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BY EMAIL
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Mr Sean Applegate
Assistant Director
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IP Australia

Dear Sean

Innovation Patent System Review

On behalf of FICPI Australia we make the following comments and observations in connection with the consultation paper entitled "Innovation Patents – Raising the Step".

Before commenting more specifically on the proposals set out in the consultation paper, we express our concerns that the proposals are intended to be enacted before the Minister completes his consideration of the ACIP investigation which has now been in train for almost 12 months. To pre-empt the report by introducing a major change to the innovation patent system would effectively nullify the process put in train by the Minister last year.

FICPI Australia considers that the provision of a system to protect lower-level innovation continues to be most important, particularly for Australian small and medium sized enterprises. A shorter term of monopoly right is provided in recognition that a lower threshold is required. In 2005, the IP Australia Review of the Innovation Patent System issues paper posed the following question:

> *"How well has the Innovation Patent System achieved the Australian government's objectives to provide a form of protection that is quick, easy to obtain and relatively inexpensive, for low level or incremental inventions that are not sufficiently inventive for standard patent protection?"*

The government position and objective was clear in 2005, and whilst the consultation paper sets out some reasons for a possible shift in the policy position, there is no evidence that the concerns articulated in the consultation paper have actually eventuated.

The proposed reform would result in the level of invention required for an innovation patent to be identical to that for a standard patent. If that were to be the case, it is hard to identify a rationale for an innovation patent at all. One could simply secure a standard patent and maintain it for 8 years if that was the length of protection required. All other relevant patentability tests would be the same. Such protection would come however, with the disadvantages of restrictions relating to subject matter and the number and type of claims that could be the subject of an innovation patent.

FICPI Australia strongly disagrees with the proposed reform. It would undermine the Innovation Patent System to such an extent that we doubt that it would be used in any meaningful way. It would take from industry the opportunity to protect innovation which does not meet the new higher standards which are to be applied to inventions under the Raising the Bar Amendments.

FICPI Australia agrees that the *Delnorth* decision resulted in an unintended interpretation of the innovative step test. However, that does not mean that the objective of having a lower level test for a patent of shorter duration is inappropriate or flawed in reasoning.

In this respect, we enclose a copy of our submissions of 26 October 2011 provided in response to the ACIP issues paper of August 2011. We reiterate what we said in paragraph 13 of that submission. FICPI Australia considers that section 7(4) would be better amended to clarify that the "substantial contribution test" is to be assessed against relevant prior art, rather than in relation to the working of the invention itself. We submit that this would be consistent with the expanded novelty test from *Griffin v Isaacs* (from which the definition for innovative step was derived) and would address the concerns that are raised in the current consultation paper without abandoning the policy objective of providing for a relatively inexpensive system to protect lower-level or incremental inventions that are not sufficiently inventive to meet the new requirements.

Contrary to the suggestion in the consultation paper, a large number of countries and regions provide second tier patent systems. Those that have a lower tests for inventive step for such second tier protection systems include Argentina, Austria, Brazil, Bulgaria, Chile, Czech Republic, Denmark, Estonia, Finland, Greece, Italy, Ireland, Paraguay, Poland, Portugal, Romania, Russia, Spain, Turkey, the Ukraine, China, Indonesia, Japan, Korea, Malaysia, The Philippines, Thailand and Vietnam.

In the case of Germany, whilst inventive step is required a relative novelty test is applied, as opposed to an absolute novelty test. In Japan, inconsistent with the consultation paper, there is no inventive step requirement.

Regardless of the position in other countries, it is the experience of FICPI Australia members that the Innovation Patent System provides a crucial avenue for protection of developments which cannot be adequately protected under the Designs system and which fail to meet the higher standards which will now be required for a standard patent under the *Patents Act*, 1990.

We recommend that IP Australia and the Minister reconsider this proposal.

We do not proffer any comment with respect to the drafting instructions incorporated with the consultation paper. The preparation of the drafting instructions prior to any consultation on the merits of the proposal is concerning and a process that we suggest should not be followed in the future, for fear that it might be construed that a decision had been made prior to the outcome of the consultation.

We welcome an opportunity to discuss these proposals and our comments at any convenient time.

Yours sincerely

Greg Chambers
President
FICPI Australia