



Australian Government

IP Australia

Review of the Innovation Patent Issues Paper

September 2005

Review of the Innovation Patent

Terms of Reference	3
Background	3
Objectives of the Innovation Patent	3
Awareness of the Innovation Patent System.....	4
Innovative step	5
Term of Innovation Patent	6
Number of Claims.....	6
Subject Matter of Innovation Patents.....	6
Innovation Patent Application Process	7
Divisional Applications and Conversion of Innovation Patent Applications	8
Dual Protection	8
Uncertified Innovation Patents	9
Enforcement and Revocation of Innovation Patents.....	9
Comments	11
The Process	12

Terms of Reference

To review the effectiveness of the innovation patent system particularly in relation to whether it meets its key objectives. The key objectives of the innovation patent include stimulating innovation, particularly in Australian Small to Medium Enterprises, by providing industrial property rights for lower level inventions.

Background

The innovation patent was introduced in 2001 following an Advisory Council on Intellectual Property (ACIP) review of the petty patent system. The introduction of the innovation patent system also reflected the Australian Government's commitment to innovation as detailed in the "*Backing Australia's Ability*" initiative.

The petty patent system was designed to provide a form of protection that was quick and easy to obtain, was relatively inexpensive and provided short term protection especially for inventions that had a short commercial life. Although the majority of users of the petty patent system were small to medium sized enterprises (SMEs), the system had limited success in meeting its intended objectives. ACIP identified a demand for industrial property rights for those lower level or incremental inventions that were not sufficiently inventive to qualify for standard or petty patent protection.

ACIP recommended that the petty patent system be replaced by a second tier patent protection system called the innovation patent system. This system would address the shortcomings of the petty patent system by introducing a lower inventive threshold than that required for a standard patent, therefore encouraging Australian businesses to develop their incremental inventions and market them in Australia. ACIP provided a total of 15 recommendations, with the Australian Government accepting or accepting in part the majority of these recommendations.

The Australian Government committed to reviewing the innovation patent system within five years of its introduction to assess the effectiveness of the system. This issues paper is the first step in the review process.

Objectives of the Innovation Patent

The purpose of the innovation patent system is to stimulate innovation in Australian Small to Medium Enterprises ('SMEs'). It provides Australian businesses with industrial property rights for their lower level inventions. The innovation patent system is intended to encourage and stimulate innovation by providing a means through which SMEs in particular can seek rights to exclude their competitors from copying inventions in which the owners of the rights have invested money and effort to develop.¹

The Intellectual Property Research Institute of Australia (IPRIA) has examined the innovation patent system in their review "*Australia's Second-Tier Patent System: A Preliminary Review*", Andrew F Christie and Sarah L Moritz, IPRIA Report No. 02/04, November 2004 (Revised April 2005)². That review traces the history of both the petty patent system and the innovation patent system and addresses the question of

¹ Revised Explanatory Memorandum to the Patents Amendment (Innovation Patents) Bill 2000.

² The IPRIA review is available at http://www.ipria.org/publications/AU_2nd-tier_Report-revised.pdf.

Review of the Innovation Patent

“whether the petty and innovation patent systems have met, or meet, the objectives for which they were introduced”. The IPRIA review found that, on balance, the objectives of the innovation patent appear to be met. The review stated:

“The evidence also suggests that innovation patents meet their objective of catering for individual inventors and domestic innovation. Further, a greater number of innovation patent applications are made compared with petty patent applications. ... As in the petty patent system, countries in the Asia-Pacific region and developing countries are over-represented among the number of foreign users of the innovation patent system compared with the standard patent system.”

The IPRIA review also showed that a “breakdown of applications according to individual and company applicants suggests that ... innovation patents have, indeed, appealed specifically to individuals.” The review stated: “Perhaps the longer term (eight years), the increased number of permitted claims, and the lower costs have in fact rectified some of the deficiencies of petty patents insofar as they served individual inventors”.

The IPRIA review also suggested that any further review of the innovation patent should include “an assessment of whether the objectives of the innovation patent system, which, on balance, appear to be met, remain appropriate for Australia today and for Australia for the future”.

Awareness of the Innovation Patent System

The Government agreed to undertake an awareness education program to inform potential users of how the innovation patent system worked, and how it differed from the petty patent system it replaced and the standard patent system.

The awareness program was developed by IP Australia, in close consultation with the Institute of Patent & Trade Mark Attorneys (IPTA), and utilised various mediums to deliver information and key messages to the stakeholders; namely patent and trade mark attorneys, SMEs and inventors associations. The mediums used included information sessions, A4 flyers and information kits and delivered information such as what an innovation patent was, the fees involved and how to apply for patents under this new patent system.

The statistics below depict the filings for innovation patents compared to petty patents and give an indication of the end users’ awareness of the innovation patent system.

Innovation and Petty Patent Statistics

Petty and Innovation Statistics	1998–99	1999–00	2000–01	2001–02	2002–03	2003–04	2004–05
APPLICATIONS							
Petty patent applications	526	640	562	0	0	0	0
Innovation patents filed	0	0	163	1 050	995	1 060	1 120
GRANTS & CERTIFICATIONS							
Petty Patents Sealed	265	356	362	146	11	0	0
Innovation Patents Sealed	0	0	69	924	721	1 109	1 022
Innovation Patents Certified	0	0	0	88	96	180	153

Table 1 Comparison of Petty Patent and Innovation Patent Filings, Grants and Certifications³.**Innovative Step**

The petty patent system was introduced to provide a patent protection system for inventions of short commercial life. The inventive threshold for an invention under the petty patent system equalled that of standard patents, that is the invention had to be novel and comprise an inventive step. However ACIP recommended that a lower inventive threshold was required in a second tier patent system, suggesting that a lower level of inventiveness would encourage Australian businesses, particularly SMEs, to develop their incremental inventions and market them in Australia. ACIP further recommended that the inventive threshold should require that the invention be novel and “if an innovation varies from a previously publicly available article, product or process only in ways which make no substantial contribution to the effect of the product or working of the article or process, then it cannot be considered novel”. This recommendation saw the introduction of the “innovative step” (Section 7(4) of the *Patents Act 1990* (‘the *Patents Act*’)) when the innovation patent system was introduced in 2001. Section 7(4) of the *Patents Act* states:

an invention is to be taken to involve an innovative step when compared with the prior art base unless the invention would, to a person skilled in the relevant art, in the light of the common general knowledge as it existed in the patent area before the priority date of the relevant claim, only vary from the kinds of information set out in subsection (5) in ways that make no substantial contribution to the working of the invention.

The major differences between an innovative step and an inventive step as used for a standard patent, apart from the invention needing to make a substantial contribution to the working of the invention, is that an innovative step cannot rely on common general knowledge per se, there is no requirement that an invention must be non-obvious and even though the prior art base is the same, there is no limitation that the information has to have been “ascertained, understood and regarded as relevant to work in the relevant art”.

³ IP Australia website <<http://www.ipaustralia.gov.au/about/statistics.shtml#patents>>

Term of Innovation Patent

Providing exclusive rights to an inventor is at a cost to the rights of the general public, as it prevents them using the ideas embodied in the product or process without the permission of the owner of the patent. This means the level of advantage to the inventor must be in balance with the level of contribution the invention makes to the market place. Therefore as the innovation patent has a lower inventive threshold than for a standard patent, the term of protection is also lower.⁴ The term for an innovation patent is 8 years from the date of filing the application.

This 8 year term is believed to be a compromise to cover: the competing needs of owners and the public; the need to provide a suitable balance between the scope of rights and the level of inventiveness; and the need to provide sufficient development and marketing time for the inventor to receive the commercial rewards of the invention.⁵

Number of Claims

The introduction of the innovation patent system saw an increase from 3 claims in the petty patent system to 5 claims, wherein the 5 claims could either be independent or dependent claims. This increase was to allow the applicants more flexibility and to make it easier and cheaper to prepare a specification than under the petty patent system.

The rationale behind limiting the number of claims to 5 was that innovation patents would be for protecting inventions demonstrating simpler advances and having a lower inventive height than the inventions covered by standard patents. Consequently, a large number of claims would be unwarranted and would run counter to the objective of keeping the system simple.⁶

Subject Matter of Innovation Patents

The innovation patent system provides for the protection of the same subject matter protectable under the standard patent system, with the proviso that animals and plants, or biological processes for the generation of animals and plants are excluded.

Although it was anticipated that the innovation patent system would be mainly used for inventions comprising simple tools, utensils, machinery or equipment, the same subject matter allowed for a standard patent was allowed under the innovation system so that the new system did not preclude the innovation patent system from covering new and emerging technologies.⁷

The IPRIA review on Australia's second tier patent systems found that the technology groups represented among innovation patents differed from those represented among standard patents. The most commonly represented technology groups for innovation patents from 2001 to 2003 were: consumer goods and equipment; civil engineering, building, mining; transport; information technology; handling; printing. IPRIA

⁴ Government's response to the recommendations of the ACIP Report "Review of the Petty Patent System", available at http://www.ipaustralia.gov.au/patents/what_innovation_review.shtml

⁵ Government's response to the recommendations of the ACIP Report "Review of the Petty Patent System"

⁶ Government's response to the recommendations of the ACIP Report "Review of the Petty Patent System"

⁷ Government's response to the recommendations of the ACIP Report "Review of the Petty Patent System"

concluded these were all industries in which products may have short life cycles. The main technology groups for standard patents, on the other hand, were all knowledge-intensive areas.

In light of the exclusion of animals and plants, or biological processes for the generation of animals and plants, ACIP reviewed this issue in their report “Should plant and animal subject matter be excluded from protection by the innovation patent?” published November 2004. The report concluded there was no immediate reason to extend the innovation patent to cover plant and animal material.⁸

Innovation Patent Application Process

1. Processing of Innovation Patents

To apply for an innovation patent, applicants are required to complete an innovation patent request form, which is available in paper form and online. This form requires details such as the invention title, the applicant/s, the inventor/s and address for service. The time frame between filing an innovation patent application and grant of the innovation patent is no longer than three months and is generally within 3 weeks. During this processing period applicants are able to amend the application in various ways. For example they are able to convert their innovation patent into a standard patent, are able to provide additional information, or amend previously filed information. After the innovation patent has passed formalities examination and is granted, applicants are restricted in the changes they can make. For example they are unable to convert their innovation patent to a standard patent.

Due to these restrictions post grant, if an applicant changes their mind as to what type of protection they want or wish to add or amend information to their specification they have a matter of days rather than weeks or months to undertake these options. Further, if an applicant fails to identify an omission or mistake in their patent request form prior to grant, the incorrect information will remain published as regulation 10.3(9) prevents the amendment of the patent request after grant of the patent.

IP Australia has also observed that some unrepresented applicants have difficulty with the present application forms. These difficulties can result in incorrect information being published on the patent request, which as noted above is unable to be amended.

2. Formalities

The formalities requirements are detailed in paragraph 3.2B of the *Patents Regulations 1991* (‘the *Patents Regulations*’) in accordance with subsection 52(1) of the Patents Act. These include checking that the application does not include “scandalous matter”, the application is not in respect of a human, plant, animal, or biological processes for their generation and the applicant is an eligible person. If the application passes formalities examination, the application will be granted.

Formalities examination only requires that an innovation patent application includes information that appears to be a description. This may comprise a description, claims or drawings. Therefore if an application containing only a diagram passes all other

⁸ The ACIP report “Should plant and animal matter be excluded from protection by the innovation patent?” is at <http://www.acip.gov.au/>.

formalities checks, an uncertified innovation patent will be granted based on this document.

3. Publication of Innovation Patent Applications

Under the innovation patent system, innovation patents are published as soon as formalities examination has been completed, and no later than three months after filing. This early publication is in place to keep the public abreast of advances in the relevant technology and gives other innovators an opportunity to request early examination. Early publication is also in accord with the major tenet of the patent system, namely, publication of advances in technology in exchange for industrial property rights.⁹

Divisional Applications and Conversion of Innovation Patent Applications

Under the petty patent system, prior to acceptance, it was possible to convert a petty patent application to a standard application and vice versa. This system was in place to provide flexibility to the applicant, as it was often difficult to decide whether a standard or petty patent was appropriate for their invention. However no conversion was possible after grant of either application. This limitation was provided as it was believed to be against the public's interest to allow a granted petty patent to be converted to a standard patent. For example investment may have been undertaken in anticipation that a petty patent is about to expire.¹⁰

The petty patent system also allowed a petty patent to be filed as a divisional of a standard application. The main reason for this was to obtain quick protection for a particular commercial embodiment of the invention.

The innovation patent system retained these mechanisms to provide continuity with the petty patent system and to enhance the level of acceptance of the innovation patent system. However, as noted in the Australian Government's response, granting innovation patents within three months of filing limits the opportunity to convert an innovation patent application to a standard patent application.¹¹

Dual Protection

Dual protection by standard and innovation patents is not allowable under the Patents Act. Even though the ACIP Report recommended that dual protection be available, the Government disagreed as it was believed that this would be against the public's interest. For example allowing applicants to hold standard and innovation patent rights for the same invention would be a form of double-dipping because an innovation patent can have a wider scope than a standard patent, as its inventive threshold is lower. Therefore having simultaneous protection under both systems would allow applicants with inventions meeting the standard patent threshold to have a 20 year protection period that would be enhanced during the first 8 years by the innovation patent protecting a broader area. This would serve to limit the options for

⁹ Government's response to the recommendations of the ACIP Report "Review of the Petty Patent System"

¹⁰ ACIP Report 'Review of the Petty Patent System' published 1995

¹¹ Government's response to the recommendations of the ACIP Report "Review of the Petty Patent System"

inventing around the invention and would provide a stronger form of protection than either individually.¹²

Even though applicants are unable to obtain a standard and innovation patent claiming exactly the same subject matter, applicants are still able to obtain a standard and innovation patent having claims with a similar or overlapping subject matter. Further, applicants are also able to file a divisional application for an innovation patent from a standard patent application. This is often done to obtain quick protection for a particular commercial embodiment of the invention, particularly if the standard patent application has been opposed.

Uncertified Innovation Patents

ACIP recommended that all innovation applications should be **published** after passing a formalities examination. The Australian Government agreed with the thrust of the recommendation but decided to **grant** the patent after passing the formalities examination. The Australian Government recognised that insisting on substantive examination would add significantly to the cost for applicants who may be unwilling or unable to bear this cost. These granted applications are classified as **uncertified innovation patents** and do not have any enforceable rights.

It was also recognised that not undertaking substantive examination would increase the uncertainty over whether an innovation patent was valid. Therefore substantive examination was made available on request at any time and would be required before initiating infringement action or threatening such action.¹³ Innovation patents that have passed substantive examination are classified as **certified innovation patents** and carry with them enforceable rights.

IP Australia has observed that some uncertified innovation patents may lack sufficient disclosure or subject matter to form the basis of a valid patent. Further, the granting of uncertified patents may be providing an unrealistic expectation about the value of the patent. For example members of the public that do not understand the innovation patent system may believe that an uncertified innovation patent carries enforceable rights.

Enforcement and Revocation of Innovation Patents

A third party may only challenge the validity of an innovation patent after the patent has been examined and certified. Therefore the innovation patent system provides for a third party to request the Commissioner of Patents (the Commissioner) to examine an uncertified innovation patent and give the Commissioner notice of matters affecting the validity of the innovation patent. This is the extent of involvement of the third party in examination. After certification, the third party may challenge the validity of the patent by either filing an opposition to the innovation patent seeking the Commissioner to revoke it, by applying to a prescribed court for revocation, or both.

¹² Governments response to the recommendations of the ACIP Report “Review of the Petty Patent System”

¹³ Government’s response to the recommendations of the ACIP Report “Review of the Petty Patent System”

Review of the Innovation Patent

If there are proceedings before both the Commissioner and the Courts, section 101P of the Patents Act provides that if relevant proceedings in relation to an innovation patent are pending, the Commissioner must not make a decision concerning revocation of the patent without the leave of the court.

Since the introduction of the innovation patent system only a handful of innovation patents have been challenged in the Federal Court. The issues raised in these cases involved infringement of existing innovation patents, revocation and the validity of inventions subject of a certified innovation patent. In a case where the innovation patent was found to be valid, the infringing parties were ordered to stop supplying, selling, distributing or using the equipment.¹⁴ In another case, an injunction provided that until the determination of the proceedings, the alleged infringer be restrained from selling, hiring or otherwise disposing of the device.¹⁵ In a case where the innovation patent was found to be invalid, on the grounds of being disclosed by the prior art, the court ordered the patent be revoked.¹⁶

The ACIP report on the Petty Patent system also suggested that there should be an avenue for enforcement of innovation patent rights at a level lower than that of the Federal and Supreme Courts, further recommending that a study be undertaken to determine how this objective could be achieved. The government agreed to undertake this study, with these issues being considered as part of the ACIP “Review of Enforcement of Industrial Property Rights”, published March 1999.¹⁷ These matters have now been further considered in the ACIP report “Should the jurisdiction of the Federal Magistrates Service be extended to include patent, trade mark and design matters?”, November 2003¹⁸. Among its recommendations, ACIP considered that the jurisdiction of the Federal Magistrates Service should be extended to include patent, trade mark and designs matters. The Government is currently considering its response to this report.

¹⁴ Datadot Technology Ltd v Alpha Microtech Pty Ltd [2003] FCA 962

¹⁵ Masport Limited v Bartlem Pty Limited [2004] FCA 591

¹⁶ Aus Fence Hire Pty Ltd v Thomas [2004] FCA 557

¹⁷ The ACIP report on the “Review of Enforcement of Industrial Property Rights” is available from http://www.ipaustralia.gov.au/pdfs/general/acip_report.pdf

¹⁸ The ACIP report on “Should the jurisdiction of the Federal Magistrates Service be extended to include patent, trade mark and design matters?” is available from http://www.acip.gov.au/fms_submissions/finalreport.PDF

Comments

IP Australia is seeking comments on the innovation patent system from interested parties on the aforementioned items. Specifically, we would welcome comments on the following issues:

1. How well has the innovation patent system achieved the Australian Government's objectives to provide a form of protection that is quick, easy to obtain and relatively inexpensive for lower level or incremental inventions that are not sufficiently inventive to qualify for standard patent protection?
2. Are the innovation patent system's objectives still relevant for Australian business and are they likely to remain so in the future?
3. To what extent has the innovation patent system allowed individuals and small to medium enterprises to develop inventions that are not sufficiently inventive to qualify for standard patent?
4. How effective and appropriate is the "innovative step" (Section 7(4) of the Patents Act) in meeting the requirements for a lower inventive threshold than that required for a standard patent?
5. How effective is the 8 year term in balancing the competing needs of the owners and the public?
6. How appropriate is the limitation to 5 claims in allowing applicants to define the scope of the invention?
7. What effects, if any, has the granting of uncertified patents for lower level inventions had on competition in the market place?
8. What has been your experience with the process involved in applying for and/or certifying an innovation patent?
9. How effective or appropriate are the enforcement and revocation provisions for innovation patents?
10. What effects, if any, have resulted from applicants having standard and innovation patents having claims with similar or overlapping subject matter?
11. How well is the innovation patent system understood, particularly by small to medium enterprises? For example is the difference between certified and uncertified innovation patents understood?

Any other general comments on the innovation patent system would also be appreciated.

The Process

IP Australia initially seeks written comments on these matters. If warranted, further consultation may be held to allow stakeholders a chance to discuss the issues in more detail. Please indicate if you would be willing to participate in further discussions on these issues.

You are invited to provide written comments by 16 December 2005. Please send comments (preferably by email) to:

Brendan Bourke
Domestic Policy Section
IP Australia
PO Box 200
WODEN ACT 2606

e-mail: Brendan.Bourke@ipaaustralia.gov.au
fax: (02) 6281 7247

Please note: unless otherwise requested, all comments received will be made publicly available.