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**Consultation on the Advisory Council on Intellectual Property's (ACIP) recommendation on the innovation patent system**

IP Australia has released a Consultation Paper, seeking views on a statement by the Advisory Council on Intellectual Property (ACIP), suggesting that the innovation patent system be abolished. The Law Institute of Victoria (LIV) welcomes the opportunity to comment on this proposal.

**Background**

The innovation patent system was introduced in 2001, replacing the earlier petty patent system. One of the stated purposes of the innovation patent system was to 'stimulate innovation in Australian SMEs'.

There have been a number of reviews of the innovation patent system over the years, and the LIV has made submissions on a number of occasions, including submissions to:

- ACIP's Issues Paper 'Review of the Innovation Patent System' (October 2011)
- IP Australia's Consultation Paper 'Innovation Patents – Raising the Step' (October 2012)
- ACIP's Options Paper 'Review of the Innovation Patent System' (September 2013)

The LIV's Intellectual Property/Information Technology Committee also participated in a focus group discussion session in September 2013 with ACIP and other industry representatives, to discuss options for reforming the innovation patent system.

The LIV's position has been that the LIV is generally supportive of a utility type model, whereby a 'second-tier' system of patent protection is available in addition to standard patents. We have proposed, however, that amendments be made to the system. We will discuss these amendments in detail below.

## **Current Review**

In 2014, IP Australia undertook a comprehensive economic analysis of the innovation patent system. The findings were released as a research paper, 'The Economic Impact of Innovation Patents) ([http://www.ipaustralia.gov.au/uploaded-files/reports/Economic\\_impact\\_of\\_innovation\\_patents\\_-\\_Report.pdf](http://www.ipaustralia.gov.au/uploaded-files/reports/Economic_impact_of_innovation_patents_-_Report.pdf)).

In May 2015, ACIP issued a statement that was based on IP Australia's research paper and concluded that the innovation patent system is not achieving its objective of effectively stimulating innovation among SMEs and the Government should therefore consider abolishing the system.

IP Australia is now seeking views from interested stakeholders on:

- The ACIP recommendation that the government should consider abolishing the innovation patent system; and
- Any alternative suggestions to encourage innovation amongst SMEs.

## **Comments**

The LIV does not agree that it is a necessary conclusion of IP Australia's research paper that the innovation patent system is not achieving its objectives. The LIV does not agree with or support the proposal that the innovation patent system be abolished.

Rather, the LIV maintains its previous position that the innovation patent system plays an important role in stimulating innovation in Australia at a range of levels and across different businesses. We consider that a lower cost, simplified protection regime for inventions which do not meet the threshold tests for a standard patent is useful and desirable in certain circumstances.

The LIV acknowledges and agrees that the innovation patent system could be improved. As previously expressed, the LIV considers the following amendments should be implemented.

### ***Inventiveness threshold***

The level of inventiveness required to obtain a valid innovation patent is an 'innovative step'. 'Innovative step' is defined in section 7(4) of the *Patents Act 1990* (Cth) (the Patents Act) and was interpreted in the Federal Court decision of *Dura-Post (Aust) Pty Ltd v Delnorth Pty Ltd*<sup>1</sup>. The net effect of legislation and case law is that it is very easy to satisfy the innovative step requirement. The result is a patent which grants strong rights and which is difficult to successfully challenge. This position does not strike an appropriate balance between rewarding the inventor and protecting the interests of the rest of society by providing access to knowledge.

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<sup>1</sup> *Dura-Post (Aust) Pty Ltd v Delnorth Pty Ltd* [2009] FCAFC 81.

The LIV proposes that the inventiveness threshold required for an innovation patent should be raised to a higher standard. The standard should be below that required for a standard patent, but above the current interpretation for 'innovative step'. The LIV believes that an appropriate test for innovative step should be to compare the innovation in question against the prior art; and then assess whether the merit of the innovation represents a substantial contribution to the working of the prior art. Whilst this test seems to reflect the original intention behind the current test, judicial interpretation of the current legislation has diverged from this approach.

### ***Remedies***

Currently, the remedies for infringement of standard patents and certified innovation patents are identical. The LIV considers that the remedies for innovation patents are too generous given the lower inventiveness threshold.

The LIV suggests that interlocutory injunctions should be removed as a remedy for infringement of an innovation patent. Alternatively, injunctions could be restricted to situations where the innovation patent has been commercially exploited.

If you would like to discuss any of the matters raised in this submission please do not hesitate to contact me or Jonathan Lambrianidis, Commercial Law Section Lawyer, on 03 9607 9476.

Sincerely yours,

A handwritten signature in black ink, appearing to read 'K. Miller', written in a cursive style.

Katie Miller

**President**

Law Institute of Victoria