



28 September 2015

By Email: [consultation@ipaaustralia.gov.au](mailto:consultation@ipaaustralia.gov.au)

IP Australia  
PO Box 200  
Woden ACT 2606

Attention: Mr. David Simmons

Dear Mr Simmons

### **Innovation Patent Review**

AIPPI Australia Inc (“AIPPI”) has considered the IP Australia Consultation Paper dated August 2015 (the “Consultation Paper”), regarding the recommendation made by ACIP in the ACIP statement of May 2015 (the “ACIP recommendation”) that the Australian Government consider abolition of the current Australian Innovation Patent system.

This submission is made by AIPPI in relation to the ACIP recommendation.

### **The AIPPI Position**

The AIPPI membership covers a broad range of IP professionals. These include IP Lawyers and Patent Attorneys. Discussion amongst AIPPI members in relation to the ACIP recommendations has revealed some support for abolition the Innovation Patent system, but the majority of support is for retention of that system.

However, the body of AIPPI members in favour of retention are nevertheless in favour of a modified form of the current Innovation Patent system, to provide better fairness to users and those potentially affected by that system, in which the modifications at least include an elevation of the innovative step required for innovation patent validity. This suggestion for modification, along with several others, is discussed later in this submission.

### **The ACIP recommendation**

The ACIP recommendation followed release of the economic research paper commissioned by IP Australia and entitled “The Economic Impact of Innovation Patents” (the “Economic Report”). The ACIP recommendation was made soon after the release of the Economic Report. This occurred because the Economic Report appeared to satisfy a deficiency in a previous report on the Innovation Patent system by ACIP (released in June 2014), where ACIP indicated that it was unable to find sufficient empirical evidence to enable an assessment of the effectiveness of the Innovation Patent system that would allow ACIP to support the retention or abolition of the Innovation Patent system. Given the relatively negative findings in an economic sense of the Economic Report in relation to the Innovation Patent system, ACIP found it was then in a position to conclude that the Innovation Patent system was not acting effectively as required.

### **Assistance from IPTA and FICPI Australia**

AIPPI has had the benefit of reviewing a draft submission to the Consultation Paper prepared jointly by IPTA and FICPI Australia (the “IPTA and FICPI Australia draft submission”). While the IPTA and FICPI Australia submission is in a draft form only, at the time of our review of that submission, AIPPI was advised that it was near completion. The IPTA and FICPI Australia submission includes a detailed analysis of the Economic Report, in particular challenging a significant number of the assumptions made in the Economic Report in relation to use of the Innovation Patent system, the cost of the Innovation Patent system to Australian entities and the overall economic benefit to Australia via use of the Innovation Patent system.

There is no need in this AIPPI submission to repeat the analysis conducted by IPTA and FICPI Australia, other than to say that AIPPI has reviewed the IPTA and FICPI Australia draft submission and supports its findings in relation to the deficiencies of the Economic Report.

### **Initial Implementation and Subsequent Use of the Innovation Patent system**

The current Innovation Patent system was introduced by the Australian government in 2001, and replaced the previous Petty Patent system that had been in place since 1979. The Australian Government recognised that use of the Petty Patent system was very low and one contributor to this was that Petty Patents had an inventive threshold similar to that of a standard patent. The Australian government accepted that a second tier form of patent protection was desirable, but that a different system to the Petty Patent system was required and on that basis, the Innovation Patent system was introduced.

Compared to use of the Petty Patent System, the Innovation Patent system has been far more popular. Figure 1 of the Economic Report shows the different levels of filings between petty patents and innovation patents and there is no doubt that use of the Innovation Patent system has been substantially greater than use of the Petty Patent System. Moreover, the Economic Report indicates that the Innovation Patent system “*is mainly accessed by Australians*”. This suggests that the Innovation Patent system is a more attractive system than the previous Petty Patent System, and that the popularity of the Innovation Patent system is through increased use by Australian entities rather than foreign entities.

### **Drawbacks of the current Innovation Patent system**

AIPPI members generally agree (and this is both those members who would prefer the system to be abolished as well as those who would like it retained), that the system unfairly favours patentees in terms of the very low threshold for innovative step. It is not expected that the intention at implementation was that the Innovation Patent system would protect innovation at such a low level, but early interpretation by the Federal Court has led to an outcome whereby practically speaking, the test for validity is a novelty test only. There is general acceptance amongst AIPPI members that this test is too low and is too generous to patentees.

AIPPI members also agree that the absence of compulsory examination allows many innovation patents to remain in place that would otherwise be revoked and that in the Australian community, the name “Innovation Patent” wrongly implies an examined, enforceable right.

### **User satisfaction with the Innovation Patent system**

IP practitioners, in particular Patent Attorneys, interact directly with Australian entities that use the Innovation Patent system and are aware of the views on that system by those entities. Typically, Australian entities that are faced with a potential infringement of an Innovation Patent are often disturbed by the manner in which extremely minor innovations can secure strong protection through an innovation patent. On the other hand, entities that file innovation patent applications are often very pleased (and surprised) with the level of protection they achieve, even for very low-level innovations. On balance, AIPPI members believe that the current Innovation Patent system favours patentees too greatly and thus would benefit by a change to the innovative step test, to thereby increase its threshold.

Despite the above comments, Innovation Patent owners are clearly benefited by the existence of Innovation Patent rights. While this is an anecdotal observation, AIPPI believes that, before a decision is made to abolish the Innovation Patent system, actual users be surveyed in order to practically determine what benefits such users accrue. While submission from users might have been expected in response to the Consultation Paper, it is firstly unlikely that the majority of innovation patent users would know of the existence of that paper and secondly, it is unlikely that they would have the ability or motivation to reply. However, an attachment to this submission is an email from John Lowry, of Lowry Consulting. Mr Lowry initially was alerted to the review into the Innovation Patent system and contacted the undersigned independently. The attachment includes my reply to Mr Lowry and his further reply. You can see from this, that Mr Lowry is a multiple filer of innovation patents and considers them to be a valuable tool in relation to the success of his business.

### **Modifications to the current Innovation Patent system**

The ACIP review released in June 2014 could not make a recommendation as to whether the Innovation Patent system should be retained or abolished, but suggested that if the Government chose to retain the Innovation Patent system, the definition of innovative step be amended to raise the level of innovation required to meet that definition. ACIP considered two different tests and recommended one of those tests (see Recommendation 2 of the ACIP review). AIPPI members support the elevation of the validity level by either of the tests considered and reported in the June 2014 ACIP review.

AIPPI also supports modifications of the current Innovation Patent system in relation to:

- Compulsory examination at some stage in the life of an innovation patent;
- Changes to the terminology to distinguish between an uncertified innovation patent relative to a certified innovation patent.

- Consider modifications to the relief offered by an Innovation Patent, such as a compulsory licence as a first right of refusal, prior to an injunction.

### **Abolition of the Innovation Patent System**

AIPPI members are concerned that complete abolition of the Innovation Patent system now is premature, when the potential exists for modifying the current system to improve its operation. Given that the Economic Report does not satisfactorily support complete abolition (as outlined in the IPTA and FICPI Australia draft submission), abolition of the Innovation Patent system represents a major loss of a current IP right without proper justification at this stage.

Many significant economies also provide an equivalent type of 'second tier' patent protection, commonly referred to as utility model (utility model systems exist in countries including Germany, France, China, Japan, Brazil, Italy, Denmark, Austria, Spain, Indonesia and Taiwan to name but a few; ref. WIPO website: [http://www.wipo.int/sme/en/ip\\_business/utility\\_models/where.htm](http://www.wipo.int/sme/en/ip_business/utility_models/where.htm)).

The preferred position of AIPPI is that the Innovation Patent system be modified, such as outlined above, so that the system can exist in that modified form for a further period, at which time a further user-driven assessment can be made as to whether the system is then meeting its objectives as required by the Australian government. This is despite that, as the IPTA and FICPI Australia draft submission argues, the system is likely already to be meeting those objectives, and despite the contrary position taken in the Economic Report. Therefore, in that respect, the AIPPI position is that the Innovation Patent system can be improved by the modifications discussed above and provide a fairer system for Australian SMEs who invest in innovation patent rights, as well as those who seek to innovate around those rights.

AIPPI welcomes the opportunity to be involved in further discussions in relation to this matter.

Yours sincerely



Andrew Massie  
President  
AIPPI Australia Inc

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