



THE AUSTRALIAN FEDERATION OF INTELLECTUAL PROPERTY ATTORNEYS  
FICPI AUSTRALIA

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BY EMAIL

[date]

Mr Jeff Carl  
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Dear Jeff

**ACIP Issues Paper  
Review of the Innovation Patent System of August 2011**

On behalf of FICPI Australia, we make the following submissions in response to the ACIP issues paper of August 2011 entitled "Review of the Innovation Patent System". We appreciate the invitation made to FICPI Australia for submissions in relation to this important topic.

FICPI Australia is the National Association of Federation Internationale Des Conseils en Propriete Intellectuelle. Membership of FICPI Australia is restricted to patent and trade mark attorneys who have at least five year's experience in practice and who are proprietors of patent attorney businesses operating in Australia.

Federation Internationale Des Conseils en Propriete Intellectuelle takes its membership from patent and trade mark attorneys in private practice from more than 85 countries. The organisation was founded in 1906.

In response to the questions identified in the issues paper, we make the following submissions:

**1. Effectiveness in stimulating innovation**

FICPI Australia is of the view that the introduction of the innovation patent system has had a positive effect in encouraging users to protect innovations which, because of simplicity of the technology or for other reasons, they may not otherwise have sought to protect. It is not possible to say categorically that the introduction of the innovation patent system has stimulated innovation *per se*.

The fact that, according to the Issues Paper, the majority of users of the innovation patent system are Australian individuals and small to medium enterprises ("SMEs") lends support to the conclusion that there has been a stimulation of innovation by introduction of the innovation patent system.

Another factor which may well be stimulating innovation is that, with the early publication of granted innovation patents, competitors are able to see what has been protected and to innovate to avoid falling within the scope of a granted innovation patent. It is accepted that, although there is a measure of uncertainty regarding the scope of protection of an uncertified innovation patent, it is generally possible, where the innovation patent specification has been professionally prepared, for FICPI Australia members to comment on the

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scope of protection with a reasonable degree of certainty. It is difficult to say whether or not entities that do such “design arounds” then go on to protect their innovations using the innovation patent system but innovation is certainly stimulated in this way.

There is also the added benefit that, for SMEs and individuals to obtain funding to finance their ventures, it is often required that they have a registered right. The innovation patent system provides a solution to this problem by facilitating rapid grant of a patent on an application.

For the reasons set out above, FICPI Australia is of the view that the innovation patent system is an extremely useful adjunct to the standard patent system and provides a very useful additional form of protection for all users, not necessarily only individuals and SMEs. FICPI Australia nonetheless considers that IP Australia could do more to educate the innovation community about the advantages of the innovation patent.

## **2. Does Australia need a utility model?**

While the prime purpose of the innovation patent system is to protect innovations with a lower threshold of inventiveness, it is FICPI Australia’s view that this is not the sole reason why users file innovation patent applications. It is difficult to provide a single reason as to why users use the innovation patent system.

Some users prefer to file innovation patent applications because they lead to a rapidly obtained, strong, enforceable right. This is of major benefit for innovations which have limited life spans and where the technology is rapidly progressing. An example is the ICT industry or digital technology industry where technology rapidly becomes obsolete.

Other, more sophisticated users of the system are using innovation patents when designing around their competitors’ products and to protect innovations arising from such activities.

Still another reason for persons filing innovation patent applications is where a standard application has been filed and is pending. Dividing out an innovation patent application and having it certified is a cost-effective and efficient mechanism to obtain an enforceable right. The reasons for following this course may vary and may be as a result of suspected infringement or where commercial benefits, such as a licence, accruing to the patentee are contingent on the grant of a patent on the technology.

Other users may be motivated by the fact that, overall, the costs for obtaining a certified innovation patent, in comparison, with a granted standard patent are generally lower.

Another benefit afforded by the innovation patent system is that where a user is unsure of the strength of the technology or the commercial prospects of the technology, the innovation patent system permits such a user to obtain at least a granted right for a reasonably low cost. If the technology proves to be commercially unsuccessful, such a user would then not proceed to have the innovation patent certified and the costs incurred would have been limited.

For all of the above reasons, plus others which may not have been set out above, FICPI Australia considers that the innovation patent system provides a number of benefits to users and recommends that the innovation patent system be retained.

## **3. Costs**

To the extent that the costs of obtaining a certified innovation patent are generally less than for a granted standard patent, costs are a consideration. However, it is generally the experience of FICPI Australia’s members that, where they are consulted in the preparation and filing of innovation patent applications, costs are not a significant factor in deciding whether to file an innovation patent application rather than a standard application where the invention has the requisite degree of inventiveness for a standard application. The principal reason for this is that the cost to prepare a patent specification for an innovation patent application does not differ substantially from the cost to prepare a patent specification for a standard patent application.

Costs may be an issue for applicants who self-file their applications but, as FICPI Australia’s members would not, generally, be consulted by such applicants, FICPI Australia cannot comment on whether or not the costs of obtaining a granted innovation patent are a consideration for such applicants.

#### **4. Certification**

There are many reasons why a proprietor of a granted innovation patent may or may not seek certification. Costs of certification are, in general, not a prime consideration as to whether or not a proprietor would seek certification.

Factors governing having an innovation patent certified include concerns that the patent may be revoked during the certification process and tactical reasons such as keeping competitors unsure of the final scope of the claims. At times these factors may be the overriding considerations, rather than costs as to whether or not a proprietor of an innovation patent seeks certification.

#### **5. Comparison with trading partners**

FICPI Australia's members are finding that more sophisticated users overseas are beginning to see the benefits of the innovation patent system and are making increasing use of the innovation patent system. An example of this is where a piece of multi-component technology is the subject of a standard patent application, the applicant may file innovation patent applications for those components of the technology which are more likely to be patentable under the innovation patent system.

In its dealings with members of FICPI in other jurisdictions, FICPI Australia's members have discussed the innovation patent system with those foreign members. There has been a fair amount of interest shown but, in jurisdictions where there is no protection for inventions of lower levels of inventiveness, there is less use made of the innovation patent system unless it is specifically recommended by the FICPI Australia member providing advice.

Increasingly though foreign applicants are beginning to see the strategic benefits of the innovation patent system and are making use of it to get quickly enforceable rights.

FICPI Australia's members use foreign second-tier rights only to a limited extent but there have been occasions where, on difficulties being encountered with prosecution of a standard application and conversion is possible, such conversion has been beneficial to the applicant.

FICPI Australia is also of the view that a number of Australia's trading partners such as, for example, Germany, Japan and Korea, have second-tier systems which appear to work very well.

#### **6. Uncertainty**

FICPI Australia agrees that there is greater uncertainty arising from the grant of an innovation patent than there is with the grant of a standard patent. Nonetheless, uncertainty exists in both spheres and the issue with the innovation patent system is one of degree. In an application for a standard patent it is not unusual for the scope of claims to remain unresolved for five years or more from the filing date. In cases where examination of an application for a standard patent is continued through the filing of a divisional application or where an application for a standard patent is opposed, the uncertainty can continue for well in excess of eight years (being the term of an innovation patent). Accordingly, lack of certainty is not a problem that is exclusively associated with the grant of innovation patents.

Pursuant to section 101(A) any person may ask the Commissioner to examine the complete specification relating to an innovation patent. There are no *locus standi* requirements in section 101(A) and this provides some measure of protection to third parties who are concerned by the scope of an unexamined innovation patent but do not wish to be identified when a request is made under this provision. Further, the Commissioner may, on his or her own volition, examine the complete specification relating to an innovation patent under section 101(A).

There are competing objectives relevant to early examination. One objective of the innovation patent system is to provide means enabling SME's and others to secure patent rights for lower level innovations at reasonably modest cost (thus encouraging innovation). A second objective is to provide third parties with clear notice of the extent of those rights. To some extent, meeting the first objective compromises the second and vice-versa.

Some FICPI Australia members have expressed concerns with respect to the long period during which an innovation patent can remain unexamined. For third parties concerned by unexamined granted innovation patents, this often leads to the need for searching and a detailed analysis of the specification of the

innovation patent to assess the likely form of any claims after examination. The decision in *Dura-Post (Aust) Pty Ltd v Delnorth Pty Ltd* [2009] FCAFC 81 (discussed in paragraph 13 below) has made this exercise more difficult.

FICPI Australia suggests that the following options might be considered for reducing uncertainties in the innovation patent system:

- The Commissioner take a more active role in examining innovation patents. Using the rights already available to the Commissioner under section 101(A), the Commissioner could act to immediately examine cases where the claims are clearly inadequate, e.g. cases where there are no claims, cases where the claims are manifestly unclear or claims which are manifestly too broad. Further, the Commissioner could determine as a policy matter that every innovation patent would be examined after a particular period of time. For example, the Commissioner could determine to examine all cases that have been granted for five years or more, that have not been examined within that time;
- Amend the *Patents Act* to restrict the recovery of damages or an account of profits to the period following the date of requesting examination, to thereby encourage innovation patent holders to request early examination; and/or
- Amend the innovative step requirement as detailed in paragraph 13 below.

## **7. Relief from infringement**

FICPI Australia considers that the relief from infringement for an innovation patent should continue to include injunctive relief and compensation, with the compensation being either damages or an account of profits. We consider that if relief in these forms was restricted, the innovation patent system would be significantly less attractive to SME's and others wishing to protect lower forms of invention. However, we do recognise that there may be benefits if there was some differentiation between the relief available under a standard patent and the relief available under an innovation patent. To this end, we suggest that one or more of the following might be considered:

- that damages / account of profits be calculated from the date of requesting examination of an innovation patent (see clause 6 above);
- reducing the term of any injunctive relief available for a period equal to the delay in the patentee requesting examination of the innovation patent; and/or
- that the patentee of an innovation patent not be entitled to additional damages, pursuant to section 122(1A).

## **8. Reduced remedies for infringement**

FICPI Australia does not support limiting injunctive relief to particular types of infringing activity. We consider that if a patent is found to be valid and infringed, then injunctive relief should generally be available. The exclusive rights granted under a patent constitute the fundamental consideration conferred by the State in exchange for disclosure.

If the remedies for infringement were reduced so that injunctive relief was no longer possible, FICPI Australia believes that there would be a reduced number of SME's and innovators who would use the system. This is not because of the cost involved in obtaining an innovation patent, but rather the costs involved in enforcing such a patent. Enforcement costs are high, and often the principal remedy sought is an injunctive remedy. In many cases, damages / account of profits would not cover the non-recoverable costs of litigation. It must be borne in mind that if the only available remedy was compensation, then it would behave an innovation patentee to take no action until close to the end of the limitation period to maximise the value of any compensation that would be received for infringement. This would place a third party user of technology in a position where it may be several years before it would become clear whether the holder of the innovation patent intended to enforce the patent.

## **9. Divisional innovation patents**

FICPI Australia supports the current provisions allowing for the filing of a divisional application for an innovation patent from a standard patent. This option is not uncommonly pursued where one invention disclosed in an application for a standard patent, after examination, is assessed to be more appropriately pursued in an application for an innovation patent. It is also not uncommon for an applicant for a standard patent to become aware of an infringement whilst the standard patent application is pending and awaiting examination. Whilst expedited examination in such circumstances is available, an applicant can be significantly delayed in enforcing rights under a standard patent application due to the extended nature of examination and the possibility of opposition. FICPI Australia believes that the current system enables applicants to pursue legitimate complaints against third party infringers. Of course, this has an impact on competition, but that is inherent in any patent system designed to foster innovation and encourage disclosure by providing exclusive rights. In considering this balance, FICPI Australia supports the continuance of the current system. We note that the "Raising the Bar" Bill, when passed into law, will confine the filing of divisional innovation patent applications to the period up to three months following acceptance of the application for a standard patent. FICPI Australia did not support this modification to the current system and urges that no further restriction be considered on the filing of divisional innovation applications, at least until there has been some experience under the changes to be implemented under the "Raising the Bar" legislation.

## **10. Lost opportunities**

FICPI Australia members know that applicants can convert a standard patent into an innovation patent if they are having problems with inventive step during the patent examination process. We would think however, that many unrepresented applicants would not be aware of this opportunity, and we consider that it could be better publicised by IP Australia. For example, when issuing an examination report with respect to a standard application if an issue of inventive step arises, we consider that it would be appropriate to alert the applicant to the opportunity to convert the application into an innovation patent. It would of course be necessary to provide further information with respect to the rights conferred by an innovation patent as opposed to a standard patent at that time.

Many applicants do not pursue innovation patents when faced with inventive step objections as, at that time, there is often little remaining term in a corresponding innovation patent.

## **11. Computing**

FICPI Australia does not support the exclusion of subject matter from innovation patents. We note that innovation patents must still meet the manner of manufacture requirements of the Act, and FICPI Australia considers the tests under manner of manufacture sufficient to deal with inappropriate applications for the protection of some business methods.

## **12. Evergreening**

FICPI Australia does not have any evidence nor experience of the innovation patent system being used for "Evergreening". Unless it became clear that there was abuse of the innovation patent system in this area, we would not support any exclusion to the patenting of chemical or pharmaceutical compositions under the innovation patent system.

## **13. New opportunities or unintended consequences**

In 1995 when the Advisory Council on Industrial Property published its report on the petty patent system, it identified the need for a second tier patent having a threshold for patentability lower than inventive step. It recommended that innovation patents be available subject to "an expanded novelty test". As indicated at page 30 of the ACIP report on the petty patent system, the expanded novelty test recommended was based on the statement in *Griffin v Isaacs* (1938) 12 ALJ 169 (this decision can also be accessed at IPR 1B 619).

The "expanded novelty test" referenced by IPAC in its report comes from the judgment of Dixon J in the following terms:

*"Where variations from a device previously published consist in matters which make no substantial contribution to the working of the thing or involve no ingenuity or inventive step and the merit if any of the two things, considered as inventions, is the same, it is, I think, impossible to treat the differences*

*as giving novelty. It may be true that in neatness, ease of adjustment and commercial attractiveness the particular publication, relied upon in the present case, is inferior to the applicant's arrangement, but notwithstanding some misgivings caused with this fact, I think, that when the principle of the two things is considered closely the differences which the applicant's device exhibits are not such as to remove it from the objection from want of novelty"*

The government accepted the recommendations from the 1995 ACIP report and these were implemented in section 7(4) of the *Patents Act* 1990.

We submit that it is clear from the decision of Dixon J (and also clear from the 1995 ACIP report), that reference to "substantial contribution to the working of the thing" was meant in terms of a comparison between the claimed invention and the prior art. As noted in the third point at page 15 of the current Issues Paper, the decision in the *Delnorth* appeal determined that section 7(4) should be read so that the substantial contribution was to be assessed in relation to the working of the invention itself, and not the contribution that is made to the art. FICPI Australia considers that the *Delnorth* decision (whether construing section 7(4) correctly or not) has subverted the intention of the parliament when seeking to implement the recommendations of the 1995 ACIP review. FICPI Australia considers that if section 7(4) was amended to clarify that the "substantial contribution" test is to be assessed against the relevant prior art, many of the misgivings regarding the ease with which an innovation patent can be secured would be addressed.

#### **14. Other comments**

FICPI Australia supports a second tier patent, particularly given the changes which are now proposed to standard patents. We consider it important that lower level innovations be protectable though a system having a shorter monopoly term, but which bridges the gap between standard patents and registered designs.

In addition, we consider that it would be useful if one could readily distinguish between a certified and a non-certified innovation patent. For example, the format of the number when an innovation patent is certified could be changed so that it is more apparent whether one is dealing with a certified, enforceable right, or an uncertified, unenforceable right, e.g. change the number from 20111... to, for example, 2011~~8~~... when the innovation patent has been certified.

We trust that these submissions will assist ACIP in its review of the current innovation patent system. Should anything in these submissions require expansion or clarification we would be more than happy to speak with or meet with those involved in the review.

Thank you for providing us with the opportunity to make these submissions.

Yours faithfully

Greg Chambers  
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FICPI Australia