the Crown use provisions before any act covered by that authorisation is done. During a period of emergency, and in contrast to the non-emergency approval process of new section 96, the requirement for prior negotiation and the requirement to provide the statement of reasons prior to Crown use do not apply.
An emergency would include an unforeseen occurrence or a sudden and urgent occasion for action. It could include a public health crisis such as a plague or epidemic, or a medical emergency such as a pandemic. It could also include war, national security situations, perceived threats to law and order, natural disasters and other situations of urgency. It includes but is not limited to situations where a state of emergency has been declared by a government. The amendments do not specify any considerations as to what constitutes an emergency, as the nature of emergency situations is inherently unpredictable, and in such situations it is important that a government can act quickly and that all possible situations are covered by the legislation.

It is expected that this would be a rarely exercised power, particularly given that there are no reported cases of Crown use of designs being contested in court. Given this and the urgency inherent in the situation, this decision to authorise Crown use is not merits reviewable.

However, this power is not without constraint. Although the requirements to negotiate and to provide the statement of reasons prior to use do not apply in emergencies, new subsection 96A(3) requires that in all cases the relevant Minister must as soon as practicable provide the design owner with a statement of reasons for approving the Crown use.

The owner of the registered design is also able to challenge the Minister’s decision through the judicial review processes under the Administrative Decisions (Judicial Review) Act 1977 (Cth). The owner of the registered design is also able to apply for a court order under amended section 102 of the Designs Act to declare that the use is no longer necessary for the proper provision of services of the relevant authority concerned. If the court makes such an order under section 102, it can further order that the government cease using the design. This ensures that the rights of design owners are not unduly compromised, and provides appropriate safeguards on the use of this power.

New subsection 96A(4) has been included to assist readers. The subsection informs that the instrument of approval made by the relevant Minister under paragraph 96A(2)(b) is not a legislative instrument, as it is exempted by item 4 of regulation 6 of the Legislation (Exemptions and Other Matters) Regulation 2015. Subsection 163(3) is a declaratory statement of the law in the Legislation (Exemptions and Other Matters) Regulation 2015, rather than representing a departure from the requirements of the Legislation Act 2003.

Items 4, 5 and 6: Subsections 97(1) and (2)

[§ 97]

Item 4 amends subsection 97(1) consequential upon item 3 that inserts new sections 96(2) and 96A(2).

Items 5 and 6 are consequential upon item 2, which updates references in new section 95 to use ‘relevant authority’ when referring to use of the design under Crown use.

Item 7: Crown use of designs—terms (including remuneration)

[§ 98]

Item 7 repeals the current section 98 and inserts a new section 98 which modifies how remuneration for use of a design is to be determined. This item also revises the heading for section 98 to reflect more appropriately the role this section provides in determining the terms for Crown use.

Currently, section 98 gives no guidance on how remuneration is to be determined. Existing subsection 98(1) provides that, when parties fail to come to an agreement, either party can apply to a prescribed court for a determination on any terms of the use, including remuneration. The PC referred to previous reviews of the Crown exploitation provisions in the Patents Act, where it was contended that the lack of guidance...

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56 The Macquarie Dictionary Online © Macquarie Dictionary Publishers Pty Ltd.
57 Designs Act 2003 (Cth), s. 98(1)(b)
on pricing can leave patentees disadvantaged, and that the lack of an applied standard or criterion to refer to in negotiations could weaken their bargaining position in seeking to obtain fair and equitable agreement. This was particularly the case for small and medium enterprises, which did not have the negotiating power or skills of large businesses. These considerations of the Crown exploitation provisions in the Patents Act are equally applicable to the designs system.

Item 7 addresses these concerns by reforming the manner in which remuneration is determined under Crown use.

New subsection 98(1) will remake existing subsection 98(1), with some editorial changes to improve readability.

New subsection 98(2) provides that in determining the amount of remuneration, the prescribed court must determine an amount of remuneration that is just and reasonable and must take into account the economic value of the use of the design and any other matter the court considers relevant. This remuneration standard is a combination of the standard recommended by the PC and that of the former ACIP in considering Crown use of patents. It strikes an appropriate balance between ensuring compliance with international requirements as well as being sufficiently wide to take account of other considerations apparent in the circumstances of each case.

This new standard for remuneration allows consistency with existing subsection 98(2), which will be substantively unchanged but renumbered as subsection 98(4). It should also be noted that remuneration is only one of the terms of the Crown use. A reduced remuneration may be negotiated or ordered because of other more advantageous terms.

Existing section 98(3) is retained and remains substantively unchanged.

**Item 8: Section 99**

[§ 99]

Item 8 repeals section 99 and introduces new section 99 which updates references and simplifies the language used for readability.

This item amends the heading for section 99 and is revised to more appropriately reflect the role this section provides.

The new subsection 99(1) outlines that an agreement or licence setting the terms on which a person other than a relevant authority may use a design is inoperative with respect to the use of the design in the circumstances outlined in item 3. These requirements currently exist, however, these amendments simplify the language to increase readability. The new subsection 99(1) also updates a reference in new section 95 to use ‘relevant authority’ when referring to use of the design under Crown use. The new section also provides amendments to section 99 consequential upon item 3 that inserts new subsections 96(2) and 96A(2).

The new subsection 99(2) provides that subsection (1) does not apply if the agreement or licence has been approved in writing by the relevant Minister. This exception currently exists, but has been reworded for clarity. It also amends the exception and references the ‘relevant Minister’. This is consequential upon item 3, which introduces a definition of ‘relevant Minister’ in new section 96. The new definition is consistent with the reference in existing subsection 99(2) to the Minister or the Attorney-General of a State.

**Item 9: Sections 100 and 101**

[§ 100 & § 101]

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Item 9 repeals sections 100 and 101.

The repealing of section 100 is consequential upon new subsection 96(1) (item 3 above). Currently, section 100 provides that infringement proceedings do not lie in relation to the use of a design under section 96. New section 96(1) incorporates this provision and provides that use of a design in the circumstances mentioned in subsection 96(2) is not an infringement of a registered design.

Current section 101 allows a registered owner of a design (where a certificate of examination has been issued) who considers that the design has been used by a government for the services of the Commonwealth or a State to apply to a prescribed court for a declaration to that effect. If a court made such a declaration, the requirements for terms for the use (including remuneration) in section 98 would be enlivened. Existing section 101 also allows the alleged relevant government authority to make a counter-claim that the design is invalid and should be revoked.

Under the new arrangement set out in new sections 96 and 96A this section is no longer needed. The infringement exemption for government use of a design will be conditional on the relevant Minister approving the use as Crown use and notifying the owner of the registered design. As such, Crown use cannot take place without the design owner being made aware of it.

If an owner of a registered design has concerns about government use of its design, remedies remain available. Where the Minister has given this approval, an owner of a registered design can apply to a prescribed court to determine the terms for the Crown use, or order the Crown use to cease, under section 102 of the Designs Act.

If the Minister has not given prior approval, the design owner can take action under the infringement provisions in Chapter 6 of the Designs Act.

**Item 10: Section 102 (heading)**

[Section 102]

This item revises the heading for section 102 to more appropriately reflect the role this section provides.

**Items 11 to 14: Subsections 102(1), 102(3) and 102(4)**

[Sections 102]

Item 11 is consequential upon item 3, which introduces subsection 96(2) and subsection 96A(2).

Items 12 to 14 are consequential upon item 2, which updates the reference in new section 95 to use ‘relevant authority’ when referring to use of the design under Crown use.

**Items 15 and 16: Section 103**

[Section 103]

Item 15 provides amendments to section 103 consequential upon item 3 that inserts new subsections 96(2) and 96A(2).

Item 16 provides amendments consequential upon item 2, which updates the reference in new section 95 to use ‘relevant authority’ when referring to use of the design under Crown use.

**Items 17, 18 and 19: Section 104**

[Section 104]

These items amend section 104 to include a reference to ‘Territory’ as well ‘State’. These amendments are consequential of item 2 (above) which repeals the definition of ‘State’.
Part 2 - Application and transitional provisions

Item 20: Definitions

This item introduces the term ‘amended Act’ for use in Part 2 of Schedule 3 for the application and transitional provisions (items 21 to 24 below).

Item 21: Application of amendments

The principles underpinning the application provisions are that the changes should:

- take effect as soon as possible, to quickly improve the operation and transparency of the Crown use provisions; and
- not unduly prejudice users of the system, particularly with respect to not affecting any existing or in-force agreements or licences negotiated by a relevant authority and an applicant or entitled person, or the registered owner.

Subitem (1) of item 21 applies to amendments made by Part 1 of Schedule 3, excluding section 99. The amendments made by Part 1 of Schedule 3 relate to the restructure and modification of the requirements that must be met prior to an act of use being considered authorised under Crown use. These changes are to apply in relation to Crown use which starts, or is proposed to start, on or after the commencement of Schedule 3.

Subitem (2) of item 21 applies to the amendment made to section 99. This application provision ensures that section 99 can apply to agreements made or licences given before, on or after the day this Schedule commences provided the use of the design occurs on or after the day this Schedule commences. This avoids the situation where, for example, an exclusive licensing arrangement made with another party prior to the amendments could prevent Crown use from taking place after commencement of Schedule 3.

Item 22: Transitional—authorised person

This item relates to authorisation of a person by a relevant authority to use design under Crown use. Previously a person could be authorised before or after the act had been done. The amendments at items 2 and 3 operate so that a person needs to be authorised, in writing, prior to use of a design for Crown purposes.

The transitional provision is consequential upon the changes that insert section 95 and repeal existing section 96 and remake it as new section 96. The provision ensures that an authorisation of a person under existing section 96 has the same force as it had before the changes were made, and as an authorisation provided under the amended provisions will have.

Item 23: Transitional—negotiations

This item relates to the new pre-condition introduced at item 3 that prior to Crown use under new subsection 96(2), the relevant authority is required to attempt to negotiate for a reasonable period and under reasonable terms with the owner of the registered design for authorisation to use the design. If negotiation is unsuccessful, the relevant authority is to seek approval from the relevant Minister to invoke Crown use under new paragraph 96(2)(b).

The requirement for prior negotiation in paragraph 96(2)(a) is a new pre-condition that did not exist under the previous Crown use provisions. Nevertheless, a government agency may have entered into negotiations to gain the owner of the registered design’s permission to use a design.

The transitional provision ensures that, if a relevant authority has engaged in negotiation with the registered owner of the design for authorisation to use a design prior to commencement of this Schedule, the relevant authority is not required to repeat the negotiation process upon commencement of this Schedule.
**Item 24: Transitional—agreements and determinations**

This item relates to an agreement or determination of the terms for use of the design between the relevant authority and the owner of the registered design for the purposes of use of a design under Crown use.

The transitional provision is consequential upon the changes that repeal existing subsection 98(1) and remake it as new subsection 98(1). The provision ensures that an agreement or determination under existing subsection 98(1) has the same force as it had before the changes were made, and as an agreement or determination made under the amended provisions will have.
Schedule 4 - Compulsory licenses

Introduction

This Schedule amends the Patents Act to replace the ‘reasonable requirements of the public’ test with a ‘public interest’ test when the Federal Court considers an application for a compulsory licence. This Schedule also introduces amendments that require the court to consider the public interest when specifying the terms of the licence, including remuneration.

A compulsory licence is an order made by the Federal Court for a patentee to grant a licence to another party to exploit an invention. Compulsory licensing provides a mechanism to prevent the patentee from restricting others from exploiting the invention in the local market, where it has failed to do so itself.

The 2013 PC Report found that there was potential to conflate the ‘reasonable requirements of the public’ with the interests of Australian industry, which is inconsistent with promoting community-wide welfare. As a result, the PC recommended that the ‘reasonable requirements of the public’ test be replaced with a ‘public interest’ test.

This Schedule also amends the Patents Act to clarify the operation of the compulsory licensing provisions for dependent patents.

As currently drafted, subsection 133(3B) of the Patents Act does not limit who can apply for a compulsory licence in order to exploit a ‘dependent patent’ – one which can only be exploited by also exploiting an earlier patent (the ‘original patent’). This has the effect that a third party can apply for a compulsory licence in relation to a dependent patent, leading to inequitable and illogical outcomes:

- Under subparagraph 133(3B)(b)(i) a third party applicant who has only satisfied the grounds for a compulsory licence over a dependent patent would also be able to automatically obtain a compulsory licence over the original patent, to the extent necessary to work the invention. This outcome is illogical and provides the applicant with an unfair advantage.
- Under subparagraph 133(3B)(b)(ii) the owner of the dependent patent may be required to compensate the owner of the original patent by granting a cross-licence, even where the applicant for the compulsory licence is a third party. This outcome is not logical and disadvantages the patentee of the dependent patent, as it is the third party who is making use of the original patent, not the patentee of the dependent patent.

These amendments rectify this problem by providing that only the patentee of a dependent patent can seek a compulsory licence over the use of the original patent.

Patents Act 1990

Item 1: Section 132B

This item amends the simplified outline of Part 2 of Chapter 12 of the Patents Act set out in section 132B to replace a reference to the ‘reasonable requirements of the public’ test with a reference to the new requirements for a compulsory license in item 4, including the ‘public interest’ test. It also provides an overview of compulsory licences for dependent patents. This change is consequential to amendments made by item 4.

Item 2: Before subsection 133(1)

This item inserts the subheading ‘Application for an order granting a compulsory licence’. This change has been made to assist in reading section 133.
**Item 3: Subsection 133(1)**

This item inserts the term ‘(the original invention)’ after ‘patented invention’. This change is consequential to amendments made by item 4.

**Item 4: Subsections 133(2), (3) and (3B)**

This item repeals subsections 133(2), (3) and (3B) and introduces new subsections 133(2), (3), (3A), (3B) and (3C) to amend the requirements for the court to make an order for a compulsory licence and to amend the requirements for the form of the order.

**Making an Order**

Currently, subsection 133(2) outlines that ‘the court may...make the order [for a patentee to grant a compulsory licence] if satisfied that:

(a) all the following conditions exist:

   (i) the applicant has tried for a reasonable period, but without success, to obtain from the patentee an authorisation to work on the invention on reasonable terms and conditions;

   (ii) the reasonable requirements of the public with respect to the patented invention have not been satisfied;

   (iii) the patentee has given no satisfactory reason for failing to exploit the patent; or

(b) the patentee has contravened, or is contravening, Part IV of the Competition and Consumer Act 2010 or an application law (as defined in section 150A of that Act) in connection with the patent.’

New subsection 133(2) still outlines the circumstances in which the court can make an order for a compulsory licence. In the new subsection 133(2), former paragraph 133(2)(a) has been replaced with new conditions but the current paragraph 133(2)(b) is retained.

New subsection 133(3) lists the conditions which must be satisfied before the court can make an order for a compulsory licence under new paragraph 133(2)(a).

**Demand for the invention**

New paragraphs 133(3)(a) and (b) require that for the grant of a compulsory licence, there must be unmet demand in Australia for an original patented invention and that authorisation to exploit this original patented invention is required to meet that demand.

New paragraphs 133(3)(a) and (b) are to be considered as consistent with, but in addition to, the public interest test at paragraph 133(3)(e). The inclusion of these considerations will retain protection for trade and industry against market failure in respect of the invention currently set out under subsection 135(1), but will strike a better balance between the needs of industry and the broader public.

**Attempt to gain authorisation**

New paragraph 133(3)(c) retains the condition in current subparagraph 133(2)(a)(i) that the applicant must have attempted, for a reasonable amount of time, but without success, to obtain authority from the patentee to use the invention. However, under the new paragraph 133(3)(c) the requirement has changed from obtaining authority to work the invention to obtaining authority to exploit the original invention. This has been amended for consistency with other parts of the Act, including Part 3 of Chapter 12.
Failure to exploit the patent

New paragraph 133(3)(d) retains the condition in current subparagraph 133(2)(a)(iii) that the patentee has given no satisfactory reason for not exploiting the patent.

Public interest

New paragraph 133(3)(e) provides that the grant of the licence must be in the public interest, and sets out factors for a court to consider when determining whether the public interest will be met.

Current subparagraph 133(2)(a)(ii) provides that the court must be satisfied that the ‘reasonable requirements of the public’ with respect to a patent have not been satisfied, before it can make an order for a compulsory licence. Subsection 135(1) of the Patents Act sets out the circumstances in which the reasonable requirements of the public are taken not to have been satisfied.

This test is not used elsewhere in Australian legislation, and there is limited case law to provide guidance on its interpretation, causing uncertainty. Furthermore, the ‘reasonable requirements of the public’ test appears to focus on the interests an individual trade or industry, preventing grant of a compulsory licence if industry would be prejudiced, even at a net cost to the broader community.

This amendment replaces the ‘reasonable requirements of the public’ test with a ‘public interest’ test to determine if a compulsory licence should be granted. Unlike the term the ‘reasonable requirements of the public’, the term ‘public interest’ is a commonly used legal term with an existing body of case law which applies this terminology in a wide range of circumstances and will assist in its interpretation.

The intent of the ‘public interest’ test is to recognise the balance required between the rights of the patent holder and the interests of the broader public. New paragraph 133(3)(e) sets out three factors for the court to have regard to when considering the public interest:

(i) the benefits to the public from meeting the relevant unmet demand for the original patented invention;
(ii) the commercial costs and benefits to the patentee and the applicant from providing authorisation to exploit the original patented invention;
(iii) any other matters the court considers relevant, including those relating to greater competition and any impact on innovation.

Dependent patents

New paragraph 133(3)(f) clarifies who can apply for a compulsory licence in the case of a dependent patent. The amendments make it clear that, in circumstances involving a dependent patent, it is only the patentee of the dependent patent who can seek a compulsory licence from the patentee of the original patent. Therefore, where an applicant, who is not the owner of the dependent patent, seeks a compulsory licence over more than one patent, these should be made as separate applications.

The additional circumstances in which a compulsory licence to exploit the original patent can be granted remain the same as in current subsection 133(3B): that the dependent patent cannot be exploited by the applicant without exploiting the original invention, and that the dependent invention involves an important technical advance of considerable economic significance on the original invention.

As above, the previously used term ‘work’ has been replaced with ‘exploit’ for consistency with the rest of the Act.

Form of Order

Dependent patents

New subsection 133(3A) provides requirements for an order granting a compulsory licence over an original patent where the applicant is the patentee of a dependent patent. These requirements are equivalent to those in current paragraph 133(3B)(b): that the patentee of the original invention must grant the compulsory licence only insofar as it is necessary to work the dependent invention, and that the patentee of the dependent invention must grant that patentee of the original invention, if he or she so requires, a cross licence to exploit the dependent invention.

Combined with new paragraph 133(3)(f) above, this ensures that the cross-licence provides a form of reasonable compensation for the patentee of the original patent who is the subject of the compulsory licensing order, as the cross-licensing arrangements will only apply between the patentee of the original patent and the patentee of the dependent patent.

As above, the previously used term ‘work’ has been replaced with ‘exploit’ for consistency with the rest of the Act.

**General conditions**

New subsection 133(3B), for the most part, retains the text of current subsection 133(3) which provides requirements that an order for a compulsory licence must fulfil. Currently, an order for a compulsory licence must not give the licensee the exclusive right to exploit the original invention, and does not allow the licence to be assigned except in connection with an enterprise or goodwill with which the licence is used.

New subsection 133(3B) retains these requirements. However, current subsection 133(3B) only applies to a compulsory licence for an original patent, not a dependent patent, leaving a gap in the legislation about how a court must direct a cross-licence must be granted. New subsection 133(3B) amends the term ‘the licence’ in current subsection 133(3) with ‘a licence’, thereby extending its application to licences which exploit the original invention or the dependent invention.

**Public interest**

New subsection 133(3C) introduces a new requirement that the terms of a compulsory licence must be consistent with the public interest. This amendment will ensure that the court takes into account the public interest when setting the terms of the licence, as well as when considering whether to grant the licence, and is consistent with the amendments made to subsection 133(3), above.

In addition, the last line of current subsection 133(3) is retained in new subsection 133(3C), which provides a mechanism for ensuring that the court is able to grant a licence on any other relevant terms specified in the order for the compulsory licence.

**Item 5: Paragraph 133(5)(b)**

This item amends paragraph 133(5)(b) to alter the standard to which the Federal Court must have regard when determining the amount of remuneration to be paid to the patentee.

When an order requiring the patentee to grant a compulsory licence to the applicant is made, the patentee is entitled to remuneration. Where the patentee and the applicant cannot agree, the Federal Court may determine the amount to be paid to the patentee.

Currently, the standard of remuneration is determined on what is ‘just and reasonable 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).’

The current remuneration standard does not adequately balance the interests of the patentee to obtain an appropriate economic return on their investment, and those of the public in the efficient exploitation of the invention. This is particularly important in light of the changes to the conditions that must exist for a court to order the patentee to grant a compulsory licence made under item 4 of this Schedule.
To remedy this problem, these amendments will require that where the Federal Court is to determine the remuneration to be paid to the patentee, the Federal Court must, in addition to the current factors, also have regard to:

- the right of the patentee to obtain a return on investment commensurate with the regulatory and commercial risks involved in developing the invention; and
- the public interest in the efficient exploitation of the invention.

This will provide guidance to the Court on the principles for determining the remuneration to be paid to the patentee, whilst retaining flexibility for the Court to take into account the individual circumstances of each case.

Item 6: Before subsection 133(6)

This item inserts the subheading ‘Revocation of licence’ before subsection 133(6) to assist in the reading of section 133.

Item 7: Subsection 133(6)

This item amends subsection 133(6) to replace the term ‘revoke the licence’ with ‘revoke a licence’. Currently subsection 133(6) only allows the court consider whether to revoke the compulsory licence for the original invention, but does not allow a cross-licence granted under paragraph 133(3B) to be revoked. This leads to a potentially inequitable situation. This change will allow cross-licences ordered under new paragraph 133(3B)(b) to be revoked by the court if the circumstances that justified its grant have ceased to exist.

Item 8: At the end of section 133

This item is consequential on item 7 above, and provides that where the court revokes a licence under new subsection 133(6) of the Act, the court must also consider whether to revoke a cross-licence on a dependent patent made under new paragraph 133(3A)(b). Where the circumstances that necessitated the grant of a compulsory licence no longer exist, it is likely that the cross-licence will also no longer be required.

Item 9: Subparagraph 134(2)(a)(i)

This item repeals subparagraph 134(2)(a)(i) and substitutes the subparagraph with ‘it is in the public interest to revoke the patent’. This change is consequential to the amendments described in item 4.

Item 10: Section 135

This item repeals section 135, which outlines the circumstances in which the reasonable requirements of the public, with respect to a patented invention, are taken to not have been satisfied. This item is consequential to the changes described in item 4 as the ‘reasonable requirements of the public’ test will no longer be used.

Item 11: Application of Amendments

Subitem 11(1) provides that the amendments made to section 133 of the Patents Act will apply to application for an order for a compulsory licence made on or after the day this Schedule commences.
Subitem (2) clarifies that the amendment made to section 134 of the Patents Act will apply to applications for an order revoking a patent made on or after the day this Schedule commences, if the order granting a compulsory licence relating to the patent was made under section 133 of that Act after that day.

Application provision (3) is a savings provision that ensures that the repeal of section 135 of the Act does not apply to applications for an order made under section 133 or 134 of the Act, if the application was made before the Schedule commences. This will allow a court to complete proceedings commenced relying on the ‘reasonable requirements of the public’ test.
Schedule 5 - Seals

Introduction

This Schedule amends the Patents Act and the Trade Marks Act to allow for seals of the Patents and Trade Marks Offices to be kept in electronic form.

IP Australia supplies certified documents to customers who request them for various reasons, such as a certified copy of a patent specification to establish a priority date for overseas filings, certificates for trade marks and designs, or as evidence for legal or other proceedings.

The Designs Act allows for the seal of Designs Office to be kept and used electronically, which means that IP Australia can supply electronic certified copies of designs documents to its customers. In contrast, the Patents Act and the Trade Marks Act do not allow this. Receipt of paper copies is often inconvenient for customers, and the manual effort of sealing, signing and dispatching of the documents is time consuming and inefficient for IP Australia.

Patents Act 1990

Item 1: Patent Office Seal

[s 206]

This item formats section 206 for the introduction of new subsection 206(2) by item 2 below.

Item 2 - Electronic seal - new provision

[s 206]

This item inserts a new subsection 206(2) to allow the Patent Office to keep and use the official seal in electronic form. This will facilitate IP Australia supplying electronic certified copies of patent documents to customers.

Trade Marks Act 1995

Item 3 - Seal of Trade Marks Office

[s 200]

This item formats section 200 for the introduction of new subsection 200(2) by item 4 below.

Item 4 - Electronic seal - new provision

[s 200]

This item inserts a new subsection 200(2) to allow the Trade Mark Office to keep and use the official seal in electronic form. This will facilitate IP Australia supplying electronic certified copies of trade marks documents to customers.
Schedule 6 - Specifications

Introduction
This Schedule amends the Patents Act to correct an oversight in the drafting of the Raising the Bar Act.

Some types of patent claim make reference to the features of the invention disclosed in the description, drawings or examples. Such claims are known as ‘omnibus’ claims. Amendments to the Patents Act implemented under the Raising the Bar Act abolished omnibus claims in Australia. Section 40(3A) of the Patents Act now provides that claims must not rely on references to descriptions or drawings unless absolutely necessary to define the invention.

However, due to drafting oversight the Raising the Bar Act only allowed this requirement to be considered and reported on during examination of standard and innovation patent applications. It failed to allow reporting on this requirement in various other stages such as amendment after acceptance of an application or after grant of a patent, re-examination, opposition or revocation proceedings, where currently other requirements under section 40 are considered.

Patents Act 1990

Items 1 to 6: requirements relating to complete specifications

[s 59], [s 98], [s 101G], [s 101M], [s 102] and [s 138]

Items 1 to 6 amend paragraphs 59(c), 98(a), 101G(3)(a), 101M(b), 102(2)(b) and 138(3)(f) to include reference to the requirement in subsection 40(3A). This allows for standard and innovation patent specifications to be assessed for their compliance against the requirement of subsection 40(3A) during re-examination, opposition or revocation proceedings, or when amendments are proposed to the specification.

Item 7: Application of amendments

This item provides that the amendment of sections 59, 98, 101G, 101M, 102 and 138 applies only to patent specifications to which subsection 40(3A) of the Patents Act applies as a requirement during examination.

Subitem 133(7) of Schedule 6 to the Raising the Bar Act provided that subsection 40(3A) of the Patents Act only applies to the applications and patents that meet the criteria specified in that item. That is, subsection 40(3A) only applies to standard patents and patent applications with an examination request date or filing date on or after commencement of Schedule 6 of the Raising the Bar Act, and innovation patents granted or certified, or innovation patent applications filed on or after commencement of Schedule 6 of the Raising the Bar Act. Schedule 6 to the Raising the Bar Act commenced on 15 April 2013.

These application provisions allow the Commissioner and the courts to now consider compliance with subsection 40(3A) of the above patents or patent applications at re-examination, opposition, revocation or when amendments are proposed, from the day following the Royal Assent to this Bill.

An immediate commencement is appropriate because it was never intended that applicants could prosecute the above categories of patents without complying with subsection 40(3A). Applications and patents for which this amendment applies are already required to satisfy subsection 40(3A) in order to be accepted. This amendment is therefore aligning all stages of the patent life-cycle to be consistent, as was originally intended in the Raising the Bar Act.

It is appropriate that the Commissioner should be able to re-examine, and consider oppositions in respect of the full range of substantive grounds on which a patent was originally examined, regardless of when the application for the patent was filed, or the patent granted. It is also appropriate that applicants should not be able to amend their specification after examination such that it would not be acceptable if it were examined. Similarly, it is appropriate that the courts should be able to revoke a patent in respect of the full range of substantive grounds on which the patent was granted. This achieves the objective of increasing
certainty in the validity of granted patents. It does not affect legitimate expectations of patentees, as it only applies to actions that take place after commencement, in respect of patents and patent applications that were always required to comply with subsection 40(3A) of the Patents Act.
Schedule 7 - Protection of information

Introduction

This Schedule amends the Patents Act to improve the handling of sensitive information by the Commissioner of Patents.

Patent applications and associated documents are published or made publicly available to ensure that the public benefits from knowledge of the invention. However, some patent applications can contain sensitive information that can be either commercial or personal in nature which is not essential to understanding of the invention, where publication is not appropriate.

To avoid having to publish this information for patent applications under the Patent Cooperation Treaty (PCT), the Patent Regulations 1991 (Patents Regulations) were amended in 2016 by the Intellectual Property Legislation Amendment (Single Economic Market and Other Measures) Regulation 2016. The amendments allow both the International Bureau of the World Intellectual Property Organisation and IP Australia to omit this sensitive information from publication for PCT applications, and instead allow publishing redacted versions.

For standard and innovation patent applications and related documents, the Commissioner of Patents currently utilises a broad power under regulation 4.3 of the Patents Regulations to not publish certain documents. However the regulation focuses on ‘documents’ and not ‘information’ which means that the Commissioner does not clearly have the authority to redact parts of a document as opposed to an entire document. These amendments will resolve that ambiguity by providing clarification to allow the Commissioner to partially redact sensitive information from a patent document, and publish a redacted version.

Patents Act 1990

Item 1 - Documents open to public inspection

[s 55]

Section 55 sets out which documents must be published when an application is open to public inspection. This item explains that section 55 is subject to the new provision to be introduced by item 3 below.

Item 2 - Certain documents and information not to be published or open to public inspection

[s 56]

This is a consequential amendment as a result of item 3. The new heading clarifies that certain documents, as well as certain information contained within a document, are not to be published or be open to public inspection.

Item 3 - Certain documents and information not to be published or open to public inspection - new provision

[s 56]

This item inserts new subsection 56(3) to provide the Commissioner with the power not to publish certain information contained within a document associated with a standard or innovation patent application if the Commissioner reasonably believes that information should not be published or open to public inspection. The amendments also provide that the Commissioner may arrange for a redacted version of the document to be published or be open to public inspection, which does not contain the information that should not be published. This will align the treatment of sensitive information of a document associated with a standard or innovation patent application with that of a PCT application under Rules 48.2(l), 94.1(d) and (e) of the Regulations under the PCT.
It is intended that the test for withholding information would be analogous to the one in subregulation 4.3 of the Patents Regulations which allows the Commissioner to withhold a whole document on reasonable grounds. As with subregulation 4.3, the types of information that should not be published are not precisely circumscribed, because it is not possible to predict exactly what forms of information that should not be published might be included in documents. The amendments instead allow the Commissioner to exercise a reasonable discretion. Commercial or personal information that is not relevant to the working of an invention should not be published or be open to public inspection. For example, such information could include credit card details, or details of a person’s medical conditions.