



ResMed Submission on Innovation Patent System

IP Australia Consultation on the Advisory Council on Intellectual Property's (ACIP) recommendation on the innovation patent system
Consultation Paper
September 2015

Summary

ResMed sees a role for a rapid, low-cost patent system that enables an IP owner to take action against free-riders. Such a system could benefit both SMEs and large companies. ResMed submits that the current Innovation patent system needs to be significantly changed in order to fulfil this role and avoid present imbalances.

Specifically, ResMed supports the following changes to the Innovation patent system:

- Changing “Innovative” step to “Inventive” step
- Changing the remedy for infringement
- Changing the nomenclature
- Eventual compulsory substantive examination
- Fee relief for SMEs

If these changes are not made, we support the abolition of the Innovation Patent system.

Raise “Innovative” step to “Inventive” Step

The promise of the system of patents for inventions is that it adds to the pool of human knowledge that which would not otherwise be known.

The current innovation patent requirement for an innovative step (a “substantial contribution to the working of the invention”) is more of a utility or usefulness test than one of inventiveness. Hence the innovation patent system can provide an exclusive right to a technology that a person of ordinary skill in the art would in fact come upon as a matter of course, blocking obvious technologies. This enables the patentee to get a “quid” without giving a “quo”.

ResMed recommends that innovation patents be required to meet the same inventive step threshold as is required of standard patents. ResMed anticipates that such a change would make the Australian innovation patent similar to the German utility model, which also requires an inventive step equal to that required of standard patents.

It has been suggested that such a change would make the Innovation patent system ineffective. We disagree. Statistics published¹ by the German Patent and Trademark office suggest that the German Utility model is widely used, for example with 15,491 applications being filed in 2012. Of this total, 11,930 were applications from Germany. In other words, Germans file relatively more German utility models than Australians file Australian innovation patents.

There is a further practical problem with the current “innovative step” requirement. Determining whether an alleged invention in a standard patent possesses an inventive step is often contentious, despite the long history of the law on this point. Introducing a different threshold for innovation patents has created, and will continue to create, additional uncertainty and cost for both applicants and the public.

Compulsory Examination

IP Australia’s economic analysis² confirmed that innovation patents are more highly valued, and more effectively used, by applicants that are more sophisticated and/or better advised than the SMEs for whom the system is supposedly tailored. It appears that for SMEs, at best, the innovation patent system is a kind of “sandbox” to get low-cost training in the patent system, from which they can graduate to standard patents when they are ready to invest seriously. Few SMEs are repeat users of the innovation patent system.

While there is no great harm in the large numbers of innovation patents that are “granted”, never examined or certified, and subsequently abandoned, they form a needless excrescence to the system. This excrescence could be greatly reduced by requiring patentees to request examination / certification early in the term, e.g. by the second anniversary of the filing date, when significant numbers of patentees fail to renew their innovation patents anyway. This reform, particularly if the “innovative step” requirement is not altered, should be accompanied by a commitment by IP

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<http://presse.dpma.de/presse-service/englisch/patentemarkenundco/datenzahlenfakten/statistiken/gebrauchsmuster/index.html>

² [The Economic Impact of Innovation Patents](#), IP Australia Economic Research Paper 05, May 2015.

Australia to swift generation of a First Report, perhaps at a higher cost than the examination fee for standard patents. This would assist the transformation of the innovation patent system into a fast second-tier system.

Change remedy

ResMed submits that if the “innovative step” threshold were to be retained, injunctions should not be available. Furthermore we suggest damages be limited to a small amount, commensurate with the goals of the innovation patent system. Such reductions in remedy could be accompanied by requiring one or more of:

- (i) Proof of actual copying, rather than a strict liability, thus allowing independent "innovation" as a defense;
- (ii) A notice requirement, for example similar to US law, 35 U.S.C. 287;

In addition, we support eliminating damages during any period prior to publication of the claims that have been infringed³.

Change Nomenclature

Presently, an innovation patent is described as a “granted patent” if it has merely passed formality requirements and been published. To be enforceable, it needs to be “certified” by substantive examination, but this is an optional step. An uncertified innovation patent is therefore not really a “patent” in the accepted international sense. There is evidence⁴ that this misleading nomenclature is leading to spurious innovation patent activity by foreign companies in search of subsidies from their home governments for obtaining Australian innovation “patents” without going to the trouble of certifying them.

ResMed takes the position that the word “granted” and “patent” should be exclusively associated with an innovation patent application that has undergone substantive examination and met all requirements, such that it is enforceable in a court of law and therefore represents actual, rather than potential, rights.

³ A recent Federal Court case, *Britax Childcare Pty Ltd v Infa-Secure Pty Ltd [No 3] [2012] FCA 1019*, concluded that an innovation patentee is able to claim damages for infringement all the way back to the original effective filing date of the innovation patent, potentially long before the infringed claims were published.

⁴ <http://blog.patentology.com.au/2014/01/chinese-junk-patents-revisited-2013.html>

ResMed therefore recommends that, if the above recommendation for requiring compulsory examination of innovation patents is not adopted, some alternative, less misleading nomenclature be adopted for uncertified innovation patents, e.g. innovation patent applications.

Supporting SMEs

Cost is often a barrier to SMEs. The America Invents Act introduced significant fee reductions for micro-entities seeking standard patents in the US. A similar approach could be applied to Standard Patents, without the need for an Innovation patent system.

Conclusion

ResMed reiterates the position expressed in previous submissions on this subject dated October 2011, October 2012, and August 2013, namely that the innovation patent system needs to be reformed. We believe that, if the balance between requirements on, and benefits to, the patentee is redressed, it can still have some value, particularly to SMEs, either as a faster, lighter-weight version of the standard patent system (with an “inventive step” threshold and the current remedies), or as a genuine second-tier patent right (with the current “innovative step” threshold, and reduced remedies).

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