Jeff Roberts
Secretary
Advisory Council on Intellectual Property
PO Box 200
WODEN ACT 2606

6th September 2002

RE: Submission to Advisory Council on Intellectual Property – Innovation Patents

Dear Mr Roberts

We refer to the paper from the Advisory Council on Intellectual Property calling for submissions in relation to the present exclusion of plant and animal subject matter from patentability under the innovation patent system. The due date for submission of comments and/or registration of interest from industry to participate in discussions on this is **6 September 2002**.

The ACIP is particularly interested in receiving comments on a number of specific points and we canvass these below. However, there are a number of other issues relating to innovation patents that are of relevance to Meat & Livestock Australia's (MLA) activities and we will discuss these first.

In summary it is MLA **recommendation** to the ACIP that plants and animals, or biological processes for the generation of plants and animals continue to be **excluded** from the Innovation Patent System. This recommendation has been formed based on comments received from both within MLA and the wider IP professional community which are detailed below.

In short, the innovation patent system was introduced on 24 May 2001 to replace the petty patent system and applies only to Australia. The original intention of the petty patent system was to provide a more rapid and cheaper form of patent right for lower level inventions and as such, was instituted with small to medium sized business enterprises (SME's) in mind. In practice, however, the inventive threshold for patentability proved to be similar to that required for a standard patent making the petty patent system of limited benefit. The innovation patent system was designed to address this.

The innovation patent system introduces the concept of "innovative step" for patentability compared to an "inventive step" required for patentability in a standard patent application. This arguably lowers the patentability threshold compared to that required for the grant of a standard patent but as yet, as far as were aware, the new test has not been considered by an Australian court.

There are also a number of other major differences under the innovation patent system, one being that an innovation patent has a term of only 8 years compared to 20 years for a standard patent. This contrasts with the old petty patent system which provided for an overall term of 6 years. As you know, plants and animals are currently excluded from patentability in an innovation

patent as are biological processes for producing plants or animals. While an 8 year term is suitable for subject matter having a short commercial life, a term of 8 years may prove too short to provide useful patent protection for animals, particularly livestock animals given the time needed to build up commercial numbers of animals.

A genetically modified animal would normally be suitable subject matter for protection under the existing standard patent system although given the supposed lower patentability threshold for innovation patents, if the innovation patent system were changed to accommodate the patenting of animals, the possibility would then exist for obtaining protection for animals that are not otherwise currently protectable by way of a standard patent. Such animals would include animals derived from conventional breeding programs providing of course, that other requirements for patentability such as novelty were also met.

On this point, it is important to note that an innovation patent may only contain up to 5 claims whereas there is no restriction on the number of claims a standard patent may contain. In many instances it may be that 5 claims is not sufficient to adequately cover all aspects relating to an invention encompassing an animal, so that for practical purposes alone, a standard patent would remain the principle form of protecting an animal. Further to this, if difficulty is encountered in obtaining the grant of standard patent due to existing prior art or obviousness problems, it is possible to convert a standard patent application into one for an innovation patent. It is for this reason that we would in most if not all circumstances, still recommend filing for a standard patent except in the instance the subject was an animal provided by conventional breeding techniques and it was clear that there was no hope of obtaining the grant of a standard patent.

Another major difference between an innovation patent and a standard patent is that the former is granted following a formality check without any substantive examination. An innovation patent may also be granted without any claims whatsoever. As you will appreciate, this of course means that a patent can be granted without any surety to the public as to what coverage an innovation patent provides thereby potentially creating a large degree of uncertainty in the market place. The patentee can also market their product as being “patented”.

In order to enforce an innovation patent, or even assert infringement under the patent against a third party, an innovation patent must be examined and certified by IPAustralia. Examination of an innovation patent may be requested by the patentee or a third party.

However, an applicant for an innovation patent may “build” a number of aspects into their application and decide which aspects to pursue during examination and even tailor their claims well after the patent has granted when a potential infringer is on the horizon. Nevertheless in many instances, an innovation patent will expire at the end of its term without ever having been examined. As such, while innovation patents may be a useful commercial tool

for the patentee, the present system allows for them to be used unfairly to the potential detriment of third party SME's. Indeed, the potential exists for an applicant to lay a mine field of innovation patents for competitors, with the result being that competitors or other interested parties may be forced to incur significant expense simply in order to determine the scope of protection afforded by an innovation patent or otherwise abandon the whole thing as being "too hard". While this may not be of serious concern to MLA in most instances given the resources of MLA, the grant of unexamined innovation patents is of particular relevance in the area of infringement searching.

On another point, it is possible to file a divisional innovation patent application from a pending standard patent application as a means for obtaining the quick grant of a patent in order to pursue an infringer once of course, the innovation patent has been examined and certified. This is particularly useful since once a standard patent application has been accepted, the grant of the patent on the standard application may be opposed by a third party which can significantly delay taking infringement action. Divisional petty patent applications were also commonly filed under the old system for this purpose.

Overall, the proposal that all subject matter currently protectable under a standard patent also be protectable under an innovation patent is worthwhile and makes sense. However, in practice, the use of the innovation patent system for protecting animals and particularly genetically engineered animals may not be a viable option given the short term of innovation patents of 8 years. In view of the uncertainty surrounding the scope of protection afforded by granted but uncertified innovation patents, it is also important that consideration to changing the innovation patent system to provide for pre-grant examination be given. Importantly, the patent attorney profession supported pre-grant examination of innovation patents before the implementation of the system but to no avail.

The ACIP discussion paper also makes a number of valid points in regard to gaps in the present plant breeders rights (PBR) protection and while the main focus of MLA is on livestock, the provision of feed and improved feed plant varieties would seem to also be of interest to MLA.

As the ACIP discussion paper notes, one major difference between patent protection and PBR is that PBR does not extend to the use of a growers crop that is, the grower does not have to pay royalty on the crop produced nor does it extend to retention by growers of seed for the production of another crop on their land. The breeder, therefore, does not benefit from subsequent crops grown by the farmer. Standard patents, however, can provide coverage for subsequent use of farm saved seed and the potential for enforcement of the payment of royalties for crops produced by the farmer. However, rather than stymying industry, providing coverage for plants under innovation patents may encourage the development of new varieties by breeder and/or farmers to avoid patent rights and thereby drive industry forward.

It is, however, also important to note that plants are not patentable in all jurisdictions around the world particularly in the Asian and South American

regions. In Europe, for instance, plant and animal *varieties* are excluded from patentability although patent protection can still be obtained providing the invention has broader applicability and is not limited specifically to a particular plant or animal variety. Hence, even if plants and processes for producing them become patentable under the innovation patent system in Australia, in many cases, it will still be necessary for the breeder to apply for PBR in many overseas markets.

With regard to particular issues, the ACIP discussion paper has requested input on the following particular issues:

1. *Is the current "gap" in IP protection for inventions with a lower level of threshold, that involves plant and animal subject matter, seen as an existing or potential problem?*

   As indicated above, given that innovation patents do not presently allow for the patenting of plants or animals or biological processes for producing them, the filing of a divisional innovation patent application from a pending standard patent application with a view to taking prompt action against an infringer is not currently possible. The standard patent system provides for third party pre-grant opposition following acceptance of a standard application by IPAustralia. Given, the possibility of opposition proceedings being initiated against a standard application, the option of pursuing infringement action can be delayed significantly and in many instances up to several years pending resolution of opposition proceedings.

2. *Given the existence of the standard patent system and the PBR system, is there a need for those involved with plant and animal subject matter R&D in Australia to be able to protect their research with the innovation patent?*

   As outlined, innovation involving provision of genetically engineered animals would typically continue to be pursued by way of a standard patent application. Nevertheless, there is a need for innovation patents to provide for the patenting of such subject matter for the purpose of pursuing infringers by way of an innovation patent if nothing else.

3. *What, if any, are the national benefits of excluding plant and animal subject matter from the innovation patent system?*

   - As far as MLA is concern there is no significant impact either way. From a IP management point of view it provides another tool that can be used to protect particular IP and commercialisation positions you want to manage. This may allow greater opportunity for speed to market and industry adoption hence delivering national benefit. Conversely the system can be used to stifled new creative ideas as it can be seen as "to hard".

- Plant innovation patents could trigger higher cost to producers further marginalising agriculture production viability.

- As MLA generally takes a global approach to patenting via standard patent applications there is no real benefit.

4. *What impact would the innovation patent have on non-IP rights holders were it to include plant and animal subject matter?*

   From the point of view of the patenting of animals, allowing for patenting under the innovation patent system would have the potential for significant changes in terms of the marketing of animals derived from conventional breeding techniques given that an innovation patent could serve as the basis for the payment of royalties to the breeder in respect of progeny derived from a patented animal. An innovation patent could also be used to control production of animals such as by licensing only authorised breeders to produce animals for the market. Again, however, innovation patents may only be of limited use given the period required to produce commercial numbers of livestock animals unless the term of innovation patents is changed to allow for coverage of animals beyond 8 years. Similarly, there is the potential for a significant impact on farmers if the innovation patent system were changed to allow for the patenting of plants as they would then need to purchase seed for each crop and potentially be required to pay royalties to the plant breeders on the crops produced. Again, however, history has shown that patent protection drives industry forward as non-IP rights holders or competitors seek to circumvent patent rights by providing alternative choices.

We trust that the information provided is of assistance to ACIP and thank you for this opportunity to provide comment on the Innovation Patent system in relation to plants and animals. We also advise our registration of interest to discuss the matter further.

We look forward to hearing from you in the near future.

Yours sincerely

Richard Brooks
Managing Director