

## Innovation Patent - exclusion of plant and animal subject matter

### **Background**

The innovation patent stems from an Advisory Council on Intellectual Property (ACIP) review of the petty patent system. After extensive consultation with industry, the council recommended that the petty patent system be replaced by the innovation patent. The original impetus for ACIP's review came from a recommendation in the report, *The Role of Intellectual Property in Innovation*, made to the Prime Minister's Science and Engineering Council in June 1993.

The innovation patent system replaced the petty patent system. The petty patent system was designed to provide a quicker and cheaper form of patent right for inventions. Although the majority of users were small to medium sized business enterprises (SMEs), the petty patent system had limited success in meeting its intended objectives and was not well used.

The extensive consultations that ACIP undertook identified a demand for industrial property rights for those lower level or incremental inventions that were not sufficiently inventive to qualify for standard patent protection. ACIP also found that Australian SMEs were not able to obtain rights for their lower level inventions under the petty patent system because these patents had an inventive threshold similar to that for standard patents. The innovation patent system addressed this shortcoming by having a lower inventive threshold than the standard patent system.

ACIP recommended that the innovation patent cover the same subject matter as a standard patent. The government response to the ACIP report agreed with this recommendation and noted:

*The Government agrees that the same subject matter protectable under a standard patent should be protectable under the innovation patent.*

Immediately prior to the innovation patent bill going before parliament, however, concerns were raised over the implications of innovation patents to be able to cover plant and animal subject matter. Rather than delay the introduction of the legislation, the government chose to proceed with the legislation, but to exclude plant and animal subject matter. Provisions were inserted in the legislation which rendered certain inventions not patentable for the purposes of this patent. As a result, although innovation patents are available for the same type of subject matter as invention currently covered by standard patents, they are **not** available for plants and animals, or biological processes for the generation of plants and animals (this exclusion does not apply if the invention is a microbiological process or a product of such a process.)

The innovation patent commenced operation on 24 May 2001.

The Parliamentary Secretary to the Minister for Industry, Tourism and Resources has since asked ACIP to examine the matter to see if the exclusion is justified.

## Patent coverage for plant and animal subject matter

Australia has traditionally maintained a broad view on the range of subject matter that can be patented. Until the introduction of the innovation patent, the only subject matter expressly excluded from patentability was human beings, and biological processes for the generation of human beings. This remains the only exclusion from a standard patent and only the innovation patent has the wider exclusion.

Australia's broad subject matter interpretation has been consistent with the World Trade Organisation's Trade Related Aspects of Intellectual Property Rights (TRIPS) Agreement. TRIPS provides member nations with an option of excluding plant and animals from patenting, however, member nations must provide either patent protection or some other form of protection, or both, for plant varieties. While some nations, particularly in Europe, have previously chosen to exclude plant and animal subject matter from patentability, there has been a move in more recent years to provide patent coverage for inventions related to these matters.

## Plant Breeder's Rights

Plant breeder's rights (PBR) are used to protect new varieties of plants by giving exclusive commercial rights to market a new variety or its reproductive material. A PBR provides an owner with the right to direct the production, sale and distribution of the new variety, receive royalties from the sale of plants or to sell their rights.

A PBR differs from a patent in that it does not require the plant or method of producing it to be novel, inventive or fulfil the criteria of patentability.

A major difference between the two is that plant breeder's rights do not extend to the use of a grower's crop (that is, the grower does not have to pay a royalty on the crop produced), nor does it extend to the use of the variety in plant breeding or retention by growers of seed for the production of another crop on their land. A patent, on the other hand, can cover the commercial use of that variety of seed in subsequent crops for up to 20 years for a standard patent (the innovation patent offers protection for up to eight years).

## **Issues**

### A gap in protection

The review of the petty patent identified a "gap" in the system, where protection was not available for innovations with a lower inventive threshold. The review also noted that this level of innovation may not qualify for protection under other intellectual property legislation. Part of the reason behind the introduction of the innovation patent was to address this "gap" in protection.

While the innovation patent addresses the gap for most industries, the exclusion means that this "gap" remains for industries where R&D associated with plant and animals is carried out.

### Types of IP rights available for plant subject matter.

Generally speaking, the patent system and the PBR system have tended to complement each other. A plant breeder is able to apply for protection under both the PBR and the standard patent system. In reality however, a choice has generally been made between the

two, depending on the aspects of the innovation requiring protection and the scope of the protection.

From an owner's perspective, some of the advantages of a standard patent over a PBR are that they:

- are able to protect the process and not just the final product;
- have a more extensive monopoly right, with a wider scope of conduct which may be regarded as infringement (e.g. farm saved seeds)

On the other hand, from an owner's perspective, some of the advantages of PBRs over standard patents are that they are:

- cheaper;
- easier to secure; and
- may cover material that may not be patentable because it is a discovery, not an invention.

While PBR may have some advantages over a standard patent, these are reduced when compared to the innovation patent. An innovation patent can also protect processes and still offers the same degree of protection as a standard patent. The innovation patent, however, also addresses some of the disadvantages of a standard patent compared to a PBR. In response to industry needs, the innovation patent is less expensive and easier to secure than a standard patent, and while there is still a requirement for the subject to be a novel invention, the level of inventiveness is lower than a standard patent.

However, while most people now have inexpensive and simpler access to the patent system through the innovation patent for inventions that may have a relatively low inventive step, this avenue is excluded for plant breeders.

## National Benefit

### **Farm saved seeds**

A notable difference between patents and PBRs is the 'farm saved seed exemption'. Under the PBR system, farmers can re-sow seed for commercial use that has been harvested from PBR protected plants. Therefore, the PBR owner effectively has monopoly over the plant for only the initial sale of the plant or seed. A patent owner, on the other hand, has exclusive rights to the exploitation of the plant or seed for the life of the patent, which for a standard patent is 20 years. A farmer cannot legitimately re-sow harvested seed within the life of the patent.

### **Research and development implications**

There is considerable R&D activity in industry sectors associated with plant and animal subject matter in Australia, and particularly in the agricultural industry.

While the restriction may prevent some inventions from proceeding under the innovation patent system, there does not seem to be any benefit to industry by having such a restriction. ACIP would like to hear of where the exclusion may provide a benefit to sectors such as the agricultural industry, seed producers etc.

## **Comment**

ACIP welcomes comment on these or any other related issues. In particular, we seek comment on the following:

- 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?*
- 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?*
- 3. What, if any, are the national benefits of excluding plant and animal subject matter from the innovation patent?*
- 4. What impact would the innovation patent have on non IP right holders were it to include plant and animal subject matter?*

## **The Process**

The Council initially seeks written comments on this matter. If warranted, a seminar/s or consultative meetings will be held to allow stakeholders a chance to discuss the matter in more detail. Would you please also indicate if you would like to participate in discussions on the matter.

Comments and/or registrations of interest to participate in discussions should be sent by 6 September 2002 to:

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