Intellectual Property Laws Amendment (Raising the Bar) Bill 2011

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Intellectual Property Laws Amendment (Raising the Bar) Bill 2011

Date introduced: 22 June 2011

House: Senate

Portfolio: Innovation, Industry, Science and Research

Commencement: Sections 1–3: on Royal Assent; Schedules 3–5 and 6 (items 1–86 and 88–134): on the day after the end of the 12 month period commencing on Royal Assent; Schedules 2 and 6 (item 87): on the day after Royal Assent

Links: The links to the Bill, its Explanatory Memorandum and second reading speech can be found on the Bill’s home page, or through http://www.aph.gov.au/bills/. When Bills have been passed and have received Royal Assent, they become Acts, which can be found at the ComLaw website at http://www.comlaw.gov.au/.

Purpose

The Intellectual Property Amendment (Raising the Bar) Bill 2011 (the Bill) proposes amendments to the following intellectual property (IP) rights legislation:

- *Patents Act 1990* (Patents Act)
- *Trade Marks Act 1995* (Trade Marks Act)
- *Copyright Act 1968* (Copyright Act)
- *Designs Act 2003* (Designs Act), and

The proposed amendments seek to improve Australia’s IP rights legislation so as to encourage investment in Australian research and technology, as well as to support innovation and trade.¹

The six categories of amendments and a summary of the corresponding Schedules in the Bill are outlined on pages 8–11 of the Explanatory Memorandum to the Bill and in the second reading speech.² The six categories of proposed amendments are:

- raising patent quality
- free access to patented inventions for regulatory approvals and research
- reducing delays in resolution of patent and trade mark applications

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Warning:

This Digest was prepared for debate. It reflects the legislation as introduced and does not canvass subsequent amendments.

This Digest does not have any official legal status. Other sources should be consulted to determine the subsequent official status of the Bill.
• assisting operations of the IP profession
• improving mechanisms for trade mark and copyright enforcement, and
• simplifying the IP system.

In addition, a brief overview of each Schedule is included in the Key Provisions section of the Digest.

Background

What is intellectual property?

IP is the property in your mind or intellect and in business terms, this relates to proprietary knowledge. There are different types of IP, which include patents, trademarks and copyright.

It is important to note that, subject to certain exceptions such as copyright, creating IP does not automatically entitle a person to ownership of legal rights in the IP. A person must register their IP to obtain such ownership. Ownership of IP rights entitles the person to exploit their IP, in other words, to use, sell or licence their rights in the IP.

Australia’s IP rights system

The Department of Innovation, Industry, Science and Research (the Department) has portfolio responsibility for Australia’s IP rights system.

However, IP Australia, a prescribed agency within the Department, directly administers the IP rights system. IP Australia comprises the Patents, Designs, Trade Mark and Plant Breeder’s Rights offices.

IP reviews

There have been several reviews by various organisations, one of which has been the Advisory Council on Intellectual Property (ACIP), into aspects of Australia’s IP system in recent years.

In particular, reviews have been conducted into the patents system especially in relation to human genetic material.

4. For definitions of patents, trade marks and copyright, see ibid.
6. Ibid.
8. See ibid.

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ACIP reviews

ACIP’s reviews include:

- patentable subject matter (December 2010)
- enforcement of trade marks (April 2004), and
- patents and experimental use (November 2005).\(^9\)

Certain recommendations made at the conclusion of these reviews are reflected in the proposed amendments set out in the various Schedules in the Bill.

Patentable subject matter

This review was conducted addressing concerns that:

... people are being allowed to patent discoveries and abstract ideas rather than inventions, that the threshold of inventiveness in Australia is too low, that the existence of patents hampers innovation in some technological fields, and that undesirable, unethical or offensive inventions can be patented.\(^11\)

At the conclusion of its review, ACIP stated that:

IP Australia, through its reforms to the *Patents Act 1990*, is currently addressing concerns that the threshold for patentability is too low. It is proposing to change the standard of proof that examiners use in assessing whether or not an invention comprises patentable subject matter - from giving the benefit of the doubt in favour of the applicant, to being satisfied on the balance of probabilities that the invention meets the requirements. We endorse this proposal and include it as one of our recommendations.\(^12\)

In addition, ACIP noted that, among other things:

The *Patents Act 1990* deals with inventiveness in two places: through the definition of invention (‘a manner of new manufacture’), and in section 18(1)(b) (which requires a patentable invention to be novel and to involve an inventive step).

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10. For copies of the reports and any Government responses to those reports, see ACIP, ‘Completed reviews’, viewed 1 August 2011, [http://www.acip.gov.au/reviews_completed.html#psm](http://www.acip.gov.au/reviews_completed.html#psm)
12. Ibid., p. 6.

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This has led to an interpretation by the courts that a threshold requirement of inventiveness must be satisfied before reaching the stage where the specific tests for novelty and inventive step are applied.

...

IP Australia is currently proposing reforms to raise the bar for inventive step. It would be clearer to remove the duplication and have the question of inventiveness considered once, when the tests for novelty and inventive step are applied. This could be done by changing the definition of invention and the test for a patentable invention, so that neither refers to a manner of new manufacture.  

**Enforcement of trade marks**

This review was conducted addressing trade mark holders’ concerns about difficulties in enforcing their rights. Enforcing IP rights involves using various means to assert or validate one’s IP rights.

In particular, ACIP stated at the conclusion of its review that:

The control and enforcement of trade mark rights in relation to counterfeit goods is an issue of ongoing concern. ACIP notes the main avenue for counterfeit goods onto the market in Australia is through importation and therefore the seizure provisions are a crucial aspect of enforcement. Consequently, ACIP makes recommendations aimed at strengthening the seizure provisions to improve the prospects for trade mark owners to protect their rights. To ensure that the penalties for importing counterfeit goods are acting as an appropriate deterrent, ACIP recommends that a review of the penalties for the relevant offences in the Trade Marks Act 1995 should be undertaken.

**Patents and experimental use**

The Patents Act does not explicitly provide for a research exemption (also referred to as ‘experimental use’).

At the time of its inquiry into experimental use in 2005, ACIP generally noted that in Australia, industry convention had been to regard experimental use of patented inventions as ‘non-infringing activity’. ACIP recommended that, among other things:

The Patents Act be amended to establish the following provision:

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13. Ibid., pp. 9–10.

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The rights of a patentee are not infringed by acts done for experimental purposes relating to the subject matter of the invention that do not unreasonably conflict with the normal exploitation of a patent.

Acts done for experimental purposes relating to the subject matter of the invention include:

- determining how the invention works;
- determining the scope of the invention;
- determining the validity of the claims;
- seeking an improvement to the invention.\(^{16}\)

During its own inquiry into gene patents, the Senate Community Affairs References Committee noted widespread support to amend the Patents Act so as to have an explicit research exemption provision.\(^{17}\)

However, such support was not unanimous. For example, the Cancer Council was quoted as stating:

> While we commend the Advisory Council on Intellectual Property and the Australian Law Reform Commission for proposing an experimental use exemption for patented genes in some medical research, in our view the recommendations are not sufficiently extensive. For example, exemption should also apply to research on the patented tests for identifying certain genes, to encourage continuous improvement; just because a commercial interest discovered a particularly gene or developed a test for its isolation does not mean that the test could not be improved (e.g. made more accessible and affordable) by a separate research entity. There are numerous other examples where exemption for experimental use would not be sufficient. Applying for the exemption could also impose administrative burden for not-for-profit and academic institutions involved in medical research.\(^{18}\)

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\(^{16}\) Ibid., recommendation 1. This wording, though similar, is not identical to that proposed by IP Australia in the Bill. A copy of the Government’s response to this report is available at: http://www.acip.gov.au/library/Government%20Response%20to%ACIP%20Report%20on%20Patents%20%20Experimental%20Use_Final.pdf


\(^{18}\) See in Community Affairs References Committee, Gene patents, op. cit., [5.120].

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The Government’s innovation agenda and intellectual property

On 12 May 2009, the Government released its innovation agenda for the following decade in *Powering ideas*. This included a commitment by the Government to consider options for reforming Australia’s patent system to increase innovation, investment and trade.

The Government stated:

> The function of the intellectual property system is to stimulate innovation. Patents, trade marks, copyright and other protections exist to give creators a reasonable chance of profiting from their investment in whatever it is they have created — typically by granting them an exclusive right to exploit the creation for a specified time. The trick is to get the balance right: too little protection will discourage people from innovating because the returns are uncertain; too much protection may discourage people from innovating because the pathways to discovery are blocked by other intellectual property owners.

The Government noted that the Review of the National Innovation System considered that IP rights can obstruct innovation where ‘... intellectual property rights are too easily granted, and where they are ambiguously defined’ and recommended that ‘Patent law should be reviewed to ensure that the inventive steps required to qualify for patents are considerable, and that the resulting patents are well defined, so as to minimise litigation and maximise the scope for subsequent innovators.’

In *Powering ideas*, the Government went on to state:

> the degree of inventiveness needed to obtain a patent is lower in Australia than in other countries. One option may be to bring Australia into line with our trading partners and competitors by addressing this. As well as facilitating domestic innovation, this would simplify intellectual property management and reduce costs for Australian firms doing business internationally ...

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21. Ibid., p. 56.


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There may also be merit in creating a more open innovation environment by giving researchers better access to patented inventions for non-commercial study and experiment.  

Committee consideration

On 18 August 2011, the Senate Standing Committee for the Selection of Bills resolved not to refer the Bill a parliamentary committee for inquiry and report.  

However, the Bill has been reviewed by the Senate Scrutiny of Bills Committee, which expressed two concerns:

- **item 15 of Schedule 3 – proposed new section 210A**: while paragraph 210A(2)(c) enables the Commissioner to take ‘actions of a kind that are prescribed by the regulations’, in addition to the sanctions specified in the paragraphs 210A(2)(a) and (b) of the Act, the Explanatory Memorandum does not address the need to provide for additional sanctions to those specified in the primary legislation—it is noted the Explanatory Memorandum states:

  This provision gives the Commissioner flexibility to apply a sanction appropriate to the particular circumstances and to the person’s role and interest in the proceedings.

The Scrutiny of Bills Committee sought:

- the Minister’s advice as to what further sanctions are envisaged and whether it is possible to include these in the primary legislation.

- **item 27 of Schedule 5 – certain changes to penalties and offences in the Trade Marks Act**: while noting the explanation for these changes provided in the Explanatory Memorandum, the Scrutiny of Bills Committee left to the Senate the question of whether these provisions are appropriate, as the Committee thought that they may:

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See also Explanatory Memorandum, op. cit., p. 111.

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be considered to trespass unduly on personal rights and liberties, in breach of principle 1(a)(i) of the Committee’s terms of reference.\(^\text{28}\)

It is noted that the Government has provided a response to the Scrutiny of Bills Committee’s request for advice in relation to **item 15 of Schedule 3**, stating:

The Committee has commented on item 15 of Schedule 3. This item introduces a new section 210A into the *Patents Act 1990* to replace existing criminal sanctions for non-compliance with the Commissioner of Patent’s requirement that a person appears as a witness or produces a document or article with non-criminal sanctions. Paragraph 210A (2) (c) allows the Commissioner to take ‘actions of a kind that are prescribed by regulation’. The Committee has sought advice as to what further sanctions are envisaged under paragraph (c) and whether it is possible to include these in the primary legislation.

On review, I am satisfied that paragraphs (a) and (b) of the provision adequately cover the range of sanctions that the Commissioner would seek to apply for non-compliance with a requirement to appear as a witness or produce a document or article.\(^\text{29}\)

The Scrutiny of Bills Committee has since sought the Minister’s confirmation about whether he intends for **paragraph 210 (2)(c)** to be removed from the Bill.\(^\text{30}\)

### Position of major interest groups

The Bill is the result of approximately two years of consultation with various interest groups.

Although submissions were lodged in relation to the exposure draft of the Bill, it is noted that the Bill itself differs from the exposure draft and reflects that comments made in submissions to the exposure draft have been taken into account.\(^\text{31}\)

In addition, general support for the exposure draft was expressed by various interest groups during the public hearings conducted by the Senate Legal and Constitutional Affairs Committee in relation to its inquiry into the Patent Amendment (Human Genes and Biological Materials) Bill 2010.\(^\text{32}\)
However, once introduced, the Bill itself drew support from several interest groups. Examples of supporters are as follows.

It is noted that, when the Bill was introduced, Medicines Australia stated that:

The Government’s *Raising the Bar* Bill will encourage medical innovation and bring Australia’s IP system into line with IP systems in other OECD countries...  

The Bill also drew support from the Walter and Eliza Institute:

Dr Julian Clark, head of Business Development at the institute, said the improvements would ensure that Australia’s intellectual property system is more aligned with global best practice.

“The institute has, for a long time now, supported the building of a stronger, more efficient and competitive patent rights system in Australia,” Dr Clark said.

“Importantly, this bill addresses several major issues that have been raised in the Senate inquiry into gene patents, including raising the bar for inventiveness, and removing the concern that some researchers have expressed about the possibility that they are infringing on patents with their research activities. It will also improve the efficiency of Australia’s patent system.”

The Australian Copyright Council noted:

The *Intellectual Property Laws Amendment (Raising the Bar) Bill 2011*, which was introduced into Parliament on 22 June, seeks to deal with enforcement problems that continue to exist in the physical realm.

It is common for counterfeit products imported into Australia to include infringing copyright material (e.g. brochures accompanying counterfeit sunglasses are likely to infringe copyright). The *Copyright Act 1968* includes provisions that enable a copyright owner to file a notice of objection with the Australian Customs and Border Protection Service to prevent goods infringing their copyright from entering the local market...

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As part of *Raising the Bar*, the Government has moved to close loopholes in the current customs seizure provisions in both the *Copyright Act* and the *Trade Marks Act 1995.*

AusBiotech also expressed support for the Bill:

AusBiotech confirms its support in general for this package of intellectual property reform developed by IP Australia and contained in the ‘Raising the Bar’ Bill. Specifically, AusBiotech is in favour of a broad research use exemption from patent infringement becoming enshrined in Australia’s patent law so this country’s researchers and industry may be confident as they strive to innovate.

**Financial implications**

The Government states that the Bill is not expected to have any financial impact on the Government.

**Key provisions**

As the Explanatory Memorandum provides a comprehensive explanation of the proposed amendments in the Bill, the Digest will only provide a brief overview of each Schedule.

**Schedule 1**

*Schedule 1* sets out proposed amendments to the *Patents Act*, which aim to strengthen the main tests for patentability and the scrutiny of patent applications.

As mentioned above, the Review of the National Innovation System highlighted concerns that thresholds for granting patents in Australia are too low and more specifically—concerns that patents are granted for inventions that are not sufficiently inventive and without sufficient public disclosure of the details of inventions.

Four aspects of patentability are said to be addressed by the Bill:

- removing restrictions on the information and background knowledge that are considered when assessing inventiveness of a patent application


38. Ibid., pp. 8 and 40.

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• amending the meaning of ‘usefulness’ of an invention to ensure that the invention works in the way stated by the patent application and specification
• amending the disclosure of an invention in the patent specification so that patents which are granted are no broader than the invention which has been disclosed, and
• expanding the grounds that the Commissioner could consider when deciding whether to grant a patent consistent with grounds that courts can consider.\textsuperscript{39}

**Schedule 2**

*Schedule 2* sets out proposed amendments to the Patents Act that would exempt the following activities from being patent infringement—activities:

• undertaken *solely* for the purposes of obtaining regulatory approval to exploit, a product, method or process in relation to non-pharmaceutical products, and
• undertaken for experimental purposes relating to the subject matter of the invention.

As mentioned above, the Patents Act does not explicitly provide for a research exemption from patent infringement. As stated in the Explanatory Memorandum:

> This leads to inefficiencies in research. Researchers are discouraged from taking up new lines of research where there is uncertainty about their liability for patent infringement.

> ...

> The amendments are designed to clarify that research and experimental activities relating to patented inventions are exempt from infringement, whereas commercial activities are not. The intent is to give broad and clear protection to research and experimental activities in order to maximise the potential for research in Australia.

> ...

> The Bill also introduces an exemption for activities undertaken solely for the purpose of gaining regulatory approval to market or manufacture a patented technology. This expands the existing exemption for pharmaceutical inventions to all technologies; recognising that technologies other than pharmaceuticals may also suffer delays in bringing products to market as a consequence of lengthy pre-market and pre-manufacturing regulatory approval processes.\textsuperscript{40}

This exemption would apply in circumstances where the activities are conducted for mixed purposes and not only where activities are conducted solely for experimental purposes. However, it would not

\textsuperscript{39} Ibid., pp. 8–9.

\textsuperscript{40} Ibid., pp. 9–10.
apply where the main purpose of the activities is commercial, such as market research on a patented invention.\footnote{Ibid., p. 71.}

Proposed section 119C is consistent with the Government’s commitment to amend the Patents Act so as to introduce an experimental use exemption in its response to ACIP’s report on experimental use mentioned previously.\footnote{Inserted by \textit{item 1} of Part 1 of Schedule 2 to the Bill.} However, it is noted that the wording used in the Bill differs from that suggested by ACIP in its report.\footnote{Government response to the Advisory Council on Intellectual Property report \textit{Patents and Experimental Use}, op. cit., p. 2.}

Schedule 3

Schedule 3 proposes amendments to the Patents and Trade Marks Acts aimed at reducing delays in finalising patent and trademark applications and relate specifically to divisional patent applications and opposition proceedings.\footnote{For further information about divisional patent applications, see, for example, Chapter 6A of the Patents Act and IP Australia, \textquote{Divisional applications'}, viewed 4 August 2011, \url{http://www.ipaustralia.gov.au/pdfs/patents/specific/div.pdf} For further information about opposition to a patent application or registration of a trade mark, see Chapters 5 and 9A of the Patents Act and Part 5 of the Trade Marks Act respectively. See also IP Australia, \textit{An information guide to trade mark oppositions}, viewed 5 August 2011, \url{http://www.ipaustralia.gov.au/factsheets/tm_oppostion.shtml} \textit{Senate Standing Committee for the Scrutiny of Bills, op. cit., p. 11.}}

As mentioned previously, the Scrutiny of Bills Committee reviewed \textbf{item 15} of Schedule 3, which proposes to insert \textbf{new section 210—Sanctions for non-compliance with Commissioner’s requirements}. The Committee expressed some concern about \textbf{proposed paragraph 210(2)(c)}, allowing the Commissioner to take actions of a kind prescribed by the regulations, which the Committee believes may constitute an inappropriate delegation of legislative power on the Commissioner.\footnote{Explanatory Memorandum, op. cit., p. 10. For discussion about client-lawyer or legal professional privilege, see Australian Law Reform Commission, \textit{A review of legal professional privilege and federal investigatory bodies-report}, December 2007, Chapter 3, viewed 5 August 2011, \url{http://www.alrc.gov.au/sites/default/files/pdfs/publications/ALRC107.pdf}; Law Council of Australia, \textit{Client legal privilege}, viewed 5 August 2011, \url{http://www.lawcouncil.asn.au/programs/national-policy/privilege.cfm}; Davies}

Schedule 4

Schedule 4 sets out amendments to the Patents and Trade Marks Acts to allow patent attorneys to incorporate and to extend the same privilege as that existing for client-lawyer communications to client-attorney communications.\footnote{Warning: All viewers of this digest are advised to visit the disclaimer appearing at the end of this document. The disclaimer sets out the status and purpose of the digest.}
Incorporation of patent attorneys

Currently, subsection 201(5) of the Patent Act; and sections 156 and 228A of the Trade Marks Acts; do not explicitly provide for patent and trade mark attorney’s to incorporate. This is said to create problems, such as:

This limits the flexibility of attorneys to choose the most appropriate structure for their business.

Most other professions, including lawyers, are permitted to practise through a corporate structure. In particular, the prohibition against attorneys practising through a corporate structure creates difficulties where the same firm includes both attorneys and other professionals (firms containing both legal practitioners and attorneys are common). If the other professionals practise through a corporate structure, then the firm must maintain a separate unincorporated partnership for the attorney arm of the business. This creates unnecessary expense.

Client-foreign attorney communications and privilege

The Explanatory Memorandum states:

... although communications with Australian attorneys attract professional privilege, communications with a foreign attorney are not so privileged. Given the global nature of many IP matters (where the same trade mark or invention is registered in a number of different countries) many applicants and rights holders depend upon advice from foreign patent and trade marks attorneys. The fact that these communications do not attract privilege places these parties at a disadvantage.

The restricted nature of client-attorney privilege also contrasts with the legal profession, where client-lawyer privilege extends to communications with foreign legal professionals. It is appropriate that client-attorney communications be afforded the same degree of privilege.
Schedule 5

Schedule 5 sets out amendments proposed to the Copyright and Trade Marks Acts, aimed at improving enforcement mechanisms.

The Government notes stakeholder concerns about counterfeit goods and effective deterrence for trade mark infringement and, to address those concerns, the proposed amendments are said to strengthen penalties for trade mark infringement and improve the system for confiscating counterfeit goods.\(^{50}\)

However, as mentioned previously, it is noted that the Scrutiny of Bills Committee expressed concern about item 27 of Schedule 5, relating to changes to penalties and offences in the Trade Marks Act.\(^{51}\)

Schedule 6

Schedule 6 sets out amendments to certain IP legislation so as to address problems associated with procedural hurdles and to streamline processes.\(^{52}\)

Concluding comments

The Bill has evolved following a two year consultation between IP Australia and major interest groups. Importantly, several of those groups have expressed support for the Bill, as it was introduced into Parliament.

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52. Explanatory Memorandum, op. cit., p. 114.

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