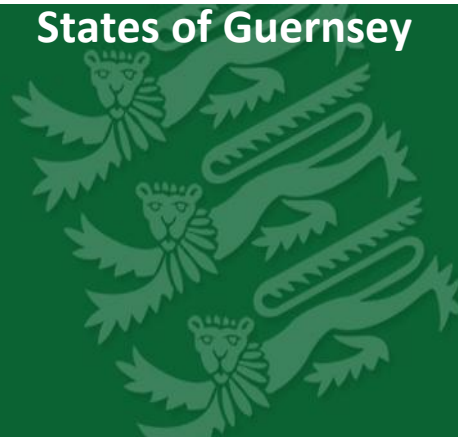


Consultation Paper

The Innovation Patent Consultation

Date: 21 September 2015



Purpose and type of consultation

The purpose of this consultation is to seek input from interested parties into the development of innovation and invention protection in Guernsey by the Commerce & Employment Department.

This paper puts forward options for change and asks for your views.

Closing date: 31 October 2015

The Commerce and Employment (C&E) Board:

- would like to invite comments from all interested stakeholders and users of Guernsey's intellectual property environment, about the development of Guernsey's intellectual property legislation in the specific areas discussed in this consultation paper; and
- aims to work closely with stakeholders and industry to ensure Guernsey adopts the most appropriate developments in this and related matters, to protect and enhance its intellectual property environment.

Please see page 21 "How to respond" section for full details of how to respond to this consultation.

Contacts

Please send your comments to:

Intellectual Property Consultation

FAO Miss Liz Hodder – Business Executive, Finance Sector Policy Unit

Commerce and Employment Department

Guernsey Registry, PO Box 451, Fountain Street, St Peter Port, GY1 3GX

How to contact us

Telephone: (01481) 743813

Email: liz.hodder@gov.gg

Circulation

This consultation paper is an open consultation and has been sent to the following individuals/ organisations:

Intellectual Property Commercial Group
Registry User Group
Individuals (including agents) currently filing with the intellectual property Office
Chamber of Commerce
Alderney/Sark

This consultation paper is also available on www.gov.gg and www.guernseyregistry.com.

Introduction

1. Background

The Bailiwick has a suite of modern and dynamic intellectual property ("IP") legislation, which has been enacted over the past decade. This paper sets out proposals for developing protection for innovations and inventions beyond that already provided.

The Commerce and Employment Department (the '**Department**') seeks feedback from members of the public generally on development of Guernsey's IP regime. In particular, feedback is requested on the business case for developing Innovation Patents in the Bailiwick, and the draft legislation annexed to this consultation paper.

Section 3 of this document raises, and seeks comment on, general issues regarding Innovation Patents. Section 4 raises specific issues regarding implementation of an Innovation Patent regime in the Bailiwick, and seeks comment on the terms of the draft Ordinance.

The issues for consultation are discussed in detail below. A summary of the questions posed in this consultation is provided in word format. You are invited to provide your responses directly into that document, should you wish.

2. Guernsey's intellectual property regime

Guernsey's intellectual property regime offers protection for the following rights:

Trade marks
Patents
Copyright
Database rights
Performers' Rights
Registered Designs
Unregistered Design Right
Image Rights

Patent protection in the Bailiwick is available pursuant to the *Registered Patents and Biotechnological Inventions (Bailiwick of Guernsey) Ordinance 2009* (the "**Patent Ordinance**"). This enables a proprietor of a Patent that is already registered in an approved overseas jurisdiction to register that Patent in the Bailiwick of Guernsey.

Section 1(2) of the Patent Ordinance provides that Patents may be registered in respect of inventions, whether products or processes, in all fields of technology, provided that the inventions –

- (i) are new;
- (ii) involve an inventive step; and
- (iii) are capable of industrial application.

These types of Patent, referred to herein as 'Standard Patents', are granted in the overseas country only after an application has been substantially examined, accepted and possibly opposed. Standard Patents generally have a term of 20 years.

Applicants must establish an 'inventive step' for Standard Patent registration. This can be a difficult hurdle for applicants to overcome, especially since the majority of Patents are improvements on technical solutions that already exist.

Issues for consultation

3. INNOVATION PATENTS

An Innovation Patent is an early stage or shorter term Patent, which provides a monopoly right for less than the 20 year period usually available for Standard Patents. An Innovation Patent must be, or have the potential to be, a patentable invention, but registration has a lower threshold than the 'inventive step' test required for Standard Patents. Applicants need only establish an 'innovative step' for registration.

To establish an innovative step, the invention must differ from the prior art base in a way that makes a "substantial contribution" to the working of the invention. There is no requirement that the invention be non-obvious, as is a requirement of Standard Patents. Decisions in other jurisdictions have confirmed that it will be fairly easy for patentees to satisfy the innovative step requirement. In turn, it is considered that it will be fairly difficult for opponents to successfully challenge the validity of an Innovation Patent on the basis of lack of innovative step.

Innovation Patents are granted almost immediately, subject to a formalities check. Generally, there is no substantive examination of Innovation Patents at the time of registration or grant, but rights under them will not be enforceable until substantive examination has taken place, which will usually be at the time of infringement or alleged infringement.

3.1 *The proposal*

The proposal is to give effect to a regime enabling the registration and exploitation of Innovation Patents in Guernsey, in addition to the IP rights currently available in the Bailiwick. Proposals on examination, costs and agents are detailed below at sections 3.7-3.10 below.

The Department is keen to understand the business case for introducing an Innovation Patent right in the Bailiwick.

3.2 *Innovation Patents v other IP rights*

There are clear differences between Innovation Patents and other IP rights including Standard Patents, Copyright, Registered Designs and Trade Marks.

Copyright protects the copy of a software code whereas the Innovation Patent would seek to protect the particular implementation of the innovation that results from the development of the code. This could make an innovation patent a potentially more powerful right than copyright alone in protecting software, as well as financial/business methods where patentable.

Registered Design rights protect the appearance of all products, in particular, the lines, contours, colours, shape, texture or materials of a product or its ornamentation. Unlike

Patents and Innovation Patents, they do not protect the way in which a product or article functions.

A trade mark protects the sign which distinguishes the goods of one undertaking from those of another undertaking. It does not confer any intrinsic protection on the invention or innovation itself.

Innovation Patents could, for example, have application in the fields of innovation, digital technologies, financial technologies and business methods. In practice, as with all IP rights, Innovation Patents would be likely to be used as part of a 'portfolio of rights', for example alongside Trade Marks and Copyright.

3.3 *Potential uses of Innovation Patents*

This section considers some of the areas which could, if considered desirable, benefit from Innovation Patent protection. The actual proposed fields of activity and patentability for Bailiwick Innovation patents, as currently drafted, are discussed in section 4.2 below.

i) Startups and entrepreneurs

Obtaining the first step protection for early stage financing and for 'proof of concept' is often a costly and protracted process for startup companies and entrepreneurs. Innovation Patents could potentially provide a faster and more cost effective method for obtaining protection, than Standards Patents. This could benefit Guernsey based entrepreneurs.

ii) Digital/software

Digital/software technologies have traditionally relied on Copyright protection. The Innovation Patent has the potential to protect the innovation resulting from the software/ digital code, not just the copying of the code itself, which could be circumvented by producing a different code to achieve the same innovation.

It is noted that if the innovation is technical in nature, within the limits of section 1(8) of the draft legislation, is it already patentable. The Bailiwick Innovation Patent would extend the scope of such patents granted (and valid) locally.

iii) FinTech

Innovation Patents could provide protection for new FinTech innovations, for example, a series of algorithms resulting in a new business method. Currently, algorithms would be difficult, or impossible, to protect using either Standard Patents, as understood in most jurisdictions, or Copyright. Innovation Patents, as defined in the draft legislation, have a broad scope of patentability and could provide protection within Guernsey if the tests of novelty, innovation and industrial/commercial application are satisfied.

The following, for example, have been stated to be areas of potential application:

- search and data analytics algorithms which provide the data sources and which analyse and organise data into coherent data sets;
- software for new processes and programs designed to improve back and middle office processing;
- creation and secure use of cyber currencies; and

- platforms for the business methods enabled by the platforms in finance and market making.

The above are supportive and complementary to the Department's strategic review of FinTech,¹ to the extent that they allow locally valid patents to be granted in Guernsey and used to control access to local markets.

It is for industry to assess the potential contributions to the broader objectives of bringing investment into or services export from the Bailiwick to other jurisdictions.

iv) Business methods

Business methods have become difficult to protect where there is no technical effect involved, even via the formerly used option attempted by filing at the US Patent and Trademark Office. This has developed as a result of guidance from the US Federal Court in specific landmark cases, setting down guidance relating to novelty, non-obviousness and technical application in those fields of endeavour, in which the US has conformed lately to international standards of interpretation more closely.

Such innovations are currently excluded in the current wording of 1(8) of the Bailiwick's draft legislation. They are also excluded under similar legislation and regimes found in the UK, European and many other jurisdictions.

The Department is aware that there is a considerable interest in the concept of business methods, and feedback is requested on extending Innovation Patents in this area.

3.4 Benefits of an Innovation Patent system

Some of the key features and benefits of an Innovation Patent system can be summarised as follows:

- i) speed of grant – Innovation Patents can provide a fast and cost effective means of protecting intellectual property. They are a particularly useful tool in supporting first to market advantage and are strategically valuable assets in protecting and enforcing Patent rights;
- ii) broad scope and coverage – with limited exclusions;
- iii) cost-effective – preparation and application costs are generally lower than for standard Patents;
- iv) less stringent requirements – in relation to both filing and patentability;
- v) equal rights and remedies – once certified, the same remedies for infringement are available as exist for Standard Patents, i.e. injunctions, damages and account of profits; and
- vi) strategically advantageous – Under the Patents Ordinance only granted Patents can be re-registered in Guernsey; it is not possible to register pending determination of

¹ 'States of Guernsey: A strategic vision for FinTech', PWC July 2015

overseas Patent applications. An Innovation Patent system could give applicants who want earlier protection in Guernsey the opportunity to apply for the registration *pending* grant of the Standard Patent right in another jurisdiction, provided that the scope claimed was valid in both jurisdictions.

In terms of potential benefits to Guernsey, these can be summarised as follows:

- i) attractive marketing tool for entrepreneurs/ venture capitalist;
- ii) protection for domestic innovation;
- iii) direct grant in the Bailiwick; and
- iv) access to the international registration system (subject to PCT extension).

A summary overview of the key differences between Standard Patents and proposed Innovation Patents is annexed at Appendix 1 to this consultation paper.

The objective of introducing Innovation Patents is to stimulate innovation in the Bailiwick for small to medium business enterprises, by providing businesses with IP Rights for their lower level inventions, preventing competitors from copying them, and reducing the compliance burden on users of the Patent system. Innovation Patents could offer an easier, cheaper and quicker method for inventors to obtain rights.

3.5 Policy issues

- i) Potential for misuse of registrations is of concern to the Department. In some countries, Innovation Patent / Petty Patent protection was introduced primarily to make Patent protection more affordable and accessible to entrepreneurs and small to medium sized enterprises. In practice, large companies and multinationals have also used this low cost facility to obtain monopoly rights in areas of innovative activity that would not otherwise have been protected, referred to as innovation blocking.

This misuse has been made possible because of the lack of examination of applications. Whilst the rights can be contested in Court that is a costly and unattractive route for many small to medium sized enterprises. Critics have argued that the greater accessibility of an Innovation Patent or Petty Patent has made Patent protection less available to small businesses. Significant areas of innovation are effectively ring-fenced from the small business/entrepreneur as the extension of the protected rights increases the risk of infringement. It is considered that these risks will be minimised in Guernsey by the proposal for a level of examination to take place at the time of the registration.

- ii) The Bailiwick's Innovation Patent system must strike a balance. It must provide sufficient protection to reward innovation, but not so much protection as to unfairly block future or follow-on innovation.
- iii) There is a risk that large multinationals could use the Innovation Patent system to protect their market share in the Bailiwick. This is however significantly reduced due to the small size of the Bailiwick market; it is considered that there would be little attraction in using Innovation Patents as defensive measures to block competitive innovation. The draft legislation (annexed to this consultation paper) contains measures in the registration

process and after registration to safeguard the public interest, including through (a) publication at the application stage, and (b) powers during the examination process to deal with matters contrary to public policy or morality.

- iv) The protection available in other countries has been considered for the purposes of developing this right in the Bailiwick.

Second tier Patent systems, like the Innovation Patent, are sometimes known as utility models. Currently, a modest but significant number of countries and regions provide utility model protection, with some important exceptions. It is noted that the United States, India, Singapore, the United Kingdom and New Zealand do not grant Utility Model Patents. In the United Kingdom, the 2006 Report on the *Gowers Review of Intellectual Property* did not recommend the introduction of Utility Model Patents because, among other reasons, it was considered that they could increase transaction costs and stunt future innovation.

Australia has an Innovation Patent system, which has been used as the main model for developing the Bailiwick's Innovation Patent system. It is more flexible for entrepreneurs and has a wider scope of "patentable innovation."

- v) In considering the development of IP in this area, it is necessary for the Department to consider the business case of doing so, including the likely volume of registrations.

Question for consultation: Introducing an Innovation Patent system in Guernsey

1. In principle, are you in favour of introducing an Innovation Patent system in the Bailiwick? Please provide reasons for your answer.
2. What activity do you anticipate Innovation Patents being utilised for (a) in the Bailiwick and (b) off-shore (if at all)?
3. What do you consider to be the risks of introducing an Innovation Patents system into the Bailiwick? Please provide details of how, if at all, you think these risks may be overcome.
4. What volume of applications do you anticipate being filed with the IP Office (a) within the first twelve months and (b) within the first five years of being introduced?

3.6 Innovation Patents and International agreements

The Paris Convention for the Protection of Industrial Property (the "Paris Convention")

Innovation or 'Petty Patents' can qualify for protection under the Paris Convention. This means that an application can be published without destroying the novelty of the innovation in another Paris Convention Country, where it will enjoy the priority filing date for 12 months from the date of first filing. Work is being undertaken by the Department and Law Officers to formally request extension of the Paris Convention to Guernsey.

The Patent Cooperation Treaty ("PCT") process

PCT assists applicants seeking Patent protection internationally for their inventions. Intellectual property is jurisdictional by nature; applicants need to file in the various different jurisdictions in which they wish to obtain protection. PCT enables applicants to simultaneously seek protection for an invention in 148 countries, throughout the world, by

filing one application. Subject to examination and approval in the different jurisdictions a number of registrations can then be granted from that one application. Filing one application can provide costs savings and be more time efficient.

PCT is used by the world's major corporations, research institutions and universities when they seek international Patent protection. It is also used by small and medium sized enterprises and individual inventors.

PCT applications involve a number of steps:



In jurisdictions which do not operate an Innovation (or Petty) Patent, they can be used as the priority filing and basis for the filing of a Standard Patent application, provided that the scope of the claimed patentable invention falls within that permitted by the Patent legislation of the jurisdiction where the second or subsequent filing takes place.

In time (and once the Paris Convention has been extended to Guernsey), an Innovation Patent granted in the Bailiwick could potentially open up the ability for applicants to proceed with application and publication internationally through the PCT process, with priority being claimed from the date of filing of the Bailiwick Innovation Patent application.

This would be similar to the way in which utility models are used in some other jurisdictions. In Denmark, for example, it is possible to enter the national phase of a PCT application as a utility model application, either as an alternative or in addition to a national Patent application or a European Patent application designating Denmark.

It must be noted that the scope of Innovation Patents will differ in some cases to that allowed for Standard Patents in specific national or regional patent legislation. Insofar as the material granted in the Bailiwick exceeds that which is patentable in another jurisdiction, such claims would be considered partially or wholly invalid in such jurisdiction, i.e. they could be rejected. The establishment of a priority right (first filing) under the Paris Convention is not a stamp of validity. Second or subsequent filings in other jurisdictions could, if required, be adapted so as to conform to the more restrictive scope of patentability permitted in those jurisdictions.

Question for consultation: PCT

5. How do you foresee the PCT route being utilised for Innovation Patents?
6. What volume of international applications do you anticipate being made through the using the Bailiwick Innovation Patent (a) within the first twelve months, and (b) within the first five years of introducing the regime?

3.7 *Proposals for examination*

Most other countries which have second-tier Patent systems grant the right without any search and examination at the application stage, beyond examination of formal requirements. Whilst substantive examination is optional at the time of registration, rights cannot be enforced until examination has taken place, which will usually be at the request of the proprietor or third party at the time of enforcement proceedings.

This approach may be seen as a contributing factor to some monopoly abuse for such rights. It also creates uncertainty for both the proprietor and third parties, since determination of rights will be required at a later stage. The cost of litigation can also be an issue.

It is proposed in that in the Bailiwick a level of examination, beyond formal requirements, for Innovation Patents would take place at the time of registration. The grant and registration would be based on the strength of a search report and opinion provided by an agent.

A working group was set up by the Intellectual Property Commercial Group, to consider proposals for examination (and costs) of Innovation Patent applications in the Bailiwick. Four options for examination were considered by the working group as follows:

i) *No examination at IPO and no submission of basis of innovation.*

This method would involve formal examination for procedural compliance by the IP Office only. The decision on validity/enforcement would be left to the Court to determine. This would offer a low cost, quick registration, but could be susceptible to poor quality registration which may affect the reputation of the Innovation Patent. There would be no office "ex-parte" opposition. Court involvement for both enforcement and revocation could involve high costs and it would be necessary to make further enquires with the Royal Court to ensure that there was sufficient resource and ability to deal with enforcement in this way. This method of examination was not recommended by the working group.

ii) *Full examination and search being undertaken by the Guernsey IP Office.*

This method would require significant up-skilling of IP Office staff, from their current skills base, and associated costs. The upfront costs for the IP Office would be high. Costs to applicants would also be high, as the office costs would need to be passed on to applicants. If the office employed experience and suitably qualified staff, and/or were able to acquire adequate training for staff, the quality of Innovation Patents granted would be medium to high, but could be limited by the breadth of expertise within the IP Office. In the absence of such detailed training and experience the quality of grants would be low to medium. Attractiveness to industry and commerce could be limited until such time that the office established credentials as an examining office. This method of examination was not recommended by the working group.

iii) *Outsourced examination search and examination to other organisation/individuals.*

This method could, for example, involve using the UK Patent Office, which now has a non-binding but relatively quick informal opinion on infringement and validity, or the European Patent Office. Most patent offices already have a back-log of cases, so may not be interested in additional workload, even for a commercial fee.

Contracting with a firm or firms of accredited patent attorneys to undertake assessment for registration purposes could include excluding such firms from filing applications.

It was noted that if Bailiwick Innovation Patents are to cover fields of endeavor that are not within other jurisdictions, outsourced examining entities are unlikely to have experience in those fields, and so unit cost would be increased. It should not be assumed that they would wish to (or could easily) train their examiners to examine applications relating to substantially different legal requirements to those which apply to their national patents.

Whilst the examination would be carried out by a third party, the Guernsey IP Office would remain responsible for the examination and grant under the Ordinance. Therefore some specialist skills would be needed at the IP Office, to oversee the service.

The external examination costs would need to be passed on to applicants, which would increase application costs. The quality of granted Innovation Patents would be good, subject to the breadth, scope and quality of outsourced examinations. There could be issue as to how an applicant would dispute an outsourced examination opinion, which would also involve representation and increased costs. The working group recommended that this method of examination was worth further consideration, if a high quality of granted Innovation Patent was considered key to the attractiveness to industry.

iv) IPO to examine procedural elements only, with submission prepared by a professional.

The method would entail a suitably qualified patent attorney preparing a 'Statement of Novelty and innovative step, Industrial or Commercial application' (a "SNIC"), for client approval. The SNIC would attest that, in the professional opinion of the agent, the innovation meets the essential requirements of Novelty, Innovative Step and Industrial or Commercial Application as required for a Bailiwick Innovation Patent.

It was noted that, whereas it was often permitted for an applicant to draft his/her own patent specification to enter a patent application procedure, unless such an applicant has suitable background and experience there can be a risk of loss of IP rights as a result of bad drafting.

The responsibility for ensuring compliance with the legislation would therefore be placed on industry. Professional involvement, it was considered, would limit poor quality applications. It would also provide an evidence base for licensees to judge the strength of the Innovation Patent, and for consideration by the Courts in the case of infringement proceedings.

The office examination would be for "formal" procedures only. No specialist expertise would be required in the grant process. Infringement proceedings or revocation by an opponent would be brought to the Court with the Registrar following the Court decision.

The working group commented that there was no evidence from countries providing Innovation Patents that this method would result in a large number of cases being brought to the Court. Rulings on particular cases would help provide the case law for the Innovation Patent.

This method could lack impartial analysis of some of the criteria for registration. It also relies on the qualifications of person preparing the SNIC.

The working group recommended this method of examination, which they consider has the potential to provide a good service to industry at a very low cost to the Guernsey IPO.

3.8 Estimated fees for proposed examination methods

Annexed at Appendix 2 is a schedule of the estimated fees for each of the proposed examination methods, detailed in section 3.7 above, presented by the working group.²

The working group anticipates that the Innovation Patent application cost, including a SNIC, could start at around £500, where an applicant provided his/her own well-drafted application text and associated documentation to the agent. The agent would then need to check the validity of the application sufficiently to provide a SNIC.

The formulation of the Patent specification would incur additional costs, which could be significant. That cost is a common factor whatever the subsequent administrative/ examination/ legal procedures are.

If the application were to be submitted by an agent, such as a Bailiwick agent registered with the IPO, there would be additional fees for the filing service, which may be between £50 and £250. This would depend on the requirement for professional service provisions made on the agent and their particular fee scale.

Question for consultation: Examination of Innovation Patent system in Guernsey

7. Do you agree with the proposal that examination for Bailiwick Innovation Patents be undertaken at the time of registration, rather than at the time of enforcement (as is the case in other jurisdictions)? Please give reasons for your answer.
8. Which option(s) for examination identified above do you prefer? Please provide reasons for your answer.
9. If you consider that there are other appropriate methods of examination which have not been considered above please provide details.

² Service cost estimates from professional sources of the authors.

3.9 Examination methods in other jurisdictions

The examination methods in Australia and South Africa are noted for reference.

The Australian Office provides a process for progression to grant based on formal procedure only. Initially, the Innovation Patent can have as many claims as the patentee may wish. Examination is required prior to proceedings for infringement or revocation, at which time the patent must be limited to five claims.

The South African Patent Office is a non-examining patent office, meaning that no substantive examinations are conducted by the office. Any patent will automatically proceed to grant as long as the formal requirements have been complied with.

Accordingly, Patent Attorneys practising in South Africa are aware that many South African Patents, in their current form, are invalid. Patents can subsequently be brought into a valid form by amendment, and most South African practitioners when instructed by a client to institute infringement proceedings, will typically take the following steps:

1. investigate the validity of the Patent in its current form (i.e. conduct due diligence on the novelty and inventiveness of the invention, as protected by the Patent in its current form);
2. if the validity is questionable, make amendments to bring the Patent into a valid form; and
3. institute infringement proceedings, if still considered to be justified.

The reason such steps are taken include that:

1. a patentee may be counter-sued for damages caused to an allegedly infringing third party where such damages are caused by the patentee instituting infringement proceedings on an invalid patent; and
2. amendments made to a patent post-grant must lie open to the public for possible opposition before being allowed (as such, it is advantageous for the patentee to make the amendment and ride-out the two months opposition period before instituting action, thereby minimising the risk of any opposition).

South African Patent Law makes provision for any third party to bring proceedings to revoke a granted patent on one of many different grounds.³

The proposed Bailiwick system for Innovation Patents will have the extra safeguard of requiring filing to be accompanied by a SNIC statement. It is anticipated that this would minimise the potential invalidity problem of a non-examination regime.

For reference, annexed at Appendix 3 are schedules of the fees charged in Australia and Germany.

³ Section 61 of the *South African Patent Act*.

3.10 Proposals for Agents and Designated Office

It is proposed that applications would be made either by an inventor or through a registered Patent attorney (current terminology used in draft legislation) with an address for service in the Bailiwick.

Limiting this field of work to registered Patent Attorneys/Agents will ensure sufficient safeguards on the standards in this field of work, including competence. A registered Patent Attorney for the purposes of Innovation Patents would be limited to Guernsey resident Patent Attorneys (i.e. under the Patent Ordinance).

It is important to consider whether Bailiwick Patent Attorneys will have sufficient skills and impartiality necessary to provide the 'expert report' envisaged for Innovation Patent application and registration purposes. Your feedback on this is welcomed.

The ability to use local registered agents may provide cost benefits for some applicants, as well as stimulate the development of this sector in the Bailiwick. Limiting agents to local residents only is consistent with other IP products offered by the IPO.

It is also proposed that the European Patent Office would be a designated office for registrations.

Annexed at Appendix 4 is a sample application form for a Bailiwick Innovation Patent.

Question for consultation: Agents, Designated Office and sample application form

- 10.** Do you agree with the proposal for Bailiwick Patent Attorneys to be able to submit applications for Innovation Patents?
- 11.** Is it necessary for competence, including skills and impartiality to file Innovation Patent applications, to be proven and demonstrated as sufficient, over and above that of being a Patent Attorney? If so, please provide suggestions on how best this could be achieved.
- 12.** Should other agents, for example a UK Patent Attorney or European Patent Attorney, be able to submit applications for Innovation Patents? Please provide reasons for your answer.
- 13.** Please provide any feedback you may have on the sample application form.

4. DRAFT INNOVATION PATENT LEGISLATION

Draft legislation giving effect to a regime enabling the registration and exploitation of Innovation Patents in the Bailiwick has been prepared and is annexed at Appendix 5 to this consultation paper.

The Australian Innovation Patent has been used as the main model for drafting, since it is more flexible for entrepreneurs and has a wider scope of 'patentable innovation'.

4.1 Key points of draft legislation

Below is a list of the key points of the draft legislation. The section numbers referred to are those of the draft legislation.

- i) The structure of the draft Ordinance is based on the *Patent and Biotechnological Inventions (Bailiwick of Guernsey) Ordinance, 2009*.
- ii) It covers all fields of inventive activity, including products or processes in all fields of technology and commerce (*section 1*), with some exceptions (*see section 1(8)*).
- iii) A system of first registration is offered within the Bailiwick (*section 1 and schedule 1*).
- iv) Applications are to be made either by the inventor (*sections 8-10*) or through a registered Patent Attorney with an address for service in the Bailiwick (*section 77*). It should be noted that registered Patent Attorney is the terminology adopted under the draft legislation. The proposal is to utilise Attorneys under the Patents Ordinance (*see section 3.10 of this document for further comment*).
- v) Test for novelty and industrial or commercial application (*sections 2 and 4*).
- vi) Requirement for an innovative step, which is lower than the threshold for inventive step (as required under the Patents Ordinance) (*section 3*).
- vii) Application and registration process (*sections 10-28*) entails:
 - a. Applicant to apply for grant and registration of innovation; application to be accompanied by particulars (*section 10*).
 - b. Accompanying particulars to include a statement by an accredited person to confirm that the innovation is, to the best of his professional judgement, new and involves an innovative step.
 - c. Administrative examination of formal requirements to be undertaken by Registrar (*section 11*).
 - d. Publication of the application (*section 12*).
 - e. Any observations on whether Innovation Patent should be granted to be considered (*section 12*).
 - f. Substantive examination by Registrar (*section 14*).
 - g. Grant / refusal of Innovation Patent (*section 14*).
- viii) Full protection rights are provided for 8 years (*section 17*).
- ix) Right to use the term "Guernsey Innovation Patent" or "(GIP)" in relation to the innovation (*section 29*).
- x) Full scope of rights use to include:
 - a. Right to be mentioned as innovator (*section 9*).
 - b. Rights given by registration as proprietor of Innovation Patent (*section 29*).
 - c. Co-ownership (*section 30*).
 - d. Nature of rights (*section 31*).
 - e. Assignment (*section 32*).
 - f. Effect of registration etc. on rights in Innovation Patent (*section 33*).
 - g. Licensing (*sections 34-45 and Schedule 2*).

- xi) Provisions to deal with anti-competitive behaviour, innovation blocking and prohibition of licences tied to non-protected products and processes (*sections 34-35*).
- xii) Full enforcement provisions as for standard patents (*section 46 to 55*).

4.2 Proposed fields of activity and patentability

i) Fields of activity

As drafted, Innovation Patent protection would be available for a wide range of innovations, including products or processes, in all fields of technology and commerce (section 1(1)). An innovation would be capable of industrial or commercial application if it can be made or used in any kind of industry or commerce, for example in the field of agriculture, education, financial services, computer programs, biotechnology or entertainment.

Commercial innovations, even without technical solutions to technical problems, would therefore be patentable in Guernsey. 'Commercial' has yet to be defined and feedback is requested as to whether it should be limited, similar to section 1(8) of the draft legislation.

In some countries second tier Patent protection can only be obtained for certain fields of technology and only for products but not for processes.

It is noted that 'commercial' (as such) is not an indicator of patentability in the UK, US, EPO etc.

It is also noted that, as already detailed above in this consultation document, insofar as the scope granted in the Bailiwick is not permitted under patent legislation elsewhere, the corresponding claim for protection, through the PCT route, could be rejected. It would however be possible for the number of claims to be reduced in advance on the international application.

Question for consultation: Draft legislation – fields of activity

- 14.** Do you agree with the proposed fields of activity for Innovation Patents? Please provide your reasons.
- 15.** Do you consider that 'commercial' fields should be limited? Please provide your reason and suggested wording if considered necessary.

ii) Patentability

Section 1(4) and (8) of the draft legislation contain specific prohibitions on certain products or processes being regarded as innovations for the purposes of the proposed Innovation Patent regime.

Section 1(8) is drafted in similar terms to section 1(2) of the Patents Act 1977, the European Patent Convention (A53) and other major patent legislation. The effect is to narrow the scope of patentability (i.e. what can be considered innovative for the purpose of the legislation) to the same as the scope for Standard Patents.

The objective of limiting patentability for Innovation Patents in this way relates to the PCT process. As detailed in section 3.6 above, a Bailiwick Innovation Patent entering into the PCT

process will be tested against national and/or regional legislation in the chosen jurisdictions, before it can be granted elsewhere. Insofar as the Bailiwick registered Innovation Patent had features which departed in particular aspects from the legislation in those other jurisdictions, it would not be granted as such and would either be refused or would have only claims granted which conform to the law applied in the office of second or subsequent filing.

In drafting the legislation care has been taken to align the patentability of an Innovation Patent with that of Standard Patents in other jurisdictions.

Narrowing the patentability in this way however means that some innovative products and technology could not be patented. Business methods, for example, would not be regarded as innovations.

In Australia, a Patent may be granted for a business method where the method directly involves a physical form or device to bring about a 'useful product'. That is, the application of technology for automation of a business method (e.g. computerised accounting, monitoring, reporting or analysis systems) must be directly involved with the creation of the 'useful product' in a substantial, rather than incidental way. The mere presence of science or technology (for example a computer) in a claimed invention is not sufficient to be patentable. The computer must be directly involved in the creation of the useful product. It is not sufficient for the computer to simply carry out the steps of a business scheme or plan. Section 1(8) of the draft Innovation Patent legislation is intended to operate in a similar way to prevent these innovations from being patentable.

Feedback is sought on the scope of patentability.

Question for consultation: Draft legislation - patentability

- 16.** Do you agree with the proposed prohibitions on 'innovation'? If you consider that the range of prohibitions should be narrowed, or expanded, please provide reasons and suggested text as appropriate.
- 17.** How important do you consider it is to ensure that Innovation Patents can be used under the PCT process? Please provide reasons for your response.
- 18.** If the scope of innovation was broadened (section 1(8)), which could result in some Innovation Patents not being capable of being used to support registration through the PCT process in other jurisdictions, do you consider that would outweigh the overall benefit of introducing an Innovation Patent regime in the Bailiwick?
- 19.** What application do you envisage there to be for Innovation Patents in the Bailiwick (a) under the current wording of section 1(8), and (b) if section 1(8) were to be removed or reworded so that the scope of patentability were broader?

4.3 *Proposed period of protection*

As drafted, an Innovation Patent will be valid for 8 years (section 17). Protection for second tier Patents in other jurisdictions is typically between 8 and 10 years.

Question for consultation: Draft legislation

20. Do you agree with the proposed protection period of 8 years for Innovation Patents? If you consider that a different period should be adopted please provide reasons.

4.4 *Terminology*

In some countries an Innovation Patent is termed “Petty Patent”, “Utility Model”, “Short term Patent” or “Second tier Patent”. Countries which have such protection include Australia, Germany, Japan, Korea and China.

The decision to use the term “Innovation Patent” for the Bailiwick has been taken on the following basis:

- i) The terms “petty”, “short-term” and “second tier” may be appear less attractive. The intention is for this IP right to be marketed as a leading piece of Bailiwick IP legislation.
- ii) “Innovation” is a recognisable term to entrepreneurs and venture capitalists, which are key target groups for the new right.
- iii) “Innovative” differentiates the right from the “inventive step” used for Standard Patents.
- iv) “Patent” identifies the nature of the right and targets the market interested in this form of protection.

Question for consultation: Draft legislation

21. Do you agree with the use of the term “Innovation Patent”? In the event that you consider a different term would be more appropriate please provide your comments.

4.5 *Innovative step*

The innovative step test makes lower demands than for a Standard Patent, which requires an “inventive step”. The innovative step must exhibit “an advantage” over the state of the art found in the novelty search. This advantage may be practical or technical in nature and the contribution must be such as to be regarded as “substantial” by a person skilled in the art of the field in question.

The test does not consider whether the innovative step would be considered as ‘non-obvious’ or ‘obvious’ to a person skilled in the relevant art (the essence of the inventive step).

It is noted that in Australia the innovative step threshold was considered to be much lower than was anticipated by the designers of that system. In the case of *Delnorth*⁴ it was considered that an ‘innovative step’ allows even clearly obvious enhancements to be patented, which potentially left the system open to inappropriate use.

The decision included the steps required to determine whether a claim had an innovative step as follows:

- a) compare the invention as claimed in each claim with the prior art base and determine the difference or differences;
- b) look at those differences through the eyes of a person skilled in the relevant art in the light of common general knowledge as it existed in Australia before the priority date of the relevant claim; and
- c) ask whether the invention as claimed only varies from the prior art in ways that make no substantial contribution to the working of the invention.

A Consultation Paper, ‘Innovation Patents –Raising the Step’, was issued by the Australian Government in 2012. It was proposed to increase the level of inventiveness for Innovation Patents, so that the definition would mirror that for standards patents; *“an invention is to be taken to involve an inventive step when compared with the prior art base **unless the invention would have been obvious to a person skilled in the relevant art in light of the common general knowledge as it existed (whether in or out of the patent area) before the priority date of the relevant claim...**(emphasis added).”*

Question for consultation: Draft legislation

22. Should the draft Innovation Patent Ordinance be amended to prohibit innovations which are obvious? Please provide your reasons.

5 TERMS OF DRAFT LEGISLATION

Question for consultation: Draft legislation

23. Please provide your general comments on the draft legislation. If you consider that any further amendments are required or preferable please provide details and reasons.

⁴ As established in *Delnorth Pty Ltd v Dura-Post (Aust) Pty Ltd [2008] FCA 1225* (and the decision of the appeal issued in July 2009).

6 DEVELOPMENT OF PROTECTION FOR INNOVATIONS AND INVENTIONS WITHIN THE BAILIWICK

The Department is keen to enhance the regime for protection of innovations and inventions in the Bailiwick, to ensure that it supports and encourages the growth of related enterprise, and is able to deal with the advent of new technologies and business models.

Aside from possible development of an Innovation Patent regime, feedback is requested from members of the public on possible areas for the wider development of protection for innovations and inventions in the Bailiwick.

Question for consultation: Development of innovation and invention protection in the Bailiwick

- 24.** Are there any potential areas for development of innovation and invention protection in the Bailiwick which you consider warrant further research by the Department? Please provide details.
- 25.** Do you consider there is any demand or potential demand for the development and extension of protection for innovations and inventions amongst sole traders and small enterprises? Please provide details.

Next steps

Responses will be collated and a summary made public. Responses will be considered by the Department to inform a policy decision on the proposed changes outlined in this consultation document.

How to respond:

PLEASE SEND COMMENTS, PREFERRABLY BY EMAIL, TO:

Miss Liz Hodder – Business Executive, Finance Sector Policy Unit Commerce and Employment Department Guernsey Registry PO Box 451 Fountain Street St Peter Port GY1 3GX	Telephone: (01481) 743813 Email: liz.hodder@gov.gg
---	--

A summary of the questions posed in this consultation is provided in word format . You are invited to provide your responses directly into that document, should you wish.

THE CLOSING DATE FOR REESPONSES IS 31 October 2015.

Disclaimer

**Please note that consultation responses may be made public.
(sent to other interested parties on request, quoted in a published report, reported in the media, published on www.gov.gg, listed in a consultation summary etc.)*

**Please indicate in your response how the Department should treat your response, the options available include:*

I agree that my comments may be made public and attributed to me.

I agree that my comments may be made public but not attributed to me (i.e. anonymous).

I don't want my comments made public.

Name:	<input type="text"/>
Address:	<input type="text"/>

Appendices

- Appendix 1 – Summary overview of the key differences between standard Patents and proposed Innovation Patents.
- Appendix 2 - Schedule of estimated fees for proposed examination methods.
- Appendix 3 - Schedules of costs in other jurisdictions.
- Appendix 4 - Sample application for a Bailiwick Innovation Patent.
- Appendix 5 - Draft Innovation Patent Ordinance.