

Proposals for changes to divisional practice

FICPI Australia opposes the proposals to change the current practice relating to the filing of divisional applications. In this respect we note that FICPI International, at its most recent Executive Committee meeting in November, 2007, passed a unanimous resolution urging Patent Offices throughout the world to maintain broad rights for the filing of divisional applications. A copy of this resolution is attached.

FICPI Australia recognises that from time to time there can be difficulties that arise through the filing of multiple divisional cases from one original filing. Nonetheless, it is considered that these problems are the exception rather than the rule.

The current rules relating to the filing of divisional applications have been in place for more than 20 years and are well understood by practitioners and users of the Australian patent system. They are relied upon by applicants for the orderly and strategic protection of inventions. Rarely do applicants understand or recognise all of the potential inventions described in a patent specification at the time of filing. Further, it is often the case that an applicant will not, at the time of filing, clearly understand which invention or inventions disclosed in a specification will ultimately be the most important in commercial terms. It is true that in many cases these issues can be resolved during the examination and prosecution of the originally filed application. Nonetheless, it is not infrequent that an applicant will need to file a divisional application to properly protect a second invention disclosed in an original filing. Whilst the filing of further divisional applications is rarer, it is nonetheless an important part of our current system for the protection of intellectual property that if further inventions are identified by the applicant based on a clear disclosure in the original specification, that these should be protectable in "grandchildren", "great grandchildren" or further generation divisional applications. In this respect, Australian practice accords with the practice in a large number of countries including, importantly, both Europe and the United States. We have recently been alerted to an Australian case prosecuted by a FICPI Australia member where three divisional filings were required before the applicant's arguments were accepted for the acceptance of claims relating to an invention. If the rules relating to the filing of divisional applications had been in the modified form now proposed by IP Australia, the client in this case would not have been able to secure appropriate rights in respect to its invention.

FICPI accepts the legitimate concerns of IP Australia that the filing of cascades of divisional applications can leave the public with uncertainty over an extended period on the final scope of monopoly rights based on an original filing. Whilst this is true, those seeking to exploit technology in the same field have available to them (after 18 months) a full copy of the disclosure on which any divisional claims can be based. This enables any third party to postulate on potential claims that could arise from the application based on the disclosure, the priority date of the application and knowledge of the relevant prior art. This is well covered territory, and those involved in R&D are well acquainted with the need to consider potential claims based on a disclosure in a pending application. The proposed limitation on the filing of divisional applications would not resolve this issue as patent applications can remain pending for many years. Further, it is the experience of FICPI Australia members that the incidence of long cascades of divisional applications is relatively rare. Whilst we are not aware of the number of divisionals which go beyond a second generation in Australia, we note that statistics provided by the USPTO in the recent injunction application by SmithKline Beecham (*Tafas v Dudas*; *SmithKline Beecham Corp. v Dudas* (E.D. Va, 2007)) suggest that in the US only 2.7% of applications concern the filing of three or more continuation applications, or two or more requests for continued examination¹.

Because the US system of examination provides less scope than in Australia for arguing against objections to allowance (final rejections are often issued after only one earlier examination report) we expect the percentage of applications in Australia involving the filing of three or more divisional applications would be significantly less than 2.7%. A modification to divisional practice as proposed would lead to confusion, particularly for overseas users, and would operate unfairly to applicants wishing legitimately to protect all inventions disclosed in an original filing. Balanced against the asserted problems in a small proportion of cases, FICPI Australia submits that the public interest favours the retention of the current system.

The proposals last year by the USPTO to restrict the ability to file divisional and continuation cases met with strong dissent from the R&D community in the United States. This led to the extraordinary application made by GlaxoSmithKline for a preliminary injunction to prevent the implementation of new rules restricting the filing of divisional applications. Whilst there is not yet a final decision in this case, the

¹ *Tafas v Dudas* consolidated with *SmithKline Beecham Corporation v Dudas* (E.D. Va, 2007), Memorandum Opinion, p25.

preliminary injunction granted means that there continues to be an unrestricted right to file divisional applications in the United States. The same applies in Europe – this was recently affirmed by a decision of the Enlarged Board of Appeal in cases G1/05 and G1/06² It is also to be noted that, even if the USPTO rules were to come into force in their present form, they would still allow four generations of applications, i.e. the parent application, a Request for Continued Examination followed by two continuation applications. This is far more generous than the provisions proposed by IP Australia.

Whilst the US system for the examination and prosecution of applications is very different to that which applies in Australia, the current proposal of IP Australia would move the Australian system further from that which applies in the United States. This would appear to be in breach of Australia's obligations under the Australia – United States Free Trade Agreement, and in particular Article 17.9(14) which expressly refers to divisional practice. The provision provides as follows:

“Each party shall endeavour to reduce differences in law and practice between the respective systems, including in respect of differences in determining the rights of an invention, the prior art effect of applications for patents, and the division of an application containing multiple inventions...”

At the most recent PCG meeting, both FICPI and IPTA raised concerns that the proposal would also contravene Australia's obligations under the Paris Convention, and in particular Article 4G(2). We understand that IP Australia is securing further advice with respect to this issue and we look forward to receiving a copy of this advice once it has been received.

We also note that one of IP Australia's concerns is the abuse of the divisional system by applicants whose patent applications are opposed. We believe that the incidence of this is very low and that the proposed changes to the current system of divisional applications is a drastic reaction to a relatively minor problem. This problem could be addressed in other ways. In its proposal IP Australia indicates that there is a risk that invalid patents could be granted when a divisional application is filed and an opposed parent application is withdrawn if that divisional application is not subsequently opposed. The material relied on in the opposition is available to the Examiner of the

² See <http://legal.european-patent-office.org/dg33/pdf/g000106.pdf> and <http://legal.european-patent-office.org/dg3/pdf/g000106.pdf>

divisional application so that the likelihood of an invalid patent being granted in such circumstances is unlikely to be that great. In addition, re-examination is also available to the Commissioner as well as to opponents and others, albeit based on a narrower prior art base excluding the doing of any acts.

We understand that another concern of IP Australia is that there is a possibility of the divisional application filed in such circumstances "slipping through" unopposed and, as a result, a potentially invalid patent being granted. We strongly believe that such an eventuality is remote in that a practitioner would be remiss in not maintaining a watch in such circumstances. If necessary, the Regulations could be amended to include a provision to the effect that the divisional application is not accepted until such time as IP Australia has received confirmation from the applicant for the divisional application that any previous opponent/s has/have been notified that the divisional application is in condition for acceptance. This should constitute sufficient notice to such an opponent.

We also note that, if a divisional application has not previously been filed in respect of an opposed patent application, there is nothing in the present proposal that prohibits the applicant from withdrawing the opposed application after filing a divisional application which would be entitled to the same priority as the parent application.

A further problem with allowing only two generations of applications arises where there is lack of unity of invention in circumstances where there are more than two inventions claimed in the parent application. In terms of the present proposal, all divisional applications would need to be filed simultaneously for the remaining inventions or the applicant would risk either losing the remaining inventions altogether or at least the priority rights attaching to those inventions. To file a number of divisional applications simultaneously places a significant cost burden on some applicants. In the case of applicants such as start-up companies, cost control, especially in the first few years is a major issue, and such a cost burden could be more than they could bear and could result in them losing rights unnecessarily.

Whilst there are only superficial similarities between the Trade Marks Act and the Patents Act, it is interesting to note that with the introduction of the 1995 Trade Marks Act a limitation was introduced on the filing of divisional applications. An applicant could file a divisional application, but not a divisional of a divisional. The rationale for

introducing this rule was similar to the rationale for the current proposal under the Patents Act. We note that the limitation on the filing of divisional applications under the Trade Marks Act has been repealed.

Finally, we note that IP Australia has concerns regarding the tactical use of divisional applications to minimise or avoid excess claim fees. We do not believe that this is a significant problem since the cost of filing divisional applications would most often exceed the cost of the excess claim fee and would, in any event, merely defer payment of excess claim fees to the detriment of the applicant whose enforceable right is similarly deferred. If this is a concern, FICPI Australia submits that a more appropriate response would be to modify the fee structure for the filing of divisional applications.



EXCO/ES07/RES/003

Divisional Patent Applications

FICPI, the International Federation of Intellectual Property Attorneys, broadly representative of the free profession throughout the world, assembled at its Executive Committee in Seville, Spain, from 4-7 November 2007,

Having in mind that a divisional patent application is a later application claiming subject matter present in an earlier application and benefiting from the filing or priority date of the earlier application,

Noting that Article 4G of the Paris Convention states :

(1) "if the examination reveals that an application for a patent contains more than one invention, the applicant may divide the application into a certain number of divisional applications and preserve as the date of each the date of the initial application and the benefit of the right or priority, if any" (London, 1934)

(2) "The applicant may also, on his own initiative, divide a patent application and preserve as the date of each divisional application the date of the initial application and the benefit of the right of priority, if any. Each country of the Union shall have the right to determine the conditions under which such division shall be authorized" (Lisbon, 1958)

Considering that the principle of dividing a patent application, including an existing divisional application, must be maintained in order to allow applicants to obtain appropriate protection covering all the aspects of the innovation disclosed in said patent application; including the situation where an examiner refuses further consideration of a patent application;

Recognising that divisional applications and especially cascades of divisional applications may increase legal uncertainty for third parties;



But **noting** that an applicant who seeks protection by way of a divisional application cannot extend the term of protection beyond that of the parent, cannot enforce his rights until grant of the divisional application, and may suffer a reduction of the recovery of damages for past infringement; and

Recognizing that procedures implemented by a Patent Office may inhibit the applicant from indicating in his claims every aspect of the innovation to be protected;

Resolves that Patent Offices should :

- * recognize and respect the broad character of the right to file divisional applications provided by the Paris Convention;
- * promptly check that any divisional application does not contain subject matter that is not permitted in the country or region in question;
- * expedite publication of the divisional application and immediately update the public patent office records to show clearly the relationship between all applications and patents of the same family in the same country or region;
- * accelerate the examination of the divisional application;
- * ensure transparency and consistency in handling the divisional application and all applications of the same family in the same country or region;
- * not attempt to solve technical or organisational problems at the Patent Office, including the backlog of patent applications awaiting examination, by implementing rules limiting the right to file as many divisional applications from any member of the family during its pendency as necessary to allow the applicant to obtain appropriate protection covering all the aspects of the innovation disclosed, or by imposing arbitrary deadlines for filing divisional applications; and
- * not make any new rule concerning divisional applications retroactive.