

**Via Email Only**[IP.consultation@industry.gov.au](mailto:IP.consultation@industry.gov.au)

26 June 2019

Ben Preston  
(Commercialisation Cross Policy Lead)  
Collaboration and Intellectual Property  
Australian Government  
Department of Industry, Innovation and Science  
GPO 2013,  
Canberra, ACT, 2601

**Attention:** Ben Preston**Re:** **Commercialising Business Ideas – discussion paper**

Dear Ben,

We refer to the consultations conducted to understand the needs of innovative Australian Small and Medium Enterprises (SMEs) seeking to commercialise their business ideas and the resulting Commercialising Business Ideas - discussion paper and Commercialising Business Ideas – Public Consultation Report (the Report), which were made available by IP Australia for review and comment on 26 April 2019.

The Institute of Patent and Trade Mark Attorneys of Australia (IPTA) makes the following submissions in connection with the discussion paper and Report.

**About IPTA**

IPTA is a voluntary organisation representing registered patent attorneys, registered trade marks attorneys and student members in the process of qualifying for registration as a patent and/or trade marks attorney in Australia. The membership of IPTA includes over 87% of registered patent attorneys located in Australia and it is believed that its members make up more than 90% of registered patent attorneys in active practice in Australia. The membership of IPTA includes registered patent attorneys in private practice as well as patent attorneys working in industry, universities, research institutes and others that practice as barristers. IPTA members represent large local and foreign corporations, SMEs, universities, research institutes and individual inventors. Since 24 February 2017 all Australian patent attorneys have become registered as Trans-Tasman patent attorneys, which also enables them to practice before the Intellectual Property Office of New Zealand. In addition to working with foreign applicants to assist them in obtaining and enforcing their intellectual property rights in Australia and New Zealand, IPTA members also work with clients in Australia and New Zealand to assist them in developing strategies for protecting and enforcing their intellectual property rights in Australia, New Zealand and overseas.

## **Summary of submissions**

IPTA supports consultation with Australian small and medium entities (SMEs) so that its members are better placed to understand their needs in relation to the commercialisation of intellectual capital. IPTA also strongly believes in ensuring that Australian SMEs understand the commercial importance of their intellectual capital and conversely respect the IP rights of others. IPTA also strongly believes in ensuring that Australian SMEs understand how best to focus on, identify, protect and exploit their intellectual capital.

IPTA is also supportive of the Report's recommendation regarding the development and delivery of an accredited education program, in addition to what is required for attorney registration, aimed at broadening the skill base of patent attorneys. The Committee may not be aware that IPTA has delivered webinars to its members on commercialisation topics and will be running a Masterclass in IP Valuation for its members later this year. IPTA also has an In-house Members and Commercialisation Committee to support members in this important area of their practice.

IPTA, however, has substantial concerns regarding the views advanced in the Report that cast significant doubt over the qualifications and capabilities of Australian patent attorneys, suggesting in places that they are unqualified to provide strategic advice. These extreme and negative views which appear in the Report to be directed against the entire Australian patent attorney profession are neither adequately explained nor supported by real evidence in the Report. In particular, the case studies presented in the Report do not reflect the important work patent and trade marks attorneys carry out to assist SME clients in commercialising their innovations.

In IPTA's view, Australian patent attorneys are, by and large, very well trained, all have science or engineering degrees, many have PhDs and many have worked in industry before becoming a registered patent attorney. Furthermore, there are ongoing requirements to maintain a certain level of knowledge and skill, (CPE requirements as per Patent regs 20.24) some of which can include knowledge around commercialisation, innovation funding. Thus, as dually qualified (technical and legal qualifications) and well trained they are clearly competent to provide strategic advice regarding patent strategy, including how patent strategy aligns with the commercial and business objectives of SMEs.

IPTA further submits that as IP Australia has engaged in a program that encourages SMEs to engage with patent attorneys, the Department of Industry and Science and the views set out in the Report are out-of-step, ill-informed and hamper the goals of demystifying the concept of intellectual property for SMEs and ensuring effective patent protection, which effectively contributes to investment in and commercialisation of Australian inventions.

## **The scope of the consultation**

The comments and conclusions of the Report are based on input from thirty-nine SMEs and start-ups (plus 14 'business support' providers (not patent attorneys), two patent attorneys, three university representatives and one IP lawyer). As an initial point, this represents a very small sample size of relevant stakeholders, thus casting doubt over the accuracy of the views and recommendations that have been presented following this consultation. It is also unclear whether the university representatives were university employees involved in the commercialisation of university research-derived inventions or, alternatively, academics having an interest in innovation policy in Australia. In this regard, IPTA is aware that for some years some University academics have been unreasonably antagonistic to the Australian patent system and Australian patent attorneys. IPTA submits that any negative views of the patent attorney profession from these University academics should be disregarded as factually inaccurate in view of the abundant available

evidence that patent attorneys make a substantial contribution to IP strategy and success of Australian businesses.

Significantly, the Report concedes that "...given the relatively small scale of these consultations it is recognised that the findings may not be fully representative of broader economy-wide issues" (Page 21, point 1.3). IPTA shares these concerns, in particular regarding the negative views formed regarding the capabilities and skills of the patent attorney profession.

### **The attack on the patent attorney profession**

As foreshadowed above, IPTA's major concern with the Report relates to section 3, page 16 under the subheading "Strategic IP advice is not readily available". This section states that,

*Currently, businesses prefer to seek strategic advice on how best to exploit their intellectual capital from patent attorneys and/or their lawyers. While commercial lawyers may be well-qualified to provide such advice, patent attorneys are generally not appropriately qualified or capable of providing the necessary strategic advice. Few of these trusted advisers are able to tie IP strategy to business or commercialisation strategy. There is a misconception, in part due to the title of patent "attorney", that the profession has the necessary commercialisation or legal experience and skills to provide specific, strategic advice.*

The above statement refers to "intellectual capital", which is defined in the Report as "Intangible assets that have potential value for a business, including: ideas, know-how, skills, branding, data, information systems and trade secrets, as well as IP rights". Thus, scope of the term "intellectual capital" clearly extends beyond that of patent-related intellectual property and includes such things as, for example, trade marks. However, despite trade marks attorneys requiring less qualifications to register than patent attorneys in Australia, the Report, for reasons that are unclear, singles out the patent attorney profession for unwarranted criticism. This, with respect, suggests a bias in the Report's commentary.

Moreover, the attack on the patent attorney profession is apparently supported by a single case study (Patent Portfolio Wars) regarding a client who was given what appears to be poor advice by a patent attorney lacking 'significant knowledge of the Chinese IP system'. This single case study lacks details as to why the company was advised not to seek first-tier patent protection. For example, had the client made a prior disclosure? Was patent protection sought and obtained in other jurisdictions? IPTA submits that, by itself, the information provided by the Patent Portfolio Wars case study provides no reasonable evidence that patent attorneys in general are not qualified or capable of providing strategic IP advice. Further, if the outcome in this case study resulted from poor advice, it can by no means be used to tarnish the entire Australian patent attorney profession.

The Report also states in section 3, on page 17 that "[t]here is a misconception, in part due to the title of patent "attorney", that the profession has the necessary commercialisation or legal experience and skills to provide specific, strategic advice." The Report then makes a recommendation on page 35 that "[a]s the title of 'Patent Attorney' misleads consumers (to think people in the profession are qualified to advise on IP more broadly and provide all strategic options), a change of the title to 'Patent Agent' would not only alter the misconception, but would also reflect international practice".

IPTA is highly critical of the Report's comments regarding the title "patent attorney" and suggestion to change it to "patent agent". First, it is unclear where the alleged "misconception" resides in the stakeholders' understanding. There is no information or

evidence in the Report that confirms there is such a misconception, or that explains where the misconception comes from if it does indeed exist. The plain meaning of the word "attorney" means a person appointed to act for another in business or legal matters. This is exactly what Patent attorneys do for their clients, for example before the Patent Office. Thus, there should be no confusion over this term as it applies to patent attorneys in Australia. Moreover, the suggestion that changing the title to "patent agent" would alter the misconception and reflect international practice is wrong.

Although it is not specifically stated, the Report seems to intimate that only people with a law degree should be referred to as attorneys. However, this is not consistent with International practice, as suggested by the Report. For example, to become a European patent attorney there is no requirement for a law degree. Qualification as a European patent attorney involves having a technical degree, working for an attorney firm for three years and passing four qualifying examinations. This is a similar situation in Australia, where registration as a patent attorney requires a technical degree, two years' work at an IP firm resulting in a statement of skill, signed by a patent attorney who has been registered for at least five years, and passing examinations in nine prescribed subject topics.

Further, in the following countries, qualified patent attorneys are not required to have a law degree: Japan, Canada, France, UK, Germany and New Zealand.

Thus, the statement in the Report that changing the title "patent attorney" to "patent agent" reflects international practice is erroneous.

IPTA acknowledges that the USA does use the term "patent agent" for people who have passed one multiple choice bar examination. This is in no way in line with the rigorous requirements to register as an Australian patent attorney.

We also point out that there are inconsistencies in the Report's recommendations. On the one hand, the Report suggests "creating a commercially-savvy patent attorney profession. This could include the development and delivery of an accredited education program aimed at broadening the skill base of patent attorneys, which would be in addition to what is required for attorney accreditation". IPTA supports such a program and would be happy to be involved in contributing to the development of this education program. On the other hand, there is the recommendation by stakeholders to change the title of "Patent Attorney" to "Patent Agent" because of an alleged lack of ability. This confounds and weakens the overall message conveyed by the Report.

For the reasons, set out above, IPTA strongly disagrees with the recommendation to change the title of patent attorney to patent agent.

### **Role and value of patent attorneys**

To assist the Committee understand the inaccuracies of the Report insofar as it relates to the Patent attorney profession, we summarise below the general functions of patent attorneys, which clearly demonstrates their role in IP strategy and the commercialisation of innovations.

Obtaining valid patent protection for an invention is integral to a business's IP strategy and commercialisation strategy. Importantly, patent protection should ensure that competitors cannot exploit the invention or minor variation of the invention without permission from the patentee. One key role of a patent attorney is to advise in relation to all aspects of obtaining patent protection in multiple jurisdictions and given the qualifications required to register as a patent attorney in Australia, IPTA submits that they are abundantly qualified to provide advice and services in this regard.

Patent and trade mark attorneys have an obligation to develop and maintain their knowledge and skills so that they can maintain high standards of service and remain on the Register of Patent Attorneys. The Board recommends that registered attorneys undertake a breadth of activities in any year, some of which could be knowledge around commercialisation, innovation funding and strategy. Some seminars offered by IPTA and LESANZ over the last 5 years, and which are attended by many patent and trade marks attorneys include the following: "Getting your innovation adopted"; "Making it "APPn"; "Innovator's Pitch", "Licensing in review"; "Structuring a start-up"; "Commercialisation"; "Valuation"; "Innovation to market". These seminars teach strategic thinking and decision making, and supplement the knowledge and experience already gained by patent attorneys in carrying out their work supporting clients in their commercialisation activities. Thus the trained and skilled attorney **does** have *"the necessary commercialisation or legal experience and skills to provide specific, strategic advice"*.

The Report states that SMEs view the concept of intellectual capital especially registered IP rights, including patents as highly technical complex and daunting. For this reason, IP Australia encourages SMEs to engage with patent attorneys via their "Engaging an attorney toolkit" <https://www.ipaustralia.gov.au/patents/engaging-an-attorney-toolkit>

The attorney toolkit site states that "applicants engaging an attorney can greatly increase the chances of success". This is testament to the capabilities of attorneys and the role they are qualified to play in a business's IP and commercialisation strategy.

Further, it is clear from the available data that applicants that do not seek professional assistance from a patent attorney, experience very poor outcomes regarding obtaining an enforceable right<sup>1</sup>

We also refer the Committee to a recent report by International Federation of Intellectual Property Attorneys (FICPI) which details how patent attorneys add value to the innovation process. [https://ficpi.org/\\_uploads/files/The\\_IP\\_Practitioner.pdf](https://ficpi.org/_uploads/files/The_IP_Practitioner.pdf)

FICPI's report confirms that the role of patent attorneys is one of being a key business advisor who provides clients with commercially significant advice regarding the impact of the IP system on their businesses.

Specifically, a patent attorney, in one aspect of their role, starts from an innovator's concept and advises what may be protected, strategies to follow in seeking protection, appropriate countries for and associated costs, and, if asked to do so by the innovator, investigates the existence of competing rights to allow the innovator to better assess the risks associated investing further in developing their innovation. The IP advice also ensures that the protection aligns with the business needs, current market channels and future growth strategies of the client. Considerations of trade secret protection, in-licensing, IP acquisitions and IP sale would also form part of the IP and strategic advice.

The role of a patent attorney also goes beyond simply protecting inventions. In particular, the role of a patent attorney also includes providing advice on opportunities to operate without infringing third party rights, IP landscape reports identifying areas for research and developments in addition to preparing advice for protecting and maximising the value of a business's IP.

Relevantly, and in relation to patent attorneys' services in providing freedom to operate analysis, at point 3.1 (page 23) the Report refers to a holistic IP database that would

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<sup>1</sup> What IP Australia Does Not Tell You: If You Want a Patent, You Should Hire a Patent Attorney! (19 February 2017 Patentology <https://blog.patentology.com.au/2017/02/what-ip-australia-does-not-tell-you-if.html>)

expand on IP Australia's existing IP Nova visual search engine which includes patents, designs, trade marks and plant breeder's rights. The Report goes on to say that an expanded database could include searches of scientific publications, matching text on the internet or digitised publications, business names, domain names and broader market research. The resulting product would be a comprehensive freedom to operate search at what would be intended as a low resource cost to businesses.

Importantly, this suggested expanded database would be largely irrelevant to assessing freedom to practise inventions because only in-force patents are relevant to a freedom to operate assessment. Moreover, the major costs to businesses in relation to freedom to practise an invention is not simply the search and identification of potentially relevant patents. Rather, it is the analysis of the identified patents and assessment of whether a business's commercially relevant invention falls within the scope of in-force and valid patent claims. This type of business advice is typically only carried out by a patent attorney.

For this reason, IPTA does not agree with the Report's conclusion that "such a system would equip businesses with a higher level of information, increasing their confidence to seek IPRs, secure their position in the market and enhance their position in any infringement proceedings". Only by engaging with and obtaining advice from patent attorneys can businesses obtain the required information and confidence for seeking IPRs. Also, the Report has given no consideration of the validity of IPRs identified by freedom to operate searches. Again, validity advice of relevant patents, which would be key to business and commercialisation strategy can typically only be prepared by patent attorneys.

The report makes some general observations on page 13 that SMEs lack IP literacy and undervalue strategic IP value. It is highly likely that these two reasons contribute to a lack of success in the commercialisation of innovation. Furthermore, such SMEs should, as IP Australia encourages, be educated to understand the value of IP and seek the advice of a patent attorney.

### **IPTA comments on other key findings**

On page 15 of the Report the Case study entitled "IP basics" refers to a situation where the "patent process proved to be expensive and time consuming" and if having been better educated on the IP system the inventor would not have invested time and money in developing a patent. In relation to this case study, IPTA refers the Committee to section 16(1) of the *Code of Conduct for Trans-Tasman Patent and Trade Marks Attorneys 2018*. This section of the Code of Conduct relates to communication with clients and states that before undertaking any work for a client a registered attorney must inform a client of matters such as procedures, timing and estimated costs of doing the work. This protects clients from the situation described in the IP basics case study.

### **Opportunities to address key findings**

IPTA generally agrees with point 1.1. of the Report and the "Provision of basic and intermediate education courses and services" to raise awareness of intellectual capital and its value to businesses, new or improved educational material could be developed. These courses and services could be complimentary to those already provided by LESANZ, Research Institutes and IP Australia. In this regard, IPTA would be happy to be involved in or work with the Department of Industry, Innovation and Science's IP team advising or taking part in the preparation of relevant educational material.

At point 2,2, the report suggests an economy-wide solution targeting businesses, advisors/aggregators and the patent attorney profession to provide an enhanced, holistic and complete solution to the issues raised above.

IPTA is cautious about the suggested advisory service to supplement the material and courses proposed in opportunity 1.1. The aim is to assist SMEs in understanding the role of intellectual capital in their business or commercialisation strategy prior to seeking advice from patent attorneys and other professionals. This would need to be very general advice to limit or reduce the risk of conflicts.

The Report also suggests that advisory services would also aid businesses in identifying available options for enforcement, such as alternative dispute resolution (ADR), providing detailed resources such as template letters and guidance when seeking professional legal expertise, and improving the accessibility of freedom to operate searches. IPTA does not believe that there is a lack of accessibility to FTO search and analysis. Patent attorneys are abundantly qualified to provide this advice.

### **Key findings about the innovation patent**

The Report states on page 33 that *"during the consultation period the following observations were made regarding the use of the Innovation Patent system:*

1. *Most interviewees had no or limited knowledge of the system;*
2. *Those that had an awareness generally deemed the innovation patent to be of little or no value, or useful to the extent that it could be used as a means of creating patent thickets in order to block out competitors;*
3. *The few that supported the continuation of the innovation patent saw them as a useful component of their broader IP portfolio.*
4. *The consultations found that the businesses advocating the benefits of the innovation patent tended to use their filing strategically: to deter competitors by threatening enforcement; for attracting investors; or for short term protection of incremental improvements to already existing products. Some acknowledged that the innovation patent provided no real legal protection, but its major benefit was that most competitors were unaware of this.*

Point 1, appears to be inconsistent with the identification of SMEs approached for the consultation process. Specifically, on page 8 of the Report, it is stated that SMEs that had voiced opposition to the abolition of the innovation patent were approached for the consultation.

In relation to points 2 to 4, IPTA has reached out to many Australian SMEs and they have voiced their support for the innovation patent system. In particular, a number of Australian businesses rely on the innovation patent to ensure that their new innovative products are protected and not copied by infringers. IPTA also points out that the phrase mentioned in point 4, *short term protection of incremental improvements to already existing products*, is a legitimate use of the innovation patent system. Innovation, especially in the manufacturing industry generally involves incremental improvements of known products and these new products can be commercially very valuable to business strategy.

IPTA opposes the abolition of the innovation patent system and rather supports revision of the system, which includes raising the threshold of innovative step and introduction of mandatory examination. IPTA also directs the Department of Industry, Innovation and Science's IP team to the following short video, which briefly documents the experience of Australian SMEs with the innovation patent system.

<https://www.youtube.com/watch?v=GnI-AvV9tsU>

**Comments in relation to questions**

The department of Industry, Innovation and Science has sought specific comments in relation to a number of questions. IPTA's responses to those questions are set out below:

*1. In your view, do the opportunities for further action described above provide a robust basis for addressing the challenges Australian businesses face when commercialising their intellectual capital?*

No, IPTA is of the view that the report contains factual inaccuracies and biased views which may result from a very small sample size and lack of contribution from the patent profession.

*2. In your view, are there any important opportunities for action missing from the above list? If so what are they?*

The report lacks a balanced view of the patent attorney profession and requires greater input from a more diverse range of stakeholders including the patent profession.

*3. Of the opportunities for further action described above, which do you think have the greatest likelihood of materially improving the ability of Australian businesses to commercialise their intellectual capital?*

There needs to be greater education of SMEs and encouragement to engage with patent and trade marks attorneys from reputable firms. It is also important that SMEs understand the value of intellectual capital.

*4. Please provide any other comments on the discussion paper.*

All comments provided above.

5. Would you like the department to contact you to discuss your comments and/ or would you like to be involved in the ongoing policy development process?

Yes, IPTA would be very pleased to be involved in the ongoing policy development process and provide further information or clarification in relation to any of the submissions discussed above.

Yours sincerely,



**Michael J Caine**

President

Institute of Patent and Trade Mark Attorneys of Australia