

SUBMISSIONS IN RELATION TO ACIP'S RECOMMENDATION ON THE INNOVATION PATENT SYSTEM

Davies Collison Cave, Patent and Trade Mark Attorneys is one of the oldest and largest intellectual property firms in Australia. We have had considerable experience in working with and advising clients in relation to all forms of IP protection over many years; including patent protection. Our clients consist of all stakeholders in the IP community and, in particular, inventors, small and medium sized enterprises and large multi-national companies. As such we are in a strong position to provide insight into the patent system generally and the innovation patent system in particular.

The conclusions reached in the economic analysis on which the recommendation of ACIP to abandon the innovation patent system is based, bear little or no relation to our day-to-day experience in dealing with the innovation patent system. Undeniably our clients have found it to be a useful and practical alternative to design protection and standard patent protection. The following submission is one in favour of retaining the innovation patent system albeit with possible changes to address criticisms which have been made.

Our records indicate that over the past 8 years this firm is the attorney of record for almost 300 innovation patents. While the vast majority of innovation patents handled by this firm are owned by Australian SMEs and private inventors, a significant number owned by one particular overseas corporation are for inventions from local subsidiaries, originally independent Australian companies within the category of an SME and subsequently acquired but still operating largely autonomously. Accordingly, most of the innovation patents we have handled are in respect of inventions made by the precise cohort for which the system was originally intended. It is an IP right which can provide effective protection for what are in many instances relatively straightforward inventions. To the best of our recollection, as a firm we have not received any negative feedback from clients concerning the innovation patent system or its operation.

The review of the petty patent system conducted by ACIP in 1995 identified objectives of a replacement system as including:

- the need to fill the "gap" between designs and standard patents
- quick to obtain
- cheap to obtain and enforce
- reasonably simple

This gap was also identified in the comprehensive Report on Designs by the Australian Law Reform Commission published at a similar time (ALRC 74). The gap discussed in paras 3.49 through 3.53 of that Report asserted that the gap was essentially one in patent protection not design protection and that the proper focus should be on reform of the petty patent system. The Designs Report published after extensive public consultation and running for over 400 pages comprehensively analyses the issues. Quite plainly, the innovation patent system in its current form does fill the gap between design registrations and standard patents and does this in a relatively simple and quick way. By its lower threshold requirement than that for standard patents, it usefully protects relatively simple inventions at a cost which can be significantly less than the cost involved in obtaining a standard patent. Accordingly in terms of an enforceable IP right it achieves almost everything an IP right's holder could wish for. While there are criticisms of the current low threshold for innovative step and also lack of certainty until certification, these can be addressed by refinements to the existing system and are not a justification for its complete abolition.

As to whether the innovation patent system actually incentivises innovation, its effect as one of a raft of potential IP rights cannot be overstated. Our experience in dealing with SMEs and private inventors on a daily basis is that even though they may be unaware of the specifics of the IP system they have a general awareness that protection for innovative ideas is available. This is why they consult firms such as ourselves for advice. In almost all cases we find our clients wish to take advantage of the protection which is appropriate to their circumstances. The perception that some form of protection would be available does, we submit, provide an incentive to progress from the seed of the basic idea to a point where it is developed to a potential product for sale or licensing. Absent protection, ideas are less likely to be developed to that stage. Protection is important and the innovation patent can provide an important part of the protection particularly for inventions where design protection is insufficient and for one reason or another standard patent protection might not be applicable or appropriate. It is that important "gap filler" which the ALRC design report and the 1995 ACIP review identified as a need.

Overwhelmingly the reaction we receive from clients when recommending an innovation patent for protection of invention is very positive. Our advice will focus on the most appropriate form of protection in a particular circumstance and absent innovation patent protection the remaining available options may be less than satisfactory.

The section of the economic analysis dealing with economic impact (section 5) suggests that the system "discouraged follow-on patenting". Although we will discuss this later in

our submission, our view is that the absence of the innovation patent system could actually be a discouragement to follow-on patenting. If a client has an unsatisfactory experience from trying to protect an invention through the design system or standard patent system where that was all that was available but neither was the most appropriate form of protection, the client is unlikely to be keen to use the IP system in a future occasion. Although the ALRC designs review and contemporaneous ACIP review took place 20 years ago, we submit that nothing has changed since that time to suggest that the 'gap' would no longer exist, if innovation patents were to be abolished.

We have a number of clients, all SMEs, who file further innovation patents following commercial success or at least perceived commercial advantage of an invention protected by an initial innovation patent. These clients clearly see value in the system and we are annexing various comments received from clients on that point.

Of course, protection of an invention by whatever means, innovation patents included, is of itself no guarantee of commercial success although it may be an important factor in achieving that success.

The statement in section 5 of the analysis "The Economic Impact" that "we found evidence that the system discouraged follow-on patenting or innovation ..." is, frankly, difficult to comprehend. We do not understand what possible "discouragement" is present in the workings of the system; it is as indicated above an IP right which has almost everything an inventor would wish for. A related theme was picked up in the final report of ACIP "a key finding in this research paper is that Australian SMEs are less likely to use the patent system after filing an innovation patent than a company that has not previously filed an innovation patent"; presumably this is a reflection of the supposed "discouraging" effect.

Although we find it somewhat mystifying how economic data can give rise to this conclusion nevertheless we would suggest that the reason for any perceived "discouragement" is not the system itself but, rather, the fact that the right's holders obtained no commercial or financial benefit from the innovation patent. The absence of commercial/financial success can be put down to a variety of factors, but the innovation patent as an ineffective IP right is not one of them. In our experience, private inventors in particular can have a misunderstanding that because their invention is protected by a patent it will be commercially successful. Obviously that is naïve and totally false but nevertheless may drive a sense of disillusionment with the system, quite inappropriately in our view.

Observations in the analysis that in many cases the perceived "value" of the innovation patent was insufficient to justify payment of a renewal fee of only a few hundred dollars, is in our submission merely a reflection of the merits of the invention rather than the system by which it is protected. In fact it shows to us that the system is working as intended. A primary objective of renewal fees is to ensure that unwanted patents are removed from the Register of Patents. If an invention is not achieving the expectations that had been anticipated or hoped for at the outset of the process, it is a totally rational decision to allow the patent to lapse. Equally it was a totally rational decision to apply for a patent at the outset as a precursor to possible commercial success although the primary driver of that is, as always, the merits of the invention.

There is discussion in section 3.3 of the analysis that so-called large firms are more likely to certify and renew innovation patents than SMEs and private inventors. Since large firms can often have different priorities and strategies to those of SMEs and private inventors, we do not think any particular conclusion can be drawn from that difference. As for lack of certification of many innovation patents of SMEs and private inventors, in our experience it can be advantageous in many cases to defer certification until it becomes necessary to do so. It defers costs and also with the way the system is currently structured it can provide distinct tactical advantages for the right's holder in terms of framing of claims in the light of a potential infringer which has come onto the market. While that type of strategy might be criticized nevertheless it is permitted within the current process and, indeed, is no different to tactics which can be adopted in the prosecution of a standard patent application where a delay of perhaps five years or more can exist between its earliest priority date and grant.

The final paragraph of the economic impact section of the research paper identified that the 2014 ACIP Report noted that the value of uncertified innovation patents exists in "the uncertainty they create in the marketplace, a key factor in abolishing the system in the Netherlands and Belgium". This criticism, if justified, can readily be addressed by requiring innovation patents to be certified within a certain period of their grant, say two to three years, and does not require complete abolition of the system itself. Moreover, we would comment also that this so-called 'uncertainty value' of uncertified innovation patents is essentially no different to that of a pending standard patent application prior to acceptance.

Another feature of the innovation patent system and which cannot be dismissed as trivial is the relative speed with which an enforceable right can be obtained, particularly in

comparison with that required for a standard patent. This, is relevant both for protecting inventions which may have potentially a short commercial life, toys or games for example. The system also enables effective protection for products likely to be brought quickly onto the market by the rights holder and where potential infringements could also arise quite quickly, often due to the relative simplicity of an invention. These are precisely the types of invention which fall into the identified gap between design and standard patent protection.

In conclusion, we submit that the innovation patent system should not be abolished. It fills the gap between designs and standard patents clearly identified in earlier reviews. In fact abolition of the system, would give rise to an even greater gap than the previously noted due to the increased patentability requirements for standard patents as a consequence of "The Raising the Bar" legislation. Moreover, we submit that a decision to abolish the system just on the basis of an academic analysis of economic data is inappropriate. Extensive public consultation, face to face, in the manner undertaken in the ALRC designs review is needed to obtain a complete picture.

DAVIES COLLISON CAVE

24 September 2015

ANNEX

"We have made considerable improvement in tactile guidance products which throughout Australia have not only significantly benefited our customers but also improved safety for the visually impaired, and a principal incentive for continuing to do so is the innovation patent system in its present form."

CTA Australia Pty Ltd

(CTA Australia Pty Limited is the rights holder of six innovation patents)

"As you know the two innovation patents we have successfully logged (sic) have been of great benefit to us over the last eight years. Importantly we are working on further development with intentions to lodge another innovation patent."

CHS Healthcare

Nevil Hauffe says they found the innovation patent system very valuable as it gives them a form of protection in a competitive market. It is strategically very important for them to have an innovation patent and it plays a large part in their marketing strategy.

Nevil Hauffe of N.P. Hauffe & Co