

INDUSTRIAL PROPERTY ADVISORY COMMITTEE

REPORT ON PROPOSED PETTY PATENTS LEGISLATION

10th November, 1978.

INDUSTRIAL PROPERTY ADVISORY COMMITTEE

REPORT ON PROPOSED PETTY PATENTS LEGISLATION

Terms of Reference

1. At a meeting between the Minister for Productivity and members of the Industrial Property Advisory Committee in Canberra on September 15, 1978, the Minister informed the Committee:
  - 1.1 that a draft Bill had been prepared to implement a petty patent system, along the lines recommended by the Designs Law Review Committee (the "Franki Committee") in its Report Relating to Utility Models (the "Franki Report"), as approved by Cabinet;
  - 1.2 that the draft Bill had not received unqualified support from interested bodies, in particular, The Australian Manufacturers' Patents, Industrial Designs, Copyright and Trade Mark Association ("AMPICTA"), The Institute of Patent Attorneys of Australia (the "Institute") and the Inventors' Association of Australia Limited (the "Inventors' Association");
  - 1.3 that in consequence, the Minister was referring the matter to the Industrial Property Advisory Committee.
2. The terms of reference of the Committee are to consider the draft Bill and advise the Minister whether there are valid objections to the Bill as drafted, whether it is practicable to resolve those objections and whether any changes to the Bill would be desirable.

The Committee convened in Melbourne on October 9 and 10, 1978. The Committee considered submissions on behalf of AMPICTA, the Institute and the Inventors' Association. Representatives of each of those organisations also met with the Committee to amplify written representations previously lodged with the Minister, the Patent Office and/or the Committee.

The Draft Bill

3. The purpose of the draft Bill in its current form is to implement a petty patent system substantially as recommended by the Franki Committee.

The principal features of the draft Bill are:

- 3.1 provision of optional petty patent protection for inventions satisfying the existing statutory requirements of the Patents Act in respect of patentability including the definition of an invention;
- 3.2 limited examination of petty patent applications by requiring the Commissioner of Patents (or his delegate) to consider each petty patent application and specification to satisfy himself that the requirements of the Act have been met;
- 3.3 prohibition of acceptance of an application where the Commissioner is satisfied that there is a lawful ground of objection;
- 3.4 a discretion on the part of the Commissioner for the purposes of considering any petty patent application to make or direct any investigations he thinks fit;

- 3.5 no provision for opposition proceedings prior to the grant of a petty patent;
- 3.6 an initial term of one year and on application an extended term to provide a total term of six years. During the initial term any person may lodge with the Patent Office evidence of pertinent art and other information relevant to specified grounds of invalidity. The Commissioner is required to grant the extended term unless he is satisfied that there is a ground of invalidity upon which the original application might have been refused;
- 3.7 limitation of each petty patent to a single claim;
- 3.8 grounds of invalidity and revocation procedures identical to those for ordinary patents.

Report of the Franki Committee

4. The question considered by the Franki Committee was whether there was any need in Australia for a kind of protection in addition to that provided by the designs, patents and copyright legislation. The Franki Committee held twenty-eight meetings and sittings in order to arrive at the recommendations contained in its Report.
5. The principal issue dealt with in the Franki Report was whether there is a need for a form of protection for lesser technological developments which have merit, but are not entitled to protection under the designs legislation and are not patentable because they do not involve a sufficient inventive step. The Franki Committee rejected the idea that novelty, in the sense of mere newness, should constitute sufficient justification for protection, and concluded on the evidence before it that no significant gap existed in the protection available in Australia and that there was not a significant number of articles meriting protection but incapable of obtaining it in some form.

In arriving at this conclusion the Franki Committee assumed its other recommendations, that protection under the designs legislation should be available for articles which are wholly functional, would be accepted.

The Franki Committee also noted that if the courts in Australia should hold that invalidity of a patent for obviousness can be made out from a mosaic of any number of documents found in Australia at the priority date, however unlikely they were to be actually found and put together, (1) then the protection for inventors would appear to be inadequate.

6. Although it concluded that there was no significant gap in the available protection, the Franki Committee nonetheless recommended the introduction of a petty patent system in Australia which would offer protection that was inexpensive and easily and quickly obtainable, for a relatively short term, but otherwise would involve most of the features of the existing patent system including that only inventions as presently defined would be protected and that the same grounds of revocation would apply.
7. The Franki Report indicates that in arriving at this proposal the Franki Committee considered carefully the possibility of removing inventions with the lowest level of inventive merit from the existing patent system and providing that the only form of protection available for these inventions should be petty patent protection.

---

(1) This question is one which still has not been resolved by the Australian courts: see *Graham Hart Pty. Ltd. v. S.W. Hart & Co.* (1978) 52 ALJR 279 at page 284, per Aickin J.

From reading the Franki Report, we are left with the impression that the Franki Committee might have favoured this approach but refrained from recommending it because the Franki Committee was unable to arrive at an acceptable basis for satisfactorily identifying and distinguishing between the two proposed forms of inventions of "higher" and "lower" inventive merit. In particular, it rejected the approach of attempting to achieve such differentiation by using expressions such as "major" and "minor", or "obvious" and "clearly obvious", to describe the two relevant classes of inventions.

8. It appears that the defect which the Franki Committee believed to exist in the present patent system was that the length of time and cost involved in obtaining a patent means that in practice there is not a sufficiently quick and inexpensive and simple means of providing protection for the lower range of inventions, especially small articles having short commercial life-spans.

The principal areas of delay and cost are the examination and opposition procedures: hence the Franki Committee's recommendation for a petty patent system in which the pre-grant procedures are simplified and expedited by:

- 8.1 vesting in the Commissioner the responsibility for assessing whether a petty patent should be granted, and what investigations (if any) should be made for this purpose; and
- 8.2 excluding the opposition procedure.

9. It is the examination and opposition procedures which principally operate in the interests of the public to reduce the risk of unwarranted monopolies being obtained under the existing patent system.

The Franki Committee considered that, under the petty patent system which they proposed, the loss of protection of the public which would result from the streamlined pre-grant procedures could be acceptably counterbalanced by two measures:

- 9.1 the provision for review by the Commissioner, twelve months after grant, in the light of material submitted by any persons during that period; and
- 9.2 limitation of a petty patent to a single claim.

The Franki Committee suggested that the limitation of a petty patent to one claim would require an applicant to concentrate on a limited field of protection.

In this way, they considered a reasonable compromise between the interests of the public and the inventor could be achieved in the field of petty patents.

#### Objections to the Draft Bill

10. The publication of the recommendations contained in the Franki Report, in September 1973, did not evoke immediate response. However, since the announcement of the intention to introduce legislation to implement the recommendations, representations have been made opposing various aspects of the proposed petty patent system. The representations which this Committee has had the opportunity of considering have come from three

organisations, AMPICTA, The Institute of Patent Attorneys of Australia and the Inventors' Association. We have considered both written and oral representations from each of these groups.

11. AMPICTA is totally opposed to the grant of petty patents without a prior mandatory examination of novelty. It believes that unless issued patents have a high presumption of validity, they will be of doubtful value to the patentees who will become victims of non-enforceable patent rights, and an unjustified burden to industry which will be obliged to perform its own novelty examinations at an increased cost to the nation as a whole.
12. AMPICTA supports the objective of simplifying and expediting the grant of letters patent, so long as this is achieved otherwise than by reducing the standard of inventiveness for patents. On the other hand AMPICTA recognises that a need may exist for an alternative form of protection for inventions of lower inventive merit, and says that if any such need is identified it would co-operate in developing suitable legislation.
13. AMPICTA also foresees that, under the discretionary pre-grant investigation procedure for which the draft Bill provides, a significant number of petty patent applications will require a form of novelty investigation which in practice will correspond to a full novelty examination, and questions how the cost of such investigations is to be met, if the Franki Committee's aim of providing cheaper protection is at the same time to be achieved.
14. The attitude of the Institute of Patent Attorneys of Australia is that essentially it supports the proposed petty patents legislation but believes it should be modified to provide a two-tier system of patent protection. It has suggested that this might be achieved by introducing:
  - 14.1 a difference in the respective levels of invention required to sustain a patent and a petty patent, by removing obviousness as a ground of invalidity of a petty patent; and
  - 14.2 a corresponding difference in the breadth of permissible claims, and hence the scope of protection, for patents and petty patents respectively.

Regarding the second point, the Institute emphasises that if the level of inventiveness required for petty patent protection were to be reduced without a suitable, corresponding reduction in the permissible scope of a petty patent claim, an anomalous and totally unacceptable position would result. For then a petty patent could have a similar scope to an ordinary patent and yet be stronger against attack.

The Institute therefore suggests that, in conjunction with the removal of obviousness as a ground of invalidity of a petty patent, Section 40 of the Patents Act should be amended so that the scope of the single claim of a petty patent specification shall not extend beyond matter fully described in the specification and commonly generally known equivalents thereof.

15. The Inventors' Association, according to the submissions presented to the Committee, is not convinced that the proposed petty patent system will directly aid individual inventors and believes it will be of greatest value to small manufacturers.

It also urges the introduction of a dual standard of inventiveness, and suggests that this might be achieved by limiting obviousness as a ground of invalidity for petty patents to cases where the invention claimed "was clearly obvious and clearly did not involve an inventive step".

The Inventors' Association rejects the proposal to restrict the scope of the claim of a petty patent, on the theoretical ground that patents are intended to protect the underlying idea of an invention, and on the practical ground that such a petty patent specification would be more complex.

16. The Inventors' Association also included certain suggestions concerning the possibility of altering the legal consequences attendant upon the present provisions concerning remedies for infringement. In our view these suggestions, though of interest, are ones which it would be more appropriate to investigate in the course of a review of the Patents Act as a whole, rather than in the particular context of the draft Bill to which this Report relates.

### Conclusions

17. We believe that the Franki Committee considered the substance of the major objections and suggestions which were contained in the submissions made to us on behalf of AMPICTA, the Institute of Patent Attorneys of Australia, and the Inventors' Association.

As we have said, the Franki Committee devoted twenty-eight meetings and sittings in arriving at its recommendations for a petty patent system.

On the other hand, circumstances have dictated that this Committee's deliberations should consist only of consideration by individual members of some written background materials and two days of meeting as a Committee. The range of persons and interests from which the Franki Committee was able to receive and consider representations was also much more extensive and complete than in our case.

In these circumstances, we have considerable reservations about whether we can reasonably propose any significant departures from the substance of the recommendations contained in the Franki Report. We are certainly not in a position to traverse and fully assess all of the Franki Committee's conclusions with a view to determining for ourselves whether we would also adopt them.

Nonetheless, we have reached certain conclusions in which we have sufficient confidence to put them forward as recommendations which we believe to be justified.

18. The suggestion that there should be a lower standard of inventiveness for petty patents was supported in principle by both the Institute and the Inventors' Association. AMPICTA also recognised that a need may exist for an appropriate form of protection for inventions of lower inventive merit than that which should be required for letters patent. As already mentioned, it is possible that the Franki Committee could itself have favoured such an approach.
19. At present we are not in a position either to determine whether there should be different levels of inventiveness required for ordinary patents and petty patents, or to identify an appropriate basis for defining such difference.

It also seems to us that the most satisfactory way to resolve these questions, and introduce any different standards which may be appropriate, would be in the context and as a result of a more general examination of the tests of patentability, including the standard of inventiveness, which in the last quarter of the twentieth century should apply for ordinary patents, as well as those which are appropriate for petty patents. For these two matters are naturally very much inter-related.

20. For these reasons, we do not recommend introduction, as part of the legislation now under consideration, of a lower standard of inventiveness for petty patents. But we feel it may not be long before it becomes accepted that a two-tier system involving differences in the levels of inventiveness for ordinary patents and petty patents should be introduced. Therefore, in our opinion, it is desirable that nothing should be done in the legislation now proposed which would later obstruct the introduction of such a measure.
21. Turning to the arguments presented by AMPICTA with respect to the consequences of removal of mandatory novelty examination in relation to petty patent applications, we feel that AMPICTA's objections are perhaps exaggerated in relation to ordinary patents under the present patents legislation since the pre-grant procedures conducted in the Patent Office do not create a substantial presumption of validity. The pre-grant examination carried out by the Patent Office, in relation to applications under the present legislation, is limited as to the extent of the material which is searched<sup>2</sup> and in any event only novelty, as distinct from obviousness, is required to be considered.

To assert that the present pre-grant examination procedure creates a strong presumption of validity is therefore, in our opinion, an overstatement. Nonetheless, we do accept that there is some justification for AMPICTA's view that what is contained in the draft Bill may be too much of an abrogation of the safeguards which are afforded by the existing procedures in respect of ordinary patent applications. In this connection, we are conscious of the fact that while the Franki Report stated that the nature and extent of the pre-grant validity investigation to be carried out in respect of petty patents should be discretionary, the provision which it specifically recommended in this connection was to the effect that a petty patent would be granted only if the Commissioner was satisfied that there was no lawful ground of objection to the grant of the petty patent.<sup>3</sup> As drafted, the Bill under consideration seems to us to place greater emphasis upon the discretionary nature of the novelty examination to be carried out than perhaps is warranted in the light of the specific provision so recommended by the Franki Committee. At the same time, we recognise that it is clearly impractical to require the Commissioner to be satisfied that no lawful ground of objection exists to the grant of a petty patent if anything short of a full novelty examination is carried out.

22. We are of the opinion that it is desirable to amend the provisions of the draft Bill in this respect so as to increase so far as is reasonably practicable the obligation imposed upon the Commissioner to refuse to

---

2. *In the way indicated in the Franki Report, paragraph 32.*

3. *vide Franki Report, paragraph 59.*

accept applications for petty patents which are capable of being demonstrated to be bad for lack of novelty. In our view this is a consideration which is as desirable in the interests of inventors as it is in the interests of others who may be prejudiced by the issue of invalid petty patents.

23. We believe that an acceptable approach would be to incorporate the following features in the proposed legislation:
- 23.1 When an application for a petty patent is made the Commissioner shall consider the petty patent application and specification and determine whether they comply with the requirements of the Act and whether the grant of the petty patent should be refused under Section 155.
- 23.2 In considering a petty patent application and specification as required in accordance with paragraph 23.1, the Commissioner shall also consider whether there appears to be any lawful ground of objection to the application (as specified in paragraph 23.4) and, if any such lawful ground of objection appears to exist, the Commissioner shall make or direct the conduct of such investigations as he thinks fit to enable him to be satisfied whether or not the ground in fact exists.
- 23.3 The Commissioner shall accept the petty patent application and specification where he has determined that the application complies with the requirements of the Act and that the grant of a petty patent should not be refused under Section 155, unless he is of the opinion there is a lawful ground of objection to the application (as specified in paragraph 23.4). Where the Commissioner considers there are reasons for refusing the application, he shall notify the applicant accordingly and the applicant, within such time as the Commissioner allows, may lodge at the Patent Office a statement in writing of proposed amendments to the petty patent application or specification.
- 23.4 For the purposes of paragraphs 23.2 and 23.3, the lawful grounds of objection are:
- (a) That the invention claimed in the claim of a petty patent application is the subject of:
    - (i) A claim of the complete specification of an application for a standard patent lodged in Australia, or
    - (ii) The claim of a petty patent specification of another application for a petty patent lodged in Australia,being in either case a claim the priority date of which is earlier than the priority date of the first-mentioned claim;
  - (b) That the invention claimed in the claim of the petty patent specification has been published in Australia before the priority date of the claim;
  - (c) That the invention claimed in the claim of the petty patent specification is the subject of a claim of an earlier priority date contained in the complete specification of a standard patent or in the petty patent specification of a petty patent;

- (d) That the invention claimed in the claim of the petty patent specification is not novel on the priority date of the claim.
24. To go further and require a mandatory novelty examination in every case, as proposed by AMPICTA, would not seem to us to be desirable, provided always that the operation of the legislation, when enacted, is kept continuously under close scrutiny, and the possibility of further legislation being required is recognised and accepted.
25. Since the weight of the presumption of validity attributable to a particular petty patent may depend, at least in part, upon the nature and extent of the pre-grant investigation conducted within the Patent Office, we consider that, upon the publication of a petty patent application, the correspondence between the applicant and the Patent Office relating to the application should also become open to public inspection. In our opinion, the adoption of this procedure should materially assist in alleviating some of the concerns expressed by AMPICTA. We note that this suggestion was not opposed by any of the persons who appeared before us, representing AMPICTA, the Institute and the Inventors' Association, though it must be pointed out that in all cases the views expressed by those representatives were their personal views and therefore could not be taken as necessarily endorsed by the organisations on whose behalf they were appearing.
26. We are also of the opinion that the Deed issued by the Patent Office following acceptance of a petty patent application and specification should explicitly identify that the patent is a petty patent. This will have the advantage of informing all interested parties that the patent was granted on a petty patent application thus distinguishing petty patents from ordinary patents.
27. Further to what is said in paragraph 25, we observe that in a number of countries, notably the United States of America, it is the practice to make all documents on the file of a patent application available to the public once a patent is granted thereon. As at present advised, we believe that this practice has much to commend it, in the public interest. If our recommendation for publication of correspondence in relation to petty patents is adopted, then quite apart from the purposes for which we have recommended it, as set out above, experience of its operation will be a most useful indicator as to the desirability or otherwise of extending public availability to the whole of the Patent Office file, in relation to all published applications for both ordinary and petty patents, in the way that we are presently inclined to favour.
28. Finally, we feel that the proposed legislation should be amended so that, in addition to a petty patent monopoly being limited to a single claim which complies with the present requirements of Section 40, the scope of the claim should also be restricted so as not to extend substantially beyond matter particularly described in the specification. We have adopted this proposal for a number of reasons.

One is that it will contribute materially towards minimizing the nature and extent of the pre-grant investigation which may be required to be carried out within the Patent Office in order to determine whether there appears to be a lawful ground of objection to the grant of a petty patent upon any particular application.

Another is that it should reduce the likelihood of invalidity arising from excessive width of claims and the detriment and inconvenience to the public which would otherwise result from petty patents being granted upon such claims. The Franki Committee expressed the hope that this

might be substantially achieved by the limitation of petty patents to single claims. We, on the other hand, are unable to feel confident that this very important consequence will in fact be achieved unless the added limitation we advocate is also imposed.

We also agree, for the reasons put forward by the Institute that if a two-tier system of inventiveness is to be introduced, as may ultimately be found to be desirable, it will be important for petty patents granted for inventions of lower inventive merit, under any such system, to be limited as to the scope of the protection which they confer.

29. Subject to what we have proposed in the foregoing paragraphs being accommodated by appropriate amendments to the draft Bill, we believe that the legislation under consideration should be permitted to go forward because, with such amendments, it is likely to contribute towards creating a more equitable and efficient overall system for encouraging technological development by the grant of short term monopoly protection to inventors in exchange for disclosure and dedication of their inventions to the public in the longer term.
30. In reaching this conclusion, we are, of course, unavoidably influenced by the fact that the petty patent system as embodied in the draft Bill is substantially as recommended by the Franki Committee and, provided the changes we have suggested are made, we are in no position and have no valid reason to differ from the findings made by that Committee.
31. We point out also that the introduction of a petty patent system on these lines will necessarily be highly experimental. We are not aware of any other country in which any precisely comparable form of patent protection is available.

It is therefore an essential and inseparable part of our recommendations that, following the introduction of the proposed petty patent system, its operation and effects should be closely monitored with a view to assessing continuously the manner in which it is contributing to technological development in Australia, and there should be a willingness on the part of the legislature to implement any further measures which experience may indicate to be desirable from time to time, in order to preserve a proper balance between the need to stimulate inventive development and freedom of access on the part of industry and the community at large to all publicly available technology.

#### Recommendations

32. In view of the conclusions which the Committee has reached following our consideration of the issues as explained in this Report, we recommend that the proposed legislation for introducing a petty patent system along the lines recommended by the Franki Committee proceed. However we recommend that the proposed legislation should also provide for the following features:
  - 32.1 A mandatory requirement for the Commissioner to consider each petty patent application and specification and determine whether they comply with the requirements of the Act and whether the grant of the Petty Patent should be refused under Section 155.

- 32.2 In considering each petty patent application and specification, the Commissioner shall also consider whether there appears to be any lawful ground of objection to the application and specification, and, if any such lawful ground of objection appears to exist, the Commissioner shall make or direct the conduct of such investigations as he thinks fit to enable him to be satisfied whether or not the ground in fact exists.
- 32.3 The monopoly defined in the claim of a petty patent should be limited to a single claim which complies with the present requirements of Section 40, and which does not extend substantially beyond matter particularly described in the specification.
- 32.4 Upon publication of a petty patent application, the correspondence between the applicant and the Patent Office relating to the application should also become open to public inspection.
- 32.5 The deed of letters patent should explicitly identify that a patent is a petty patent.

Following its introduction the operation of the legislation should be continuously monitored with a view to possible modification in the light of practical experience of the effects of the legislation.

INDUSTRIAL PROPERTY ADVISORY COMMITTEE



J. Stonier,  
Chairman,  
10th November, 1978.