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TOWARDS A STRONGER AND MORE EFFICIENT IP RIGHTS SYSTEM IN AUSTRALIA

Michael Chin Quan

The Intellectual Property Office of Australia (IP Australia) has recently issued two papers setting out proposed changes to Australia's intellectual property (IP) system. The two papers follow a review of public submissions made in response to a series first-round discussion papers proposing various reforms to the IP system.

One of the papers, entitled 'Towards a Stronger and More Efficient IP Rights System', explains how IP Australia intends to progress each of the proposals put forward in the first round discussion papers, and while the paper expresses support for many of the proposals, there are mixed views as to the best way of achieving the proposed changes.

There is strong support for improving alignment of Australian patentability standards with those in other countries. Many respondents commented that lower standards which are perceived to apply in Australia are adversely affecting innovation and investment in research and development in Australia and contributing to the cost and complexity for users of the Australian patent system.

Some of the most significant proposals in raising patentability standards include the following:

- The requirement that claims be 'fairly based' on matters described in the specification would be replaced with a requirement that the claims be 'supported by' matter described in the specification. The intention of this amendment is that the concept of 'support' would be interpreted in a manner similar to how it is interpreted in overseas jurisdictions.
- A requirement would be introduced that a provisional specification describe the invention 'in a manner which enables the invention to be performed by a person skilled in the relevant art without undue experimentation'. Presently, it is only necessary for a provisional specification to describe the invention. The proposed change seeks to ensure that the provisional specification provides an 'enabling disclosure' which will satisfy tests for supporting a priority claim used in other countries when an Australian provisional specification serves as the priority document.
- The limitation that common general knowledge be confined to that existing in Australia for the purposes of assessing inventive step would be removed. The intention is that common general knowledge would be the knowledge which a skilled worker in the art may be expected to have as part of their background knowledge, and not just the knowledge that a skilled worker in Australia would have. This will enable evidence from overseas experts to be used in oppositions or court proceedings more easily in Australia. While overseas expert evidence can be used, there is an additional hurdle because that person needs to establish that their knowledge is also common general knowledge in Australia.
- For the proposed changes relating to exemptions to patent infringement, it is proposed that the Patent Act 1990 (Cth) be amended so that the rights of a patentee are not infringed by acts done predominantly for experimental use on the patented invention. The types of acts would include the following:
  - determining how the invention works
  - determining the scope of the patent claims
  - seeking an improvement to the invention
  - testing the validity of the patent
  - determining whether an act or product infringes the patent.

It is hoped that these type of exemptions will provide researchers and business with greater certainty as to their freedom to operate. Furthermore, it is proposed that the exemptions will operate in addition to any common law exemption or implied statutory exemption that might otherwise exist.

Copies of the various consultation papers and associated drafting instructions can be downloaded from the IPAustralia website at:

<http://www.ipaustralia.gov.au/resources/news_new_archived_2009.shtml#77>

Michael Chin Quan

PEER REVIEW OF PATENT APPLICATIONS PRIOR TO EXAMINATION

Patent Offices worldwide continue to face challenges in dealing with an ever-increasing backlog of patent applications awaiting examination. For instance, the United States Patent and Trademark Office (USPTO) presently has almost 720,000 applications awaiting examination[1]. Although the numbers are significantly lower in Australia, the same backlog issue exists.

In recent years many Patent Offices around the world have been undertaking various initiatives aimed at providing improvements in the quality and efficiency of examination, and ultimately a reduction in the backlog of applications. One such initiative undergoing a 12 month trial is a joint venture between the Intellectual Property Office of Australia (IP Australia) and the Queensland University of Technology (QUT) called Peer-to-Patent Australia.

The initiative commenced in December 2009 and invites members of the public with scientific and technical expertise to help in the identification and evaluation of prior art for patent applications posted on the Peer-to-Patent Australia website (<http://www.peertopatent.org.au>). For the purpose of the trial, applications posted are restricted to business methods and computer software and are only included in the trial with the applicant's consent. Applications selected for the trial will each be posted for a 90 day period during which time users can review the application, submit prior art, review and comment on the relevance of prior art submitted by other users and engage in discussion forums.

Once the review period is completed, the 10 best prior art submissions, as rated by the reviewers, are provided to IP Australia for consideration during the examination of the application. The initiative thereby provides an opportunity for subject matter experts to provide Patent Examiners at IP Australia with relevant prior art which may otherwise not have been discovered by an Examiner. In this respect, prior art searching conducted by IP Australia as part of the examination process is predominately directed to patent literature. Whilst Examiners do have access to some non-patent literature, they are not likely to have the same degree of access to relevant non-patent literature as an expert in the relevant subject matter, particularly in new and rapidly advancing areas of technology. Time constraints are also likely to limit the extent to which non-patent literature is searched by Examiners.

By participating in the initiative, applicants potentially stand to obtain a stronger and more valuable patent as there is a greater probability that the most relevant prior art will be located and subsequently taken into account during the examination process when the novelty and inventiveness of the applicant's invention are assessed.

The program trialled in Australia is based upon a similar pilot program conducted in the United States by the USPTO in collaboration with the New York Law School. The USPTO halted the program in June 2009 after a two year period and is presently evaluating the impact the program has had on the quality of the examination process[2].

According to a report issued by the New York Law School on the second anniversary of the United States pilot, 36% of prior art provided through the pilot was non-patent literature, and prior art submitted through the pilot was relied upon by USPTO Patent Examiners in more than 25% of Office Actions issued in respect of applications posted on the US Peer-to-Patent website. Further, a total of 73 applicants participated in the trial with major companies such as GE, IBM, Hewlett-Packard, Intel and Microsoft recognising potential value in the program by each contributing eight or more applications for review. Approximately 70% of Examiners surveyed indicated they were in favour of this type of program being incorporated into regular Office practice. More than 2600 people registered themselves as a reviewer over the two year period with approximately one-third identifying themselves as Computer Professionals/Technologists. The remaining two-thirds of reviewers included Engineers, Legal Professionals, Students, Patent Searchers, Research Scientists, Academics and Business Owners[3]. These statistics suggest that the USPTO may well conclude in its evaluation that a peer review program provides a potentially invaluable source of relevant prior art information. It will be interesting to see if the pilot leads to a peer review program becoming a permanent component of the USPTO patent system.

Those interested in taking part in the Australian trial are encouraged to visit the Peer-to-Patent Australia web site for further information.

Craig Gleghorn

1 <http://www.uspto.gov/patents/stats/appbacklog.jsp>
2 <http://www.uspto.gov/web/patents/peerpriorartpilot/peer_review_press_release_5-29-09.pdf>
3 Peer to Patent Second Anniversary Report June 2009, New York Law School

WATERMARK PROFESSIONAL STAFF UPDATE

Watermark is pleased to announce the appointment of Simon Ellis, Leanne Oitmaa and Robynne Sanders as Associates of the firm.

Simon Ellis

Leanne Oitmaa

Robynne Sanders

We congratulate Simon, Leanne and Robynne and welcome them as a valuable addition to the firm's senior practitioner group.

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THE AUSTRALIAN INNOVATION PATENT: A 'PERFECT STORM' FOR THE ENFORCEMENT OF RIGHTS?

The *Australian Patents Act*[1] provides for a two-tier system of protection for patentable innovations – the familiar 'standard patent' for inventions, and the 'innovation patent', primarily intended to provide shorter-term protection of innovations having clear commercial value, despite failing to satisfy the requirements for standard patent protection. However, innovation patents have strategic uses beyond this primary purpose, which make them worthy of careful consideration as part of an overall intellectual asset management strategy. It is timely to review these strategic applications, in light of the recent decisions of the full bench of the Federal Court of Australia in *Dura-Post*[2] and *Mont Adventure*[3], which have confirmed the significant potential of the innovation patent as a powerful weapon in the arsenal of proprietors of patentable intellectual assets.

The Australian innovation patent

To recap briefly, the Australian innovation patent was introduced in 2001, with the intention of providing second-tier protection for innovative technologies, similar to successful second-tier systems available in some other countries, such as Germany and Japan. While a standard patent (the first tier) is subject to the usual requirements of novelty and inventive step (*ie* non-obviousness), claims in an innovation patent are assessed against a lower threshold of 'innovative step'. The test for innovative step is whether any claimed feature that is novel over the prior art makes a 'substantial contribution to the working of the invention'.

The notable limitations of the innovation patent are that it has a maximum term of eight years (*cf* 20 years for a standard patent), a maximum of five claims may be included, and an innovation patent may not be granted in respect of plants, animals and the biological process for their generation. Otherwise, innovation patents may be granted in respect of the full range of patentable subject matter in Australia, and the tests for infringement of an innovation patent, along with the available remedies – including injunctive relief, and/or an award of damages or account of profits – are identical to those for standard patents.

The innovation patent 'perfect storm'

While one possible use of the innovation patent system is to protect developments that are an insufficient advance over the prior art to qualify for standard patent protection, this option may be of limited interest to multinational patent-holders who would see little value, in most cases, in obtaining a short-term patent in Australia for an innovation that could not be similarly protected in other major markets. Furthermore, on the face of it, there would appear to be limited value in obtaining a patent with only an eight-year term if the expected commercial life of the protected product or process significantly exceeds this period.

However, there is no prohibition upon obtaining an innovation patent for an invention that would equally qualify for standard patent protection. The strategic value of an innovation patent in this case arises from a combination of factors:

- an innovation patent application may be filed as a divisional of a pending Australian standard patent application, or an international (PCT) application designating Australia
- an innovation patent may be granted, examined and certified (*ie* made enforceable) within a matter of months and, unlike a standard patent, is not subject to a pre-grant type of opposition proceeding that could delay the patentee's ability to enforce its rights
- due to the lower threshold of 'innovative step' a valid innovation patent could, in principle, be obtained having broader claims than would be possible in a corresponding standard patent
- while Australian law prohibits 'double patenting' (*ie* the possession of two patents for the same invention), there is no bar against holding one granted patent, while a corresponding standard patent application remains pending, or against relinquishing the earlier patent to enable the later application to proceed to grant
- the approach taken by the Australian Patent Office to the assessment of whether two patents relate to the 'same' invention is very narrow – both must include claims having virtually identical scope, and it is therefore quite possible to hold two patents of differing claim scope in respect of the same underlying inventive concept
- as a result of the lower 'innovative step' threshold, it may be extremely difficult for an accused infringer to successfully attack the validity of an innovation patent.

Particularly in view of the *Dura-Post* and *Mont Adventure* decisions, these factors create a potential 'perfect storm' for parties wishing to enforce their patent rights in Australia.

Turning firstly to *Mont Adventure* (which we reported in greater detail in the *Watermark Journal* vol. 26, no. 3, June-September 2009), the case involved the question of whether or not a divisional application is entitled to the full benefit of Australia's 12 month grace period for disclosures made by the applicant prior to filing of the original (parent) application. The Court found that it was clearly the intention in the *Patents Act* that divisional applications should inherit the full benefits accruing to the parent as if, in effect, both applications had been filed on the same day.

The *Dura-Post* case is now the leading decision in Australia on the application of the innovative step test, *ie* the meaning of a 'substantial contribution to the working of the invention'. The decision confirms that the relevant enquiry is to be conducted in relation to each single piece of asserted prior art information (*eg* document) considered separately, as is the case for novelty. If a claim is novel, in that it recites one or more features that are not present in the prior art, the question is then whether those features make a substantial contribution to the way in which the 'thing' defined by the claims operates, which is to say a contribution that is ''real' or 'of substance', as contrasted with distinctions without a real difference. Whether or not a feature is obvious, well-known, or indeed disclosed in other prior art documents of record, is immaterial. The question is solely directed to whether some additional function or effect is achieved, as opposed to the addition of a superficial novelty-conferring feature that serves no real purpose in terms of the way the product or process operates. In short, the innovative step test is nothing like the test for inventive step, but is rather a modified novelty test.

Therefore, divisional innovation patents are entitled to the full benefit of the filing date of a parent standard application (even if the Australian grace period provisions have been relied upon), may be obtained rapidly, can coexist with their pending parent application, and are extremely robust against attacks upon their validity. And therein lies the patentee's 'perfect storm'!

Strategic applications and conclusion

In view of the above-described features of the Australian patent system, and the outcomes in *Mont Adventure* and *Dura-Post*, potential strategic uses of divisional innovation patents include:

- obtaining early and potent protection for new inventions or innovations, while keeping longer-term options open via a pending standard patent application
- acquiring a rapid enforceable right in the event that a potential infringement is identified while the corresponding standard patent application remains pending
- targeting innovation patent claims to the specific features of an infringing product or process in preparation for prospective enforcement action.

Innovation patents may be of limited value in the case of inventions, such as pharmaceuticals, from which the greatest value is extracted during the final years of the standard patent term. However, for those fields of business and technology for which significant value of a new product or service is realised during the early years following development and commercialisation, it is well worth considering the incorporation of innovation patents into an effective intellectual asset management strategy.

Mark Summerfield

1 Patents Act 1990 (Cth)
2 Dura-Post (Aust) Pty Ltd v Delnorth Pty Ltd [2009] FCAFC 81
3 Mont Adventure Equipment Pty Ltd v Phoenix Leisure Group Pty Ltd [2009] FCAFC 84

GETTING DESIGNS INTO SHAPE

This article provides practical information for those seeking to obtain formal intellectual property (IP) protection for the aesthetic appearance of a particular product intended for production in numbers (rather than one-off items). That is, protection of industrial designs through design registration.

In Australia, design registration provides a monopoly right in the aesthetic appearance of a two or three dimensional design in relation to a product. For example, a two dimensional pattern on wallpaper, fabric or ceramic tile, or the specific three dimensional look of a bottle, telephone or item of cutlery. The design can be two or three dimensional but the design can only be registered in respect of such a two or three dimensional design applied to one or more products.

Registered design protection in Australia is predominantly defined by what is shown in the drawings, images, photographs *etc* ('representations') as filed with the design application. It is therefore vital that the representations accurately depict the design as intended to be protected, and usually as applied to the actual product intended for the marketplace. As a consequence, timing of when to file an application for design registration can be vital to obtaining valid protection or correct scope of protection for a design.

Filing a design application before the design is finalised for production can result in the representations showing early, pre-production versions of the design no longer embodied in the product or simply that significant design changes have occurred for manufacturing, marketing or ergonomic reasons.

The corollary to this is to delay filing a design application until the final version of the design is completed. Such delay can risk invalidity of a design registration if the design has been disclosed before filing, such as through an over zealous marketing drive to obtain quick return on investment in design and tooling for the product or for sales and market penetration. An Australian design registration is only valid if the design is considered new and distinctive in light of designs published before the earliest filing date anywhere in the world or prior use of designs in Australia *ie* relative novelty.

If design registration is required, it is therefore vital to ensure that a design application is filed once the design is finalised, often once engineering/manufacturing drawings are signed off, but before the product embodying the design is launched to market, disclosed or otherwise publicly promoted for commercial purposes. Confidentiality agreements with external designers, manufacturers and distributors should be put in place at an early stage. Where the services of external designers have been employed under contract or agreement, it is best practice to obtain written assignment of rights in the design (including any copyright and any related trade marks).

The representations filed need to clearly depict the design applied to the product(s). Where used, the representations need to be consistent between the various viewing angles (plan, side, top, bottom *etc*).

All too often representations provided for design applications show extraneous wording, marks or symbols that do not form part of the actual design. For example, representations are often derived from engineering production drawings that include wording or symbols intended to be moulded or formed in the finished product, such as a trade mark, the 'TM', ® or © symbols, company name, part numbers, safety/certification symbols or compliance information. These would form part of the design registration if left in the representations, and therefore would be considered as part of the scope of protection. Copy products from competitors that omit such markings may be provided with an unnecessary opportunity to avoid design infringement.

Representations that include shadowed/greyed lines or areas, dotted/dashed lines or simply incorrectly omit features need to be used carefully, and may result in an indefinite scope of protection. Whilst the Australian *Designs Act 2003* (the 'New Act') allows for an optional 'statement of newness and distinctiveness' to help identify features of particular novelty in the design (similar in function to the 'statement of novelty' under the previous Australian *Designs Act 1906* (the 'Old Act'), there is no longer the leeway previously enjoyed under the Old Act to include an optional 'statement of monopoly' to help define exactly what features in the representations are intended to be included or excluded from consideration when assessing the scope of monopoly. Whilst there is no clear case law to date, the Australian Designs Registry indicates that a statement of newness and distinctiveness under the New Act is not intended to be used to help modify or explain what is shown in the representations, but rather should be used to identify features of particular novelty over the prior art base.

Interestingly, the New Act allows a single design to be registered for multiple products in one registration, whether or not the products are related or used together (such as a tea set, suite of furniture or canteen of cutlery). However, unlike the position under the European Community Designs regime or potentially under the US design patent unity of design requirements, a design registration may include only a single design regardless of the range of products.

Consequently, careful review of the intended representations needs to be made prior to filing in order to assess what designs and how many designs are shown, and to what and how many products they have been applied. Professional advice can assist in determining a filing strategy to provide the most cost effective filing strategy whilst giving the most commercially relevant scope of protection.

Not least, it is vital to establish correct ownership of the design from the original design author(s) prior to registration, and preferably prior to filing a design application. Only the creator(s) of the design, a person who employs or contracts the design from the creator(s), an assignee or person(s) entitled by will or other operation of law, or the legal representative of a deceased owner of the design is entitled to be entered on the register of designs. Incorrect entitlement leaves the design registration vulnerable to invalidity.

It is recommended to seek professional advice early in the development of the design intended to be protected. Such advice can provide not only a strategy for timing of a design application to fit in with product development timeframes, but also give direction as to exactly what needs to be shown in each drawing or image. The creator(s) of the design need to be identified early on and the correct chain of entitlement established. Also, early professional advice will assist with a coordinated strategy to patent, design and trade mark protection, which are not mutually exclusive but can be, and often are, used in combination.

Mark Pullen

Patent mapping and the review of patent landscapes in technology areas and analysis of competitor patents can assist greatly in determining the intellectual asset management (IAM) strategy of a business and extracting value from its intellectual property (IP).

Competitor analysis

Most businesses should realise they are not working in a vacuum and staying one step ahead of their competition will assist in the success of the business now and into the future. Various sophisticated tools can be used for conducting comparative reviews of the patent portfolios of competitors, including patent landscape maps, citation trees and automatic watch alerts. Towards the end of 2009 Watermark acquired an Analyst subscription to the top level of the patent searching platform of Thomson Innovation™ which provides such sophisticated tools.

Patent landscape maps

A patent landscape map analyses a collection of patents and groups patents relating to the same technology sub-areas into clusters. Those clusters which have a large number of patents are represented as peaks or mountains on the landscape map, whereas technology areas where there are few closely related patents are represented as deserts or islands in an ocean. Figure 1 below is a patent landscape map called a ThemeScape™ map generated using the Thomson Innovation™ software for the solar energy field of technology.

Collections of patents for generating patent landscape maps may be obtained in different ways, eg by collating the patents of known competitors in a particular technology, by conducting subject matter searches in patent databases using various combinations of keywords and/or international patent classifications, and/or from citation trees based on key patents in a particular technology (discussed below).

Each dot on a patent landscape map represents an individual patent, and patents of different owners can be shown in different colours to distinguish them. This helps to identify particular technology sub-areas in which different competitors are concentrating their R&D and patenting activity.

The patent landscape maps can also be time-sliced, eg to show how a technology area has developed over time and to show how some businesses have changed their patenting focus over time.

Further advantages of analysing patent landscape maps can include identification of hot technologies, opportunities in adjacent or related markets, discovery of new players in the field and potential partners or acquisition targets.

Figure 1 – ThemeScapeTM map for solar energy

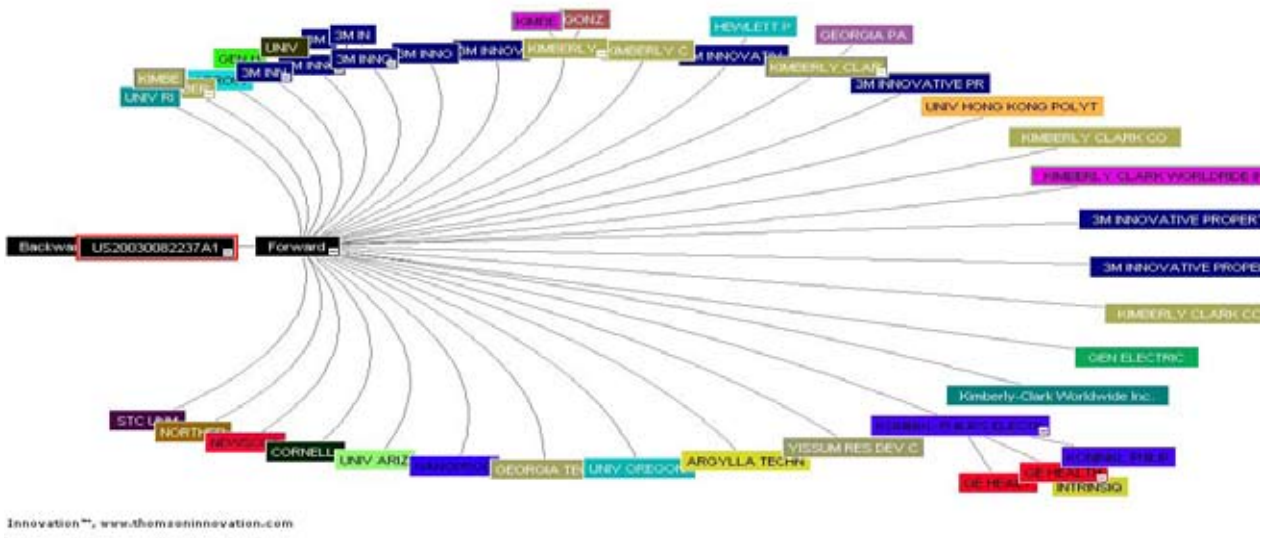
Citation trees

A citation tree is a pictorial representation showing not only prior patents cited by major Patent Offices (USPTO, EPO, WIPO, etc) during examination of a patent application (back citations), but also later patent applications against which the particular patent chosen has been cited (forward citations). Using the Thomson Innovation™ software it is possible to generate citation trees of up to five levels of back and forward citations. An example of a citation tree for a key patent in the field of nanotechnology is shown below in Figure 2.

In a citation tree, patents of different owners can be represented in different colours. This can assist in identifying certain competitors that are working in the same area as a key patent of a business and that may be about to launch a competing product. Also, analysing forward citations can show when competitors are trying to build a fence around a key patent by filing multiple patent applications for improvements. This 'ring-fencing' may restrict the owner of the key patent from making and exploiting further developments to the key patent.

Analysis of back citations in a citation tree can be used advantageously to assess the validity of patents, for instance in freedom to operate searches and when deciding whether or not to file an opposition or re-examination request.

Figure 2 – Sample citation tree showing three levels of forward citations for a patent that has been highly cited in the field of nanotechnology.



Automatic watch alerts

Thomson Innovation™ can provide various automatic watch alerts on patents, such as new patent publications in particular technology areas and/or new patent publications filed by certain companies and inventors. This enables a business to keep a closer eye on recent patenting activities and filing trends of its competitors and on important developments in its industry. The acceptance and grant of particular patents can also be monitored with automatic alerts for opposition purposes. The strategic filing of oppositions can be used to negotiate favourable terms in patent licences from the owners of the opposed patents and be used as a tactic to delay or frustrate the grant of a competitor patent.

Case study

In 2009 Watermark, using the services of Thomson Innovation™, conducted a thorough competitor analysis for one of our local Australian clients. Various evaluation methods were used to analyse the patent portfolios of different competitors, including:

- vitality and staying power – obtained from analysing trends in filing over time and rate of conversion from applications to patents
- impact and break-through quality – reflected in the amount of citation by others in the field
- vulnerability and technology overlap – identified using adverse Examiner references and linking technologies with potential competitive importance
- degree of competitiveness – highlighted by the opposition rate for European patents and success rate in maintaining patents after opposition.

Outcomes

The competitor analysis provided new insights for the business in addition to confirming what was suspected about some competitors. Observations and recommendations from the report supported the IAM strategy adopted by the business and its expenditure on protecting its IP. The identification of some new players in the field and the strategic filing of oppositions after competitor watches have led to several licensing opportunities for the business.

Conclusions

It is recommended that all technology businesses, whether large or small, should conduct some form of competitor analysis from time to time, and the patent mapping tools described above can greatly assist in performing such a competitor analysis. If you wish to discuss how Watermark might assist your business with a competitive analysis, please contact either Roger Green (r.green@watermark.com.au) or Amanda Jones (a.jones@watermark.com.au).

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