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No. 2 2000–01

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Patents Amendment (Innovation Patents) Bill 2000

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30 October 2000

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Patents Amendment (Innovation Patents) Bill 2000

Date Introduced: 29 June 2000

House: House of Representatives

Portfolio: Industry, Science and Resources

Commencement: Six months after Royal Assent, or sooner if an earlier date is fixed by Proclamation.

Purpose

To abolish the petty patent system and introduce a new form of second tier intellectual property protection to be known as the Innovation Patent, as well as make some minor, technical and many consequential amendments to the *Patents Act 1990*.

Background

Industrial and Intellectual Property Protection in Australia

The Australian legal system offers protection to 'creators' through a variety of industrial and intellectual property (IIP) regimes, such as patents, copyright, plant breeders' rights and registered trade marks and designs. Typically these schemes grant legal protection against imitators or 'free-riders', allowing creators *exclusive* rights to exploit their creation, and providing remedies for infringement of those rights. These rights can be commercially valuable and the 'price' paid by creators for this level of legal protection varies according to the regime in question. The particular balance of competing interests struck by the grant of a patent is dealt with in more detail below.

Industrial and intellectual property protection is primarily a matter of Commonwealth jurisdiction. At federation the Commonwealth was given constitutional responsibility for 'copyrights, patents of inventions and designs, and trade marks'.¹ Patents laws have been on the books since the early 1900s and the area is currently governed by the *Patents Act 1990*.

Domestic IIP law and policy is also influenced by Australia's international obligations. Because the essence of IIP protection is the grant of *monopoly* rights, the interplay with competition law has become a particularly prominent area of national and international

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policy debate.² As a signatory to TRIPS, an international agreement dealing with the trade-related aspects of intellectual property rights, Australia is subject to minimum legal standards enforceable by member states through the World Trade Organisation (WTO). For example, in 1994 the Commonwealth Parliament increased the term of a standard patent by 25% to 20 years, a decision driven by TRIPS and criticised by some at the time for favouring overseas companies at the expense of domestic consumers.³ Australia is a signatory to a number of other international IIP agreements, which exist mainly because creators frequently seek protection in more than one jurisdiction and regulators must frequently measure the state of the relevant art against international and not merely domestic standards.

Competing Interests in the Grant of Patents

In Australia patents are granted for inventions in all forms of technology including 'two-dimensional creations, substances, and process creations with no tangible form'.⁴ For a standard patent, an applicant must show that their invention is new, useful and not obvious to someone well versed in the relevant area. In return a patentee receives the right to make, use and sell the invention free from competition for a period of 20 years. To retain a patent, a patentee must pay annual fees which escalate over time, to encourage either its exploitation or abandonment to the public domain. As part of the trade-off between creator, free riders and the wider community, details of a patented invention are published, putting potential infringers on notice, as well as increasing the general stock of technical knowledge and providing a spur to further innovation.

The economic analysis adopted in a recent government report expressed the calculus of interests in this way:

The prime rationale for providing monopoly rights by way of patents and other industrial property rights in Australia is the divergence between private and social returns to innovation, that is, there is a need to provide government support to help ensure that those undertaking innovation can capture an appropriate level of return to encourage an optimum level of innovative activity to benefit society as a whole.⁵

That report, which recommended the introduction of Innovation Patents requiring a lower level of inventiveness, depicted the IIP regime as a finely calibrated *system* where small legislative adjustments yield corresponding changes in outcome:

While the grant of intellectual property rights creates incentives, those incentives also limit the diffusion of information by enabling a price to be charged for it. From the economic perspective, the fundamental issue is designing the system so that its incentive effect outweighs the costs of administration and the costs of limiting access to the information created. The scope and duration of intellectual property rights are crucial. A degree of equity can be achieved by balancing the entry threshold level to the intellectual property right ownership against the 'benefits' provided by the right.⁶

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Whether this analysis gives rise to an excessively mechanistic policy approach will be discussed in the Concluding Comments. In asking who gains from the IIP regime and whether legal changes actually yield anticipated benefits, it is sufficient for the moment to note, for example, that by far the majority of Australian patents are held by overseas corporations, frequently exerting formidable market power under a sympathetic international trading regime. It is also possible that *perceptions* of the system and other determinants of economic behaviour may not necessarily conform with legalistic expectations.⁷ Advocates of the second tier protection contained in this Bill and its lowering of the inventive threshold, of course, say this particular legislative adjustment targets precisely that phenomenon of foreign patent domination, and are optimistic that legislative change will modify economic behaviour and promote domestic innovation.

Basic Features of the Patent Process in Australia

A basic overview of the process by which standard patents are obtained, contested and used will assist in understanding the proposals made in the Bill now before Parliament.⁸

An applicant for a standard patent lodges with the Patent Office a form together with a 'specification' which describes the invention. The date of filing this description is known as the priority date, and it assumes importance for a number of reasons, particularly if someone subsequently decides to dispute entitlement to the patent.

A specification includes at least one *claim* about the invention, which serves to define the boundaries of legal protection sought. Defining the scope of a claim is therefore a critical issue, and as it may be difficult to draft accurately in the early stages, an applicant can submit either a complete specification or a provisional one. In the latter case, a complete specification must be filed within 12 months or the applicant loses their priority date.

A technical description of the invention is published by the Patent Office, usually 18 months after the priority date, bringing the claim to public notice.

For the application to proceed further, an applicant must request that the Patent Commissioner conduct an examination. The invention is at that point tested against the statutory requirements for grant of a patent. Its novelty and inventiveness are assessed against what is known as the 'prior art base', which is essentially the state of international knowledge in the relevant field at the priority date.

If the patent application is 'accepted' this is publicly advertised, at which point someone may formally oppose the grant of the patent, on grounds defined in the *Patents Act 1990*.⁹ If no objections are received within 3 months then the patent is 'sealed', which finalises the grant process.

If an objection is filed, both parties put their case in writing to the Patent Office. After a hearing the Patent Office decides whether to uphold the objection or proceed to grant the patent.

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Once granted, the patentee has (subject to the payment of annual fees) 20 years in which to make exclusive use of the patent. The patentee may choose to sell that right or licence others to use the invention.

The grant of a patent entitles its holder to sue someone who uses the invention without permission. Such infringement may have occurred at any time after the claim was brought to public notice by publication. An alleged infringer may counter with a claim to the court for revocation of the patent. Again, the grounds for revocation are spelt out in the Act.¹⁰

Second Tier Patent Protection

The standard patent of 20 years' duration, available under the *Patents Act 1990* for inventions which are new, useful and not 'obvious', is fairly typical of the international norm for this form of industrial property. There is in addition, however, a widespread form of secondary patent right available. Over 60 countries offer what is known as second tier patent protection, with more than a dozen states adding this level of protection since the mid-1980s:

While these regimes vary considerably, they commonly feature relatively short-term protection, protectability standards that may be less rigorous than those applicable to regular patents, and the granting of rights without any prior examination for compliance with substantive protectability standards.¹¹

Despite its relative prominence around the world there is no reference to second tier patent protection in the TRIPS agreement which sets out minimum standards for each IIP regime, 'leaving WTO member countries free to formulate or reject second tier protection regimes as they see fit'.¹²

Australia embraced second tier protection with the introduction of the petty patent system in 1979, by amendments to the then *Patents Act 1952*. The intention was to provide a cheaper quicker alternative to a standard patent, with a shorter term, particularly for simple 'gadget' inventions. These reforms followed on from the recommendations of the Designs Law Review Committee (the Franki Committee) in 1973.

The Australian Petty Patent and the ACIP Report

The petty patent differs from a standard patent in certain respects, the main ones being:

- a shorter term (initially 12 months with scope for extension up to 6 years in total)
- a maximum of one claim and two further subsidiary claims¹³
- assessment against a domestic rather than international 'prior art base'
- a faster procedure

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- no procedure for pre-grant opposition (although the Patent Office does conduct a pre-grant examination), and
- the possibility of opposition when the patentee seeks an extension beyond the initial term of 12 months.

As endnote 7 to this Digest indicates, the petty patent system has been under-utilised, when compared to the standard patent scheme. A report to the Prime Minister's Science and Engineering Council in 1993 suggested reforms¹⁴ and soon after, the then Minister for Small Business asked the Advisory Council on Industrial Property (ACIP) to conduct a review of the petty patent system.

The ACIP Report¹⁵ recommended the adoption of a second tier patent to protect lower level or incremental inventions:

We believe that at present there is a 'gap' in protection under the current Australian industrial property rights regimes. This 'gap' relates to functional innovations that are not sufficiently inventive under the present standard or petty patent system to warrant protection, and are not protectable under the designs system which protects the appearance of articles, but not 'the way they work'. Provision of protection for these incremental innovations will encourage Australian individuals and businesses to invest in the development and marketing of their 'good ideas' in the domestic market.¹⁶

The key attributes of a second tier patent for minor or incremental innovations, according to ACIP, are that it:

- fills the 'gap' between designs and standard patents
- is quick to obtain
- is cheap to obtain and enforce
- is reasonably simple
- helps small/medium business enterprises
- has a measure of certainty, and
- lasts for a sufficient time to encourage investment in the developing and marketing of the innovation.

The Government announced in February 1997 that it would essentially accept the ACIP Report's recommendations and replace the petty patent system with a new Innovation Patent System (IPS).¹⁷ Three and a half years later the present Bill was introduced into Parliament.

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The Petty Patent and Innovation Patent Compared

The most significant departures from the existing petty patent system contained in the Government's response to the ACIP Report are:

- the lower inventive threshold (petty patents essentially involve the same test as for standard patents)
- the absence of substantive examination before grant
- the maximum possible term of 8 years (petty patents have an initial term of 12 months with extensions to a maximum of 6 years), and
- the ability to make up to 5 claims in the specification (as opposed to one main claim and two dependant ones).

Main Provisions

Unless otherwise specified, references to items are to items in **Schedule 1**.

Essential Features of the Innovation Patent System

Many items in the Bill are minor, or consequential on the main changes effected by a smaller number of significant amendments. This Digest begins by selecting those fewer significant amendments as a group to provide an overview of the IPS and how it compares with the standard and petty patent regimes.

What Qualifies for an Innovation Patent?

Items 7 and **8** define a patentable invention under the IPS. They depart from the definition of a standard patent in two main respects.

First, **item 7** requires the demonstration of an 'innovative step' when compared to the prior art base, rather than an inventive step. **Item 5** expands on what is meant by an innovative step and carries a heavy burden in terms of achieving the Bill's policy objectives. While an inventive step turns on whether the invention would have been 'obvious' to a skilled person in the relevant field as at the priority date, **item 5** purports to set a significantly lower inventive threshold. It asks whether the invention varies from the prior state of knowledge in a way which is meaningful in terms of how the invention actually works. If the only variation makes no substantial contribution to the working of the invention, in the eyes of a person with relevant and up-to-date skills, then there is no innovative step. The case made by ACIP and the Government is that this lowers the inventive threshold and will encourage use of the IPS by domestic small and medium size businesses.¹⁸

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Secondly, **proposed subsection 18(3)** denies coverage under the IPS for plants and animals and the biological processes for generating them. This restriction, introduced by the Bill, has not been extended to standard patents. The reasoning for confining the restriction is not stated—apparently obtaining a patent of 20 years duration for plants and animals will continue to be a possibility.

Note that **proposed subsection 18(4)** immediately relaxes the restriction on innovation patents, so that they may be obtained for microbiological processes and the things they produce. The Explanatory Memorandum says that this includes cheese and wine making, brewing and certain industrial processes.¹⁹ Parliament may wish to scrutinise what else the concession in subsection (4) may allow into the IPS.

Proposed subsection 18(3) is a ground of refusal at the initial stage of the IPS, the formalities check (see **item 22** discussed below). It will also be taken into account if an examination subsequently occurs, and it provides a legal ground for both opposition to and revocation of an innovation patent.

Note that in relation to **item 5** the prior art base is defined by reference to the *international* state of knowledge, regardless of whether a standard or innovation patent is sought. This change, effected by **item 103**, abandons the focus on the *domestic* state of knowledge for petty patents which has been widely regarded as failing to achieve the objective of making petty patents easier to obtain.

The Application Process for an Innovation Patent

A complete specification for an innovation patent may make up to a maximum of 5 claims (**item 15**). The ACIP Report said that this will reduce some of the drafting pressure to frame a specification with great precision, making innovation patents easier and cheaper to acquire than is the case with petty patents, which are limited to one primary and two subsidiary claims.²⁰

Item 22 contains **proposed section 52** and reveals another major reform designed to make innovation patents quicker and easier to obtain. Rather than be subjected to pre-grant examination of the specification, the Commissioner must accept the application if it passes the formalities check. **Item 92** expands a little on what the Regulations may say about the checking of formalities including compliance with the biological restrictions in subsection 18(2) and **proposed subsection 18(3)**.

Items 34-36 deal with the grant and publication of innovation patents. The Commissioner must publish notice of grant as soon as the innovation patent is sealed, following a successful formalities check. **Items 35** and **36** reveal another difference between innovation and standard patents. If multiple applications are made for the same invention, made by the same inventor, they share the same priority date and one patent has already been granted, subsection 64(2) currently prevents the grant of a second or later patent for the remaining applications. As a result of **items 35, 36** and **51 (proposed subsection 101B(6))**, those rules can only be invoked against an innovation patent after grant, if and

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when it is examined. In the case of a standard patent, those grounds can operate to prevent a grant in the first place, because examination takes place prior to grant.

The term for an innovation patent is 8 years (**item 38**).

Divisional Applications

Proposed section 79B in **item 42** confirms that divisional applications can be made prior to grant of a patent, whether it is a standard or innovation patent application. Divisional applications are later-in-time applications made from within the four corners of the specification in an earlier 'parent' application. In other words, the later invention must be disclosed in the earlier specification. Divisional applications can be made *after* grant of the 'parent' patent but only within the time limit prescribed by regulation and only when the 'parent' patent itself has been subjected to examination (**proposed section 79C**). In this case the later patent can attract a priority date advantage by requesting an examination within a prescribed period (**item 16**).

Examination, Re-examination and Opposition

Item 51 contains a number of new sections which deal with the *post-grant* processes for examination and re-examination of, and opposition to, innovation patents. The provisions for examination and opposition are relatively self-explanatory and describe a process very similar to those processes as they apply *prior to grant* in the case of standard patent applications. Of course, failure to pass the examination of an innovation patent results in revocation not in the lapse of a pending application, as happens with standard patent examinations.

The Commissioner of Patents may conduct an examination of an innovation patent at any time after grant and must do so when requested by the patentee or a third party (**proposed section 101A**). Note that a person notifying the Commissioner of information casting doubt on the novelty of an invention subject to an innovation patent or on whether it shows an innovative step (**proposed section 28**) will not of itself trigger an examination. A notifier must formally request an examination under **proposed section 101A**. It is not immediately clear what substantive effect flows from a notification under **proposed section 28**.

A section 101A examination involves testing the invention against a number of grounds set out in **proposed section 101B** and any relevant regulations. An invention which passes examination is certified and a notice is published in the *Official Journal* (**proposed section 101E**). Failure to pass examination leads to revocation of the patent, subject to natural justice and an opportunity to amend the specification. The patentee may appeal a revocation to the Federal Court (**proposed section 101F**).

Post-examination it remains open to the Minister or any other person to oppose an innovation patent and seek its revocation on defined grounds (**proposed section 101M**). A hearing is conducted by the Commissioner of Patents and again an appeal is available to

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the Federal Court (**proposed section 101N**). Similarly the Commissioner may and, if requested, must re-examine the complete specification of an innovation patent which has been examined and certified. The grounds for revocation on re-examination are confined to a lack of novelty or the absence of an innovative step (**proposed section 101G**). Again revocation is subject to natural justice requirements and the opportunity to amend, and an appeal is available to the Federal Court (**proposed section 101J**).

The *Patents Act 1990* currently permits a person to seek from a court protection against unjustified threats of infringement proceedings which have been made by a patent holder or applicant. **Item 62** redrafts this area of the Act to make separate provision for standard patents and applications on the one hand (which remain as is) and innovation patents and applications on the other. **Proposed section 129A** makes automatic the grant of court relief where the threats are made prior to examination and certification of an innovation patent. After an innovation patent has been certified, the court will grant relief unless the patentee can show that the person seeking relief has infringed or will infringe an ostensibly valid claim.

Related Consequential Amendments

A large number of items in the Bill are consequential on:

- the introduction of the IPS, with its formalities check and absence of pre-grant examination, and
- the abolition of the petty patent system, which like the standard patent system, provides for pre-grant examination.

Typically these amendments re-draft provisions currently dealing with both standard and petty patents so that they deal only with standard patents. Frequently they then add a related provision which deals separately with innovation patents and takes account of the fact that an examination will only occur, if at all, after grant of the patent. Examples of such amendments include **items 6, 23-26, 30-31, 52-54, 59-63, 65-67, 69-74, 77-84 and 92-93**.

Rival Applicant Amendments

Some amendments do not differentiate between standard and innovation patents. They are instead about altering certain aspects of the patent process to cover situations where more than one person may demonstrate themselves to be entitled to a patent (such as the original applicant and a later opponent or opponents or indeed other third parties). Upon application, these later-in-time parties may receive a patent with the same priority date as that of the original claim (see **items 11-13** and also **32**).

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Technical Amendments

Another large group of items are essentially minor, technical or consequential amendments to the Act. These include the additions to the Dictionary of defined terms in **items 94-107** as well as **items 1-4, 9, 14, 21**, part of **22, 27-29, 40, 43, 55-56, 68, 75-76, 85** and **Schedule 3**.

Concluding Comments

Is There a Gap Which Needs to be Filled?

Because the Bill proposes to make the acquisition of monopoly rights easier for inventors, the first question posed for Parliament is a political and economic one. Do the wider economic and technological benefits of the IPS justify the grant of commercially valuable, exclusive rights to exploit minor inventions and incremental innovations?

In the past, for example, Parliament was criticised for passing amendments to the *Patents Act 1990* which increased the term of standard patents from 16 to 20 years.²¹ The measure brought Australia into line with minimum standards expressed in the TRIPS agreement. But 90% of patent holders are overseas, Australia is a net technology importer and in many cases the measure was a windfall gain for foreign corporations at the expense of the Australian economy. There was no incentive for innovation amongst those holding current patents, they simply received a 25% reward for no additional effort.²²

The Government's case is that the IPS is in the national interest because:

- it will encourage Australian enterprises, particularly small and medium-size businesses, to develop incremental inventions and market them in Australia, and
- through publication, it will increase the local storehouse of technical knowledge, to the benefit of the economy as a whole.²³

Professor James Lahore, an expert in IIP law, has observed that there is 'constant pressure' on the intellectual property system 'as new claimants seek recognition of new rights'.²⁴ He quoted his colleague Professor Bill Cornish, who has referred to 'the jostling queue of claimants beating at the citadel gate asserting that their investment in what they produce is large enough to justify legal protection against a corner-cutting imitation'.²⁵

Similarly, in a recent opinion piece in the *Australian Financial Review* Teresa Fels and Jason Soon asserted that:

Intellectual property law has typically been viewed as an arcane domain. Important decisions regarding its optimal scope and content have therefore often been left to

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specialists who disproportionately represent the interests of intellectual property producers.²⁶

Certainly the Government can point to a series of reports which argue that a ‘gap’ exists in the IIP regime in relation to incremental innovation and Professor Lahore acknowledges:

A considerable amount of incremental innovation and functional design which may require considerable investment to produce can be copied easily and cheaply by competitors without any protection, or any effective protection, against such copying.²⁷

Nonetheless, the Bill confronts Parliament with the question whether granting legal protection for modest innovations which currently do not attract exclusive property rights is on balance a sound policy decision. Fels and Soon argue that ‘the great benefits unleashed by recent innovations must not become an excuse for new forms of rent-seeking, whereby intellectual property protection creates higher entry barriers and cost structures than are absolutely necessary for the encouragement of innovation’.²⁸

Will the IPS Work to Close the Gap?

If Parliament is satisfied that there is a ‘gap’—the protection of incremental innovation—and it is appropriate to fill it, the next question is whether the proposed IPS is the best policy solution. At the heart of the Bill is a belief that creating a new ‘legal hybrid’—a patent requiring a lower inventive height, involving no pre-grant examination and which gives the grantee a shorter term—will plug the gap. As discussed in the Background this policy prescription puts faith in legalistic tinkering and a fairly mechanistic form of economic analysis to produce desired changes in economic behaviour. Is this faith warranted? Perhaps the answer will not become clear until the system has been tried.²⁹ It is notable that ACIP argued strongly in favour of Innovation Patents even though it admitted it was unaware of ‘any economic studies which specifically examine the effectiveness of second tier protection systems’³⁰ and also acknowledged:

The economic significance of the ‘gap’ is difficult to assess. Although there is a generally held perception that a ‘gap’ exists it is difficult to determine how many Australian businesses have, or will be, commercially disadvantaged by this ‘gap’.³¹

The lack of empirical evidence to support a close correlation between inventive height and particular economic outcomes³² weakens the case put by ACIP and the Government or at least suggests it is founded as much in hope as in economic theory. It also opens up the possibility that other policy prescriptions may plug the gap more effectively. While recording its disagreement, ACIP noted that the Bureau of Industry Economics suggested in 1992 that the lowering of patent registration costs or making special discretionary grants to small inventors may be more economically efficient than providing lower entry level protection’.³³

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Differing views have been expressed about whether inventive height is ‘the problem’. One practitioner, for example, has stressed the relative importance of speedy processes and lower enforcement costs over legislative tinkering with the degree of inventiveness.³⁴ ACIP on the other hand took some time in Appendix D of its Report to analyse 9 patent cases and asserted that a lower inventive threshold would have made the difference between validity and invalidity in 3 of them.

Rather than take a strong view on this debate one way or the other Professor Lahore suggests that it ignores a basic economic issue:

The extent to which such a system undermines the economic rationale of the patent system; are there economic contradictions in establishing patent-like regimes that accept something less than non-obvious imitation?³⁵

Though not necessarily hostile to the introduction of the Innovation Patent,³⁶ he questions the legalistic or technocratic perspective which dominates the IIP debate:

It is fair to query whether this incessant juggling with innovation thresholds will provide long-term solutions³⁷

and argues for a new paradigm for protecting creations from unfair imitation while facilitating ‘free use and efficient development’.³⁸ Instead of ad hoc measures to plug perceived gaps, Lahore suggests the path to coherent policy may lie in a broad new doctrinal framework designed to penalise misappropriation or unfair copying. By overcoming legalistic detail and bringing the central policy question explicitly to the fore, he argues that an anti-misappropriation statute could more effectively deal without the market failure on which so much IIP litigation is based.

Ultimately however he is pessimistic about the climate for such fundamental change:

The so-called “deviant protective regimes” will continue to thrive and multiply, driven largely by international developments and powerful special interest pressures rather than in response to any empirical data suggesting that one approach is preferable to any other.³⁹

The Balance Between Incentive and Certainty

Within that general debate, questions can be asked about particular aspects of the overall balance struck by the Bill. One prominent question relates to the trade-off between certainty and incentive.

The Government has chosen to tilt the IPS even further in favour of incremental inventors than the ACIP Report recommended. Not only has the inventive threshold been lowered, but the Government has decided that a patent will be granted after a formalities check and may, if no examination is requested, remain unexamined through its entire 8 year term.

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ACIP, on the other hand, struck a more conservative balance between the ability to obtain a patent promptly and the need for certainty that a patent has been validly granted. Instead of granting an Innovation Patent immediately upon completion of a formalities check, ACIP recommended that applicants acquire a priority date advantage upon filing but that an application would lapse if the applicant did not request substantive examination within three years of filing. ACIP noted that retention of substantive examination as a basic feature of the system was a consistent theme in the submissions it received and the consultations it conducted and added:

We do not believe that it is in the public interest for an application to continue for the whole 8 year period as an unexamined application.⁴⁰

The Government on the other hand gave greater weight to the rapid grant of an Innovation Patent. Under the Bill an Innovation Patent can be granted after a formalities check. Substantive examination, if never requested, may never occur during the life of the patent. The Government recognised that certainty about the validity of a patent is an important consideration, particularly in the event of litigation. It reasoned, however, that infringement proceedings are an uncommon event. On this argument, making substantive examination a prerequisite to initiating or threatening legal action for infringement is a more appropriate balance of the competing objections at stake.⁴¹

It is a matter for Parliament whether this argument understates the desire for certainty outside the litigation context.

Endnotes

- 1 Section 51(xviii) of the Constitution.
- 2 For example, the Intellectual Property and Competition Review Committee (IPCRC) has been conducting a review of Australia's intellectual property laws and their effects on competition. The IPCRC was established under an intergovernmental agreement that forms part of the National Competition Policy. The IPCRC issued an Interim Report in April 2000 and recently submitted the first part of its final report to the Commonwealth Government by its 30 June 2000 deadline. This first instalment deals with parallel importing under the *Copyright Act 1968*. The Government granted an extension of time for the balance of the final report, which was due to be submitted on or before 30 September 2000. Details of the IPCRC and its review can be found at <<http://ipcr.gov.au/ipcr/>> (30 October 2000).
- 3 Ninety per cent of standard patent applications in Australia come from overseas: Advisory Council on Industrial Property (ACIP), *Review of the Petty Patent System*, October 1995 at 25. See Brendan Bailey, *New Ideas, Old Laws: Copyright, Patents, Trade Marks and Designs—and How to Avoid Plagiarism*, Background Paper No.12 1995-96, Parliamentary Research Service at 23–24.
- 4 ACIP, op.cit., n 3 at 45.

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- 5 ACIP, op.cit., n 3 at 24.
- 6 ACIP, op.cit., n 3 at 25.
- 7 For example, the petty patent system involved certain deliberate legislative modifications to the system of granting standard patents and was introduced in 1979 to stimulate incremental innovation amongst small and medium size businesses within Australia. However, only 300 petty patent applications are filed each year, as against 20 000 standard patent applications.
- 8 In preparing this overview, some reliance has been placed on Lecture Notes by Robert Melvin of IP Australia which can be found at <http://www.lib.monash.edu.au/vl/patents/AIPO99.htm> (25 October 2000).
- 9 Section 59.
- 10 Section 138.
- 11 Mark D. Janis, 'Second Tier Patent Protection' (1999) 40 *Harvard International Law Journal* 151 at 152–153.
- 12 *ibid.*, at 152.
- 13 As originally introduced, a petty patent application was confined to one claim. The capacity to make two subsidiary claims was added by legislative amendment in 1990.
- 14 Prime Minister's Science and Engineering Council, *The Role of Intellectual Property in Innovation*, 1993.
- 15 ACIP, op.cit., n 3.
- 16 *ibid.*, at 5.
- 17 The Hon. Peter McGauran, Minister for Science and Technology, 'New Patent System to Benefit Small Business', *Media Release*, 20 February 1997.
- 18 *ibid.*
- 19 *Explanatory Memorandum*, p. 10.
- 20 ACIP, op.cit., n 3 at 37–39.
- 21 *Patents (World Trade Organization Amendments) Act 1994*.
- 22 See Teresa Fels and Jason Soon, 'IP Audit Should Innovate', *Australian Financial Review*, 12 April 2000 at 20.
- 23 *Government Response to the Recommendations of the Advisory Committee on Industrial Property Report "Review of the Petty Patent System"* which can be found at http://www.ipaustralia.gov.au/about/A_innovat.htm (30 October 2000).
- 24 James Lahore, 'Designs and Petty Patents: A Broader Reform Issue' (1996) 7 *Australian Intellectual Property Journal* 7.
- 25 *ibid.*
- 26 Fels and Soon, op.cit., n 22.
- 27 Lahore, op.cit., n 24 at 7.

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- 28 Fels and Soon, *op.cit.*, n 22.
- 29 The Government has committed itself to an evaluation of the new system within 5 years of its commencement: see *op.cit.*, n 23.
- 30 ACIP, *op.cit.*, n 3 at 25.
- 31 *ibid.*, at 26.
- 32 For another example see ACIP, *op.cit.* n 3 at 25 where the following statement is made: ‘Statistics on the use of existing second tier protection indicate that this form is predominantly used by nationals rather than by foreigners’, but there is no footnote referring the reader to any such statistics.
- 33 *ibid.*, at 26.
- 34 Glenn McGowan, ‘Drawbacks of the new “Innovation Patent System”’ (1997) 71 *Law Institute Journal* 38 at 40.
- 35 Lahore, *op.cit.*, n 24 at 18.
- 36 *ibid.*, at 16–17.
- 37 *ibid.*, at 18.
- 38 *ibid.*, at 10.
- 39 *ibid.*, at 18.
- 40 ACIP, *op.cit.*, n 3 at 42.
- 41 *Government Response to the Recommendations of the Advisory Committee on Industrial Property Report “Review of the Petty Patent System”* which can be found at http://www.ipaustralia.gov.au/about/A_innovat.htm (30 October 2000). See the discussion of Recommendation 7.

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