

Fee Review
IP Australia
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Re: Draft Cost Recovery Implementation Statement – IP Australia 2020-2021

We refer to the Official Notice of 17 December 2019.

We thank the Fee Review Panel of IP Australia for the opportunity to provide feedback on the draft Cost Recovery Implementation Statement (CRIS) outlining the proposed fee changes. We apologise for the late reply and ask that consideration nevertheless be given to this submission.

We take the opportunity in this submission to comment on the proposed fee changes generally, and particularly in relation to the changes proposed for patents, trade marks, designs, and plant breeders' rights, as well as for the Trans-Tasman IP Attorneys system.

1. About IPTA

The Institute of Patent & Trade Mark Attorneys of Australia (IPTA) is a voluntary organization representing registered patent attorneys and registered trade mark attorneys in Australia. The membership of IPTA includes patent attorneys and trade mark attorneys in private practice, as well as patent attorneys and trade mark attorneys in industry, in public sector organisations, such as CSIRO, in universities, and others who practice as barristers. IPTA members represent Australian and foreign large corporations, small to medium-sized enterprises (SMEs), private and public research institutes, universities, and individual inventors.

2. Background

IPTA acknowledges that the one Outcome of IP Australia under the Government's budget and accountability framework noted at item 1.2 of the draft CRIS is:

Increased innovation, investment and trade in Australia, and by Australians overseas, through the administration of the registrable intellectual property rights system, promoting public awareness and industry engagement, and advising government.

IPTA also acknowledges that, as noted at item 2.1 of the draft CRIS, the Government policy for IP Australia's administration of Australia's IP rights' systems, specifically patents, trade marks, industrial designs, PBRs and TTIPA Board and Disciplinary Tribunal is on a cost recovery basis. As a result, IP Australia receives only very limited departmental appropriation from Government (approx. \$0.4 million in 2019-20) for non-regulatory charging activities undertaken in association with advice to Government and international engagement (i.e. Program 3).

As a consequence of Government policy that IP Australia administer this country's IP rights' systems on a cost-recovery basis, IP Australia's cash reserve has been significantly depleted in recent years in order to fund major infrastructure projects, including the 'Rights in One' (RIO) administration system, the Future Way of Working Program, and the Transactional Digital Services (TDS) program.

3. General Comments

The draft CRIS clearly indicates on page 24 that one of the main purposes of the proposed changes to the current fee structure is to replenish IP Australia's depleted cash reserve:

The strategy for the current fee review is to manage and rebuild the organisation's cash reserve over the forward estimates in accordance with thresholds outlined in IP Australia's cash reserve policy.

While IPTA welcomes the investments that IP Australia has made in improving its administration of the IP rights' systems and understands the need to rebuild its cash reserve for possible future investments, IPTA questions whether IP Australia should aim to replenish its cash reserve quite so quickly over the period of the forward estimates.

Indeed, the higher costs for users of the IP rights' systems associated with the rebuilding of IP Australia's cash reserve as proposed would appear more consistent with "profit generation" than with "cost recovery" and would not appear to be consistent with IP Australia's one outcome of "increased innovation, investment and trade in Australia".

IPTA suggests that IP Australia should look to recover the significant costs of its infrastructure investments over a longer period so that the impact on consumers is reduced. This would lower the cost increases for innovators and investors in innovation in Australia and reduce potential for a perception that the short-term rebuilding of a cash reserve is less consistent with "cost recovery" so emphasised in the draft CRIS.

4. Patents

4.1 Renewal Fees

A large part of the cost recovery (or "profit generation") proposed for rebuilding of IP Australia's cash reserve appears to be based on a proposed reform of the patent renewal fee system. As set out under item 3.3 of the draft CRIS, IP Australia proposes to adopt a patent renewal fee structure with annual increases to renewal fees.

The proposed annual fee increases are moderate in the 4th–11th year renewal periods but then increase significantly in the 12th–14th and 16th–19th year renewal periods. Also, the proposed annual fee increases for pharmaceutical patents in the 20th–24th year renewal periods are very substantial. IPTA disagrees with the proposed renewal fee increases.

Many inventions, especially in the life sciences area, are still in their formative years during the 12th–19th year renewal periods. This can be due to numerous factors, including:

- research and investment required to develop a concept into a commercial product;
- manufacturing problems; and
- extensive safety and regulatory requirements (e.g. pre-clinical, clinical trials etc).

Not all inventions, certainly not in the life sciences area, are owned by large and well-funded multinational corporations. Many are owned by individuals and small start-ups with limited funds to invest in a patent before a commercial product is on the market. For many patentees in the life sciences area, the “formative years” of a patent may last 15 years post-filing, or even longer, before they are able to market their product commercially.

IPTA urges IP Australia to reduce substantially the renewal fee increases proposed for the 12th–19th year renewal periods.

Regarding the 20th–24th year renewal periods (i.e. the patent term extension years), protection for these additional years is limited to pharmaceutical products *per se*. As the pharmaceutical product must have received regulatory approval, it seems reasonable to assume that a high proportion of these patents cover inventions that are generating income for the patent owner. The dramatic increase proposed to the renewal fees of between 300% and 400%, however, would appear to take unfair advantage of the patent owners.

IPTA therefore urges IP Australia to reduce substantially the renewal fee increases proposed for the 20th–24th year renewal periods.

4.2 Excess Claims Fees

IP Australia proposes to maintain the current threshold at 20 claims before an excess claims fee is charged. IPTA disagrees with this proposal.

As previously submitted, IPTA is of the view that 20 claims are not sufficient to define a complex invention comprehensively, especially inventions having multiple aspects, such as composition, apparatus, method, and use. We submit that this number should be increased to 30 claims.

Furthermore, while IPTA does not disagree with the principle of having a staged or staggered fee structure for excess claims, IPTA submits that a higher excess claim fee rate should only apply when the number of claims exceeds 50.

IPTA urges IP Australia to remove the excess claims fee for patent applications with 30 claims or less, and to introduce the higher excess claims fee for applications with more than 50 claims.

5. Trade Marks

IPTA is pleased that the current standard picklist application fee and Headstart application fees are to be maintained. However, IPTA does not agree with the proposal to increase the fees for non-picklist applications from \$330 to \$400 per class, which is a significant increase, for the following reasons:

- the current picklist is very limited and has not been adequately updated particularly to take into account new technologies or services;
- any increase in IP Australia’s operational costs (innovation, personnel and infrastructure) should be shared across all applicants and not just to those using a particular means of filing; and
- currently, it is taking a considerable length of time (approximately 6 months) for standard applications to be examined. By maintaining fees for Headstart applications, this will likely further increase the attractiveness of filing via the Headstart process which may result in

an even longer time for standard applications to be examined, thus disadvantaging applicants who have paid a higher fee.

Instead of increasing application fees, IPTA believes consideration should be given to increasing renewal fees, as IP Australia is proposing to do with patents, particularly with the added benefit of discouraging trade mark owners from maintaining trade marks which are not in use.

6. Designs

IPTA does not object to the proposed fee increases for the Designs system. The fee increases appear to be moderate and should not have a significant negative impact on design applicants or owners of registered designs.

7. Plant Breeder's Rights (PBRs)

7.1 Renewal Fees

IPTA notes the comment under item 3.3. of the draft CRIS, that: "*The increase to PBR renewal fees aims to moderate the under-recovered position of the overall PBR activity.*" IPTA does not agree with the proposed increase in the renewal fee for PBRs.

According to Table 1 of the draft CRIS, 43% of PBR applicants are Australians, many of whom are individuals, small enterprises, or universities, all with limited funds. As such, IPTA considers that increasing the renewal fee for a PBR would be inconsistent with IP Australia's mission to increase innovation, investment and trade in Australia as it would directly affect the ability of small Australian plant breeders to afford the PBR system.

The significant benefits that the PBR system brings to the Australian economy, especially in the health and environmental sectors, should be sufficient motivation for IP Australia to recover the costs of this program elsewhere. Any fee increases or changes in fee structure will impact the industry and potentially cause negative downstream effects.

IPTA is of the opinion that the PBR system should be affordable to all and thus recommends against any renewal fee increase. If IP Australia insists on increasing PBR renewal fees, then IPTA urges IP Australia to limit such increases to after 15 years in the term of the PBR.

7.2 Qualified Persons

For similar reasons as above, IPTA disagrees with the change to the structure and associated increase to the Qualified Persons fees. As noted above, PBRs offer unique environmental and economic benefits and are often developed by individuals and small enterprises, 43% of whom are Australian. Any fee increase would place higher financial burden on the PBR Applicant. Also, the change in fee structure from an annual payment to a three-yearly payment (regardless of fee increase) prevents the Applicant from spreading the payment over several financial years.

8. Update to Hearing Costs

IPTA welcomes the update to the Hearing Costs and is generally pleased that IP Australia has proposed changes that will have the effect of closing the gap between the actual costs incurred during a Hearing and the total recovered costs.

8.1 Patents Regulations 1991: Schedule 8 - Part 1 Costs

IPTA generally agrees with the changes proposed by IP Australia. Regarding the costs for attendance at the hearing by counsel, however, IPTA queries whether a distinction might be made between junior counsel and senior counsel to avoid excessive costs being charged in respect of counsel.

8.2 Trade Marks Regulations 1995: Schedule 8 - Part 1 Costs

IPTA notes that the proposed recoverable costs (which are based on the practice of the Federal Court) for trade marks are exactly the same as for patent and designs. IPTA does not agree with the proposed recoverable costs for trade marks and believe they should be reconsidered for the following reasons:

- overall, IPTA believes the proposed recoverable costs appear to be more suited to patent oppositions, as they do not reflect the actualities of trade mark oppositions;
- the recoverable costs appear to be excessive for a number of items. For example, IPTA considers most attorneys do not charge \$800 for receiving a notice of opposition. Further, IPTA considers the proposed recoverable amount of \$1,500 for preparing and filing a Statement of Grounds and Particulars to be far too generous and does not reflect the amount of work involved. In addition, the proposed recoverable amount of \$8,000 for evidence of use is unlikely to be reached in the majority of cases, particularly so for non-use cases;
- the proposed recoverable costs for counsel of \$1,000 per hour, maximum of \$4,000 a day is excessive for trade mark oppositions. While senior counsel are regularly engaged for patent matters, this is not the case for trade mark oppositions. The hourly rate mentioned of \$1,000 is reflective of senior counsel. Most appearances for trade mark oppositions are by junior counsel, and rarely is senior counsel engaged;
- it should be possible to run an opposition case before IP Australia more inexpensively than a case through the Federal Court, and encouragement should be given to keep costs down. By increasing the recoverable costs to such a level for trade mark hearings, it may have the unintended consequences of making oppositions more expensive to run and potentially open up the system to abuse from a costs recovery perspective;
- unrepresented applicants and applicants who are natural persons, if unsuccessful, could be presented with a very high costs claim thus discouraging their participation in future trade mark applications/oppositions. If such persons are unable to pay the costs awarded, they would be open to a debt recovery action and, potentially, subsequent insolvency or bankruptcy actions if they fail to pay or are unable to pay; and
- IPTA is of the opinion that opposition proceedings should be available to all applicants, large or small, and regardless of legal representation. By significantly increasing the recoverable costs, it sends a message that the system is skewed towards larger, wealthier applicants and users of the system.

IPTA submits that IP Australia should consider a fee for filing a Notice of Intention to Defend to offset some of the costs incurred in running its opposition operations.

8.3 Designs Regulations 2004: Schedule 3 - Part 1 Cost

IPTA generally agrees with the changes proposed by IP Australia. However, as with trade mark matters, the proposed recoverable costs for counsel of \$1,000 per hour, and a maximum of \$4,000 a day, seem excessive for designs hearings. Regarding the costs for attendance at the hearing by counsel, therefore, IPTA queries whether a distinction might be made between junior counsel and senior counsel to avoid excessive costs being charged in respect of counsel.

9. Trans-Tasman IP Attorneys (TTIPA) System

IPTA does not object to the proposed fee increases for TTIPA applications and renewals.

10. Conclusion

IPTA awaits consideration of the above comments in relation to the CRIS and any feedback from IP Australia on the above comments.

IPTA again thanks the Fee Review Panel for the opportunity to make these comments before the draft CRIS is finalised.

Yours faithfully,



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