



AusBiotech submission to IP Australia's consultation
on the
ACIP recommendation to abolish the Innovation Patent system

To: IP Australia
consultation@ipaaustralia.gov.au

25 September 2015

From: AusBiotech Ltd
ABN 87 006 509 726
Level 4, 627 Chapel St
South Yarra VIC 3141
Telephone: +61 3 9828 1400
Website: www.ausbiotech.org

Introduction

AusBiotech is pleased to submit to this consultation from IP Australia regarding the Advisory Council on Intellectual Property's (ACIP) recommendation to abolish the Innovation Patent system. AusBiotech's comments are based on input from its Intellectual Property Expert Panel – an advisory panel made up of IP practitioners from AusBiotech's membership base – and from many years of working to grow Australia's strength in biotechnology.

AusBiotech is a well-connected network of over 3,000 members in the life sciences industry, which includes bio-therapeutics, medical technology (devices and diagnostics), food technology, industrial and agricultural biotechnology sectors. The industry consists of an estimated 900 biotechnology companies (400 therapeutics and diagnostics and 500 – 900 medical technology companies) and employs in excess of 45,000 Australians.

The 500+ Medical device companies in Australia, with a few exceptions are typically young and small, competing globally with large multi-national companies for market share. The industry is advancing rapidly into new fields of science and engineering, with nanotechnology and other research developments facilitating new innovations in the biomedical sphere and an increasing convergence of physical and biological technology platforms. It is a highly innovative sector pushing the boundaries in advanced manufacturing, using highly skilled labour distributed to global production chains and specialised markets.

Intellectual property is the fundamental source of protection for these innovations. It is particularly important that local innovation is not disadvantaged through a lack of harmonisation with other region's intellectual property systems. Ensuring that Australia has a globally competitive intellectual property system is the key to our future health and wealth. Such a system will help:

- increase the return on inventions and developments made possible by the significant level of public support for medical research in Australia;
- provide greater incentive and certainty for the commercialisation of local, Australian health technology inventions and developments – supporting Australia's rapidly developing biotechnology sector;
- attract additional global investment into Australia's research and development efforts; and
- increase access to new medicines, medical devices and vaccines for Australian patients.

The Innovation Patent system plays a small part in providing organisations with an equivalent second tier intellectual property protection option. It should be stressed that other initiatives such as a 'patent box' tax incentive that rewards Australian innovative businesses that make profits from qualifying patents (regular or Innovation Patents) would have much greater impact than either the abolishing or modification of the Innovation Patent system.

Summary of recommendations

AusBiotech does not support the ACIP recommendation that the Innovation Patent system be abolished. However, AusBiotech would support consideration of changes that would improve the Innovation Patent system in three key areas: raising the innovation threshold; requiring examination prior to grant; and setting an examination deadline. Any changes should be properly explored with stakeholders and should provide additional opportunity to consider the merits or otherwise of any proposed changes.

In particular:

- Australia should retain a second-tier or lower-innovation-threshold patent system.
- With appropriate modification, the Innovation Patent system can meet the needs of Australian innovators – particularly, but not limited to those of small and medium enterprises.
- The threshold for an innovative step of an Innovation Patent should be raised.
- Unexamined Innovation Patent applications should remain pending until an examination has been completed and the application accepted.
- All Innovation Patents should be examined within a defined period. Three years is considered to be an appropriate maximum time for examination.
- AusBiotech would welcome further consultation regarding the updating of the Innovation Patent system.

AusBiotech's recommendations

The Innovation Patent system is Australia's version of a second tier patent system. Its primary aim is to provide a patent protection system for innovations that do not or might not meet the 'inventive step' threshold requirements of the standard patent system. While in some instances, such 'lower level' innovations are produced by SMEs and individuals, this is not always the case. Indeed, satisfying the needs of smaller patent applicants or those with fewer resources to meet the costs of any second-tier system should not, in AusBiotech's view, be the key criteria by which the success of the innovation system is assessed.

AusBiotech further notes that while not universal, such second-tier systems are quite common in a number of Australia's key trading countries, including Japan, China and countries in SE Asia.

Enquiries by AusBiotech suggest that there have been various experiences with use of the current system. Unsurprisingly, perception of the system is based on these experiences. Some users have seen use of the system that might be regarded as tactical in the sense that applicants use the system to file multiple applications and develop a 'web' of patent rights (whether the Innovation Patent is certified or not) of concern to third parties. Others have seen the system used by applicants to cost-effectively obtain protection of IP (that otherwise would not have been protected by the standard system) and then have been able to exploit that IP in the manner for which it is designed (i.e. through licensing and other exploitation methods). With appropriate modification, AusBiotech considers that the Innovation Patent system can meet the needs of Australian innovators, including those in the medtech space, who require IP protection of the nature typically afforded by these systems.

AusBiotech, while acknowledging the data on which it is based, does not believe that the conclusions drawn in IP Australia's Economic Impact of Innovation Patents Report are necessarily correct or the only picture that could have been drawn. IP Australia's Report concludes that the Innovation Patent system provides little benefit to SMEs and private inventors. Their conclusion is based on various factors, including data that three quarters of these applicants file one Innovation Patent and then never file another Innovation Patent or a standard patent. In AusBiotech's view, this is not an indication of the system failing because what the data does not show and cannot show is the number of those single filers who would never have filed for a patent at all had there not been the Innovation Patent available.

It is noted that the Report laments (on page 17) that the number of enforceable patents from the Petty Patent Era to the Innovation Patent Era dropped even though filings increased. Given that there was no

option under the Petty Patent system to retain non-enforceable rights, as there is with a non-certified but granted Innovation Patent, there is an expectation that where that option is available many applicants will choose to leave their patent uncertified even though their applications could pass examination. In AusBiotech's view that data is likely more a reflection of patent strategy, using the system available, than an indictment that more enforceable patents were not or might not be attained.

Rather than abolition, AusBiotech supports further careful assessment of modifications to the Innovation Patent system that would in its view balance the needs of all stakeholders and address the concerns raised with the current system. AusBiotech considers that the following changes, among others, are worthy of assessment:

- Raising the level of the 'innovative step' above its current level;
- Requiring examination of all applications prior to grant; and
- Setting a deadline to request examination, with failure to take that step resulting in a lapse of the application.

AusBiotech supports raising the threshold for an 'innovative step' of the Innovation Patent. It does not, however, support raising the level to the current level required of standard patents. As to the new level, this should be analysed, but one option that could be considered is the 'inventive step threshold' that existed in the Patents Act 1990 as originally enacted.

AusBiotech considers the fact that an IP right can be 'granted' but not exercised (as is currently the case for Innovation Patents) is contradictory, unhelpful and confusing. For tactical and experienced users of Innovation Patents, such an approach opens the possibility to incurring a perception of abuse of the system. For inexperienced users, the danger is that they consider they have obtained something they do not in reality have (i.e. an enforceable right).

Any unexamined Innovation Patent applications should remain simply pending applications with no patent granted based on the application until and unless examination has been completed and the application is considered to meet the requirements for patentability as set down in the *Patents Act 1990*.

To reduce uncertainty for third parties, AusBiotech considers that all Innovation Patents should be examined within a determined deadline. The original recommendation of ACIP of a three-year deadline appears to be reasonable compromise.

AusBiotech acknowledges that other proposals for change to the system might be considered. These and the above necessarily have to be considered holistically to ensure a balanced modification to the system. AusBiotech urges IP Australia to consult with industry regarding transition arrangements and ensure that any changes to the Innovation Patent system are accompanied by carefully crafted guidance documentation that clearly articulates the Innovation Patent owner's rights and limitations.

Conclusion

AusBiotech does not support the ACIP recommendation that the innovation system be abolished, but it does support consideration of changes that would improve the Innovation Patent system for all stakeholders. Any changes should be properly explored with stakeholders provided with an additional opportunity to consider the merits or otherwise of any proposed changes.

AusBiotech appreciates the opportunity afforded to it to comment on the proposals and would welcome the opportunity to provide further comment should the opportunity be afforded by the Government.