



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

22 January 2024

IP Australia

feereview@ipaaustralia.gov.au

RE: Fee Review 2023/2024 Draft CRIS Consultation

FICPI Australia welcomes the opportunity to provide feedback on the proposed CRIS and Fee Changes.

About FICPI Australia

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

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

Founded over 100 years ago in 1906, FICPI now has over 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.

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 practice guidelines based on a wide range of different levels of client knowledge, experience and business needs of the IP system.

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 Trade Marks Attorneys who have essential roles in business and promoting IP use in Australia and overseas.

FICPI Australia Comments on CRIS and proposed Fee Changes

We firstly provide some broad comments before providing specific feedback.

User Pays (is Only) for Administering the IP System

IP Australia administers the Patent, Trade Mark, Design and Plant Breeders Right systems in Australia. In FICPI Australia's view, IP Australia is, rightly, funded by fees collected in the administration of these IP systems on an essentially cost neutral basis. That is, excess funds are not provided into government general revenues and government general revenues are not used to fund these IP systems. Further a modest portion of the funds collected from fees for administration of these systems are used to educate, promote and provide information about these IP systems. Further, based on the draft CRIS, we understand that some government functions, including providing advice to government in relation to these IP systems and diplomatic work around international IP system agreements are funded from revenue from Government to the tune of about \$380,000. What is unclear from draft CRIS is the cost of those specific additional functions.

The system of funding appears to work fairly well. It is the view of FICPI Australia that the collection of fees should not be used for funding outside of those specific areas. The fees should be calculated based on the estimates for supplying those functions and those functions alone. FICPI Australia believes that estimates should not include the cost of agenda items and services that are not according to these requirements, lest fees which are essentially for administering these IP systems are being used in our view inappropriately and beyond the remit under which they are set and collected.

In view of this, we point out some contentions which are intended to be constructive comments.

We identify that it may arguably be the case that the Commissioner of Patents' approach to manner of manufacture advanced through the courts (as opposed to letting private entities develop the law) is a political/ideological agenda, since the arguments put by the Commissioner's Counsel advanced a particular (restrictive) interpretation of the law. It can be argued that this approach was a use of funds outside the strict remit of the administration of the IP system because it pursues a certain view of manner of manufacture. It is the view of many users of the IP system that the arguments advanced on behalf of the Commissioner (and thus IP Australia) were not in the interests of users of the IP system (which would benefit from a more open view on manner of manufacture).

Additionally, it can be argued that because of the manner in which this has been pursued it has created uncertainty in the law (as exemplified by the 3-3 split of the High Court), rather than increased certainty, where more certainty is in the interests of users of the Patent System.

In FICPI Australia's view, users of the IP system wish their Fees to be used for processing applications and the administration of the system, and no more.

It could be said that applicants' fees have been used against them to pursue a particular view of manner of manufacture by the Commissioner of Patents. That is not to say that the Commissioner did not have the power to use collected fees in that manner, but instead there is a question as to

whether the decision to do so and the manner in which this was done was the right use of applicants' Patent Fees in this context. This is not the place to debate this, only to say that it is contentious and debatable.

We also identify that provision of advice by IP Australia extends beyond the remit of administering the IP systems. Not only is it not the role of IP Australia to provide advice, in FICPI Australia's view, IP Australia is not qualified nor experienced to do so, and in some cases, there is also in a conflict of interest. This is not what users of the IP system wish their Fees to be used for.

We have in mind, by way of example, the outcome of the 'TM Checker' Tool, which does provide education and information about filing a trade mark, but also goes beyond that into advice in that there are suggestions of goods and services to apply for that extend beyond simple text matching and provides 'matches' considered to be similar to the subject trade mark. In FICPI Australia's view this is unquestionably advice, not mere information because it is a specific answer to a specific question. The provision of this advice is not a legitimate administration of the trade mark system.

In FICPI Australia's strong view, IP Australia should guard against fees collected for administering the IP systems from being used for more than administration of the IP system, aside from education, promotion and information about the IP systems and complementary governmental related functions.

It could be said that if IP Australia has the funds available to advance a particular view through the courts and to implement systems of providing advice, then the fees are set too high because they should only be set to a level sufficient to administer the system, not to allow for extra funds to be available to fund these extra activities. From this perspective it could be argued that the fee increases are more than are needed.

FICPI Australia urges IP Australia to be conservative in spending funds on anything that is not essential to administer the IP systems and to only educate and provide information (and not advice) on the IP systems.

Timing of Fee Collection in the Application Process

In FICPI Australia's view there is a balance to be had regarding each action in an application process being fully funded by the corresponding fee for that action (e.g. the fee for requesting examination and the conducting of the examination) and for the fee for some actions subsidising the other actions (e.g. the cost to renew a patent in later years does not cost the same as the fee then charged, so the fee collected is used to subsidise other actions). Additionally, there is a recognition that some fees are also intended to encourage or discourage certain actions or approaches to those actions, by making encouraged actions less expensive and discouraged actions more expensive.

The draft CRIS notes that IP Australia takes a life of the IP right approach to funding with some events in the life of the IP right subsidising others. FICPI Australia considers this to be an appropriate approach.

However, we question whether the fees for examination provide adequate funding for examination quality to be what it should be. Examiners should not be reserving opinion on items required to be examined in order to be 'cost effective'. Examiners should be providing a full opinion on all of

the application being examined. Not only will this reduce the need for and costs of responding and providing further examination reports, it will improve the quality of IP Australia's work.

Use of AI Technology

The draft CRIS does not mention potential efficiency gains from the use of AI technology. FICPI Australia would be interested in IP Australia's view on how this might be used to provide efficiency gains. However, FICPI Australia is also concerned that human decision-making should still be involved in and be the final arbiters of searching and examination. In the medium term these AI based gains might be used to maintain lower fees for examination whilst improving examination quality and providing appropriate fullness of reasoning for any objections in examination reports.

Education and Awareness

The CRIS indicates that IP Australia's Education and Awareness program is funded as part of the cost recovery for each activity group (patents, trade marks designs and PBRs).

In FICPI Australia's view, Education and Awareness should be separate from the cost recovery activity group. It is not necessary for the administration of the IP systems, however, it is a necessary function of IP Australia.

FICPI Australia suggests that Education and Awareness should be funded as a fixed proportion of the total IP Australia budget. Currently, by apportioning, using an activity-based costing model to the cost recovery activity groups, this reduces transparency. What proportion is used for education and awareness? Apportioning to activity groups potentially favours rights that have a greater use over rights that are less used but may need more promotion and awareness. It hides possible under or over expenditure as part of supporting the delivery of the activity groups, which is not actually needed to deliver those activities.

It is useful to consider that if less than 10% of patent applications are filed by Australian people and entities, that more than 90% of fees collected are from overseas sources but the Education and Awareness program is only directed to the Australian users of the IP system.

IP Australia Budget

Our understanding of the draft CRIS is that patent income less expenses appears to be loss making with expenditure growing more than income growth. FICPI Australia urges IP Australia to be pro-patent, encouraging filing by granting worthy patents without undue examination burden and growing the margins of what is patentable to further increase filings income. We expect this would lift patent filing numbers and modestly reduce examination costs, thereby improving the budget situation.

In FICPI Australia's view this budget forecast may be a reflection of a decline in Australia's manufacturing capabilities and a decrease in the interest of overseas entities filing in Australia. In so much as IP Australia has influence, FICPI Australia believe that IP Australia should encourage government policy to be favourable to invest in technology, which in turn ought to be reflected in patent filings.

Trade marks income appears to grow from under half patents revenue to over half of patents revenue. In FICPI Australia's view this demonstrates growth and changes in the economy to be

more consumer focused. It also demonstrated that trade mark advice programs are unnecessary, but that IP awareness works and is important to continue.

Overall, the small total income surplus for 24/25 and 25/26 and growing estimated losses for 26/27 and 27/28 suggest that funds should not be directed to inessential activities outside of administration of the IP systems, promoting the IP systems, the provision of information and necessary government related functions.

Small Entities

In FICPI Australia's view, not having a reduced fee for entities such as individuals and small businesses (small entities) is a lost opportunity to allow the system to encourage innovation and the capture of the innovation through registered IP rights by those entities.

With the majority of users of the patent system being non-residents and which are therefore more likely to be larger entities, this is an opportunity to support accessibility to the IP system by smaller entities. FICPI Australia has access to statistical information that would support this cross-subsidy approach which will likely to benefit Australian businesses.

Small entities fee reduction systems are used in a number of other jurisdictions, for example USA and Canada. Because of this, small entity systems are relatively well known amongst many users of the international IP System, which would include most Australian large entities.

Even if not for this fee review, we recommend IP Australia consider adopting a small entity fee system.

Any small entity system should be relatively simple. For example, a simple number of employees of the applicant, related corporate entity or a licensee would determine the test, such as 100+ is large entity unless a not-for-profit, university or research institution. The test should be self-determined each time a fee is paid. Small entity entitlement could be given a 50% discount on fees. An incorrect self-assessment of the entitlement to the small entity fees should be self-correctable, for example by paying double the undiscounted fee as a penalty while a patent application is pending. It could be double again is post grant if self-reported. And it could be double again if not self-reported. If deliberately paid as the small entity rate without entitlement to small entity status, a court may find fraud on the Office possibly leading to invalidity.

Specific Comments on Fees

Changes to fees

Generally, the changes to fees seem reasonable. Specific items are addressed below.

TM Declaration filed out of time

Regarding the new fee for declaration filed out of time, sometimes this is done because of information that come to light because of the opposing side. It is usually false to say that it is low effort from the requesting party. Accordingly, part of the rationale for this seems to be misguided. However, FICPI Australia considers having a fee for filing out of time evidence to be reasonable.

Filing Additional Designs at the same time

It is understood that in the previous fee review a new fee for filing additional designs at the same time was introduced. The fee for extra designs is lower than for the first design. It is understood that this was introduced to provide an incentive to file multiple designs by the same applicant at the same time due to efficiencies gained with processing the applications when this occurs.

Filing of additional designs in the one application also provides an efficiency to the applicant in that the same applicant details do not need to be entered again for each application.

In FICPI Australia's view, the benefit in avoiding multiple data entry (say of the same applicant details) is substantial from an applicant user's point of view. It does not need additional cost signalling. In fact, the cost difference for subsequent applications can present a problem when filed by represented applicants because of the additional complexity in matching charges against indicated costs. This difference can add unnecessary complexity and confusion in filing costs and in our view would be better kept at one fee per application, whether filed at the same time or separately, where the administrative benefit to the applicant (as well as to IP Australia) is the incentive to file at the same time when this is possible without the need for a price signal encouragement.

Opposition Fees and Costs recoverable

Traditionally fees and costs that can be awarded have been quite low to permit small entities to be able to afford to participate. Recoverable costs were not intended to match the real costs of oppositions.

The changes adjust that affordability beyond the level of increase of other fees. Very small businesses may no longer be able to afford to participate in oppositions, particularly bearing in mind that the costs to parties are not just the official fees. Because of the complexity of oppositions, they should be handled by experienced practitioners, the costs of which are now more recoverable with the changes to the awarding of costs. This has both a positive and negative impact. It is negative in that increased cost may be awarded if the party is unsuccessful, providing a greater risk of participating in the opposition. This increased risk may be too much for a party to decide to participate, irrespective of their prospects of success in the opposition. It is positive in that it provides a greater opportunity to recover of costs spent by the successful party (in both cases assuming costs are awarded against the unsuccessful party). This may mean all but the smallest of entities might permit the risk of participating because of a greater recovery of cost, which makes the opposition more worthwhile to participate in when there are sufficient indication of a favourable outcome.

Small entity fee reductions again may be beneficial in this instance.

It is also worth noting that some international jurisdictions have a no-cost dispute system before the office. This has a positive side in that a party just pays their own way and can have some level of control the costs by controlling the size of the case they present. However, it has a negative side in that it does not allow for penalising bad conduct. The merits of this should be considered. It might also be worth considering having the ability for an instance of bad conduct being able to subject to an adverse costs order, in a similar manner to the way courts decide to award indemnity costs.

There is also the opportunity for Hearing Officers to adjust the normal approach of awarding costs against the unsuccessful party, by changing the norm to be no award of costs is given unless the conduct of a party warrants a costs order. The merits of this change should be considered. If this

change were implemented it would need substantial notice and very clear guidelines so that all parties can properly consider the situation.

Conclusion

FICPI thanks IP Australia for the opportunity to provide our comments.

We would be pleased to discuss this further.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'RWallace', with a long, sweeping underline.

Rohan Wallace
Secretary
FICPI Australia