



The University of Sydney

Advisory Council on Intellectual Property

Innovation Patent – exclusion of plant and animal subject matter

SUBMISSION FROM THE UNIVERSITY OF SYDNEY

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INTRODUCTION

The University of Sydney welcomes the opportunity to contribute to the discussion on the *'Innovation Patent – exclusion of plant and animal subject matter'*.

The University of Sydney builds links with industry through collaborative and contract research, the licensing of intellectual property and the formation of spin-off companies. Whether the innovation is a new wheat variety or a remotely operated underwater drill (two recent examples), the University strives to maximise benefits for researchers, the University and the economy.

As the importance of commercialisation has increased, The University of Sydney has built up significant expertise in commerce, intellectual property and the law. Industry agreements in which the University of Sydney is involved have grown from 240 (worth \$12 million) in 1996 to over 670 (worth \$39 million) in 2001. The University of Sydney considers continued development of its commercialisation processes to be crucial to its research success.

This submission presents a University of Sydney perspective and seeks to demonstrate, *inter alia*, that some of the issues raised in the paper, at least from the point of view of this University, should be subject to further discussion. This submission does not address all of the issues in the paper but it is structured primarily in response to the specific questions for which comments were sought.

Executive Summary.

- ❖ Major Australian research organisations are unlikely to ever use the innovation patent system because their research and research products are internationally competitive and warrant protection internationally – this *de facto* forces them to use the patent system.
- ❖ The innovation patent system has provided an avenue for multinational companies to apply for portfolios of innovation patents as a means of “intimidating” potential competitors. Extending the innovation patent system would exacerbate this problem and stifles the uptake and implementation of innovation by Australian SME's.

- ❖ Recent amendments to the Patents Act in Australia established a threshold for invention approximately equal to that of our major trading partners. This is a positive development that will encourage Australian companies to manage IP well, lodge quality patent applications and pursue their implementation internationally.
 - ❖ Quality plant and animal research outcomes will always be better managed through the patent system since these outcomes will be relevant for international markets.
 - ❖ Australian SMEs should be encouraged and educated to use the international IP registrations systems as a means of building new market opportunities.
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1. is the current "gap" in IP protection for inventions with a lower level of threshold, that involve plant and animal subject matter, seen as an existing or potential problem?

There is no real "gap" in protection for non-inventive innovations of any kind, including plants and animals. There is no system for protecting innovation rather than invention in any part of the world other than Australia so there is no existing or potential problem in not including plant and animal subject matter in the innovation patent system.

Major Australian research organisations are unlikely to ever use the innovation patent system because their research and research products are world class and typically sufficiently inventive to warrant complete protection and commercialisation in markets outside Australia. This *de facto* forces them to use the patent system.

Furthermore, since the innovation patent is not typically commercialised through licence or assignment but instead by practice, Australian universities are unlikely to use the system because they are not involved in manufacturing activity.

The innovation patent system was introduced to provide a mechanism for Australian SMEs to protect market opportunities through an IP system that provide protection for innovation rather than invention. This does not appear to have been born out in practice. Instead, multinational companies tend to apply for portfolios of innovation patents as a means of "intimidating" potential competitors, especially Australian SMEs. This has been effective tool since Australian SMEs are typically unaccustomed to dealing in IP matters and are reluctant to venture into the arena where litigation could rapidly absorb the benefits of pursuing an identified market opportunity. This is particularly the case where a multinational has already asserted (whether correctly or not) a series of claims that would appear to have the backing of the legislation.

The amendments to the Patents Act in Australia that came into effect in April 2002 established a threshold for invention approximately equal to that of our major trading partners. This is a significant and positive development since it should encourage Australian companies to manage IP well, lodge quality patent applications and pursue their implementation in all relevant markets

throughout the world. This provides income and enhances Australia's reputation as a source of quality IP and, for many Australian SMEs, can be achieved by licensing their patents to companies in other territories. On the other hand, the innovation patent encourages Australian companies to focus on local rather than international markets.

Overall, the innovation patent system is unlikely to be used by Australia's major IP producers. It is used by multinational companies to reduce competition rather than by SMEs to enhance a market opportunity. The operation of the innovation patent system in Australia reinforces the practice of Australian companies remaining locally based and serving a local market rather than developing and exploiting IP in the international arena.

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?

Given the existence of the standard patent system and the PBR system, there is no 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. **Quality plant and animal research outcomes will always be better managed through the patent system since these outcomes will be relevant for international markets.**

Australian SMEs need to be encouraged and educated to use the international IP registrations systems as a means of building new market opportunities. While costs are not insignificant and outcomes are uncertain, the potential returns from the rest of the world far outweigh those that can usually be realised in Australia alone.

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

Excluding plant and animal subject matter from the innovation patent system would prevent large multinational corporations from extending the practice of building a relatively cheap "thicket" of intellectual property registrations in a manner that stifles the implementation of innovation by Australian SME's.

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

Non rights holders are likely to be further discouraged from innovation and invention by any extension of the innovation patent. Many SMEs have little understanding of IP rights and are reluctant to invest in developing an understanding. Extending rights in innovation patents will only rule out more fields of engagement and innovative practice as companies endeavour to avoid expending resources on uncertain and often unproductive legal disputes.

Extension of the innovation patent system would provide an inexpensive mechanism for multinational companies to discourage Australian competitors simply through lodgement of large numbers of complex, unexamined applications. Any challenge has the potential to involve a protracted legal response and significant cost.

Yours sincerely

A handwritten signature in black ink, appearing to read 'L D Field', written in a cursive style.

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