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COMMITTEE ON REFORM
OF THE PATENT COOPERATION TREATY (PCT)

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REFORM OF THE PCT:
PROPOSALS BY AUSTRALIA

Document prepared by the International Bureau

1. The proposals appearing on the following page were made by Australia in a submission to the International Bureau received on April 2, 2001. Background information appears in document PCT/R/1/2.¹

2. *The Committee is invited to consider the proposals contained in this document.*

¹ The working documents for the Committee's session are available on WIPO's web site at the following address: http://www.wipo.int/pct/en/reform/index_1.htm

AUSTRALIA'S SUPPORT FOR REFORM OF THE PATENT COOPERATION TREATY

Introduction

This paper reflects Australia's response to the decision of the twenty-ninth session of the Assembly to seek the views of the Member States on proposals for reform of the PCT.

Australia certainly recognises the success of the PCT which, at the very least, is reflected in the continued growth in the number of PCT applications and of contracting states but is also apparent from the positive feedback received from Australian user groups and IP professionals. The PCT was, at its entry into force, a significant development for patent applicants seeking protection in a number of countries providing some cost reductions and a useful extension of the time available before national processing must commence.

Nevertheless it has been widely recognised that many inefficiencies and unnecessary costs remain for applicants – both in the PCT, but predominantly in the national phase – because of the requirement for applicants to independently prosecute their application through each national or regional Office. Indeed, the perception among many users is that improvements to the PCT will have little impact in the absence of fundamental harmonisation of national laws. These concerns, together with the need for national and regional Patent Offices to manage increasing workloads, has led to a coordinated focus on patent law harmonisation and mutual recognition of search and examination work.

It is clear from this work, particularly that under the auspices of the SCP, that the future international context for the PCT will be radically different to that which existed at its inception. In this regard Australia agrees that the future of the PCT is closely tied with developments on harmonisation. The PCT may, for example, form the cornerstone of a future harmonised global patent system providing internationally regulated access to search and examination services leading to a universally recognised grant. Alternatively it may be made obsolete by a system of bilateral or multilateral mutual recognition agreements where users may only need to file through one of a number of larger Patent Offices to achieve international patent protection. In any event it is apparent that the PCT will only survive if it is seen by the international community and patent applicants to provide significant advantages over other alternatives.

Recognising that future harmonisation outcomes are uncertain and some way off, Australia nevertheless believes that reform of the PCT should seek to develop a system that is simple, understandable and efficiently meets the needs of users so that it remains relevant to the developing international environment. As such the PCT requires significant revision and not a cosmetic review. There is however the question of how such reforms can be achieved and over what timeframe.

Composition of the Reform body

Australia is very concerned that the success of any PCT reform proposal is dependent upon its acceptance by a large majority of PCT member states. Australia fully understands, and in principle supports, the desirability of having a relatively small working group develop a proposal for PCT reforms. Of course, it would be vital for the deliberations of such a restricted body be as open, frank and inclusive as is possible; and it will need to take particular care to consider and respond to the views held by Member States who are not

represented. If this is not done, the strong consensus necessary for uniform adoption of a revised treaty cannot possibly be achieved, and reform will fail. However, even if the Special Body takes these steps, Australia is concerned about the likelihood that member states 'excluded' from participating in such a Special Body will consider themselves disenfranchised, and may be unwilling to accept the recommendations of that Special Body – whatever their merits. That is, Australia is concerned that exclusion of countries will inevitably lead to failure of PCT reform.

Conformity with the PLT and useability

Many applicants find the current PCT environment overly rigid and unfriendly. Australia agrees that the PCT should not impose filing requirements that are more onerous than the PLT and preferably should be more favourable in the sense permitted by Article 2 (1) of that treaty. This will involve a review of the PCT in light of all relevant provisions of the PLT, and also the identification of all possible means of simplifying procedures – including those that may arise with the introduction of electronic filing and WIPONET. We do not believe progress in this regard need be delayed in any way by the ratification situation with the PLT.

One example of increasing user friendliness would be to introduce extension of time provisions covering the unintentional missing of the date to file a demand, if indeed the concept of demands is retained. However we would expect that PLT type extensions of time would be available on all time limits.

We also agree that a review of the PCT fee structure is necessary. We consider PCT fees should be set at a level broadly commensurate with the cost of the service being provided. We doubt that this is currently the case. In this regard, we particularly note that the recently introduced fee for filing the sequence listing part of a specification on a CD seems quite out of proportion to the likely costs associated with handling/processing the CD.

Nationality and residency requirements

Australia conditionally agrees with the proposal of the US (PCT/A/29/3 page 5) that all nationality and residency requirements should be removed. In general there does not appear to be any benefit to users world wide in maintaining the current restrictions and they should have the option to choose whichever RO, ISA, IPEA they wish so long as they can meet the requirements of that Office or Authority in relation to language, electronic means, etc. This will not only benefit nationals of non-PCT States. Other applicants will also find the option useful, selecting the Office or Authority that is most convenient and offers the service most appropriate to their needs.

Australia's concern however is that this can only be possible in an environment of genuine mutual recognition of search and examination work. For example at present there are a number of disadvantages in using particular ISA's that are not related to the quality of their service or the fee charged – but to the fact that their search reports are not recognised in the national phase by certain IPO's, and particularly by some large IPO's. Hence there are artificial cost considerations outside the PCT which impact on the choice of ISA. We see this lack of recognition to be quite anomalous and a situation which appears detrimental to all users of the system – particularly those who either are forced to pay for unwanted additional searches in the national phase or, to avoid that, to use an ISA which is less suitable for its needs. It would also appear detrimental ultimately to those IPO's who suffer from high

workloads and significant backlogs, and it is perhaps in this environment that the principles of mutual recognition can be applied at an early stage, given that national law should not be at issue. Overcoming barriers to mutual recognition is discussed below under the heading “Rationalisation of current ISA’s and IPEA’s”.

Eliminating the concept of Designations and Elections

Australia supports removal of both the concepts of designations and of elections.

In relation to designations our experience is that a very high number of applicants now designate all states and with the likely reductions of designation fees this will only increase. Hence the system of designations has become an unnecessary burden and the treaty should be revised to make international applications automatically effective for all PCT States. We are also aware of a small but significant error rate in the completion of designation forms. For example, Australia sees a significant number of national phase problems each year where the applicant has confused the country code for Australia (AU) and for Austria (AT). We understand that there are several other pairs of country codes that lead to incorrect designations being indicated.

We recognise that the automatic designation of all eligible states may, to some extent, be seen as creating unnecessary uncertainty for third parties in countries where national phase entries are low. However, Australia is already in a situation where only about 25% of designations proceed to the national phase and our experience is that there has been little adverse impact, particularly as the community has become better informed about the patent system and its legal implications. Given in any event the likely increase in applicants designating all states and the prospect for substantial simplification of the PCT to the benefit of all users, we believe the balance favours removing the concept of designations from the PCT. Nevertheless the potential issues for third parties suggests that the 30 month period for national phase entry provided by Article 39 1(a) should not be extended.

Australia notes that the provisions in Article 31(4) and elsewhere in relation to elections perhaps arose in the original drafting in the hope that eventually there would be an examination that would become binding. Whether or not this becomes a reality, we do not believe that elections currently serve any real purpose. Indeed, they merely add unnecessary complexity and administrative overheads. Hence Australia proposes the removal of the concept of elections on the same basis as for designations, that is, that demands be made automatically effective in all applicable States. To the extent that this may be seen to increase the workload of the International Bureau under Article 36 we would point out that the developments that are like to occur with the introduction of WIPONET and IPDL’s will radically change the environment for the exchange of information between the IB and the Contracting States.

Combination of Search and Examination; Demands and time to enter the national phase

Australia agrees that there is significant benefit to be gained from combining the international search and examination, both for the Authorities involved and the PCT applicant. Not the least would be the opportunity to significantly simplify the treaty by combining Chapters I and II. We do not however believe that Preliminary Examination should become mandatory – at least in the environment where it is non-binding or in the absence of an agreement on the “non-binding” use of IPER’s in national phase examination. Hence Australia proposes that

the applicant be required to indicate on the Request whether International Preliminary Examination is required. Effectively this would remove the notion of Demands and we would propose that the period now provided by Articles 22 and 39 be 30 months in either case. That is, that national phase entry would be at 30 months whether or not Preliminary Examination is requested. This will be of benefit to the many applicants who currently choose Preliminary Examination only to obtain the extended period. It would also favour those who currently inadvertently miss the time for filing a Demand, which becomes a major problem for the applicant if the IPEA does not inform them of the late filing until after the consequential 20 month period for national phase entry has expired.

It is noted that Articles 22 and 39 both allow national law to prescribe longer periods and we believe this is still the most appropriate mechanism for those states wishing to extend the period for national phase entry. In many Contracting States there will be public interest concerns about further extensions mandated by the PCT, whether or not on a fee for deferral basis, and, as already indicated, we believe that the current situation probably reflects an adequate balance between the applicant and third party interests. This appears to be supported by the fact that, despite the option being provided in the Articles, most Contracting States have not extended the time available for national phase entry in their national law.

In supporting a combined or closely sequential search and examination Australia also supports the concept that the applicant should be provided at an early stage with indications as to whether the invention is considered to be novel and to involve an inventive step. Hence we do not favour an option for delay in initiating the International Search or in completion of the Search Report. The Preliminary Examination Report could however be issued at any time up to 28 months from the priority date as currently provided by Rule 69, giving the applicants considerable time to respond to the issues raised and propose amendments before national phase entry.

As to the suggestion of the US (PCT/A/29/3 page 6) for multiple searches and examination we believe that some applicants may find this option of benefit and Australia is prepared to give the proposal further consideration.

“Binding” IPER’s

The prospect for including binding examination in the PCT is closely tied to the issues of mutual recognition and of substantive law harmonisation. Obviously it is open for States at present to unilaterally or by agreement with one or more other States to provide such effect for the results of Preliminary Examination but this is not the norm and will not be until those fundamental issues are resolved.

However, there are a number of States that currently utilise both positive and adverse IPER’s during national phase examination on the basis of avoiding wasteful re-work and, instead, focus on those issues that may be peculiar to their national law. In Australia it is certainly the practice to rely on ISR’s and IPER’s where ever possible and, while this use is discretionary, examiners generally do not depart from those findings except where they are aware of more relevant prior art or where the finding of the IPER is clearly inconsistent with national law. The result has been a reduction in the workload for each case and efficiency gains that have been passed on to users in the form of fee reductions.

While Australia has taken this approach unilaterally, we would encourage discussion within the Special Body on how the “non-binding” use of IPER’s in the national phase could be encouraged and formalised. Clearly progress on this issue could be the precursor to the ultimate adoption of “binding” IPER’s and should be considered together with any proposal that may reduce the number of cases on which Preliminary Examination is demanded. Similarly the issue relates to the usability of the IPER and ISR and the competence of the Authorities.

Rationalisation of current ISA’s and IPEA’s and recognition

The proposal of the US (PCT/A/29/3 page 10) suggests that greater efficiencies and enhanced quality can be realised by consolidating authorities and that the overriding criteria should be widespread acceptance of the work product. Australia does not agree that consolidation is the panacea for mutual recognition. As indicated previously we also do not believe that current notions of recognition or acceptance of work are a sound basis for moving to a rationalisation of Authorities, if that is considered desirable.

It is the experience of the Australian Office that no International Searching Authority produces 100% reliable search reports 100% of the time – and no-one should expect that to be possible. Further, it is readily observable that the search reports from some large ISA’s almost always only cite documents published in that country – leaving it open for inferences to be drawn concerning the extent of the Minimum Documentation that has been searched. Also, we understand that perhaps not all ISA’s/IPEA’s have distributed the PCT Guidelines for Search, and for Examination, to their examiners. Nevertheless, currently it would seem that small, and many medium, IPO’s by and large recognise the search results of the range of Searching Authorities. (For example, national phase examination in Australia does not entail a repeat search unless the examiner believes, on a case-by-case basis, that the ISR is inadequate or erroneous; and no fee is charged for any search then done.) The principal issue appears, therefore, to be the lack of recognition by some of the larger IPO’s of the work produced by other ISA’s. In our view this lack of recognition or acceptance of work is, to a large extent, currently based on factors other than the qualifications and competence of the Authority. This is particularly the case with searching, where asserted differences in national law may conveniently be asserted as a reason to not rely on search results from other ISA’s – irrespective of whether there is any significant practical effect on the scope of the monopoly rights granted.

We believe that the criteria for assessing the value of an Authorities work should be the quality of that work and the competence of the Authority, and not arbitrary notions of acceptability. Not to do so will leave all searching and examination expertise in the realm of a small number of large Authorities which, while being of no particular concern in the regions normally served by those Authorities, will disadvantage applicants in many other language and regional groups. It is Australia’s view that rather than having one authority, or a small number of authorities, the interests of applicants are best served by having a range of authorities working in true competition with each other. That is, competing upon the basis of issues such as quality, price, user friendliness, etc. In such an environment, users would be able to choose an Authority which best met its needs, and Authorities generally would be better motivated to provide more efficient and user-friendly services.

Where concerns are raised as to the qualifications or quality of a particular Authority, it would be far better in our view that that they be explored on a rational basis and, where appropriate, to provide assistance to that Authority to bring it to a standard acceptable to others. This may, for example, involve recognition that within a development period certain fields of technology are not within the competence of a particular authority. In any event, we believe that competent searching and examination resources should be utilised wherever they are found – and this is more than feasible in the current environment of electronic communications.

Australia would suggest that it is necessary (either as a precursor, or in conjunction with discussions of this nature) to gain a better understanding of the processes and expertise within the Authorities – and to improve or develop areas where needed. This could be achieved by extending the benchmarking efforts that are currently progressing between the Trilaterals, and between other IPO's on a bilateral basis. It is perhaps something that could be progressed under the auspices of the Meeting of International Authorities.

Distinction between National and International Applications

The issue referred to at PCT/A/29/3 page 10 in relation to co-pending national and international applications appears to arise not so much as a deficiency in the PCT but because of the peculiarities of the US patent system. If that issue cannot be resolved as a matter of national law Australia would not object to a remedy in the PCT so long as it did not add complexity for users elsewhere.

However Australia would not support the retention of Article 64(4) in a revised treaty. The effect of any reservations that are made under this provision is to discriminate against foreign PCT applicants and to add complexity and cost if those applicants wish to seek parity with nationals of the State concerned.

Divisional applications

As noted by the Netherlands, the PCT does not provide for the filing of divisional applications. Australia would support discussion on this issue - in that the PCT does provide a mechanism for filing an application in many countries. However, there are questions about whether the whole PCT process is appropriate for such cases. For example, if the subject matter was searched in the parent application, what would be the purpose of doing a search in the divisional application? Also, since the time for national phase entry will be considerably after the parent, there may be national considerations regarding third party interests and the delays in dealing with the application. However, these issues might be addressed by having a streamlined approach for divisional applications, whereby the International Search was optional and national phase entry was required at a much earlier date.

Another issue is that a divisional application will have a priority date flowing from the parent application. Thus it would be quite likely that the 30-month time limit for national phase entry will have expired before the divisional application was filed – with obvious difficulties with the international processing of the application. Thus the timing provisions of the PCT would need to be completely revised to accommodate divisional applications.

Finally there are significant differences in how divisional applications are treated in the national phase. Consequently we believe this issue is also dependant on progress toward substantive law harmonisation.

Effect of a revised PCT and the reform process

Australia is particularly concerned that the outcome of the reform process will be in effect two incompatible treaties – assuming either that revisions are acceded to by some but not all members of the assembly or that the process of accession for all PCT contracting States is very prolonged. This eventuality would likely defeat the benefit of reform by increasing the complexity of the system, if indeed it were workable at all. For example what would the legal effect of a PCT II application be in a PCT I State? What burden of risk is imposed on applicants, if PCT II and PCT I have different time limits for various actions, so that applicants have to monitor and act on two sets of time limits rather than one? Alternatively, if the Assembly sought to mitigate these effects by ensuring that PCT II is entirely complementary to PCT I, this would in all probability limit the scope for reform so far as to make its objectives unachievable.

One manner of dealing with having a PCT I and PCT II operating concurrently, is to ensure that PCT II only comes into effect when a relatively large number of Contracting States [including a large proportion of those States with nationals or residents contributing significantly to PCT filings] have ratified PCT II. This, unfortunately, would mean that PCT II would not become operational quickly.

Two similar approaches to dealing with this problem are worth noting – although neither provides a full solution:

- Identify those Articles (or parts of Articles) that should be revised, and transfer those provisions to the Rules – perhaps with special conditions concerning whether any amendment of those rules required unanimity. This would be a preparatory step for reform, which would occur at a later time under the well-established mechanisms for amending the Rules.
- To merely include a revision mechanism similar to Art.172 of the European Patent Convention, with the ‘real’ revisions being dealt with at a later date.

The potential advantage of these approaches is that it may make it easier for contracting states to accede to PCT II within a reasonably short time frame. On the other hand, both have the problem of justifying a Diplomatic Conference, and States having to accede to, a Treaty that is arguably unchanged from the previous treaty.

Whatever the outcome, a revised PCT must include a mechanism to accommodate future revisions – similar to Art. 172 of the European Patent Convention.

Otherwise, Australia supports a comprehensive consideration of all the proposals and views put forward for consideration, particularly given the complexity and inter-relationship of the issues, and the need for fundamental change to secure the future relevance of the Treaty.

Conclusion

Australia is very much in support of fundamental reform of the PCT to maximise the benefits to users and to ensure that the Treaty remains relevant in the evolving international patent environment. While we believe that there are many hurdles to overcome we welcome the Assembly's resolve to pursue the reform process and look forward to participating in fruitful discussions to that end.

While our comments above are directed primarily to the broad proposals contained in PCT/A/29/3 we would also seek to make more detailed representations on these issues and also on the specific provisions of the Treaty at an appropriate time.

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