



**THE AUSTRALIAN FEDERATION OF INTELLECTUAL PROPERTY ATTORNEYS
FICPI AUSTRALIA**

15 February 2020

WEBSITE: www.ficpi.org.au

By email

To: Mr Jeff CARL
Secretary
Trans-Tasman IP Attorneys Board
IP Australia

PRESIDENT:
STEPHEN KROUZECKY
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Dear Mr CARL

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Title IP Australia's Fee Review project

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About FICPI Australia

FICPI Australia is the Australian National Association of the International Federation of Intellectual Property Attorneys (FICPI).

SECRETARY:
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FICPI is unique. It is the only international NGO whose membership consists exclusively of IP attorneys in private practice. FICPI, therefore, represents a key constituency of the international IP system.

Founded more than 110 years ago in 1906, FICPI now has more than 5,000 members in over 86 countries, including the US and Japan, Australia and New Zealand, a strong European membership and newly established national sections in India and PR China. Further details regarding FICPI can be found at www.ficpi.org.

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Before being admitted, an applicant for membership of FICPI must satisfy prescribed criteria as to their character, experience and international reputation.

FICPI's members represent their clients in patent, trade mark and design matters, and related forms of IP, at the national, regional and international levels. Clients of FICPI members range from individuals and SMEs to multi-national industries, as well as universities, governmental and non-governmental organisations and other institutions, who are applicants and non-applicants alike. FICPI members have assisted in the drafting of IP laws and treaties. FICPI is, therefore, able to offer well-balanced opinions about newly proposed international, regional or national legislation or practise guidelines based on a wide range of different levels of client knowledge, experience and business needs of the IP system.

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FICPI aims to enhance international cooperation within the profession of IP attorneys in private practice and to promote the training and continuing education of its members and others interested in IP protection.

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The members of FICPI Australia are all registered Patent Attorneys or registered Patent and Trade Marks Attorneys who have important roles in Patent Attorney firms conducting business in Australia.

FICPI Australia adopts the statutes of FICPI and includes in its objects to:

- aid in the tuition and introduction of practice, procedure and legislation for the benefit and protection of inventors, patentees, traders and manufacturers in Australia and other countries;
- establish inter-communication between members; and
- facilitate contact and communication of the members of its association with members of FICPI in other countries.

Submission Comments

RENEWAL FEES:

ITEM 1:

IP Australia proposes a progressively increasing fee, which each year increases the cost of maintaining an Australian patent. Not only is it noted that that is a revision to prior systems but that the current budgeting of Australian inventors and SME's for long term costs will need to change, so will the budgets of the majority of Australian patent owners who are overseas-based, remembering that not all of those overseas located Australian patent owners are Corporate.

While this particular approach is a Productivity Commission recommendation, we believe that as an association of practising patent attorneys and members of FICPI Australia, we are best placed to point out that this proposed charging regime will add unnecessary complexity for patent owners both local and overseas. The current system has the advantage that the patent owner knows that the same renewal fees will be required for five-year intervals. This allows a calculation of future costs based on the certainty of the future fee structure and that is an important aspect of IP portfolio management, for Australian SMEs in particular. This change will disrupt current budget projections, and the certainty of the current system will be lost since once changed, the Australian renewal system will remain a country that seems to change its charging scheme for capricious reasons and disregards prior budgeting for future renewal costs which is a commercial reality seemingly ignored by this Government Authority.

ITEM 2:

IP Australia proposes what is effectively a 50% increase in lifetime renewals fees for owners. The renewal fees an owner pay over 20 years is currently \$10,500. IP Australia is proposing a scheme to increase this to \$15,125. This proposal doubles some of the later year fees. In particular, the result massively increases the 20-year to 24-year renewal fees for pharmaceutical extended patents.

This seems to be an arbitrary increase and is arguably inconsistent in the long term to the cost recovery implementation statement that IP Australia has made to not increase filing and examination charges but recover such costs over the anticipated lifetime of the rights awarded. It is fully supportable, in the view of FICPI Australia, to keep filing and examination charges below cost-recovery levels, with an object recovering them later in the lifetime of a patent. However, such a change as is proposed to renewal fees means that cost recovery is unlikely to actually occur since patent owners are likely not to maintain patents for as long as they have previously, due to the higher maintenance fees proposed and thus anticipated fees recovered will not be collected and the intended cost recovery will not materialise.

Additionally, the users of the Australian IP system are being expected to cover costs for activities of IP Australia which do not relate to the running of the IP system, including Programs 2 and 3 as described in the issues paper. Those activities include but are not limited to the policy section of IP Australia and the education and advice to government activities of IP Australia. While FICPI accepts that the income-generating activities for Program 1 can reasonably be expected to contribute to some of the funding for Program 2 (Education and Awareness) and to an extent, Program 3 (Advice to Government and International Engagement), FICPI Australia is of the view that it is unreasonable for the complete uncontrolled and apparently unconstrained scope of Programs 2 and 3 to be fully funded by Program 1, when not all the users of Program 1 benefit from them. FICPI Australia is of the view

that deliverables from Programs 2 and 3 are to a large extent, for public education and awareness in Australia and are of limited utility in supporting a significant proportion of users of the Program 1 services. The Government needs to understand the differences and allocate Budgetary resources accordingly.

FICPI Australia considers that Program 1 should employ substantially 100% cost recovery from users of the IP system, but should receive funding support from other resources within government and thus the full cost of Program 2 and more so Program 3 should be recovered from the public through the government, not the users of the IP Systems managed by IP Australia.

INCREASE IN OPPOSITION TAXATION COSTS:

It is the strong view of FICPI Australia that increasing the amount of recovery of costs as is proposed is contrary to the public interest.

Whilst the comments below centre on patent opposition, similar considerations apply to TM and Design oppositions.

The proposed increases in recoverable costs expose Australian patent applicants to additional patenting costs, inclusive of attending a one day opposition hearing, of up to potentially A\$16,170 in addition to the A\$6120 currently typically payable where an opposition ensues. In particular where an opposition is only partially successful and a patent is subsequently granted with minor amendments, such cost penalty is unwarranted. Patent applicants do not expect to be liable for such costs when a mere amendment is the outcome of an opposition. This added cost risk represents a disincentive to file patent applications in the first instance, a disincentive to continue with an imperfect but still meritorious patent application and would enliven the deep pocket applicant since only they would be capable of surviving a partial challenge to their patent application.

From an opponent's perspective, the increased adverse cost risk from currently A\$5,470 to potentially A\$20,100 in an unsuccessful opposition is also substantial. A patent applicant may escape opposition cost liability altogether, even where an opposition was initially fully justified, by making claim amendments at a late stage in opposition proceedings which, if made pre-opposition, would have avoided an opposition in the first place, but which made late in an opposition, cause the opposition to be unsuccessful and thereby make the opponent liable to pay the patent applicant's taxable opposition costs. Consequently, even where there is a chance of success in preventing the grant of a patent with excessively broad claims in light of prior art, the increase in taxable costs payable to the applicant represents a clear disincentive in particular for SMEs to challenge a patent application.

Further, where there is a large difference in financial resources between applicant and opponent, with more taxable costs at stake, this increases the advantage the more financially resourced party has and also increases the prospects of cost incurring tactical behaviour being employed. This in turn due to financial duress may overshadow the matter being determined on its merits.

IP Australia has done much to make the opposition process as streamlined and speedy as is possible and to offer a pre-grant (examination) process that effectively deals with undeserving patents. FICPI Australia supports streamlining opposition proceedings because it provides a level of discipline and certainty for all stakeholders, and most importantly the public and the Government who would prefer the system deal with undeserving patents early rather than exist to unduly burden the system with the uncertainty of bad patents.

In FICPI Australia's view, patent opponents not only perform a 'private function' in seeking to prevent grant of invalid or undeserving because overly broad patents that might encumber the commercial operations of such opponents. More importantly, however, opponents equally perform a 'public' function in assisting IP Australia to ensure that patents are not granted with claims which extend beyond what the patentee is entitled to. It is accepted that IP Australia is

not always in a position to validly object to a patent application during the examination. The pre-grant opposition procedure in Australia provides an opportunity for a final “check” before monopoly rights are granted without a need to embark in the much more expensive and lengthy court-based options to challenge the validity of a patent.

FICPI Australia is of course cognisant that the current scale of recoverable costs does not reflect the actual costs incurred by the parties in a patent opposition. However, the threat of having to expend an additional approx. A\$15,000 in bringing or defending a patent opposition, which is aimed at resolving or preventing potential patent disputes in the first place at relative low cost to participants, is nonetheless unwarranted.

It is also noted that many oppositions are conducted about inventions for which there is no “clear cut” position on patentability, and for technologies with important commercial and real-world applications. Given it is often difficult to predict the outcome of an opposition, FICPI Australia believes that Australian SMEs in particular, will not have the appetite to run oppositions (which are already a costly undertaking) when there is the added risk of significant cost penalties associated with an unsuccessful outcome. There is a real risk that patent protection will not be pursued by SMEs for otherwise deserving innovations, simply in light of the substantially increased cost risks associated with engaging in an opposition.

Noting that the patent opposition proceedings are pre-grant, it is often the case that an opposition leads to amendment (restriction) of claims pre-grant, effectively allowing IP Australia to utilise the opponent’s expertise to ensure that the rights a right owner seeking are not only valid but are also proportionate in light of prior art notified by an opponent, in return for the grant of the monopoly. Given the practice of awarding full costs against the unsuccessful party in patent opposition proceedings, it seems unjust to penalise an opponent for causing / forcing an applicant to restrict their claims to a justified scope and thereby successfully defend the opposition, and in turn have the opponent pay increased costs.

Historically costs awards have been substantially lower than the real costs so as to incentivise use of the opposition process, where appropriate. In FICPI Australia’s view this access and equity principle is of a much higher priority than the principle of actual cost recovery.

As an international body, FICPI Australia also highlights that in other jurisdictions such as the EPO, USPTO, and many others, taxation of costs in patent opposition does not occur. Each party bears their own costs. Consequently, opposition proceedings are run as each party sees fit and on the merits, unencumbered by consideration of added cost penalties as consequence of participating in such proceedings.

Finally, IP Australia’s opposition processes are more akin to a tribunal rather than a court, and as such it is concerned with the seeking of ‘truth’ and the application of natural justice, along with the protection of the public’s interest, to ensure that IP Australia only grants monopolies when and to an extent that is warranted. In the view of FICPI Australia, the taxation of costs, and more particularly the massive increases proposed are contrary to the principles of IP Australia’s remit to the Government and ultimately to the Australian people.

As such, FICPI Australia has the following preferences in order of importance:

1. Removal of the taxation of costs schedule from the regulations altogether; or
2. Make no increase in the taxation of costs schedule; or
3. If an increase is to be applied, it should be only a small increase.

Remarks analogous to those above apply in respect of Trade Marks and Designs oppositions where the actual costs can be less than in patent cases, but where the proposed increase in cost awards are no different and thus proportionally more of a disincentive.

Yours sincerely

A handwritten signature in black ink, appearing to read 'W. G. McFarlane', with a long horizontal line extending to the right.

W. G. (Bill) McFarlane
Secretary
FICPI Australia