



Law Council  
OF AUSTRALIA

*Business Law Section*

Mr David Simmons  
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**Via email: [consultation@ipaaustralia.gov.au](mailto:consultation@ipaaustralia.gov.au)**

6 October 2015

Dear Mr Simmons,

### **Public consultation: ACIP recommendation on the innovation patent system**

The Intellectual Property Committee of the Business Law Section of the Law Council of Australia (IPC) welcomes the opportunity to make a submission in response to the public consultation on the recommendation made by ACIP that the government should consider abolishing the innovation patent system.

The consultation arises as a result of IP Australia's report entitled "*The Economic Impact of Innovation Patents*", which concluded that the innovation patent system is failing to achieve its original objective of encouraging innovation by Australian inventors and small to medium enterprises (SMEs).

The IPC has previously expressed the view that it does not favour the wholesale abolition of the innovation patent system.<sup>1</sup>

The majority of the IPC remains of the view that the availability of a second-tier patent right that is simpler and more cost effective for individuals or SMEs to obtain than a standard patent is fundamentally sound. We note this is not a universally shared position on the IPC; some members of the IPC agree with the ACIP recommendation that consideration should be given to abolishing the innovation patent system.

It is clear, however, that there are some failings with the current innovation patent system which have resulted in the system being less effective than it might otherwise have been. The IPC considers that, with a modest number of changes to the system, the way in which innovation patents are granted and enforced could be made much more effective and could bring the system back into line as a legitimate and useful second-tier patent system.

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<sup>1</sup> See, for instance, the IPC's submission on ACIP's Options Paper on the Review of the Innovation Patent System dated 4 October 2013.

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The IPC therefore identifies the following changes to the current innovation patent system as those which should be considered as an alternative to the complete abolition of the system.

The IPC understands that this topic will also be considered as part of the Productivity Commission's inquiry into Intellectual Property Arrangements, and would welcome the opportunity to engage with IP Australia and the Productivity Commission in relation to their further consideration of the topic.

## **1. Change the innovative step test to a modified inventive step test**

There is a commonly held view, and one shared by the IPC, that the present "innovative step" test, by which the grant of an innovation patent is judged, has been set too low. Australian courts have expressly recognised that innovation patents can be validly certified and enforced despite the fact that they may be directed to objectively obvious developments. As Justice Gyles stated in *Delnorth Pty Ltd v Dura-Post (Aust) Pty Ltd* [2008] FCA 1225 at [53]:

*The phrase "no substantial contribution to the working of the invention" involves quite a different kind of judgment from that involved in determining whether there is an inventive step. Obviousness does not come into the issue. The idea behind it seems to be that a claim which avoids a finding of no novelty because of an integer which makes no substantial contribution to the working of the claimed invention should not receive protection but that, where the point of differentiation does contribute to the working of the invention, then it is entitled to protection, whether or not (even if), it is obvious. Indeed, the proper consideration of s 7(4) is liable to be impeded by traditional thinking about obviousness.*

The IPC recommends that the Productivity Commission's Inquiry in Intellectual Property Arrangements consider whether there is sufficient evidence to show that, with the innovative step test set as low as it has been, innovation patent owners are able to establish barriers to competition and innovation in a particular field without a sufficient corresponding technical contribution of their own. The Productivity Commission could also consider whether, with the current standard of innovative step required for the grant of an innovation patent, the social compact between the State and a patentee by which the State grants a monopoly for a limited period of time in consideration for the patentee's advancement of technology and innovation, is subverted. The IPC proposes that the innovative step standard should be raised. Clearly, it is not appropriate to impose the same standard of inventiveness as applies in relation to a standard patent given that an innovation patent subsists for only 8 years rather than 20 years as in the case of a standard patent.

One possibility is to adjust the phrase "substantial contribution" to make it clear that the quantum of contribution required is higher than the courts have hitherto recognised. Another is to require that an invention which is the subject of an innovation patent ought to display some degree of inventiveness, albeit at a level which is less than that required for the grant of a standard patent.

The current test for inventive step in the case of a standard patent (post the Raising the Bar amendments to the Patents Act) permits the combining of information from multiple prior art sources based upon the artificial notion that all such information is

available to the ordinary skilled person in the field. The question then becomes whether, given such information, it would have been obvious to make the invention.

A new innovative step test could be introduced that requires an inventive step (or obviousness) assessment to be made in relation to the claimed invention but considered by reference to only a single source of prior public information considered in the light of the common general knowledge of those skilled in the relevant art.

The consequence of adopting a test of this kind is that a limited form of inventive step requirement is introduced into the innovation patent system but one which is not as high a hurdle to overcome as in the case of a standard patent. The IPC notes that this could be considered as striking an appropriate balance between the patentee's contribution to the art and the more limited period of innovation patent monopoly granted in consideration of that contribution.

## **2. Limiting Innovation Patent Divisionals**

The IPC is aware that many innovation patents are granted as divisional applications from a pending standard patent application. At present there is no limitation on the number of innovation patent divisional applications which can be made, based upon the pending standard parent application (although there is a time limit within which divisional applications must be made).

The ability to file numerous applications for innovation patent divisionals is open to abuse, enabling innovation patent owners to divide out innovation patents from pending standard patent applications so as to target alleged infringing activities.

The IPC favours giving consideration to limiting the circumstances in which divisional innovation patents may be filed. This could be achieved, for example, either by limitation of the number of such divisionals that are permissible or only allowing divisional applications up until the date of grant of a first divisional innovation patent.

## **3. Modify the remedies available for infringement of innovation patents**

As the law currently stands after the decision in *Britax Childcare v Infa-Secure Pty Ltd* [3] [2012] FCA 1019, the owner of an innovation patent is able to claim damages for infringement dating back to the effective filing date of the innovation patent. If the patent results from a divisional application (as many do) this extends to the initial period both before and after publication during which the parent application was pending and prior to the filing of the innovation patent application.

This enables an innovation patent owner to craft claims which target an alleged infringement with effect dating back to the original filing date, without the alleged infringer having any prior notice of the claim scope.

The IPC considers that this is clearly a mischief which needs to be addressed. It is quite simple for the Patents Act to be amended to make it clear that, as with standard patents, neither damages nor an account of profits should be available in

relation to the infringement of an innovation patent during any period prior to the official publication of the claims that have been infringed.

Currently the proprietor of an innovation patent is given all of the rights granted by a standard patent, including the ability to seek an injunction against continued infringement. Some members of the IPC consider that there is a good argument to be made that, given that an innovation patent is intended to protect a “lower level” invention, it ought only give to the proprietor a correspondingly “lower level” of protection.

Consequently, the IPC is of the view that consideration ought to be given to limiting or removing the remedy of injunction from the innovation patent proprietor’s rights.

For example, where the innovation patent is divided out of a pending standard patent application, consideration could be given as to whether a patent owner, seeking to rely upon injunctive relief, in those circumstances ought to be required to accelerate examination of the pending standard patent application.

Further, consideration could be given to measures such as prescribing factors to be taken into account for the purposes of granting an injunction, or preconditions for the granting of an injunction (compare, for example s 195AZA(2) and (3) of the *Copyright Act* in relation to remedies for moral rights infringement), or providing an express presumption against the grant of an injunction unless the patentee can establish why it is that, in the particular circumstances pertaining, it should be entitled to injunctive relief.

#### **4. The Innovation Patent as a vehicle for streamlined patent litigation**

Another potential benefit of the Innovation Patent would be (if the Federal Court of Australia embraced this in amendments to its rules and procedures) that it could be used in a streamlined form of patent litigation, with set timeframes from commencement to hearing to judgment.

If you have any questions regarding this submission please contact the committee chair, Sue Gilchrist, by phone on 02 9225 5221 or by email at [sue.gilchrist@hsf.com](mailto:sue.gilchrist@hsf.com).

Yours sincerely

A handwritten signature in black ink, appearing to read 'John Keeves', with a long horizontal stroke extending to the right.

**John Keeves, Chairman**  
Business Law Section