



Australian Government

**Department of Industry, Science,
Energy and Resources**

Patents Accessibility Review

Discussion Paper

Emeritus Professor Raoul Mortley AO, FAHA

September 2020

Copyright

© Commonwealth of Australia 2020

Ownership of intellectual property rights

Unless otherwise noted, copyright (and any other intellectual property rights, if any) in this publication is owned by the Commonwealth of Australia.

Creative Commons licence



Attribution

CC BY

All material in this publication is licensed under a Creative Commons Attribution 4.0 International Licence, save for content supplied by third parties, logos, any material protected by trademark or otherwise noted in this publication, and the Commonwealth Coat of Arms.

Creative Commons Attribution 4.0 International Licence is a standard form licence agreement that allows you to copy, distribute, transmit and adapt this publication provided you attribute the work. A summary of the licence terms is available from <https://creativecommons.org/licenses/by/4.0/>

The full licence terms are available from <https://creativecommons.org/licenses/by/4.0/legalcode>

Content contained herein should be attributed as *Patents Accessibility Review: Discussion Paper, Australian Government Department of Industry, Science, Energy and Resources*.

Disclaimer

The Australian Government as represented by the Department of Industry, Science, Energy and Resources has exercised due care and skill in the preparation and compilation of the information and data in this publication. Notwithstanding, the Commonwealth of Australia, its officers, employees, or agents disclaim any liability, including liability for negligence, loss howsoever caused, damage, injury, expense or cost incurred by any person as a result of accessing, using or relying upon any of the information or data in this publication to the maximum extent permitted by law. No representation expressed or implied is made as to the currency, accuracy, reliability or completeness of the information contained in this publication. The reader should rely on their own inquiries to independently confirm the information and comment on which they intend to act. This publication does not indicate commitment by the Australian Government to a particular course of action.

Contents

Message from the reviewer	3
Principal issues for clarification	4
Summary of consultation questions	4
Issues raised in the consultation.....	5
Costs.....	5
Processing times	6
Awareness of patents, Government information and programmes	7
Enforcement of patents.....	8
Other barriers	9
Further information and next steps.....	10

Message from the reviewer

Dear stakeholder

The Australian Government recently agreed to a review of the patent system,¹ specifically with a view to its accessibility and usefulness for small to medium enterprises (SMEs). Since you have an involvement in the area, may I request that you kindly consider making a submission on the following **consultation questions**? I am the appointed reviewer, and would greatly value your input.

The use of the patent system is vitally important to the development of Australian intellectual property (IP) for the innovation sector, and the revival of our manufacturing industry.

Some changes to the patent system have been made as a result of widespread consultation undertaken by several bodies over the last eight years. Following these changes, the Government is seeking to ensure that the patent system represents an accessible and valuable resource for the Australian public, but in particular the **SME sector**.

With the assistance of staff from the Department of Industry, Science, Energy and Resources (DISER), I have been carrying out targeted consultations with a number of businesses, some quite small and new, and others at the top end of the medium enterprise category. We conducted 50 interviews, of which 29 were with SMEs. Included in this were consultations with some with expertise in this area, such as patent attorneys, IP lawyers, judges, finance consultants and brokers.

The oral consultations have informed this discussion paper and raised some further questions, as well as put forward ideas. A digest of the issues raised in these consultations is presented in the following sections. Some points were made repeatedly, which leads me to consider that we are encountering some very significant problems, and that these problems do in fact put businesses off choosing the patent pathway.

Thank you for taking the time to provide your views on the following questions, as well as any other comments you may have.

Yours sincerely

RJM

¹ *Intellectual Property Laws Amendment (Productivity Commission Response Part 2 and Other Measures) Act 2020*, s 4. See also: www.industry.gov.au/strategies-for-the-future/patents-accessibility-review

Principal issues for clarification

1. The cost of applications for patents: [note that we have been consulting on both the IP Australia processing charges² and the question of professional fees levied by IP lawyers or patent attorneys].
2. The processing times of patent applications.³
3. The value and degree of helpfulness of the advice provided by the Australian Government with respect to the patent application process.
4. The general awareness of the patent application process.
5. The cost and times required to enforce standard patents.
6. Other barriers or impediments preventing Australian SMEs filing and obtaining patents.
7. The usefulness of Australian Government programs to assist Australian SMEs seeking patent protection, including protection overseas.

Summary of consultation questions

Question 1: Are the official fees set by IP Australia a barrier for SMEs?

Question 2: Are the professional fees for patent attorneys and IP lawyers a barrier for SMEs? Are professional fees good value for money?

Question 3: Are IP Australia's processing times reasonable, noting that expedited examination is available?

Question 4: Is the support offered by the Australian Government on patents useful for SMEs? How can these resources better reach SMEs?

Question 5: Is the fear of litigation putting small businesses off patenting?

Question 6: Is the fear of litigation well founded? Is enforcement actually that difficult and expensive?

Question 7: How could enforcement be made more accessible? Is it possible for costs to be contained at certain points?

² For example, it costs \$1110 to file and receive a standard patent, plus \$2615 for renewal fees to maintain the exclusive rights for ten years. There are various additional fees that apply in some circumstances.

³ A standard patent first report will typically be delivered within 12 months. Expedited examination is also possible, at no extra cost and this typically takes 8 weeks.

Question 8: How and when can SMEs best be encouraged to consider patents as part of their commercialisation and broader IP plans?

Question 9: Do you have any other comments on the issues raised in this paper, or on any other barriers that may hinder SMEs from accessing the patent system? Do you have any other suggestions for initiatives to improve accessibility?

Issues raised in the consultation

Costs

Brief summary of views

The filing and other official fees charged by IP Australia are quite low. However, costs can mount up when professional fees are added in, and especially where international patents are concerned.

Official fees are low, but professional fees are expensive

There was broad agreement that IP Australia's official fees were not a barrier to using the patent system. Although some noted that even small costs add up, most agreed that the official fees to file in Australia were reasonable. However, most SMEs relied on patent attorneys and IP lawyers. We were told that the fees charged by these professionals were a larger part of the costs of obtaining and maintaining a patent.

'Application fees are the thin edge of the wedge. Most costs are the attorney fees.'

Most accept they need professional advisors, but some question their value

Most SMEs accepted that patents were inherently complex and that paying for a good skilled professional was worth the money. Few doubted the technical and legal skill of their advisors, though some had had to shop around to find the right advisor that they could work with long term.

'It's worth investing in a good patent attorney. We used to file in US, but now invest in good attorneys in Australia. All are expensive, but it's a necessary cost.'

It was claimed that an important function of the attorney and legal professions was not just advising on whether a SME *could* get a patent, but whether they *should* get a patent. However, a minority of SMEs considered that their patent attorney or lawyer had advised them to get patents that made little commercial sense.

'The biggest challenge is the costs of intellectual property lawyers. Possibly over-servicing early on. Possibly encouraging you to lodge patents early when they're not required.'

Australian SMEs go global and it costs them

We were told that getting patents in overseas markets is costly for SMEs and dwarfs the cost of getting protection in Australia. Although much of this cost is professional fees, many also noted that the official fees were higher.

Question 1: Are the official fees set by IP Australia a barrier for SMEs?

Question 2: Are the professional fees for patent attorneys and IP lawyers a barrier for SMEs? Are professional fees good value for money?

Processing times

Brief summary of views

IP Australia's processing times are satisfactory for most SMEs. Many prefer a longer period to defer costs and allow them to develop their product. Where they need speed, the ability to get expedited examination is usually sufficient.

Australian processing times are relatively fast ...

Most interviewed SMEs who had actually used the patent system had no issue with the timeframes to get a patent. Many said they understood the need for a high-quality examination. Most patent attorneys and IP lawyers considered that Australian processing times compared favourably to other countries.

'Australia is amongst the fastest jurisdictions in the world.'

... and most SMEs value the ability to delay

Importantly, many SMEs and advisors stressed that they did not want their application dealt with quickly, as the extra time allowed them to develop their product and defer costs. In the rare instances where they wanted faster processing, expedited examination was available.

'This is a red herring. SMEs applications shouldn't be dealt with quickly. ... It's important to defer prosecution costs.'

However, a small minority questioned why examination took so long.

'12 months is nonsensical in the extreme. 1 month is reasonable. [IP Australia] needs to lay out what work is performed in 12 months and why it's like that.'

Question 3: Are IP Australia's processing times reasonable, noting that expedited examination is available?

Awareness of patents, Government information and programmes

Brief summary of views

SMEs that have accessed IP Australia's website have found it informative, but many SMEs are unaware of the support offered by IP Australia.

SMEs find government support useful, but many are not aware it exists

The SMEs that accessed Government support, including IP Australia's website or programs by DISER and Austrade found them helpful. However, the majority of SMEs were unaware of the resources offered by IP Australia at all.

'IP Australia has a good package of information available, better than most other patent offices. The real problem that IP Australia has, by the time that someone engages with IP Australia and discovers any of these resources that are available to them, that's a person who's already thinking about IP and what to do about it. There's this huge mass out there that don't have any awareness at all.'

IP professionals do not think SMEs should be encouraged to self-file

Some IP professionals regard the information provided by IP Australia as dangerous, as it encourages SMEs to file patent applications without the services of a patent attorney, but does not provide sufficient information to properly understand the complexities of the patent system. These comments emphasised that the patent system was complex and that there was a need for SMEs to seek professional help.

'It's very important that it be done correctly. Money that is spent should be spent wisely and with the right advice. The worst thing that can be done is to set up a self-help system.'

Awareness of the operation of the patent system in SMEs was mixed

Some SMEs had acquired an extensive and sophisticated knowledge of the patent system through experience. Others were unaware of the fundamentals of how patents worked, but of these many reported that they instead relied upon the advice of their patent attorneys and commercialisation advisors. Even then some SMEs stated there was room for improvement.

'Even the commercialisation agencies can do a better job of simplifying the messaging. It's sometimes hard to follow and it's quite scary, because it can fall over at so many different points in time.'

Question 4: Is the support offered by the Australian Government on patents useful for SMEs? How can these resources better reach SMEs?

Enforcement of patents

Brief summary of views

There is widespread fear among SMEs that they would not be able to effectively enforce their patents in the courts, especially against a larger well-resourced infringer. While some in the patent attorney profession consider that fear to be unfounded, there's little doubt that patent litigation is expensive. Many SMEs question the value of having a patent if they can't effectively enforce it. Often the only viable strategy was to partner with a large corporation who had the resources to enforce the patent.

Fear of litigation: why patent what you can't enforce?

Most interviewees acknowledged that patent litigation was expensive. Many SMEs told us that they were fearful that they could not enforce their patent on their own. They believed that the costs in time and money – as well as the distraction from running their business – would be prohibitive.

'Litigation is far too expensive and out of reach of SMEs.'

'You can't win if you're a small company.'

Some still patented, hoping they would not be infringed until after they had grown large enough to enforce. But many told us that they were put off patenting by the perceived cost of enforcement. Instead, they would often rely on trade secrets or other advantages where they were available.

'There's no point in having an IP system if you don't have the means to wave the stick.'

David and Goliath

Many SMEs were concerned that they would be powerless to enforce their patents against a larger company. They feared that a well-resourced infringer could drag out the litigation and the cost until the SME was forced to give up. It was described as a 'David and Goliath' battle. However, unlike the biblical tale, Goliath usually won.

'If a large corporation is involved, the larger corporates just exploit the system. A big company will always seize the issue, fight with strategy and stall causing the SME to incur costs and fold.'

Some in the attorney and legal professions questioned whether this fear was real. They considered that large corporates would rarely deliberately infringe on a SMEs patent just because they could. However, some SMEs told us that they had experienced this directly.

'Sometimes you do have a big party that uses its size to threaten or prolong litigation. But that is rare.'

'[The] David and Goliath issue is real.'

Having a 'big brother' helps

One strategy for SMEs was to partner with a large corporation. They reasoned that having a 'big brother' who could afford litigation would scare off potential infringers.

'One strategy is to partner with big companies with deep pockets ... [we ask] "are they big enough to scare away potential infringers?"'

Some SMEs noted that partnering with a large corporate came with its own trade-offs: sharing profits or giving up equity in their own business. However, other SMEs noted that such partnerships gave benefits beyond patent enforcement, including access to the partner's networks and know-how.

A range of solutions were suggested

Many interviewees acknowledged that the enforcement problem was not an easy one to solve. Suggested solutions included IP litigation insurance products, direct financial assistance, an IP dispute resolution centre, and changes to court processes. In particular, changes designed to cut times, cap costs and cap damages along the lines of the United Kingdom's IP Enterprise Court were suggested by a number of interviewees.

'[We] are quite supportive of the UK Intellectual Property Enterprise Court.'

'IP Australia should have an IP mediation and arbitration centre.'

Question 5: Is the fear of litigation putting small businesses off patenting?

Question 6: Is the fear of litigation well founded? Is enforcement actually that difficult and expensive?

Question 7: How could enforcement be made more accessible? Is it possible for costs to be contained at certain points?

Other barriers

Brief summary of views

Many stakeholders commented that Australia has a culture that doesn't understand and value IP in comparison to other countries.

Australia doesn't have a patenting culture

A number of comments were made by both SMEs and other stakeholders that Australia does not have a culture that appreciates patents and IP generally compared to other countries, and more SMEs needed to shift their thinking to incorporate patenting as a strategic tool in their overall business strategy.

A patent strategy is not enough

Rather than talk about barriers to accessing the patent system, some interviewees emphasised that patents were not always appropriate. Many SMEs and IP professionals emphasised that patents must be tied to an overall commercial strategy.

'If you just have a patent strategy you'll go down in flames. You have to fit your patent strategy into your commercialisation strategy.'

We were told that sometimes a good commercial strategy might reveal that patent protection is not the best fit for an SME. Some sophisticated SMEs were able to adopt strategies incorporating trade secrets combined with patent protection, or strategically filing patent applications to secure investment opportunities. However, these were in the minority.

Question 8: How and when can SMEs best be encouraged to consider patents as part of their commercialisation and broader IP plans?

Question 9: Do you have any other comments on the issues raised in this paper, or on any other barriers that may hinder SMEs from accessing the patent system? Do you have any other suggestions for initiatives to improve accessibility?

Further information and next steps

Professor Mortley will consider the written submissions before producing the final report. The final report may recommend changes to improve the accessibility of the patent system in Australia to Australian SMEs. The final report is due to be delivered to the Minister for Industry, Science and Technology Karen Andrews by May 2021. The Minister is required to table the report in Parliament.

Professor Mortley and the review's secretariat would like to thank all the interviewees who contributed their time and expertise to inform the review. A list of all contributors who gave interviews or made submissions (except those who requested confidentiality) will be published in the final report.

If you need more information or have any questions about this review, email PAR@industry.gov.au