"… creating your IP solutions"

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Mr Brendan Bourke
Director
Domestic Policy
Business Development & Strategy Group
IP Australia Sent by email: MDB-Reform@ipaustralia.gov.au

Dear Brendan

Re: Innovation Patents review –ACIP

Introduction

Thank you Brendan for the kind indulgence you extended my request on Friday 26th October 2012, for a short extension to make any submissions I wanted to make in relation to this Consultation Paper (the 'paper').

I acknowledge your advices that whilst you welcomed my submission, you could not guarantee that it would be given the same full consideration as those received in time.

I have now read the paper. I have also had the benefit of a copy of the submission made by the Law Council of Australia dated 23 October 2012 (the 'LC submission').

What I intend to do

Given my submission is after the due date for submissions, I will endeavour to be brief. In this submission I will:

- Identify my perceived difference in the development of the use of the innovation patent system from the patent system relevant to the 'most pressing' problem identified in the paper (the 'Problem');[1]
- Comment on the government's proposal;
- Make a recommendation addressing the Problem.

A relevant difference between the utility models experienced

It is my opinion, that a key distinction between the petty patent system and the innovation patent system is the use to which they were and are utilised.

As a general comment based on practice, petty patents were usually applied for by reason of a perceived infringement and permitted a speedier grant (compared to the examination process of a standard patent), thereby allowing infringement proceedings to be commenced much earlier.

The innovation patent system however, which requires certification of the innovation patent before commencing any infringement proceeding, allows for this period of perceived protection by the grant, in which a culture of 'evergreening', 'patent thickets' and associated with these, grants for obvious enhancements, may develop.

ACIP recommendation

The government propose to address the Problem, by aligning the test for innovative step with the test for inventive step. I have assumed the proposed application of the test is prior to grant rather than certification. The paper relevant states:

> The simple solution is to amend the Act to ensure that Innovation Patents also use this definition. This would ensure that obvious innovations are excluded from the Innovation Patent system...[2]

Therefore, as such enhancements will be *excluded*, this examination is pre-grant not pre-certification. It necessarily must be so, as the higher standard at certification would not deter the unwanted practices identified in the paper.

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[1] The paper under the heading 'The Proposed Reform' identifies this Problem as being 'how to stop the grant of patents for innovations that are obvious.'
[2] Ibid.

I do not have a difficulty with this proposal. However, there may be a practical difficulty, in placing additional pressure on IP Australia by raising all applications to one level of scrutiny on obviousness.

Again from practice, the standard applied by the courts for lack of inventive step was the same for petty patents as it was for standard patents.[3] The Explanatory Memorandum ('EM') to the amending legislation introducing the Innovation Patent system, did as the LC submission points out, did consider a lower standard of inventiveness as a feature of the Innovation Patent System:

> Although the petty patent system was directed at lower level inventions it required the same inventive threshold as that required for a standard patent.... The innovation patent system would require a lower inventive threshold than the standard or petty patent so would provide protection for lower level inventions.[4]

However, whilst the LC submission makes a good point, it being clear from the EM that low level protection was a main focus, I do not agree fully with the LC submission that 'the proposal set out in the Consultation Paper would make innovation patents subject to precisely the same criticism as was made of their predecessors'.[5]

As stated in the EM:

> [Innovation patents] would also reduce the compliance burden on users of the patent system by **providing easier, cheaper and quicker rights for inventions than the rights currently provided by the petty patent system. (Emphasis added)**

If the government is able to maintain the ease, cheaper and quicker grant of innovation patents, taking on board the greater scrutiny level at the pre-grant stage, the proposed increase of the standard would remove unmeritorious grants for obvious enhancements yet provide features appealing to SMEs.

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[3] *Stack v Davies Shephard Pty Ltd* (1999) 47 IPR 525; The LC submission at page 2.

[4] The Explanatory Memorandum to *the Patents Amendment (Innovation Patents) Bill* 2000 under the heading 'Outline'.

[5] LC submission at page 2.

In drafting such an amendment, I would imagine a simple reference in the definition of 'Innovative Step' to the definition of 'Inventive Step' would be an obvious starting point.

My recommendation

The following recommendation, I submit, works with the government's proposal to but also may be considered to be used in conjunction with the government's proposal.

I am applying a principle of trade mark law to address the Problem.

In trade mark law, a change to the specifications granted with registration, which seeks to widen the scope of the registration is impermissible and must be made the subject of a separate later application. The consequence therefore, is to give the extended specifications a later priority date.[6]

Applying this to patent law, and particularly directing the principle to obvious enhancements, if the patentee (or innovation patent grantee) sought to obtain a grant for obvious enhancements, there would now by reason of the loss of the priority date, be opportunities for competitors to utilise obvious enhancements.

The result would be that instead of patent protection to the patentee (A) for obvious enhancements, there would be the opportunity for a competitor (B) to create an anticipation of any innovation patent sought by A for the obvious enhancement/s.

This would not totally remove what now are recognised as inappropriate grants, as not all competitors will create an anticipation of the innovation patent. However, it is arguable that competitors will take an interest in developing products or methods which utilises the innovation patent and an obvious enhancement. In addition, provided the enhancement is an essential integer of B's product or method, it should put B's product or method beyond the infringement of A's innovation patent.

What then prevents B applying for an innovation patent for the obvious enhancement? B will face the government's proposed enhanced testing requirements for innovative step.

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[6] Leaving aside 'Headstart Applications', this also applies to an attempt to extend the specifications of a pending application.

Summary of benefits

What advantage is there in making the priority date later for applications for grants over obvious enhancements? I submit the following:

- The patentee will be less inclined to apply for grants over obvious enhancements as their rejection by the government will flag a 'safe' area for competitors.
- Competitors aware of obvious enhancements, may now be inclined to research, invest in and provide alternate products or methods, without risking infringement and giving them a freedom to operate in an area:
    - Beyond A's infringement;
    - As a potential anticipation of an application by A for obvious enhancement/s.
- Competitors will not be able to secure patent rights for obvious enhancements to A's patent by reason of the government's strengthened position on innovative step.
- The patentee A may still get with the parent's priority date, a grant for non-obvious enhancements.
- The government proposes to introduce a higher level of scrutiny of innovative step. It does so whilst seeking to maintain the easier, cheaper and quicker rights for innovation patent. This will produce additional pressure on IP Australia's resources. The ability to grant an innovation patent with a later priority date would act as a 'release valve' for IP Australia:
    - To counteract the additional scrutiny required for innovative step;
    - By affording IP Australia the risk of error because:
        - A may still get protection for non-obvious enhancements;
        - IP Australia does not have to outright reject an application about which there may be uncertainty as to whether it is an obvious or non-obvious enhancement;
        - The prior art base would be wider and potentially defeat unmeritorious innovation patents given the later priority date.

Yours sincerely

Dimitrios Eliades