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# COMPULSORY LICENCES, CROWN USE AND INVENTIVE STEP – FUTURE CHANGES TO THE PATENTS ACT

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Legal Briefings – By **Emma Iles and Marine Giral**

IP Australia has recently released its Exposure Draft detailing proposed changes to the Patents Act 1990 (Cth). The proposed changes affect the rarely-used compulsory licence and crown use provisions of the Act together with the more central, inventive step provisions. It is a strange combination and has raised some concerns, particularly in the pharmaceutical industry. However it seems likely that practically speaking, the proposed changes would have very little impact on the rights or activities of a sophisticated IP owner.

## BACKGROUND

On 23 July 2018, IP Australia released its Exposure Draft for the proposed Intellectual Property Laws Amendment Bill (Productivity Commission Response Part 2 and Other Measures) Bill 2018. The changes arise from some of the recommendations made by the Productivity Commission.

Written submissions on the Exposure Draft, which is expected to be introduced before Parliament in late 2018 or early 2019, can be made by 31 August 2018.

## KEY PROPOSED CHANGES

If adopted, the Exposure Draft would introduce several changes to the Act. These notably include changes to provisions dealing with the following matters:

1. Compulsory licensing:

    - Modification of the factors to be considered by the Court when deciding whether to grant a compulsory licence. In particular a ‘public interest’ test would replace the current ‘reasonable requirement of the public’ test. The objective is to shift focus from the ‘interests of the industry’ to give more weight to the interests of the ‘broader public’;[1]

    - Addition of new factors to be considered by the Court when determining the compulsory licence fee, including the right of the patentee to obtain a return on investment and public interest.

2. Crown use:

    - Clarification of the purposes for which Crown use may be invoked, being the provision of a service that the Commonwealth, State and/or Territory Governments have the primary responsibility for providing or funding;

    - Introduction of a requirement that, prior to invoking the Crown use provisions and except in the case of emergency, the Government entity seeking to benefit from the Crown use exception to infringement must first seek a negotiated outcome with the patentee, obtain Ministerial approval and provide the patentee with 14 days prior notice after receiving Ministerial approval;

    - Provision of guidance on the factors that must be considered by the Court when determining the Crown use fee, being an amount that is just and reasonable taking into account the economic value of the exploitation of the invention and other relevant factors.

3. Inventive step:

    - Adoption of a new definition of inventive step based on Article 56 of the *European Patent Convention*, namely, that an invention will be considered to involve an inventive step if, when compared with the prior art base, it is not obvious to the person skilled in the relevant art.

# IMPLICATIONS

## CROWN USE AND COMPULSORY LICENCES

The changes to the Crown use and compulsory licence provisions are essentially aimed at clarifying the existing provisions. In particular, the 'public interest' test for compulsory licences has been proposed because it is a more commonly used legal term with an existing body of case law, unlike 'reasonable requirement of the public'.[2]

Crown use and compulsory licence provisions have rarely been used in Australia. It may be that this is because of the ambiguity that exists in the present provisions which acts as a deterrent to potential applicants. If that is the case, we may see more applications made under these provisions once amended. This should not be a concern for patentees because even as amended, the substantive and procedural requirements remain stringent and subject to oversight by either the Court (in the case of compulsory licences) or the relevant Minister (in the case of Crown use).

## INVENTIVE STEP

Following the implementation of the Raising the Bar legislation in 2013, the adoption of a new definition of inventive step is intended to further raise the threshold for patent applications in Australia and align it with European standards.[3] The Patent Manual of Practice and Procedure is also to be amended to state that the European Patent Office's problem-and-solution approach should normally be used by examiners in the assessment of inventive step, although there will be flexibility to adopt others tests where appropriate.[4]

In practice, for patentees the changes are unlikely to create any concerns in the context of multi-jurisdictional patent portfolios where patents are already prepared to meet European inventive step requirements.

They could be more disruptive in the case of local Australian patent applicants that will need to adapt to the new standards. In particular, where an inventive step objection is raised by the Commissioner of Patents, applicants will need to identify the technical features of the invention and the technical problem that they solve for the purpose of assessing the inventive step.[5]

In terms of challenges to patent validity, the proposed amendments basically involve reorganisation of the existing elements of the inventive step standard.  It is therefore unlikely that the inventive step hurdles will actually change in any material way as a result of the amendment. Rather the consequence of the intended strengthening of the inventive step standard is that patent applicants will need to be more explicit and rigorous in disclosing the invention asserted at the time of making the application.

The move towards a European definition and approach to inventive steps may mean that decisions of the EPO and European courts become more influential in Australia. Time will tell.

# ENDNOTES

1. IP Australia, Draft Explanatory Memorandum to the Exposure Draft (July 2018), at 42. See also Productivity Commission 2013, *Compulsory Licensing of Patents*, Inquiry Report No. 61, Canberra, at 151.

2. Ibid at 42.

3. IP Australia, Draft Explanatory Memorandum to the Exposure Draft (July 2018), at 10, 12-13. See also Productivity Commission 2016, *Intellectual Property Arrangements*, Inquiry Report No. 78, Canberra at 222, 226.

4. IP Australia, Draft Explanatory Memorandum to the Exposure Draft (July 2018), at 13.

5. Ibid at 11,14.

# KEY CONTACTS

If you have any questions, or would like to know how this might affect your business, phone, or email these key contacts.

**EMMA ILES**
PARTNER,
MELBOURNE
+61 3 9288 1625
emma.iles@hsf.com

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