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Dear Sir/Madam

**Overview Paper - Consultation on IT3 Proposals for Substantive Patent Law Harmonisation**

1. The Intellectual Property Committee of the Business Law Section of the Law Council of Australia (**IPC**) thanks IP Australia for the opportunity to comment on its “Overview Paper – Consultation on IT3 Proposals for Substantive Patent Law Harmonisation”. The IPC has addressed the consultation questions set out in the Overview Paper with respect to each of the IT3 policy proposals below.
2. The topics to be covered are complex ones, and in the time available, the IPC are not able to present a detailed response; nor have the IPC been able to compare the IT3 proposal with Australia’s current international obligations. Accordingly, in this submission the IPC provide a high level summary of our views. The IPC would be happy to provide further advice in writing or by way of meetings should you wish us to do so in the course of your preparation for the Group B+ session later this year.
3. In summary, the IPC respond to the consultation questions as follows:
  - a. *Definition of prior art.* The IPC recommend accepting the definition, subject to what is said about conflicting applications and the grace period below.
  - b. *Conflicting applications*
    - i. The IPC recommend giving serious consideration to permitting Secret Prior Art (as defined in paragraph 16 of the IT3 proposal) to form part of the prior art base for the purposes of inventive step. This

- would require a change in Australian law, though with considerably less complexity than the IT3 proposal for the reasons which follow;
- ii. The IPC do not recommend formulating a new measure of “distance” for Secret Prior Art which is different from novelty or inventive step;
  - iii. The IPC do not recommend adopting different rules applicable to the senior applicant on the one hand and third parties on the other;
  - iv. it follows from (iii) that the proposal to have the senior applicant’s related patents expire simultaneously would not apply;
  - v. The IPC recommend adopting the position that Secret Prior Art forms part of the prior art base for all purposes once it is published. This would require a change to the way Australian law presently applies the grace period to secret prior art;
  - vi. treating a PCT designating Australia in the same way as an Australian patent application is appropriate and consistent with the present law in Australia.

c. *Grace period*

- i. The IPC recommend adopting a grace period of 12 months which is applicable across the board. Although Australian law is broadly consistent with this, there are presently a number of variants of the grace period which make the position here overly complex, so some amendment would be required.
- ii. The IPC do not recommend adopting the proposal for the filing of a statement of graced disclosures.

d. *Prior user rights*

- i. The IPC would not recommend confining scope of the defence to the particular “design” which is the subject of the prior use.
- ii. The IPC would otherwise broadly recommend the IT3 proposal concerning prior user rights, including that consideration be given to confining the assignability of prior user rights along the lines of the IT3 proposal. The latter aspect would require a change to Australian law.
- iii. In relation to prior user rights applicable to secret prior art, or “intervening user rights”, The IPC would not recommend adopting a system which relies on statements of graced disclosures. The IPC

would recommend a system such as currently applies under Australian law.

## **Prior Art**

### Introduction

4. Prior art is information in the public domain prior to the filing of a patent application. It is considered in assessing whether the application meets the criteria of novelty and inventiveness in order for a valid patent to be granted.
5. In most jurisdictions, including Australia, both documentary prior art (written publications) and acts (uses of products or systems) are relevant to the inquiry.
6. The core consideration is whether the invention has been made available to the public prior to the filing of the relevant patent application such that the patent applicant does not meet its obligation to provide something new and inventive to the broader public in return for a time-limited monopoly. Again, in most jurisdictions, including Australia, documentary publications or acts undertaken anywhere in the world are relevant to the assessment of whether the relevant patent application meets the criteria of novelty and inventiveness. Earlier tests of “local” or “relative” novelty have largely been superseded.
7. As the consideration of prior art is fundamental to the working of every patent system, it is considered that it would be a cornerstone of the attempt to harmonise patent law that a common definition for prior art is agreed.
8. In general, a disclosure by anyone, including the inventor or applicant, that is publicly available before the priority date of the relevant application is available prior art. There are two core principles that underlie this.
9. First, the disclosure must be unrestricted, in that it is available to the general public. Secondly, the disclosure must have been made before the applicable priority date of the application, which can be based on the initial filing date either in Australia (in our case) or based on an overseas initial filing in accordance with the international patent treaties governing priority applications. This second principle encourages inventors and applicants to file patent applications as soon as possible which is a key principle of the prevalent “first to file” patent system which grants rights to the first person to lodge an application for an invention.

The proposed definition of prior art

10. The IT3 proposal is to adopt the definition for prior art under Article 8 of the draft Substantive Patent Law Treaty:

*“The prior art with respect to a claimed invention shall be all information which has been made available to the public anywhere in the world in any form, before the earlier of the filing or priority date of the claimed invention.”*

11. In our view, this definition appears to be broadly consistent and compatible with the current Australian approach to prior art, subject to the issues discussed below.
12. The above definition is neutral as to the medium in which the relevant prior art is published or disclosed. It is considered this is important and appropriate in order to take into account recent technological advances in the way information is both communicated and disclosed and to accommodate future developments in that respect. The definition also encompasses disclosures made in any jurisdiction. Again, this is considered appropriate given the rapid dissemination of prior art information that has been facilitated by advances in technology.
13. It is implicit in the definition that restricted disclosures, for example those subject to a confidentiality regime, will not be relevant prior art. In our view that is appropriate. Inventors must be free to disclose their inventions in confidence to collaborators or research partners, for example, without jeopardising a subsequent patent filing.
14. The use or sale of a product or method prior to filing would also form part of the prior art under the proposed definition. The only issue which arises is whether such a use or sale would enable a person skilled in the relevant field to ascertain all features of the claimed invention. The issue of enablement is not part of the present inquiry and existing Australian law would govern that issue.
15. There are two aspects of Australian law that the above definition does not account for. In order to maintain these two principles, they would need to be dealt with separately.
16. First, Australia has a regime for dealing with earlier filed but non-published patent applications. This situation arises due to the 18 month delay between filing and publication. To govern this, Australia has an additional category of prior art known

as “whole of contents” citations. This regime and our recommendations are discussed below in the section regarding Conflicting Applications/Secret Prior Art.

17. Secondly, under Australian law certain grace periods apply to pre-filing disclosures by inventors such that they are exceptions to prior art. The grace period regime and recommendations are also discussed below.
18. In summary, subject to consideration of those two issues, the IPC consider the proposed definition is appropriate and should be adopted.

## **Conflicting Applications / Secret Prior Art**

### Introduction

19. In our experience, the issue of Secret Prior Art, being the existence of an unpublished patent application with an earlier priority date than a patent in issue, arises reasonably frequently in practice in Australia. It is, for example, not unusual that a ‘whole of contents’ novelty citation will be relied upon in an opposition or a revocation case. That is consistent with our experience that patents are often filed in contexts where there are competing research groups working roughly simultaneously to solve the same problem. Accordingly, this issue has practical significance.
20. Further, the way in which Secret Prior Art is treated is likely to have an effect on patent filing strategies, in particular to incentivise or disincentivise filing applications at particular points in the research and development process, or in the development of improvements. Since patents are typically filed in multiple jurisdictions worldwide, it would be efficient for the manner in which secret prior art is treated to be harmonised internationally.
21. Accordingly, in our view, it is appropriate to consider this topic not only from the perspective of existing Australian law, but also more generally as a matter of principle and practicality, in order to contribute to progress towards a fair and clear harmonised approach.
22. In that respect, in the following submission the IPC suggest both ways in which the existing Australian approach would improve the IT3 proposal, and ways in which the IT3 proposal represents a desirable advance over existing Australian law.

23. Broadly speaking, it seems that the policy approach underlying the IT3 proposal is as follows:
- a. The principle that inventors should be encouraged to enter into the patent bargain by filing patent applications, and filing early, together with the consideration that patent thickets (in the sense that patents in relation to particular subject matter are not distanced from earlier ones by an inventive step) are undesirable, support an approach which makes an earlier patent application, even if it has not yet been published, available to be cited against a later one for the purposes of both novelty and inventive step.
  - b. However, that would have the effect that the application of the first-in-time applicant (the “senior application”) would rob of its validity a later application (a “junior application”) for incremental, non-inventive but useful improvements created by the same applicant. In response to this, inventors may defer filing patents until later in the research and development process, so as to protect improvements of that kind; or on the other hand might decide not to develop improvements, as a patent would not be available.
  - c. To prevent distortions of that kind occurring, the senior applicant should have its senior application disregarded for novelty and inventive step purposes in relation to junior applications made by it during the non-publication period, provided that the junior application was not disclosed (in the sense of supported) by the senior application.
24. The IPC comment on the desirability of that policy approach, and the proposal for implementing it, below.

*Conformity with Australian law*

25. IP Australia has correctly identified that the IT3 proposal diverges from current Australian law in a number of respects.
26. The rules proposed by the IT3 appear to be:
- a. A junior application may not have claims of the same scope as claims of a secret senior application.
  - b. It is not clear whether it is proposed that a junior application is not permitted to have claims which are anticipated by the disclosure in the body of the specification of the senior application (“whole of contents” novelty). The IT3 paper puts this as an “alternative approach” at [20], which suggests that this is

not IT3's primary position. On the other hand, (c)(ii) and (d) below may tend to suggest the opposite by implication. This should be clarified.

- c. Where the junior application is different from the senior application it is proposed that:
    - i. Where the junior application is filed by the same applicant, and the claims are not supported by the disclosure in the senior application, the junior application is to be disregarded for the purposes of novelty and inventive step of the senior application.
      - 1. A junior application of this kind could include a disclaimer that its term is to terminate at the same time as the term of the patent on the senior application.
    - ii. Otherwise, the measure to be applied is that the differences between the junior application and the senior application must "go beyond common general knowledge to one of ordinary skill in the technical field". (Other measures are indicated as alternatives, but did not achieve agreement within the IT3, being novelty, enhanced novelty, and inventive step.)
  - d. Once the senior application is published, it becomes prior art for all purposes.
  - e. A PCT application designating a particular jurisdiction should be treated as a patent application in that jurisdiction for these purposes.
27. Australian law takes a whole of contents novelty approach which is consonant with (a) and (b) above.
28. However, as to (c), it does not permit an unpublished senior application taking priority over a junior one to be regarded for the purposes of inventive step in relation to the junior application at all. That means that it permits incremental non-inventive patent applications during the period of non-publication, whether by the senior applicant or a third party.
29. Australian law also appears not to be entirely consistent with (d), because of the operation of the grace period provisions. In *Cytec Industries Inc. v Nalco Company* [2021] FCA 970 the Federal Court decided that the grace period may apply to permit a senior application to be ignored for the purposes of novelty and inventive step in relation to an application filed after the senior application became published in certain circumstances.
30. As IP Australia has indicated, Australian law is consistent with (e).

31. Accordingly, implementing the IT3 proposal would require some significant amendment to Australian law.

*Desirability of IT3 proposal and further suggestions*

32. It is worthwhile to consider the proposal to make Secret Prior Art available for inventive step purposes (or a similar kind of test) separately to the proposal to treat the senior patent applicant differently from third party applicants in that context.
33. In our experience, the Australian approach of confining the availability of Secret Prior Art to the question of novelty rather than inventive step can produce results which seem arbitrary from a policy perspective. It is not unusual for some, but not all, claims of a junior application to differ from the disclosure in the senior application, but only in ways that appear largely immaterial. In those circumstances, it appears that there is little justification for the fact that some claims survive the citation of the senior application while others do not, when the technical differences between them are not significant.
34. Further, the IPC do not consider that the inventive step ground is inherently incapable of having regard to Secret Prior Art. Unlike previous iterations of the inventive step norm in this jurisdiction, there is no longer any requirement that a prior art document be ascertained by the skilled addressee; rather the skilled addressee is deemed to have a document and the teaching it discloses, and consideration is given to what is inventive in light of it, having regard to the common general knowledge. That approach is capable of being taken with an unpublished application.
35. Accordingly, the IPC consider that a proposal to permit regard to Secret Prior Art for inventive step purposes should be given serious consideration.
36. The IPC would not favour the creation of a new measure to the effect that the differences must “go beyond common general knowledge to one of ordinary skill in the technical field”. The rationale for suggesting that measure appears to be that to refer to “inventive step” would produce uncertainty internationally given that substantive inventive step law is not harmonised. That may be so, but it seems to us that the test proposed would be just as uncertain in operation. What, for example, does it mean to say that “differences go beyond common general knowledge”?



Does it mean “the senior application would not be arrived at commencing with the junior application and taking steps suggested by the common general knowledge”, or perhaps some other formulation? The test would likely be productive of various interpretations, and its uncertainty in any given jurisdiction would be exacerbated by the fact that it is a new formulation as yet unexplained by judicial authority.

37. Permitting regard to the senior application for the purposes of inventive step would, by contrast, not produce great additional complexity, because it involves using an existing norm, and because it could take as a starting point the existing “whole of contents” provisions in the *Patents Act* (Cth). The lack of international harmonisation of inventive step tests is a problem which already exists and will continue to exist unless and until that norm is harmonised in any event.
38. The IPC are less sure about the proposal to treat the senior applicant differently from third parties in this context. It introduces considerable complexity into the rules. Further, while the IPC accept that the position of the senior applicant may give rise to different policy considerations from the position of third parties, the policy justification for this measure is debatable. First, it permits (and perhaps encourages) patent thickets to be created by the senior applicant (if not third parties). Further, the senior applicant in any event remains in control of the senior application during the period of non-publication, in that it can be withdrawn and accordingly never published. That allows the senior applicant to file patent applications for incremental improvements during the period of non-publication, since it is only secret prior art which is ultimately published which can be relied upon (the IPC assume that this is so under the IT3 Proposal). It also allows the senior applicant to file fresh applications during the non-publication period for the purpose of meeting the support requirement, if the initial filing was made too early in the research and development process, such that the required support was not available.
39. The IPC also have concerns about the effects of requiring the patent applicant to be the same for the senior and junior application in order to obtain the more favourable treatment, were this part of the proposal to be pursued. This may inappropriately exclude circumstances, for example, where the same research and development team is responsible for the invention the subject of the senior and junior application, but the applicant entity is different. By providing adverse consequences for a

change of entity, the “same applicant” criterion may inhibit transactions entered into for the purpose of investment in patents.

40. Perhaps the junior applicant could be permitted to be a successor in title to the senior application, but it is not self-evident that that solution is appropriate, since the purpose of the norm is to treat favourably the entity which is responsible for the ongoing development of the invention, which may or may not be the owner of the junior application at the relevant time.
41. The IPC further note that the proposal to restrict the term of any such junior application, while probably sound in policy (since it involves a patent which may not be inventive over the senior application), would also involve some complexity, for example in circumstances where no patent is granted on the senior application.
42. The IPC are in favour of the senior application becoming prior art for all purposes post-publication. As indicated above, in light of *Cytec*, that may require some change to the manner in which the grace period provisions apply to secret prior art in Australia. The manner in which those provisions presently apply appears in any event to be somewhat arbitrary: for example, counterintuitively, if the senior application in *Cytec* had been filed a month *earlier*, it would not have had the benefit of the grace period. More fundamentally, the rationale of protecting, by way of a grace period, those who are naïve about the patent system or who have a legitimate incentive to publish, is unlikely to apply to those who file an application for a patent.

#### **Non-prejudicial disclosures (Grace Period)**

43. In general terms, the IPC agree with IP Australia’s summary of the IT3 grace period proposal and its preliminary assessment of compatibility.
44. Although there are strong competing views about whether inventors’ patent rights should be protected against deliberate pre-filing disclosures (**PFDs**), the policy objectives in the IT3 proposal are sound. There is a compelling argument for protection against inadvertent PFDs, and the complexities of determining intention in different jurisdictions mean that, on balance, protection against all inventor- or applicant-made<sup>1</sup> PFDs is preferable. This also provides greater certainty for third

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<sup>1</sup> PFDs made by or on behalf of applicants or inventors or predecessors in title.

parties who learn of PFDs. This is an issue on which harmonisation is important, for the reasons set out in paragraph 37 of the IT3 proposal.

45. The IPC agree that IT3's proposal that patent applicants or inventors must file a statement that identifies all PFDs that are not to be considered as prior art would require legislative change in Australia. The IPC do not recommend such a change. Such a requirement sits awkwardly with the policy objectives of grace periods, particularly in the context of inadvertent PFDs. An applicant/inventor may not always be aware of every PFD at the time such a statement is due to be filed.
46. Such a statement would also add a layer to the administrative process of applying for patent rights, and therefore operates as a barrier to such protection, for which strong justification ought to be required.
47. IT3's apparent justification for such a statement is that it provides notice for third parties (paragraph 47 of the IT3 proposal). With respect, this is a little unclear. Third parties looking for freedom to operate or assessing the validity of their own potentially patentable innovations conduct thorough prior art searches. They are likely to find many relevant PFDs (and for those that are not found, a statement identifying a PFD protected by the grace period is unlikely to materially affect the position). While a statement would provide an indication that a PFD was made by the applicant or inventor, this does not solve the problems of PFDs of which the inventor/applicant was unaware. Further, IT3 recognises that such statements will not be conclusive: see paragraph 51 of the IT3 proposal.
48. IT3 proposes that if no statement is filed, then no grace period will apply. This reduces certainty for third parties. Absent the requirement for a statement, a third party will know that any applicant- or inventor-made PFDs published during the grace period are to be disregarded. A requirement for a statement to trigger this protection means third parties will have to check whether a statement has been filed before knowing the position. Particularly in circumstances where such statements will not be conclusive, this is undesirable.
49. The IPC also note IP Australia's assessment that IT3's proposal as to the duration of the grace period would require legislative change. IT3 proposes that the grace period be 12 months before the earlier of the priority date or the filing date: paragraph 58 of the IT3 proposal. This is a clear and simple test. By comparison,

Australia's present statutory scheme on grace periods is convoluted and obtuse. Section 24 of the *Patents Act 1990* (Cth) is structured as follows:

- a. If a complete application is made within the "prescribed period", the Commissioner or the Court must disregard:
  - i. Information made publicly available in the "prescribed circumstances" with the consent of the applicant/patentee/predecessor in title;
  - ii. Information made publicly available without the consent of the applicant/patentee/predecessor in title through any publication or use of the invention by another person who derived the information from the applicant/patentee/predecessor in title;
- b. Certain disclosures to the Commonwealth, States or Territories or their authorities or persons authorised by any of those governments to investigate the invention, or anything done for such an investigation are to be disregarded.

50. The "prescribed period" and the "prescribed circumstances" are set out in the *Patents Regulations 1991*. The Regulations deal with a variety of circumstances such as "recognised exhibitions", the reading of a paper before a "learned society", the public working of the invention for the purposes of "reasonable trial" if it was "reasonably necessary" for the working to the public; disclosures without consent and "other" circumstances. The Regulations use 12 months before the filing date of the complete application as a touchstone for the prescribed period, but with idiosyncratic qualifications. For example, in the case of PFDs at exhibitions and learned societies, a basic or provisional application must be filed within 6 months of the PFD. For reasonable trials, the PFD will be disregarded if a complete application is filed within 24 months as long as a basic or provisional application was filed within 12 months of the PFD.

51. This scheme is unwieldy even for Australian practitioners to use. One feels considerable sympathy for the advisers of foreign patent applicants and third parties attempting to determine likely patent validity in Australia where grace period issues arise.

52. In our view, there is a strong case for legislative change in Australia to replace the current grace period scheme with a single grace period of 12 months before the earlier of the filing date or priority date. The IPC note that this would be consistent with the recently introduced grace period for designs adopted for consistency with emergency international standards in the draft Designs Law Treaty and fairness for overseas applicants.<sup>2</sup> There is a recent decision of the Commissioner that held that the grace period could effectively be extended: *Generic Partners Pty Ltd v Neurim Pharmaceuticals Ltd* [2022] APO 2. This undermines the certainty that is a key objective of a simplified grace period regime, and the IPC considers that grace periods should not be extendable. Further, as noted in paragraph 42, there is no policy justification for grace periods to apply to patent filings and these should be excluded from the grace period provisions. For this reason, such “official” publications have been excluded from the grace period for registered designs: *Designs Act 2003* (Cth) s 17(1B). If legislative simplification of the grace period regime in Australia is pursued, the IPC would welcome the opportunity to comment on the drafting.

#### **Prior user rights defence**

53. The IT3 has proposed the introduction of a harmonised prior user defence that seeks to balance the interests of a third party who in “good faith” has made commercial use or serious preparations to use the invention with those of an innovator who has sought patent protection. That balance is proposed to be achieved by way of a defence to patent infringement which applies if the third party has “*made actual commercial use or at least serious and effective preparations for commercial use of the subject matter covered by the claim of a patent*” before the filing or priority date of the patent application.
54. IP Australia notes Australia’s existing prior user defence, as set out in s 119 of the Patents Act. As also noted by IP Australia, there appear to be some differences between that provision and the defence proposed by the IT3.
55. The IPC agree with IP Australia’s preliminary assessment that the IT3 proposal for the proposed defence may be compatible with Australian law. The IPC also agree

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<sup>2</sup> Explanatory Memorandum to the Designs Amendment (Advisory Council on Intellectual Property Response) Bill 2020 (**DACIPR Explanatory Memorandum**), p. 8 [10]

that further assessment would be needed, including because the terminology in the IT3 proposal is not consistent with the Australian legislation.

56. The IPC make the following particular observations.
57. Under the current version of s 119, the prior user defence is available to a person who was “*exploiting*” the product, method or process in the patent area, or who “*had taken definite steps (contractually or otherwise) to exploit*”. This version of s 119 was introduced in 2006 by the *Intellectual Property Laws Amendment Act 2006* (Cth). Before that time, the language used in the provision referred only to circumstances where a prior user had made a product or used a process. This language had caused some uncertainty as to the scope of the defence. In particular, concerns were expressed that if the defence was limited to making and using, it might have limited practical benefit. This led to the 2006 amendment, as explained in the Explanatory Memorandum of the amending Act. The IT3’s proposed requirements refer to “commercial use” of the invention. This differs both in terms of the “use” language (rather than exploit) and the requirement for it to be commercial. As to the latter, this is not a requirement under s 119, and the Explanatory Memorandum of the *Intellectual Property Laws Amendment Act 2006* (Cth) expressly noted that an amendment to “*indicate that the prior use includes experimental use may be unnecessarily limiting because the section is not presently limited to commercial use*”. It will therefore be important to further assess the proposed scope of IT3’s defence for compatibility with the scope of Australia’s defence, which extends to exploiting (as defined in s 119(5)) and is not limited to commercial exploitation.
58. There is relatively little case law on the requirement under s 119 that a user who has not in fact exploited has taken “*definite steps (contractually or otherwise) to exploit the invention*”. However, overall, the cases have tended to apply a strict interpretation of the statutory language, with the defence not being enlivened, for example, by work relating to the ongoing development of an infringing system (see, for example, *Welcome Real-Time SA v Catuity Inc* (2001) 113 FCR, 51 IPR 327 at [100]). Despite the difference in language proposed by the IT3 language (“*serious and effective preparations*”), the discussion of how this requirement is intended to apply suggests a similar intended approach to that adopted by Australian Courts. In particular, the IT3 emphasise that the preparations must be in respect of **the**

**patented invention** (a point emphasised in the Australian cases) and must be “*more than activity directed to basic research or the acquisition or preservation of knowledge about the invention*”. The non-exhaustive list of examples provided by the IT3 seem largely consistent with Australian jurisprudence.

59. In terms of the commercial scope of the defence, the IT3 suggests that a prior user defence may be lost if there is abandonment of the use of the invention by the third party otherwise holding the defence. Some examples of abandonment are provided, being ceasing use of the claimed invention, exiting a market for the commercial embodiment to which the defence applies, and redesigning the commercial product so that is no longer covered by the claims to which the defence applied. Section 119(2) of the Australian legislation provides that the defence does not apply if the person seeking to rely on the defence has, **before the priority date**, stopped exploiting the product, method or process or abandoned the steps to exploit. It is not clear whether the same limitation is intended to apply to the IT3 proposal. The examples of abandonment provided by the IT3 do suggest that the defence will only apply to the particular embodiment being commercially used by the third party seeking to rely on the defence, not all commercial embodiments (including new and improved embodiments) if the defence is established. Further, at [80] the proposal states that the “defence does not extend to designs that were not the subject of the required preparations and otherwise infringe claims of the patent”. While there is currently no case law on how the Australian defence applies to further developments of a prior use, the drafting of s 119(1) is consistent with the position that the defence applies not only to the particular product, method or process that was being exploited before the priority date but to any product or process falling within the claims. That is, the present form of s 119(1) appears to be inconsistent with the IT3 proposal in this respect. The IPC would not recommend that this aspect of the IT3 proposal be adopted. The IPC doubt that confining a user to a particular “design” is commercially realistic, practically workable or justifiable as a matter of policy. Consistently with this, the IPC note that the recently introduced prior user exemption for registered designs is not limited to the specific design in use before the priority date: DACIPR Explanatory Memorandum pp. 15-16, [74]-[75].
60. As noted by IP Australia, s 119(4) provides for the disposition of the prior user’s rights to another person. The IT3 propose that a prior user defence could only be transferred to a purchaser of an entire business or relevant line of business of the

holder of the defence. The purpose of this appears to be that prior use rights can only be assigned to a person who will be continuing the same activity of use. This does appear to be narrower in scope than s 119(4), which allows the defence to be assigned as a legal chose in action without requiring the disposition of a business or line of business. According to the Explanatory Memorandum of the *Intellectual Property Laws Amendment Act 2006* (Cth), the right to assign the defence *per se* has benefits including “*enabling Australian research-based organisations to assign their rights to other to further develop and bring to the market.*” However, the IPC are not convinced that, in practice, these are the circumstances in which an assignment of the defence is most likely to occur, nor that, as a matter of policy, prior user rights ought to be freely assignable separately from the activity which gave rise to them.

### **Defence for intervening user**

61. The IT3 also proposes a defence for intervening user which seeks to address the difficulties that arise when a third party relies on a pre-filing disclosure by the patent applicant, in respect of which the applicant later relies on a grace period.
62. The proposal depends on a patent applicant being required to file a statement that identifies all PFDs that are not to be considered as prior art. As noted above, the IPC do not recommend the adoption of such a proposal for the reasons articulated above. The proposal then also requires the third party wishing to take advantage of the defence to give notice to a relevant Patent Office or Offices of the marketing of the product or commercial use of the relevant process. The IPC are of the view this places an undue burden on third parties to actively monitor the filing of pre-filing disclosure statements and actively assess whether a notification to the relevant Office is required.
63. Further, our view is that the current prior user defence is adequate. Under existing s 119(3), the prior user defence is still available where the product, method or process exploited is derived from information made public by the patentee, if that information was made public by or with the consent of the patentee and in the prescribed circumstances mentioned in s 24(1)(a). This provides a third party with a defence if it relies on information that is part of a pre-filing disclosure in respect of which the patentee later relies on a grace period.



### **Mandatory Publication**

64. The IT3 proposes that all patent applications should be published as soon as possible, at most 18 months from their filing or priority date, subject to limited exceptions.
65. The IPC agree with IP Australia that this proposal is consistent with current Australian law, and is desirable.

### **Other substantive patent law harmonisation proposals**

66. It is not clear whether topics for harmonisation other than prior use, grace period, conflicting applications and publication are within the scope of the present consultation or the current activity of Group B+. Nevertheless, if it is of assistance to do so, the IPC would put forward as desirable candidates for substantive harmonisation (a) secret use and (b) whether infringement should extend to “equivalents” of what is claimed. It is beyond the scope of this paper to address those topics, but the IPC would be happy to do so in a subsequent paper or discussion if you wish.

### **Conclusion and further contact**

67. The IPC would be pleased to discuss any aspect of this submission.
68. Please contact the chair of the Committee Angus Lang on 02 9232 4609 or at [lang@tenthfloor.org](mailto:lang@tenthfloor.org) if you would like to do so.

Yours faithfully



**Philip Argy**  
**Chairman, Business Law Section**