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15 August 2019

Senate Standing Committees on Economics  
PO Box 6100  
Parliament House  
Canberra ACT 2600

**Attention:** Committee Secretariat

**Re: Intellectual Property Laws Amendment (Productivity Commission Response Part 2 and Other Measures) Bill 2019**

Dear Committee Secretariat

The Institute of Patent and Trade Mark Attorneys of Australia (IPTA) makes the following submissions in connection with the Intellectual Property Laws Amendment (Productivity Commission Response Part 2 and Other Measures) Bill 2019 (referred to below as the Bill).

## 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

The Innovation Patent System provides a rapid and affordable option for Australian businesses to protect commercially significant incremental innovation and IPTA strongly opposes its abolition. IPTA contends that the reasons put forward by the Productivity Commission and adopted by the Government in support of abolition are flawed and do not provide a valid basis for phasing out the Innovation Patent System. This is particularly the case since the Government has not provided innovative Australian businesses with an alternative system to replace the Innovation Patent System when it is phased out.

IPTA has, on numerous occasions, put forward what we believe to be straightforward and reasonable proposals for revising the Innovation Patent System to allow it to better achieve its intended purpose. However, the Government does not appear to have given serious

consideration to IPTA's proposals. Phasing out the Innovation Patent System is, in IPTA's view, the wrong approach to nurturing a smarter and innovative Australia.

IPTA also strongly opposes the introduction of an object clause into the Patent Act 1990 because it is unnecessary, will potentially reduce the scope of patent eligible subject matter and introduce significant uncertainty for businesses.

IPTA is also opposed to the proposed changes detailed in Schedule 6 of the Bill. If enacted, these changes will render patents having clear claims vulnerable to invalidation. This is irrational. Australia should not be introducing more ways to invalidate otherwise perfectly clear and patentable claims that are considered allowable in other jurisdictions, including our major trading partners.

In IPTA's view, the Bill, if passed in its current form, will place a significantly greater burden and costs on Australian businesses attempting to protect their intellectual property. It will also make it far easier for legitimately allowed applications and granted patents to be invalidated.

## **The Innovation Patent System**

Schedule 1, Part 2 of the Bill introduces provisions that will prohibit the filing of an innovation patent after the date the proposed legislative changes come into force. This effectively abolishes new filings of an innovation patent.

### **IPTA supports the view of Australian businesses**

Representatives of IPTA council have also spoken to many Australian businesses, in particular small and medium-sized enterprises (SMEs), and they have consistently indicated that the removal of the innovation patent will curb innovation, result in the loss of jobs and increase importation of overseas products into Australia. These views, from just a few of the business owners consulted, have been distilled in the following short video.

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

Further, from IPTA's discussions with Australian business owners, it is clear that innovation generally occurs incrementally, particularly in the manufacturing space. This means that improvements to existing products frequently result in commercially significant inventions that will be of benefit to the public, if they are commercialised and brought to market. A concrete example of this is a safer platform ladder invented and commercialised by Gavin Rundle of the Hartman group, (featured in the above-mentioned video) who has also made a submission to the Senate Committee. It is unlikely that Australian-invented safer platform ladder would have come to market without innovation patent protection. The reason is that the standard patent system is not suited to protecting inventions involving an incremental innovation because there is a great deal of uncertainty whether these types of inventions will meet the patentability threshold of the standard patent system. This is all the more pertinent given that raising the inventive step threshold is part of the Government's innovation policy agenda. This will without doubt mean it will be harder for Australian businesses to protect their intellectual property and therefore innovate.

It is relevant to bear in mind that the development of a commercially significant "incremental invention" requires a great deal of financial investment, for example to build prototypes and carry out testing to ensure that Australian standards are met. Australian businesses have advised IPTA that unless they can be confident of protecting their inventions, innovation simply will not happen and they will rely on importing overseas products.

### **The Standard Patent System is not a viable alternative**

In a recent Sydney Morning Herald article (at this link, <https://bit.ly/2YncE39>) the Minister for Industry, Science and Technology, Karen Andrews said in supporting the abolition of the Innovation Patent that "standard and provisional patent applications are a better path for Australian businesses, because they protect their intellectual property while preparing businesses for opportunities in international markets." This statement demonstrates a lack of understanding within the Government in relation to how the innovation process occurs, and the significant differences between the innovation patent system and the standard patent system.

As indicated above, the standard patent system cannot always be used by businesses confidently to protect commercially significant incremental inventions. This is confirmed in a research paper by IP Australia on the economic impact of innovation patents<sup>1</sup>, where it was stated that innovation patents have met their objective of being convertible to and from standard patents, with approximately 700 conversions from standard patents to innovation patents, which have provided a fall-back option for applicants who fall short of the inventive threshold required for a standard patent.

Also, the Innovation Patent System offers a rapid and affordable way of protecting inventions. Importantly, the advantages of speed and affordability that the innovation patent offers do not simply involve the time and costs of patent prosecution but rather the time and costs of innovating. This point is fundamental to IPTA's view that a second-tier patent system be available for Australian innovators, but seems lost on those wanting to remove the Innovation Patent System. In this regard, developing and commercialising inventions that are likely to satisfy an inventive step threshold for standard patent requires significantly greater time and expense than the development of incremental inventions. We reiterate that, from our discussions with business owners, it is clear that innovation frequently occurs incrementally. As such, a small business owner may be required to make multiple successive incremental innovations to a single product to be confident about obtaining protection under the inventive step threshold of a standard patent. Importantly, however, each one of the incremental innovations may require prototypes to be built and tested, which is very expensive and, in the absence of a second-tier patent system, would need to be carried out without any protection. The Innovation Patent System on the other hand allows business owners to affordably and rapidly protect commercially significant incremental innovation and bring these products to market. This is a beneficial outcome for Australian businesses and the public.

Australia is obligated under the Trade-Related Aspects of Intellectual Property Rights (TRIPS) agreement to provide intellectual property protection that does not discriminate between foreign and local applicants. Nevertheless, the Innovation Patent System is predominantly used by Australian SME businesses for whom it was intended (with the exception of the recent influx of Chinese innovation patents, which we address below). According to the recently released 2019 Australian Intellectual Property Report Australian residents are the primary users of the innovation patent, accounting for 51% of all applications in 2018. The majority of foreign businesses do not rely on second-tier innovation patent protection when pursuing inventions in Australia. For example, filings from US companies only accounted for 4% of innovation patents filed in 2018. Thus, the Innovation Patent System is predominantly used by Australian applicants, which contrasts strongly with the Standard Patent System which is overwhelmingly used by overseas based applicants (currently about 90%). As such, the Innovation Patent System provides an "Australian-favoured boost" to SME businesses for either establishing a market presence or maintaining a market advantage over competitors. This is relevant because Australian SMEs are the main source of new jobs and growth in the Australian economy

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<sup>1</sup> Economic Impact of Innovation Patents, IP Australia Economic Research Paper 05

(as acknowledged by the Productivity Commission Report on Intellectual Property Arrangements in Australia) and are therefore major contributors to the Government's jobs and growth agenda.

For the above reasons, it is clearly incorrect for the Minister or anyone to suggest that the Standard Patent System can simply be used as an alternative to the Innovation Patent System in these circumstances - it cannot.

### **The value of Innovation Patents is independent of patentability requirements**

Many of those supporting abolition of the Innovation Patent System argue that it results in low value patents, which are not beneficial. However, it is simplistic and wrong to equate the barrier that the invention has to overcome to be valid, with the value of the patent. The value of a patent or an invention is not directly correlated with the level of inventive or innovative step the invention has to overcome in order to be granted. The business owners with whom IPTA has consulted confirm that comparatively simple inventions can have great commercial value. For example, a simple change of catalyst in a known industrial process may result in significantly improved yields or energy savings in the process. In contrast, a very marked improvement of an existing product and/or process may be so far removed from existing processes that it is uncommercial or too expensive to implement and therefore of very little commercial and social value. Accordingly, there is no clear evidence to suggest that a low level of innovative step results in patents of low value, social or otherwise. It is the commercial usefulness of an invention that is critical to the value of the innovation not the level of the inventive step/innovative step barrier it has to hurdle.

### **Use of the Innovation Patent System**

The other major argument put forward by those in support of abolishing the innovation patent is that it is little used by Australian businesses. It is relevant that this argument refers to Australian businesses rather than Australian SMEs.

According to the recently released 2019 Australian Intellectual Property Report from the period 2009 to 2018, the number of innovation patents filed increased from 1341 to 2257, a 70% increase. Even taking into account the recent increase of innovation patents filed by Chinese applicants, these figures confirm that there is an increased demand from local businesses, the predominant users of the system, for innovation patents. For the same period, the number of provisional applications filed, which represents local use of the Standard Patent System, fell from 6298 to 4954, a 21% reduction. In other words, the increased use of the Innovation Patents System has occurred against the current general trend of reductions in filing standard patent applications.

For the above reasons, there are no logical reasons for removing the Innovation Patent System based on an alleged lack of use. Firstly, it is clear from the statistics that significant numbers of Australian SMEs use the system. These businesses, numbered in the thousands, will be disadvantaged if the innovation patent system is removed. Secondly administration of the Innovation Patent System can piggy-back inexpensively on the standard patent system, which is significantly underutilised by Australian businesses.

### **IPTA's response to the Economic Impact of Innovation Patents, IP Australia Economic Research Paper 05 and the Productivity Commission's Report**

IP Australia commissioned a report into the economic impact of innovation patents. The resulting IP Australia Economic Research Paper 05 (referred to below as the Report) was published in 2015.

The Executive Summary of the Report, states that the great majority of Australian SMEs and private inventors appear to gain little benefit from the system. This statement is

qualified by the sentence, "three quarters of these applicants file one innovation patent and then never file another innovation or standard patent again". At section 3.2 of the report it is stated, "if applicants felt the uncertainty value of patents were valuable to them, one might expect that firms that file uncertified innovation patents would be repeat users of the system". This sentence is unclear but possibly suggests that the failure of business to file multiple innovation patents is an indication of lack of benefit. This assumption is baseless. The failure of businesses to file repeat applications is no indication of lack of benefit from the system. This conclusion in IP Australia's Report lays bare the fact that those responsible for the report are without proximity to, or experience in, innovative business environments. The fact is one innovation patent for an SME can provide sufficient value for a business to become established in a market. There is also an apparent lack of understanding in relation to the effort and investment that is required for innovation to occur. A fact confirmed by business owners is that innovation is difficult and not an everyday occurrence.

The executive summary of the Report also states that only 23 SMEs have become moderate users of the innovation patent system, filing at least 5 innovation patents, with at least one enforceable right, and entering the patent system via an application for an innovation patent. No conclusion is drawn from this statement. However, it appears to intimate that the Innovation Patent System has little value for Australian SMEs. Again, this is an incorrect conclusion. It is not clear as to why the report set the number of innovation patents at 5 for moderate use. Moreover, it is inconsistent with the statement on page 20 of the Report, which describes users with 5 or more innovation patents as heavier users of the innovation patent.

The Report concludes that Australian SMEs gain no value from the Innovation Patent System because the majority of innovation patents are not certified. This is an extremely poor proxy for innovation patent value to the applicant. The Innovation Patent System was designed for businesses to file applications and, if necessary, only proceed with certification if a relevant infringer was identified. The purpose of this strategy was to allow SMEs to save on unnecessary prosecution costs. As such, not certifying an innovation patent cannot be a reliable measure of patent value.

The Report also concludes that the lack of legally enforceable rights in uncertified innovations patents could create uncertainty for other firms making commercial decisions where unclear rights may or may not be granted to their competitors. This statement has no validity because any third party can request that the Commissioner examine an innovation patent. This will quickly result in certainty regarding enforceable rights.

Overall the Executive Summary of the Report is completely inconsistent with the views and experiences of business owners that actually use the Innovation Patent System.

Most notably, some of the data presented in the Report clearly support the retention of the Innovation Patent System. For example, it is stated that "firms that file patent applications undertook more R&D on average than similar firms – indicating that the patent system, and for the manufacturing industry, the innovation patent system, is used as a way to protect successful R&D expenditure". In other words, IP Australia's own Report demonstrated that innovation patents incentivised R&D expenditure in the manufacturing industry. Moreover, the Report identified that companies that file innovation patents tend to survive longer than those that do not, and that this is independent of certification.

The Report also acknowledges that second-tier patents, provide a lesser but more accessible form of patent protection for innovating firms or individuals and that according to the World Intellectual Property Organization (WIPO), second-tier patents are currently used in 59 countries around the world, including: Albania, Ecuador, Malaysia, Angola Egypt Mexico, Argentina, Estonia, OAPI, ARIPO Ethiopia, Peru, Armenia Finland, Philippines, Aruba, France, Poland, Australia, Georgia Portugal, Austria, Germany, Republic of Korea,

Azerbaijan, Greece, Republic of Moldova, Belarus, Guatemala, Russian Federation, Belize, Honduras, Slovakia, Brazil, Hungary Spain, Bolivia, Indonesia, Taiwan, Bulgaria, Ireland, Tajikistan, Chile, Italy, Trinidad and Tobago, China, Japan, Turkey, Colombia, Kazakhstan, Ukraine, Costa Rica, Kuwait Uruguay, Czech Republic, Kyrgyzstan, Uzbekistan, Denmark and Laos.

These positive points and conclusions that support retention of the Innovation Patent System are not alluded to, or specifically mentioned, in the Executive Summary.

IPTA has also made comprehensive submissions rebutting and casting significant doubt over the findings and conclusions of the Productivity Commissions 2016 Report on Intellectual Property Arrangements in Australia (referred to below as the PC Report). IPTA demonstrated in our submissions that, similar to the conclusions of the Report commissioned by IP Australia, the PC Report findings, which were adverse to the Innovation Patent System, contained significant errors. IPTA can make these submissions available to the Senate Committee, if required.

### **Commercialising Business Ideas – discussion paper**

In 2018 the provisions directed at phasing out the Innovation Patent System were removed from Intellectual Property Laws Amendment (Productivity Commission Response Part 1 and Other Measures) Bill 2019, to allow the Government conduct consultations to understand the needs of innovative Australian SMEs seeking to commercialise their business ideas. The resulting Commercialising Business Ideas - discussion paper and Commercialising Business Ideas – Public Consultation Report were made available by IP Australia for review and comment on 26 April 2019. IPTA made a submission in response to this consultation, which, in relevant part, is reproduced below.

From this consultation the following key findings were made 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 the 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 reiterates that we have spoken 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 completely legitimate use of the innovation patent system. In fact, this use could be said to be the primary objective of the Innovation Patent System. It is clear from the comments above that innovation, particularly in the manufacturing industry, generally involves incremental improvements of known products and these new products can be commercially very valuable to business strategy.

Again, in IPTA's view, the negative findings of this consultation regarding the Innovation Patent System are not reliable.

### **Advisory Council on Intellectual Property**

In the second reading speech of the Bill, it is stated that the former Advisory Council on IP (ACIP) Committee recommended that the Innovation Patent System be abolished.

IPTA acknowledges that previously the ACIP Committee made a recommendation to abolish the Innovation Patent System. However, our discussions with members of the ACIP Committee suggests that the ACIP recommendation was made on the basis of the simplistic and flawed economic report generated by IP Australia, which ACIP had very little time to consider.

### **Revision not abolition – a workable alternative**

IPTA is committed to the implementation of a fair and workable second-tier patent system in Australia that balances the needs of all relevant stakeholders. For this reason, IPTA strongly supports retaining and reforming the current Innovation Patent System. IPTA supports this more measured approach, which supports Australian SMES, rather than the extreme proposal to abolish the Innovation Patent System.

IPTA suggests some relatively minor amendments to the Innovation Patent System that should address issues of the current system. These include:

- a) Mandatory examination within, for example, three years of filing;
- b) The term "granted patent" being used to refer to an application that has been through an examination process; and
- c) Raising the threshold of innovative step, but to a level that is lower than the current inventive step threshold;

In relation to points (a) and (b), these changes will address abuse of the current system by overseas applicants, particularly Chinese applicants, filing innovation patent applications with a view to obtaining Chinese Government subsidies.

In relation to point (c), IPTA recommends that the innovative step threshold be closely align with the test set out in *Griffin v Isaacs* (1938) 12 ALJ 169. Another option is to adopt what is referred to as the "3M" obviousness test that was applicable under the Patents Act 1952.

The second reading speech of the Bill states that "some people argue that the second-tier patent should be reformed, but there is no agreement on a workable alternative". It is unclear to IPTA as to why the Government has rejected our proposal to retain and revise the Innovation Patent System as set out above. The Government has been unable to provide any valid reasons to reject our proposal to revise the Innovation Patent System. The Government has also not devised an alternative system or proposal for providing at least equivalent assistance to local innovators.

IPTA is strongly of the view that innovation in Australia, which is a difficult and fragile process, should be supported by all possible tools, including a second-tier patent system, such as the Innovation Patent System.

## The objects clause

Schedule 1, Part 1 of the Bill proposes to add the following section to introduce an object statement into the Patents Act 1990.

### **2A Object of this Act**

The object of this Act is to provide a patent system in Australia that promotes economic wellbeing through technological innovation and the transfer and dissemination of technology. In doing so, the patent system balances over time the interests of producers, owners and users of technology and the public.

IPTA opposes the introduction of the proposed objects clause into the Act because it is unnecessary and will create confusion and scope for dispute, which will place a greater financial burden on patentees.

### **Patentable subject matter**

IPTA is strongly opposed to the introduction of the proposed object clause into the Patents Act 1990 on the basis that, despite comments suggesting the contrary in the Explanatory Memorandum, it is clearly intended to significantly change the manner in which judicial patent decisions are made in relation to many aspects of patent validity, including the assessment of patent eligible subject matter and inventive step. In particular, the introduction of the word 'technological' to qualify the term "innovation" has the potential to cause significant misunderstandings and significant harm.

To fully appreciate the potential impact of the proposed object clause, it is necessary to understand the history behind its proposed introduction. The chief advocate for the introduction of an object clause into the Patent Act is the economist, Dr Hazel Moir. Dr Moir has made a number of submissions that expose how the proposed object clause has the very clear potential to detrimentally impact Australian innovation policy. In her Response to IP Australia's "Consultation on an object clause and an exclusion from patentability", July 2013), Dr Moir criticises the following judicial decisions as being "economically dysfunctional", apparently simply on the basis that the decisions favoured the patentee.

- Minnesota Mining and Manufacturing v Beiersdorf (1980) 144 CLR 253
- Re International Business Machines Corporation v Patrick Anselm Smith, Commissioner of Patents [1991] FCA 625 (13 December 1991)
- Ccom Pty Ltd v Jiejing Pty Ltd [1994] FCA 1168 (22 June 1994)
- Anaesthetic Supplies Pty Ltd v Rescare Ltd (1994) 50 FCR 1
- Welcome Real Time SA v Catuity Inc (2001) 51 IPR 327.
- Aktiebolaget Hässle v Alphapharm Pty Ltd (2002) 212 CLR 411.
- Obiter in Full Federal Court Grant v Commissioner of Patents [2006] FCAFC 120,
- Commissioner of Patents v Emperor Sports (2006) 225 ALR 407; (2006) 67 IPR 488; [2006] FCAFC 26.
- Lockwood Security Products Pty Ltd v Doric Products Pty Ltd (No 2) [2007] HCA 21
- Sigma Pharmaceuticals v Wyeth [2009] FCA 595.
- Bayer Pharma Aktiengesellschaft v Generic Health Pty Ltd (No 2) [2013] FCA 279

Dr Moir concludes that "the reason why an objectives clause is needed in the Patents Act is that judges clearly need better parliamentary direction as to the reasons behind patent policy and the limits (balance) that needs to be achieved". A review of these cases clearly indicates that the intended purpose of the object clause, at least if Dr Moir's views are to be accepted as they seem to have been by the Productivity Commission, is to impact at least, judicial decisions in relation to patentable subject matter and inventive step.



When the Productivity Commission released its draft report, the proposed objects clause did not include the qualifying term "technological" in relation to innovation. In her response to the Productivity Commission's draft response, Dr Moir argued strongly for the inclusion of the term "technological innovation" in the object clause on the basis that the interpretation of the High Court's 1959 NRDC decision has substantially undermined by subsequent judicial decisions because the current definition of a patentable invention in Australia is simply something artificial from which an economic return can be made. Dr Moir went on to say that this "radically extends the boundaries of the patent system beyond technology". Seemingly, on the basis of Dr Moir's submission, the Productivity Commission amended the proposed object clause to include the term "technological innovation". This strongly suggests that the intended purpose of the object clause, or at least the purpose intended by the Productivity Commission, is to restrict at least patent eligible subject matter in Australia. While this may not be the Government's stated purpose, this lead up to and history behind the Productivity Commission's recommendation, has the potential to confuse the intention behind the use of the term in the object clause.

IPTA is also extremely concerned that there is a lack of preciseness regarding the term "technological innovation". In other words, it is not clear what a technological innovation is, and what it is not. This lack of clarity will potentially impose greater costs for all parties during litigation proceedings.

According to Dr Moir (as presented by Hazel Moir at the 15th International Schumpeter Society Conference Friedrich Schiller University, Jena, Germany 27-30 July 2014), the limitation of technological innovations in the object clause will make the following subject matter ineligible for patent protection:

- Inventions where R&D costs are low or exclusive time in the market without patents is long;
- Isolated products of nature that can be used in, for example, pharmaceutical compositions;
- Software inventions; and
- Methods of medical treatment including diagnostic, therapeutic and surgical methods of treatment.

IPTA notes that there are several statements in the Explanatory Memorandum which indicate that the object clause is not intended to qualify or change what is to be considered patentable subject matter. However, based on the comments above, IPTA believes there is a significant likelihood that the object clause will be relied upon by those seeking to limit the boundaries of what subject matter should be considered patentable. This will impose significant uncertainty and costs for all stakeholders in the IP system and is surely not in the broader public interest. There is a real risk that if the object clause is used to restrict patent eligible subject matter, ground breaking Australian innovation may not be protectable in Australia therefore reducing investment and resulting in an exodus of innovators to more patent friendly countries.

IPTA is particularly concerned by the current approach being adopted by IP Australia, and lower courts, in relation to the assessment of patentability of inventions based on software. Many inventions which satisfy novelty and inventive step requirements are being rejected outright by IP Australia, even when such inventions are considered patentable in Europe. IPTA is so concerned about this current trend within IP Australia that it has recently set up a working group to study this area to see what can be done to head off this disturbing trend. In this regard, any approach to the assessment of patentable subject matter which relies on any form of comparison with prior art is likely to lead to unpredictable results.

The High Court of Australia has not yet considered the patentability of software inventions, and IPTA is concerned that the introduction of the word 'technological' to qualify innovation in the object clause might be seized upon to support the rejection of patents in this

important area of innovation. In this regard, introduction of the word “technological” into the object clause could limit Australia’s ability to recognise patentable subject matter in areas where patentability has been recognised by our major trading partners. In IPTA’s view the word “technological” is not necessary and can only cause harm if introduced.

IPTA’s view is supported by eminent independent legal authorities on Intellectual Property, for example at an International Association for the Protection of Intellectual Property (AIPPI) seminar in 2016, former Federal Court Judge Annabelle Bennett said that an object clause would greatly complicate and increase costs for patent applicants, particularly in litigation proceedings.

Notably, the problems associated with qualifying inventions with words such as “technological” and “technology” has recently arisen in the United States where the Senate Judiciary Committee Subcommittee on Intellectual Property is currently looking at amendments proposed to 35 U.S.C. § 101. In the first meeting of this Committee the former Chief Judge of the Court of Appeals for the Federal Circuit, Paul Michel, described the word “technology” as a “weasel word”, cautioning against its use in defining patentable subject matter in the United States. This concern was echoed by several other witnesses.

In summary, while IPTA does not agree that an object clause is required, if such a clause must be inserted into the *Patents Act 1990*, then we strongly urge that the word “technological” be deleted.

### **Section 40(3A)**

Section 40(3A) of the current *Patents Act 1990* states that the claim or claims (of a patent) must not rely on references to descriptions, drawings, graphics or photographs unless absolutely necessary to define the invention. The intention of this section of the Patents Act 1990, which was introduced by the Intellectual Property Laws Amendment (Productivity Commission Response Part 1 and Other Measures) Bill 2018, was to make omnibus claims, which refer to parts of a patent specification, unacceptable during examination. However, IPTA notes that amended Section 40(3A) does simply refers to “parts” of the specification – it refers generally to “descriptions, drawings, graphics and photographs”. This amendment means that current Section 40(3A) goes beyond its initial purpose of making omnibus claims unacceptable (during examination). A claim that now includes a graphic, for example a chemical formula, is now unacceptable during examination unless it is absolutely necessary to define the invention.

Thus, current section 40(3A) can result in patents directed to chemical compounds, where the claims frequently refer to a chemical formula (a graphic) as not allowable. IPTA submits that this is wrong because a claim that refers to a chemical structure is more succinct than one that refers to a long and potentially unclear chemical name.

Currently, section 40(3A) can only be considered during examination. However, Schedule 6 of the Bill includes provisions that will make section 40(3A) a ground for opposition, re-examination and revocation. Thus, under the proposed amendments set out in Schedule 6 of the Bill, a clear claim will be vulnerable to invalidation under re-examination, opposition or revocation proceedings.

Since a claim already must be clear and succinct, it is nonsensical to make non-compliance with Section 40(3A) a ground of opposition, re-examination or revocation.

For completeness, we advise that IPTA overlooked the problems caused by the amendment to Section 40(3A) by Part 1 of the IP amendment Bill. However, now that Part 2 of the IP

amendment Bill is proposing to make amended Section 40(3A) a ground of revocation for an otherwise clear (and patentable) claim, we are greatly concerned.

IPTA does not believe that Australia should be introducing more ways to invalidate otherwise perfectly clear and patentable claims that are considered allowable in other jurisdictions, including our major trading partners. Accordingly, IPTA is of the view that Section 40(3A) should not be a ground of objection or attack after acceptance and we are strongly opposed to the proposed amendment set out in Schedule 6 of the Bill.

### **Concluding remarks**

IPTA reiterates, that The Intellectual Property Laws Amendment (Productivity Commission Response Part 2 and Other Measures) Bill 2019, if enacted, will place a significantly greater burden and costs on Australian businesses attempting to protect their intellectual property. It will also make it far easier for legitimately allowed applications and granted patents to be invalidated. Overall, if the IP amendments as currently proposed are introduced, Australia will become an "innovation unfriendly" country, which is clearly detrimental for innovation and business.

If the Committee requires clarification or further information about our submission, we would be happy to attend an oral hearing.

Yours sincerely,



**Michael J Caine**

President

Institute of Patent and Trade Mark Attorneys of Australia