



Australian Government

Advisory Council on Intellectual Property



**Post-Grant
Patent Enforcement Strategies**

Final Report

January 2010

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Australian Government

Advisory Council on Intellectual Property

Senator the Hon Kim Carr
Minister for Innovation, Industry, Science and
Research
Parliament House
CANBERRA ACT 2600

Dear Minister

In 2006 the former Parliamentary Secretary, The Hon Bob Baldwin MP, asked ACIP to inquire and report on issues relating to post-grant patent enforcement strategies to benefit the Australian economy by assisting patentees to effectively enforce their patent rights. As Chair of ACIP I am pleased to present you with the report.

ACIP has found that patent owners, particularly small to medium enterprises (SMEs), encounter difficulties in enforcing their patent rights after they have been granted. These difficulties can be broadly grouped into temporal, financial, informational and jurisdictional issues. The report's primary focus has been on improving non-court-based enforcement strategies because ACIP believes this offers the best opportunity to make significant improvements that will particularly benefit Australian SMEs. ACIP makes a number of recommendations, the most significant being the establishment of an IP dispute resolution centre (IPDRC) within IP Australia. The proposed IPDRC would provide access to more cost effective and timely options for the enforcement of patents in Australia. In addition the IPDRC would act as a referral point for intellectual property owners seeking information and advice about patent enforcement.

In preparing this report, ACIP widely circulated an issues paper and an interim report, and held consultations with interested parties. A number of stakeholders, and particularly small to medium enterprises, were in favour of the establishment of an IP dispute resolution centre.

I look forward to the Government's response to the report.

Yours sincerely

A handwritten signature in black ink, consisting of several loops and a long horizontal stroke at the end.

Leon Allen
Chair
15 January 2010

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1. Glossary of Terms

AAT	Administrative Appeals Tribunal
ACIP	Advisory Council on Intellectual Property
ADR	Alternative Dispute Resolution
ALRC	Australian Law Reform Commission
AMPICTA	Australian Manufacturers' Patents, Industrial Designs, Copyright and Trade Mark Association
APEC	Asia-Pacific Economic Cooperation
ASEAN	Association of Southeast Asian Nations
AUSFTA	Australia – United States Free Trade Agreement
CEDR	United Kingdom Centre for Effective Dispute Resolution
CSIRO	Commonwealth Scientific and Industrial Research Organization
EPO	European Patent Office
FICPI	International Federation of Intellectual Property Attorneys
FTA	Free Trade Agreement
IP	Intellectual Property
IPAC	The United Kingdom's Intellectual Property Advisory Committee
IPC	Intellectual Property Committee of the Law Council of Australia
IPCRC	Intellectual Property and Competition Review Committee
IPDRC	Intellectual Property Dispute Resolution Centre (as per Recommendation 1)
IPRIA	Intellectual Property Research Institute of Australia
IPRs	Intellectual Property rights
IPTA	The Institute of Patent and Trade Mark Attorneys of Australia
KIPO	Korean Intellectual Property Office
LCA	Law Council of Australia
NIS	National Innovation System
OECD	Organisation for Economic Co-operation and Development
PCC	The United Kingdom Patents County Court
PCT	Patent Cooperation Treaty
QC	Queen's Counsel
SME	Small to Medium Enterprise
TRIPS	Trade-Related Aspects of Intellectual Property
UDRP	Uniform Domain Name Dispute Resolution Policy
UK	United Kingdom
UKIPO	United Kingdom Intellectual Property Office
USA, US	United States of America
WIPO	World Intellectual Property Organization
WTO	World Trade Organization

2. Terms of Reference

The enforcement of patents can be perceived as a time consuming, expensive, and complicated process. If enforcement difficulties are causing sub-optimal use of patents by users of the patent system this may adversely affect both the innovation system and the Australian economy. In early 2006, in order to address risks associated with such outcomes, the Australian Government responded to the concerns raised in this area and requested that ACIP:

Inquire and report on issues relating to post-grant patent enforcement strategies to benefit the Australian economy by assisting patentees to effectively enforce their patent rights.

3. Executive Summary

Over recent years, some patent owners in Australia have expressed concern about the difficulties that they have encountered in enforcing their patent rights after they have been granted. Despite a number of reports to government, their frustration has continued. These problems are not unique to Australia, as Australian innovators have found when exporting their products to other countries, and many countries continue to introduce measures to address these concerns.

ACIP notes that this is a particular concern for small to medium enterprises and individual innovators, who may not have the resources, knowledge and time to devote to exploring all their options when it comes to enforcement. It has been argued by patent owners that these difficulties can affect how successful they are in making money from their innovation, effectively devaluing their patent rights. It has also been argued that the difficulties faced by each affected business could, when taken in aggregate, have a negative influence on the nation's economic growth. In addition, if owners of patents cannot enforce their rights in a timely and cost efficient manner, then public confidence in the patent system could be significantly diminished. It is for these reasons that patent owners have been calling for more flexible and practical alternatives.

ACIP has examined these concerns and has concluded that difficulties with patent enforcement can be broadly grouped into temporal, financial, informational and jurisdictional issues. ACIP has considered how these issues affect every stakeholder group – including innovators, industry, consumers and the public as well as the patent owners – and whether there are improvements that could be made to the patent enforcement process that would optimise the operation of the patent system.

When the patent system works to its optimum, it maximises the difference between the social value of IP created and used, and the social cost of its creation, including the cost of administering the system¹. This means that the benefits of the patent system (such as public access to information about cutting-edge scientific research and its applications, and access to new and innovative products in the market place) outweigh the costs (resulting from the exclusive right granted to the patent holder for

¹ Intellectual Property and Competition Review Committee, "Review of intellectual property legislation under the Competition Principles Agreement", September 2000, p22.

the life of the patent) to the greatest extent. It also means that administrative costs and inefficiencies resulting from the system have been minimised to the extent possible.

While this report considers improvements to the court system, its primary focus has been on non-court procedures. The reasons are two-fold. Firstly, to the extent that the recommendations of previous reviews relating to improvements in the courts have been implemented there appears to be little evidence that the fundamental concerns expressed have been overcome, particularly in the case of SMEs. Secondly, ACIP believes that there are many disputes which can and should be resolved without the need to go to court, but which are presently either not dealt with at all, or which proceed to litigation (perhaps unnecessarily), at a high cost to the parties. In addition, while there remains a proportion of patent disputes which should be resolved in court due to the nature of the issues involved, many of the issues of cost and delay are relevant to civil litigation more broadly, rather than being exclusive to patent litigation.

The most important recommendation (discussed in subsection 9.1, and illustrated in Figure 1) is for IP Australia to set up and support an IP dispute resolution centre. This centre would be a referral point for IP owners seeking information about enforcement. It would provide general information about patent enforcement, including a summary of all the enforcement options available to patent owners, as well as more comprehensive and accessible information about individual patents. It would facilitate a number of enforcement-related services, by referring parties to experts who are qualified and experienced in the areas of mediation, expert assessment and arbitration. It would also be able to coordinate these enforcement-related services and provide administrative support and accommodation where appropriate.

ACIP anticipates that these services would reduce the effects of the issues that patent owners face when enforcing their patent rights. ACIP believes that each service has sufficient merit that it should be established whether or not consolidated into an IP dispute resolution centre, but that combining the services into a single body coordinated by IP Australia would increase the benefits significantly.

An IP dispute resolution centre would increase the visibility and accessibility of ADR mechanisms, particularly for SMEs and individuals. In addition, locating the centre with IP Australia would make it more visible to many IP owners, as well as providing a very efficient and cost-effective solution.

In addition to the IP dispute resolution centre and the services incorporated within it, this report includes some further recommendations. The additional strategies that are proposed include enabling Customs to act on a notification from a party that infringing goods are entering Australia (ACIP considers that this would address delay and cost issues for patent owners), continuing to support Australian innovators who hold patents in other countries, and monitoring Australia's patent opposition process.

Finally, ACIP notes and is encouraged by the Government's recently published Strategic Framework for Access To Justice². ACIP considers that the

² Access to Justice Taskforce, "A Strategic Framework for Access to Justice in the Federal Civil Justice System", 23 September 2009, see http://www.ag.gov.au/www/agd/agd.nsf/Page/Publications_AStrategicFrameworkforAccessToJusticeintheFederalCivilJusticeSystem for further details. This report was released for public discussion and input

recommendations set out below are consistent with this framework, and promote its principles. ACIP would encourage any implementation of the recommendations to take place with regard to the principles and methodology as outlined in the Strategic Framework for Access to Justice.

4. List of Recommendations

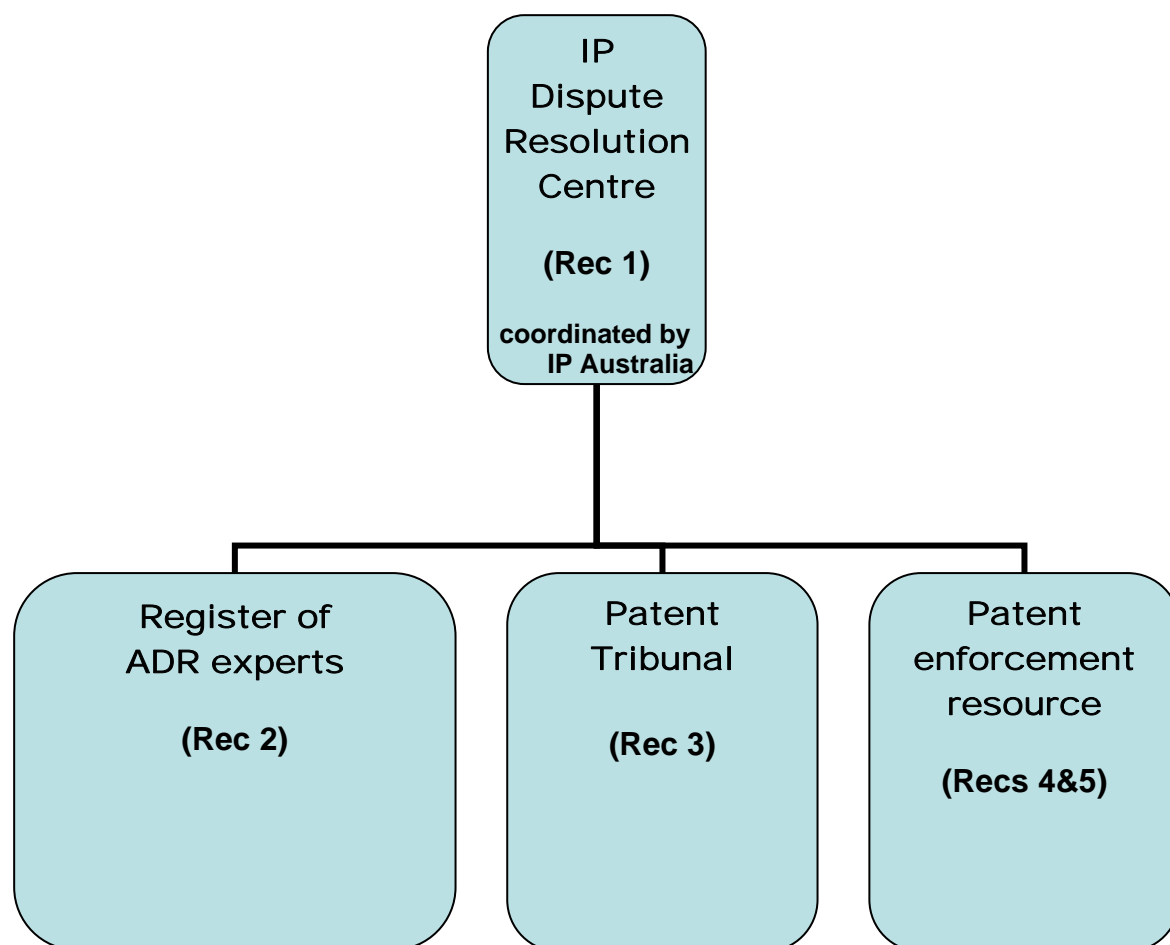


Figure 1

Recommendation 1:

That IP Australia establish and support an IP dispute resolution centre along the lines of WIPO’s Arbitration and Mediation Center, which in the first instance focuses on patent disputes. Funding for the centre should be consistent with the Government’s principle of cost recovery.

Recommendation 2:

That the IP Dispute Resolution Centre administer a register of experts that could be drawn upon for expert assessment (including opinions on validity and infringement, non-binding determinations and other types of expert assessment), mediation and arbitration.

Recommendation 3:

That an embodiment of the determination mechanism in the IP Dispute Resolution Centre is provided in the form of a Patent Tribunal along the following lines:

- (a) each Tribunal hearing panel to comprise up to 3 people, integrating legal and technical expertise
- (b) Tribunal hearing panel members to be drawn from the register of experts established under Recommendation 2;
- (c) patent attorneys to have a right to appear;
- (d) the Tribunal to have more streamlined procedures and simplified evidentiary requirements than a court;
- (e) the Tribunal to take a pro-active and inquisitorial role;
- (f) mechanisms be introduced to encourage parties to comply with the Tribunal's non-binding determinations, and to discourage parties from using the courts instead of the Tribunal where it would be appropriate to do so; and
- (g) that the effectiveness of the Patent Tribunal be monitored from its date of establishment.

Recommendation 4:

That IP Australia establish a resource which provides information about patent enforcement.

Recommendation 5:

That

- (a) the Patents Act 1990 (Cth), and the rules of courts exercising jurisdiction under the Patents Act, be amended to ensure that the Commissioner of Patents is provided with information about the existence and the outcome of all court actions in respect of a patent; and
- (b) IP Australia provide public access to the information so provided to the Commissioner of Patents, either through or in association with its online searchable databases of patent information.

Recommendation 6:

That IP Australia continue to encourage and assist countries in the region to improve their patent enforcement systems.

Recommendation 7:

That IP Australia expand its advocacy program to other countries in the region in which Australian companies do business.

Recommendation 8:

That legislation be introduced to empower Australian Customs officials to seize goods at the border where the rights holder has forewarned them of a shipment of infringing product.

Recommendation 9:

That IP Australia continue to monitor and review the opposition processes both locally and abroad to identify whether there is any convincing reason for change from the pre-grant opposition process.

5. Background

5.1. ACIP

The Advisory Council on Intellectual Property (ACIP) is an independent body appointed by the government that advises the Federal Minister for Innovation, Industry, Science and Research on intellectual property matters and the strategic administration of IP Australia. The Council has been requested to take a broad strategic view of the role of intellectual property and its contribution to the development of Australian industry. Members of the Council are drawn from business and manufacturing sectors, the patent attorney and legal professions, the tertiary and research sectors, and technology and commercialisation groups. IP Australia is the federal agency responsible for administering the patent, trade mark, design and plant breeder's right systems.

5.2. Review background

Over recent years there have been repeated calls from patent owners in Australia concerning the difficulties associated with enforcing their patent rights after they have been granted.

It has been argued by patent owners that these difficulties can affect how successful they are in making money from their innovation, effectively devaluing their patent rights. It has also been argued that the difficulties faced by each affected business could, when taken in aggregate, have a negative influence on the nation's economic growth. In addition, if owners of patents cannot enforce their rights in a timely and cost efficient manner, then public confidence in the patent system could be significantly diminished. It is for these reasons that patent owners have been calling for more flexible and practical alternatives.

5.3. Review process

As part of its inquiry process, ACIP published an Issues Paper in November 2006 which was circulated to interest groups in order to gather evidence, identify stakeholder needs and to stimulate public discussion on patent enforcement issues. Invitations to the public to provide submissions were also published in most major Australian newspapers³ on Saturday 29th July 2006 and on the ACIP website.

A number of written submissions were made in response to the Issues Paper and ACIP held a series of consultations with interested parties in Canberra, Melbourne and Sydney. The aims of the consultations were to identify and understand the current and emerging issues relating to patent enforcement in Australia and to obtain views on possible strategies to alleviate the problems. In all, sixteen separate stakeholders were consulted, including representatives from businesses which own patents (ranging from small businesses to large multi-national firms), the legal and attorney professions and other interest groups. After publishing an interim report in August 2009, a further twenty submissions were received. A list of those who made submissions and participated in consultations with ACIP is at Appendix A. In addition

³ The Australian, The Canberra Times, The Sydney Morning Herald, The Age, The Brisbane Courier Mail, The Northern Territory News, The West Australian, The Hobart Mercury, The Adelaide Advertiser (all on Saturday 29th July) and the Australian Financial Review (Friday 28th July).

to consultations with the public, ACIP also met with representatives from IP Australia, including the Commissioner of Patents.

6. The Australian patent system

6.1. *Rationale for the patent system*

An Australian patent gives the patent owner the exclusive right, during the term of the patent, to exploit the patented invention in Australia, including the right to make, hire, sell, use or import the invention, and/or authorise another person to do so.

One of the primary purposes of the patent system is to provide incentives to the inventor in return for disclosure of the innovation. The result is a searchable database of up to date technology and historical information. Such a resource enables others, including competitors, to research from and build on existing knowledge. Without a patent system, third parties might copy the goods produced, reducing the incentive to create further intellectual property. Alternatively, information would not be so readily shared, many inventions would remain ‘secret’, and competition would be hampered.

When the patent system works to its optimum, it maximises the difference between the social value of IP created and used, and the social cost of its creation, including the cost of administering the system⁴.

6.2. *Life cycle of an Australian patent*

In Australia, a standard patent lasts for up to 20 years, with a further five year extension possible for pharmaceuticals. Annual renewal fees are payable from the fifth year. An innovation patent may last for up to eight years, with annual renewal fees payable from the second year.

6.2.1. Pre-grant

6.2.1.1. Applying for a patent

Applications for patents must be filed with the Patent Office, which forms part of IP Australia. The application must fully describe the invention, and state the scope of the desired patent rights. This involves a description of the invention in sufficient detail that a person familiar with the technology (‘skilled in the art’) could perform the invention without undue experimentation. The description must include the best method known to the applicant for performing the invention. The application must include a set of claims defining the scope of the rights sought.

A patent application may be lodged in a variety of ways, depending on the type of patent sought, and whether the applicant chooses to take the international or national route. IP Australia (which includes the Australian Patent Office) is the federal agency responsible for administering the patent, trade mark, design and plant breeder’s right systems within Australia. Further information about the different types of patents and ways to apply for a patent is available on IP Australia’s website at <http://www.ipaustralia.gov.au>.

⁴ Intellectual Property and Competition Review Committee, “Review of intellectual property legislation under the Competition Principles Agreement”, September 2000, p22.

6.2.1.2. Examination

All examinations and sealing of patents are undertaken by IP Australia according to the requirements of the *Patents Act 1990*.

Under current Australian patent law, a patent may be granted on a new, non-obvious and useful invention, including improved products and processes. The area of exclusivity ('scope') of the patent is defined by the claims of the specification. To be patentable, the claims must satisfy threshold tests required by the Act.

The examination process usually begins one to two years after the application has been lodged, and there are opportunities to make changes to the patent application during examination. It may take up to 21 months from commencement of examination to acceptance.

6.2.1.3. Opposition

Once a standard patent application has been accepted, but before it is granted, opponents have a 3 month window to lodge a challenge to its validity with IP Australia, using the pre-grant opposition process. If a challenge is lodged, the patent cannot be granted until the opposition process is complete. The practice of IP Australia is to issue a decision that determines the opposition, and, if any grounds of objection are made out, to allow the patent applicant to amend the patent application to overcome those objections. The opponent is then given an opportunity to be heard as to whether the patent as amended should be granted, and a second, or final, decision on that question is issued. Such a decision may also be appealed to the Federal Court⁵. This process may take a considerable amount of time.

There is a concern that the opposition process is sometimes misused by a patent applicant's competitors simply to delay the grant of a valid patent.

6.2.2. Post-grant

The grant of the patent identifies the scope and detail of the patentee's exclusive right, but affords no intrinsic protection for the patent or the patentee. It is the patentee's responsibility to maintain and enforce their right. The benefits of this exclusive right can be threatened by overt or covert copying, unauthorised exploitation, and with formal legal challenge to the scope or validity of the patent. The patent remains open to such formal and informal challenge for the whole of its life (up to 20 years). After this time the exclusive right of the patentee ceases and the invention becomes public property for general use and exploitation.

6.2.2.1. Re-examination

Re-examination of a patent is generally only available after the grant of a patent, although it may be initiated by the Commissioner of Patents at any time after acceptance but before grant, and the Commissioner may refuse to grant the patent if the re-examination leads to an adverse report. Re-examination is limited to the question of whether the claimed invention is novel or involves an inventive step, and is based only on publicly available documents and common general knowledge⁶.

⁵ Hamer and Gottschall, "A question of timing", *Managing Intellectual Property*, No.126, February 2003, pp 60-62.

⁶ Philip Spann, "Re-examination in Australia: 10 years on", *Australian Intellectual Property Journal*, Vol. 13 No. 2, May 2002, pp97-101.

6.2.2.2. Infringement

Under the *Patents Act 1990*, a patent will be infringed whenever a person, acting without the patent owner's authorisation, does something in relation to the invention which falls within the scope of the patent owner's exclusive rights. These rights extend throughout Australia (section 13 (3)) and may be infringed by any conduct after the date of the publication of the complete specification. Proceedings may only be instituted after the patent has actually been granted (section 57 (3)). The act of infringement does not require knowledge, which means that ignorance is not a defence to patent infringement; however, it may have some bearing upon the range of remedies available to the plaintiff.

6.2.2.3. Post-grant enforcement

For the purposes of this paper, the enforcement of a patent occurs when the patent owner takes action to compel others to respect the patent right, or responds to the actions of an opponent who is challenging the validity or scope of the patent right.

The current review is primarily concerned with this post-grant period, but the effectiveness of post-grant enforcement of a patent will also be affected by steps that have occurred earlier in the process, including the drafting of the specification and claims, the examination process, and the opposition process.

6.2.2.3.1. Litigation

Once a patent has been granted, the ultimate venue for enforcing the patentee's exclusive right is the court— either a state Supreme Court or the Federal Court, with appeal to the full court of the Federal Court and potentially the High Court.

6.2.2.3.2. Alternatives to litigation

There are a number of legal, administrative and commercial steps which can be used to enforce or defend patents or to test their validity. These steps can be taken prior to the litigation process, and may sometimes be successful in avoiding that process altogether. For example, a patent holder may notify a potential infringer of the existence of a patent and indicate that the use of the invention claimed in the patent should be terminated. This is often referred to as a 'cease and desist' letter. Another example is where a patent owner notifies a potential infringer of the existence of a patent and requests that activities covered by the patent claims be conducted only pursuant to a licence. This is commonly termed 'offer to licence'. If these approaches are not successful a patent owner could consider alternate dispute resolution mechanisms, such as mediation. Nevertheless, a proportion of cases in Australia will still end up in the courts.

6.3. Previous and related reviews

There have been a number of reports to government in previous years relating to the enforcement of patent rights in Australia. A summary of the most relevant ones follows:

6.3.1. Practice and Procedures for enforcement of industrial property rights in Australia (Industrial Property Advisory Committee), March 1992

This review Committee was chaired by Professor J.C. Lahore, with members representing the patent attorney profession, business and academia.

The Minister for Science asked the Committee “to consider and report whether the practice and procedures for enforcement of industrial property rights in Australia can be improved with regard to ease cost and timeliness for Australian industry”. The Minister asked the Committee to consider:

- the objectives and scope of industrial property rights;
- alternative forums for the settling of disputes;
- the appropriateness of the structure for professional advisers within the area; and
- the question of limited financial jurisdiction for infringement actions.

The Committee sought submissions and consulted with stakeholders. The majority of submissions originated from practitioners in the IP area, with very few by users of the system. Only a small number of critical submissions were received, and the statistical and other evidence indicated mixed experiences. The Committee noted concerns that there could be “premature meddling” with the legal system on the basis of difficult cases. However, it concluded that even if problems were confined to a minority of patent and trade mark cases, they still needed to be taken seriously because:

- there is a public interest in the full exploitation of the benefits accessible through the IP system;
- there are social costs imposed on the civil justice system by inefficient handling of IP disputes;
- the interests of small litigants should be protected; and
- statistics show that the number of IP cases is increasing.

The report recommended inter alia that:

- the courts to adopt a more managerial (or interventionist) approach to the resolution of IP disputes;
- judges with experience and knowledge in IP be used for both trials and appeals;
- the court adopt rules to facilitate identification of issues at an early stage of proceedings;
- in some cases the rules of evidence should not apply;
- the courts’ cost scales reflect realistic levels of costs properly incurred; and
- there be cost penalties for conduct which unreasonably delays the resolution of proceedings.

The report also urged the courts to encourage the use of alternative dispute resolution mechanisms; and promoted a greater role for patent attorneys in the court process (i.e. patent attorneys appearing before the AAT; instructing counsel directly on IP matters; being able to practise in partnership with other legal professionals).

The Government did not respond to this report.

6.3.2. Review of the Enforcement of Industrial Property Rights (patent enforcement) March 1999

This review was undertaken by the Advisory Council on Industrial Property, in response to a request from the Minister for Science and Technology to examine issues relating to the enforcement of IP rights.

The ACIP working party collected data from a number of sources, including the Federal Court of Australia, the state and territory Supreme Courts, and IP Australia. It also used information from recent reviews and surveys. It also carried out its own selective survey of patent attorney and legal firms. The data showed an increasing number of enforcement cases being filed in the Australian courts, although the number of cases as a proportion of granted rights remained constant. The survey responses suggested that the courts decide less than 10% of cases filed and many enforcement actions do not involve litigation. The working party noted however that a low level of litigation is not necessarily a measure of satisfaction with the system.

The review concluded that the major concern was substantial uncertainty regarding the outcomes of enforcement action, and recommended a number of measures to address these problems, including:

- various awareness/education programs;
- promoting the specialisation of IP judges;
- including provisions for exemplary damages; and
- infringing patent material to be subject to indemnity & seizure provisions (accepted by the Government, but not implemented).

Many of these recommendations were subsequently accepted and implemented by the Government.

6.3.3. Review of intellectual property legislation under the Competition Principles Agreement, September 2000

This Review Committee comprised Mr Henry Ergas (chair), Associate Professor Jill McKeough and Mr John Stonier. The Committee was asked to report to the Attorney-General and the Minister for Industry, Science and Resources, on the interaction and appropriate balance between competition policy and intellectual property legislation.

The review recommended a number of changes to the Patents Act; the most notable one in relation to patent enforcement was that the Federal Magistrates Court be used as a lower court for the patent system. The Government deferred its response to this recommendation at the time.

6.3.4. Consideration of extending the jurisdiction of the Federal Magistrates Service to patent, trade marks and designs matters, November 2003

This review was undertaken by the Advisory Council on Intellectual Property, in response to a request from the Parliamentary Secretary⁷ to consider and report on

⁷ The Hon Warren Entsch MP, Parliamentary Secretary for Industry, Tourism and Resources.

whether any practices and procedures relating to the enforcement of patents, trade marks and designs in Australia could be appropriately referred to the Federal Magistrates Service.

The review working party circulated an issues paper and sought submissions. It also held a series of consultations with interested parties including the Institute of Patent and Trade Mark Attorneys, the Law Council of Australia, the Federal Court of Australia and the Federal Magistrates Service.

An issue that was raised frequently in submissions to the review was the perceived lack of scientific and technical knowledge and expertise in the judiciary and legal representatives of parties; and the fact that cases are often considered to be complex merely because of the technical nature of the matters to be considered:

ACIP recommended extending the jurisdiction of the Federal Magistrates Court to include patents, trade marks and designs. ACIP's rationale in relation to patents was that the Federal Magistrates Court could prove to be a less intimidating and less expensive prospect for many IP rights owners, thus providing an alternate avenue to those who would not have pursued a claim through existing court processes. It was ACIP's view that the market place should decide the most appropriate court in which to commence an action, rather than having elements of jurisdiction artificially granted to the Federal Magistrates Court.

The Government decided not to implement ACIP's recommendation in relation to patents at that time, noting that patent cases are generally longer in duration than trade mark and design cases, and that the Federal Magistrates Court was intended to be a high volume jurisdiction established to deal with simpler and shorter cases. Instead, it recommended that further consideration be given to this option after the Court had gained experience with trade marks and designs cases.

6.4. *International treaty obligations*

6.4.1. *Multilateral treaties*

Australia is a signatory to a number of international treaties on patents and any developments on post-grant patent enforcement strategies therefore have to be consistent with them. The major treaties are:

- World Trade Organization Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS)
- Paris Convention for the Protection of Industrial Property
- Patent Cooperation Treaty (PCT)
- Budapest Treaty on the International Recognition of the Deposit of Microorganisms for the Purposes of Patent Procedure
- Strasbourg Agreement Concerning the International Patent Classification
- Patent Law Treaty

Of these, compliance with TRIPS is likely to have the most significant effects on post-grant patent enforcement strategies. The TRIPS Agreement, which forms part of the overall Agreement establishing the World Trade Organization (WTO), attempts to narrow the gaps in the way IP rights are protected around the world, and to bring them

under common international rules. This agreement mandates that member states must establish minimum standards of intellectual property protection.

TRIPS requires member states of the WTO to ensure that effective enforcement procedures are available for intellectual property rights including patents. Article 41(1) of the TRIPS Agreement sets out general principles on enforcement. It requires Parties to ensure that enforcement procedures are available under their law so as to permit effective action against any act of infringement of intellectual property rights covered by the TRIPS Agreement, including:

- expeditious remedies to prevent infringement; and
- effective deterrents to further infringement.

Article 41 (2) requires that any enforcement procedures are:

- fair and equitable;
- not unnecessarily complicated or costly; and
- shall not entail unreasonable time limits or unwarranted delays.

Articles 41(3) and (4) require that decisions concerning enforcement be made (preferably) in writing and reasoned. They shall be made available to at least the Parties to the proceedings without undue delay. Decisions on the merits of the case shall be based only on evidence in respect of which parties were offered the opportunity to be heard. Parties to the proceedings will have an opportunity for a review by a judicial authority of final administrative decisions.

When developing possible post-grant patent enforcement strategies, it is important to take account of all the relevant TRIPS Agreement provisions including those contained in Part III of the Agreement (Articles 41 to 61) and Article 62.4. These articles cover minimum requirements of member states on areas such as fair and equitable procedures, evidence, injunctions, rights to information, damages, awards of cost for abuse of judicial process, fair administrative procedures, border measures and criminal procedures.

6.4.2. Free Trade Agreements

The Australian Government supports the negotiation of comprehensive Free Trade Agreements (FTAs) that are consistent with the World Trade Organization rules and guidelines and which complement and reinforce the multilateral trading system.

Free trade agreements (FTAs) promote stronger trade and commercial ties between participating countries, and open up opportunities for Australian exporters and investors to expand their business into key markets. One of the key areas considered when developing a FTA with another country is that of intellectual property rights.

Existing FTAs include:

- The Singapore - Australia Free Trade Agreement
- The Thailand - Australia Free Trade Agreement
- The Australia - United States Free Trade Agreement
- The Australia – Chile Free Trade Agreement

- The Australia-ASEAN-New Zealand Free Trade Agreement

The main bilateral agreements which need to be considered when developing possible post-grant patent enforcement strategies are the Australia – United States Free Trade Agreement (AUSFTA), and any other agreements which use the same broad template (the Australia - Chile Free Trade Agreement falls into this category). The relevant area of the AUSFTA is Article 17.11.1 to 18. These provisions seek to harmonise civil and administrative procedures for the enforcement of intellectual property rights, and are considered to be “TRIPS plus” (in other words, they are consistent with the TRIPS provisions, as well as containing additional provisions).

It should be noted however that the landscape is constantly shifting. Existing FTAs contain provisions for review. Further, additional commitments could be negotiated in future FTAs. For example, the Government is currently pursuing a number of regional trade initiatives with Japan, China, Malaysia, the Gulf Cooperation Council, Korea, Trans-Pacific partnership and Pacer Plus negotiations⁸.

7. Enforcement of patents in other countries

There are a number of similarities between the operation of Australia’s patent system, and those in other countries. For example, all countries with a patent system grant an exclusive right over a period of time, and patent rights are usually enforced in the courts. As already mentioned in Section 6.4, a number of international treaties and agreements bind countries to certain criteria for the protection of intellectual property.

Nevertheless, there are also significant differences among countries in the way their patent systems operate, and in how patents are enforced. Australian patent owners need to ensure that they consider these differences when deciding whether to conduct business in another country. Some of the differences are outlined further in this section, but it is not an exhaustive list. Any patent owner considering marketing their invention in another country should first seek professional advice about that country’s intellectual property regime.

7.1. Opposition

Most OECD countries employ a post-grant opposition system⁹, although the United States does not have an opposition procedure as such. Australia’s patent opposition process occurs after acceptance, but prior to the sealing of the patent. The standard international practice of post-grant patent opposition could be cited as an incentive for Australia to follow suit in the interest of harmonization. The current use of the pre-grant opposition system in Australia as a percentage of patents accepted is around 1.3% (over the last 5 years)¹⁰. This is quite small, especially compared to the European Patent Office (EPO) experience of 5.4% of all granted patents being opposed in their post-grant system¹¹. However, this data does not give any indication of the effectiveness of either approach. ACIP believes that on the basis of the little hard evidence available to date, there is insufficient justification for Australia to change to a post-grant system.

⁸ The Pacific Islands Forum leaders launched negotiations for a new regional trade and economic agreement, known as PACER Plus (Pacific Agreement on Closer Economic Relations) at their fortieth meeting in August 2009.

⁹ Whilst most OECD countries have what can be described as post-grant system of opposition the form of such systems are not necessarily similar to each other.

¹⁰ Patent and Examination Hearings Group, IP Australia, 2006.

¹¹ http://annual-report.european-patent-office.org/2005/business_report/patent_process/index.en.php

7.2. Litigation

7.2.1. Specialised court

A number of jurisdictions, including England, France, Germany and Holland, provide specialised courts to hear IP matters. The US has a specialised court for matters on appeal.¹²

More countries are beginning to move in this direction:

- In March 2008, the Federal Tribunal of Fiscal and Administrative Justice of Mexico decided to establish a specialized IP body within the Tribunal¹³;
- In June 2008, the Chinese government announced that it will conduct studies to determine whether to create specialised IP courts¹⁴; and
- Japan has pulled away from opposition practice in favour of a vastly strengthened, specialized patent trial court system¹⁵.
- The following paragraphs provide more detailed information about the specialised IP courts operating in Germany and the UK:

7.2.1.1. Germany

In relation to patent disputes, the German court system is split into two streams. Questions of patent infringement are decided by one of the civil courts having specialised patent chambers, for example the Civil Court in Dusseldorf, Mannheim or Munich.

The Federal Patent Court in Munich¹⁶ does not deal with infringement, but hears appeals against decisions of the German Patent and Trade Marks office, as well as patent validity cases. Cases are heard by a bench of 3-5 judges, including judges with a scientific or technical background (the technical expertise of the judge will correspond to the technology of the patent being considered). Experts can be called by the judges, or by request of the parties. The expert is an adviser to the court, and is expected to be free of bias and as impartial as the judge. As a rule there is only one expert.

7.2.1.2. The UK

The UK Patents County Court (PCC) is an alternative venue to the Patents Court of the High Court for bringing legal cases involving certain matters concerning patents, registered designs and, more recently, trade marks, including Community trade marks and designs.

The PCC was established in 1990, as a forum where simpler cases could be dealt with under a cheaper and more streamlined procedure than the High Court. Under the guidance of Justice Michael Fysh (since 2001), the court continues to encourage innovative means of reducing costs and time delays. Further information about how

¹² Intellectual Property Advisory Committee (IPAC), *The Enforcement of Patent Rights*, November 2003, UK. The report contains a table comparing patent enforcement systems in the UK, France, Germany, Holland and the USA see pp 49-51.

¹³ http://www.wipo.int/enforcement/en/news/2008/enforcement_01_08.html.

¹⁴ http://www.wipo.int/enforcement/en/news/2008/enforcement_01_08.html.

¹⁵ K.R.Adamo, "If it ain't broke...", *Patent World Issue #203*, June 2008, p.50.

¹⁶ Prof Dr J. Bornkamm, Judge at the Federal Supreme Court, Karlsruhe, "Intellectual Property Litigation under the Civil Law legal system: experience in Germany", WIPO Advisory Committee on Enforcement, Second Session, Geneva, June 28-30 2004.

the PCC works is available in a paper written by Justice Fysh in February 2003¹⁷. It should be noted that at present the workload of the PCC is not sufficient to occupy a full-time judge (Justice Fysh also sits on the High Court). The PCC encourages solicitors and patent agents to appear in person, rather than appointing a barrister. However, to date, this approach has been largely unsuccessful, and barristers continue to appear.

7.2.2. Streamlined court procedures

The UK Intellectual Property Advisory Committee (IPAC) published a table in their 2003 report, “The enforcement of patent rights”, comparing patent enforcement systems in a number of European countries and the US¹⁸. This table shows the average length of trial in the US to be 2 weeks or more, compared to 1 to 5 days in the UK, 1 day in Germany, half a day in Holland and 2 hours in France. The following paragraphs provide more detailed information about the streamlined court procedures used in the UK and Germany:

7.2.2.1. The UK

In 2003 the UK Patents Court produced a standard set of directions for simple patent actions. These streamlined procedures are available for patent litigation in the UK patents courts (the UK Patents Court and the UK Patents County Court).^{19,20} The rationale behind the procedure was to enable appropriate cases to be brought to trial more quickly and cost effectively than under standard procedure. The procedure was designed to be flexible, consistent with the Patents Court’s desire to provide a “menu” of options tailored to the individual case. The court takes a number of factors into account in deciding whether a streamlined procedure is appropriate²¹, including: proportionality; the financial position of each of the parties; and the complexity and importance of the case. Either party to the dispute may also apply for the procedure to be streamlined, and if there is agreement:

- all factual and expert evidence is in writing;
- there is no requirement to give disclosure of documents;
- there are no experiments;
- cross-examination is permitted only on topics where it is necessary;
- the total duration of the trial will not normally be more than one day; and
- the trial will be fixed for a date within 6 months of when the order for the streamlined procedure is made.

By December 2005 only a few parties had elected to use the streamlined procedure. A decision by the Court of Appeal in February 2007 rejected an earlier proposition by the English High Court that the streamlined procedure for dealing with patent actions should apply whenever raised by a party to an action in the absence of convincing

¹⁷ Fysh, M. (2003) ‘The Work of the Patents County Court’, IP Centre, St Peter’s College Oxford, available at <http://www.oiprc.ox.ac.uk/EJWP0303.pdf>

¹⁸ Intellectual Property Advisory Committee (IPAC), The Enforcement of Patent Rights, November 2003, UK. The report contains a table comparing patent enforcement systems in the UK, France, Germany, Holland and the USA see pp 49-51.

¹⁹ M.Jones, N. Stoaate, “Speedier patent trials in the UK – the “new” streamlined procedure”, 1 October 2005, <http://www.taylorwessing.com/topical-issues/details/speedier-patent-trials-in-the-uk-the-new-streamlined-procedure.html>.

²⁰ Moore, S. (2006) ‘Practice Point: The Patent Court’s Streamlined Litigation Procedure – Two Years On’, Journal of Intellectual Property Law and Practice, 1(2), 113-118 see <http://jiplp.oxfordjournals.org/cgi/content/full/1/2/113>.

²¹ See http://www.hmccourts-service.gov.uk/infoabout/patents/crt_guide.htm for further detail about when streamlined procedure is applied.

reasons to the contrary²². This has probably further reduced the likelihood of the streamlined procedure being used.

7.2.2.2. Germany

Compared with many other countries, Germany has shorter terms for civil proceedings²³. Preliminary injunction is frequently initiated in protection of IP rights. Sometimes final actual protection might be achieved within several hours through this proceeding. Practices show that in the IP litigations in Germany, 60-65% of them commence with preliminary injunction, and most of them end with this proceeding. Otherwise, an IP proceeding in the German courts is finalised in 5-6 months, although the time needed for an appeal might be longer. In fact, more than two thirds of all patent litigation in Europe is done in Germany²⁴. If the appellate decision needs to be reviewed by the Federal Supreme Court, the whole proceedings might last 4-6 years.

The German courts are said to grant a broad scope protection to patents and to decide patent infringement cases in swift and efficient proceedings^{25,26}. There are a number of factors which show the differences:

- There is no discovery in German procedure. Hence, a party who wants to rely on documents or on other evidence in possession of the other party has a more difficult position in German courts.
- The judge decides whether or not a witness or an expert needs to be heard. No evidence is heard which is irrelevant for the legal solutions found in judgment.
- As a rule, German lawyers are not paid by the hour, but rather earn a lump sum which depends on the amount in dispute, not on the time spent on the case. It should be noted, however, that lawyers are free to enter agreements with their clients in order to be paid by the hour. International law firms often operate only on the ground of such agreements.
- With every judgment there is a ruling on costs. Litigation costs have to be borne by the losing party. The successful party does not have to bear court costs. The losing party has to reimburse the legal costs of the winning party.

7.2.3. Criminal sanctions

Criminal sanctions are particularly attractive in developing economies as such provisions give confidence to developed economies to invest and license their IP in that jurisdiction.

In some countries, a whole range of criminal sanctions can be applied in relation to the infringement of certain intellectual property rights. For example, China²⁷, the

²² *Research In Motion UK Limited v Inpro Licensing S.A.R.L.* [2007] EWCA Civ 51, Court of Appeal for England and Wales, 7 February 2007.

²³ D. Kehl and M Zhu, “German IP Legal system and Judicial protection – from the special perspective of temporary injunction for exhibition”, China Intellectual Property, Comprehensive Report, December 2007, Issue 21, pp.85-89.

²⁴ J. Wild, “Inside Europe’s IP powerhouse”, Intellectual Asset Management, December/January 2007, p.68. See <http://www.iam-magazine.com/issues/article.ashx?g=b18f9bdc-786e-4a12-92ac-d89e4e62fbfd>

²⁵ R Schuster and T Schachl, “Duty to disclose”, Patent World Issue#189, February 2007, pp23-25.

²⁶ Prof Dr J. Bornkamm, Judge at the Federal Supreme Court, Karlsruhe, “Intellectual Property Litigation under the Civil Law legal system; experience in Germany”, WIPO Advisory Committee on Enforcement, Second Session, Geneva, June 28-30 2004.

²⁷ Note however, that Australia was recently a 3rd party in a dispute brought against China by the US over China’s purported failure to adequately enforce IP rights in relation to copyright and trademarks. China was alleged to have breached, *inter alia*, its obligations under TRIPS Articles 41 and 61 which are provisions discussed in this report. See http://www.wto.org/english/tratop_e/dispu_e/cases_e/ds362_e.htm for more information about this dispute.

Netherlands, France, Spain and Denmark all provide for criminal sanctions for patent infringement²⁸, although to date in these countries the criminal procedure has rarely been used.²⁹

Switzerland has also recently increased the upper limit of available criminal sanctions for commercial infringements.³⁰

7.2.4. Damages

A wide range of damages are available in other countries. For example, the UK, France, Germany and Holland have no exemplary/punitive damages, while in the US punitive triple damages are available³¹.

7.3. Alternatives to litigation

7.3.1. Customs seizure provisions

A key feature of the World Trade Organization Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) is the obligation of members to introduce border measures for the protection of intellectual property rights³². However, in reality customs authorities often have other priorities (such as the control of trade in weapons, drugs and noxious substances). In addition, their resources and expertise do not equip them to deal with the trade in intellectual property infringements. Thus, the presence of these provisions does not necessarily indicate that they are regularly used.

The UK is one of a number of European countries that has customs seizure provisions in place for goods which infringe patents³³.

On July 1, 2008, Switzerland introduced legislative amendments strengthening border measures allowing, for instance, a simplified procedure for destruction of illegal products by customs, and border control for goods in transit.³⁴

The Chinese government has announced plans to improve the efficiency of, and coordination between, law enforcement and customs personnel.³⁵

7.3.2. Awareness and education

Many countries have undertaken work to raise IP awareness. For example, the UK has created a number of educational resources such as the THINK kit and “Cracking ideas” (for school-age children), products and services to support and help business and business advisers, business support services and patent information centres.

The Korean Intellectual Property Office (KIPO) has a number of recent initiatives in this area, including those aimed at small to medium sized enterprises³⁶.

²⁸ Freeland, R., and Parker, S., *Imprisonment for infringement? Patent World* July/August 2006 Number 184, pg 29.

²⁹ Claire Robley and Alison Wong, “Drawing the line: Chinese courts clarify thresholds for criminal sanctions”, *Patent World* No.173, June 2005, pp.20-22.

³⁰ http://www.wipo.int/enforcement/en/news/2008/enforcement_01_08.html.

³¹ In September 2006, Australia introduced measures allowing the award of exemplary damages in patent infringement actions.

³² WIPO National Seminar on Intellectual Property for Faculty Members and Students of Ajman University, April 2004, see http://www.wipo.int/edocs/mdocs/arab/en/wipo_ip_uni_dub_04/wipo_ip_uni_dub_04_7.pdf.

³³ *The Goods Infringing Intellectual Property Rights (Customs) Regulations* 2004 No 1473.

³⁴ http://www.wipo.int/enforcement/en/news/2008/enforcement_01_08.html.

³⁵ http://www.wipo.int/enforcement/en/news/2008/enforcement_01_08.html.

³⁶ Presentation by AHN Jae-Hyun, Senior Director, Industrial Property Policy Division, Korean Intellectual Property Office at the National Seminar on Using IP PANORAMA for building capacity of SMEs, Ulanbaatar, Mongolia, “Korean National

International organisations such as WIPO and APEC also have programs and resources in place to increase the understanding of the intellectual property (IP) system and of its role in stimulating creativity and innovation³⁷.

7.3.3. Mediation

WIPO's Arbitration and Mediation Center was established in 1994, to offer ADR options – particularly arbitration and mediation, for the resolution of international commercial disputes between private parties.

By mid 2009, the Center had received over 80 requests for mediation, and over 110 requests for arbitration (the majority of these were filed in the previous four years). The subject matter of the arbitration proceedings administered by the Center have included patent infringements, patent licenses, telecommunications purchases and license agreements, software licenses, distribution agreements for pharmaceutical products, and research and development agreements. It also administers cases under uniform domain name dispute resolution policy (UDRP) procedures, and has dealt with over 15,800 of these cases.

In 2007 the center extended its activities and published the WIPO Expert Determination Rules.

The Center has an on-line tool (the WIPO Electronic Case Facility, ECAF) which has a secure on-line docket function, which facilitates the submission of case filings and enhances access by concerned parties to such submissions.

Referral to WIPO dispute resolution procedures is consensual. To facilitate the agreement of the parties concerned, the Center developed recommended contract clauses (for the submission of future disputes under a particular contract) and submission agreements (for existing disputes). If appropriate, the Center can assist parties in adapting the model clauses to the circumstances of their contractual relationship.

Further information about the Center can be found on its website: <http://www.wipo.int/amc/en/index.html>.

A recent agreement between WIPO and the Singapore Government will enable the Singapore Office of WIPO's Arbitration and Mediation Center to be established. It is expected to officially open in January 2010, and will focus on promoting ADR services in the Asia Pacific Region. It will provide training and advice on procedures such as arbitration, mediation and expert determination, as well as administering and facilitating hearings in cases conducted under the WIPO Rules in Singapore³⁸.

On 3 April 2006 the UKIPO also established a mediation service, aimed at encouraging more use of alternative dispute resolution in IP. This service enables opposing parties to discuss the problems causing the dispute with the help of an

Experience on Building Intellectual Property Awareness and Capacity of Small and Medium-Sized Enterprises", March 14, 2008. Initiatives include KIPO's examiners visiting SMEs on request to provide customised consultations on IP; cooperating with the Korean Patent Attorneys Association in running the Public Patent Attorneys Centre (providing free consultation on IP to individual inventors and small enterprises); a "Cyber IP Academy" providing free customised training courses to SMEs; a patent map on patent infringement for SMEs.

³⁷ see <http://www.apecipeg.org> and http://www.wipo.int/enforcement/en/activities/activities_08.html for further details.

³⁸ See http://www.wipo.int/pressroom/en/articles/2009/article_0027.html

independent person or mediator without resorting to a court hearing. Apart from possibly settling disputes at low cost, an incentive for a party to participate in some form of ADR is that the court will consider this when it is time to determine the award of costs to the parties at the end of the litigation process.

The UK judiciary have also been calling for the use of mediation prior to litigation. For example, in *Dunnett v Railtrack (in administration)* [CA22 Feb 2002] the Court of Appeal advised both parties that they should consider the use of ADR. Subsequently, the respondents refused an offer to mediate from the appellant. Following the hearing, the appellant's appeal was dismissed. However, the respondent was not awarded costs. Lord Justice Brooke said:

"it is hoped that publicity will draw the attention of lawyers to their duties to further the overriding objective ... and to the possibility that, if they turn down out of hand the chance of alternative dispute resolution when suggested by the court, as happened on this occasion, they may have to face uncomfortable costs consequences".

This is the first time that a successful party has been refused costs because they declined to undergo a mediation process. The courts in UK may refuse to award costs to a successful party to the action where they cannot prove that mediation or some other form of ADR was attempted before any court action.

7.3.4. Validity and infringement opinion service

On 1 October 2005 the UKIPO launched an opinion service which was designed to help those involved in patent disputes by providing access to an impartial, non-binding and affordable opinion on whether a patent is valid and/or infringing another patent³⁹. It is not a new form of binding proceedings, but it is designed to help disputants focus on the key issues and test the strength of their respective arguments, without committing to a subsequent course of action. The opinion gives an independent assessment of the main issues in dispute and helps the parties in dispute test the strength of their arguments. An opinion costs £200 and takes no more than 3 months to be issued.⁴⁰ Around 20 experienced examiners are on "standby" to provide the service, and opinion requests are allocated to those most skilled in the technology in question.⁴¹

UK officials claim the opinions service ultimately provides patent owners with an authoritative and balanced view on key patent enforcement matters within a sensible time frame. Opinions are claimed to be authoritative, because they are prepared by independent experts, and balanced, since in most instances both sides will have to come forward with their arguments. The trade-off for such advantages is that the proceedings are not litigated; but the main benefit is to obtain a quick assessment of the strength of patent rights. Even if litigation is not avoided the opinion obtained will at least help the parties clarify the real issues in dispute and therefore may reduce the cost and time of any subsequent litigation.

Since the first opinion was issued in January 2006, the office has received approximately 120 opinion requests (including 30 requests between January and October 2009) and has published over 100 opinions.

³⁹ Barford, David "Where are we with opinions?" CIPA January 2007, Vol.36 (1). At the time of this article David Barford was the Deputy Director at the UK Patent Office.

⁴⁰ <http://www.ipo.gov.uk/newsletters/ipinsight-200805/ipinsight-200805-4.htm>.

⁴¹ Phil Thorpe, UK IPO, January 2009.

8. Enforcement of patents

8.1. Issues

When the patent system works to its optimum, it maximises the difference between the social value of IP created and used, and the social cost of its creation, including the cost of administering the system⁴². This means that the benefits of the patent system (such as public access to information about cutting-edge scientific research and its applications, and access to new and innovative products in the market place) outweigh the costs (resulting from the exclusive right granted to the patent holder for the life of the patent) to the greatest extent. It also means that administrative costs and inefficiencies resulting from the system have been minimised to the extent possible.

This section examines whether there are any issues preventing patentees from effectively enforcing their patent rights, and whether these issues stop the patent system from working to its optimum.

There are a number of factors that influence a patent owner's ability to enforce their patent rights:

- temporal;
- financial;
- informational; and
- jurisdictional.

Nevertheless, it is not always easy to obtain hard data about the extent of the problem faced by patent owners; whether some groups are affected more than others; how they respond; and whether existing IP enforcement systems are considered to be successful. ACIP has obtained anecdotal evidence through consultations and submissions made to this review. In addition, where data is available, it is referred to in this report as appropriate.

ACIP notes that the Strategic Advisory Board for Intellectual Property Policy (SABIP) in the United Kingdom recently commissioned a literature review⁴³ to inform its future work programme on the social and economic impacts of enforcement related costs in the UK. The review focussed on literature relating to the civil enforcement of IP and the behaviour of firms in using and enforcing their IP rights. ACIP considers that the cited literature covers issues that are equally relevant to IP enforcement in Australia.

However, as noted in the SABIP literature review,

“We still know relatively little about the extent of infringement, and use of enforcement procedures. We know the least about the amount of infringement that occurs and the adoption of informal steps to enforce patents.”

The following discussion should be read in the light of this qualification.

⁴² Intellectual Property and Competition Review Committee, “Review of intellectual property legislation under the Competition Principles Agreement”, September 2000, p22.

⁴³ Weatherall, K., Webster, E., Bently, L., “IP Enforcement in the UK and Beyond: A Literature Review”, SABIP Report (Number EC001), May 2009.

In determining whether the above factors prevent the patent system from working to its optimum, ACIP considered not only how an issue affects patentees, but also how it affects other parties to the dispute, innovators, industry, consumers and the public. For example, large costs resulting from a patent dispute may ultimately be passed on to the final consumer of the product. Significant delays resulting from a dispute may result in a product going to market much later than would otherwise have been the case. In both cases, the overall benefits of the patent (to both the patent owner and to everyone else) do not outweigh the disadvantages (caused by the existence of the patent) as much as they could.

8.1.1. Temporal

Time is a critical factor when enforcing a patent for a number of reasons.

There are particular concerns for a patent applicant during the opposition process. Because the Australian opposition process occurs pre-grant, delays in this process can mean that the outcome of a patent application is not finalised for an extended period of time.

While any delay in grant of a patent does not normally affect the ability of the patent applicant to take a product to market, it does delay the patentee's ability to commence proceedings for infringement of the patent. It has also been argued that in some cases the patent owner's ability to commercialise is affected by a delay in grant. This might occur where a patent applicant has difficulty finding a commercialisation partner because the patent process has not yet been finalised. It should be noted however that such issues can be addressed when setting out the terms of license.

In addition, there is an opportunity cost to the patentee, in that time spent defending or enforcing a patent is time that they could have spent developing other innovations, or improving and marketing their current innovation. This is particularly true for SMEs.

Even after a patent has been granted, delays in the enforcement process can continue to occur. During the court process, delays are inextricably linked to costs, as expert witnesses and IP lawyers charge by the hour. This affects all parties to the dispute. These delays also affect the public interest, as court resources are limited, and other matters cannot be heard.

IPRIA's study of patent disputes in the Federal Court⁴⁴ contains information about delays. One fact which emerges from the research is that Australian litigation processes take a long time, longer than equivalent processes in the United States. For example, the average time taken for patent cases to reach judgement in Australia is 2.7 years from filing to the first instance decision, with a further 1.1 years if the matter goes on appeal – giving a total if it goes on appeal of 3.8 years⁴⁵. This is considerably more than the Federal Court target of disposal of all cases (except native title) within 18 months. IPRIA's study indicated that the parties in litigation may sometimes be responsible for the extent of these delays. In the meantime, approximately 85 per cent of

⁴⁴ Rotstein F. and Weatherall, K. (2007) 'Filing and Settlement of Patent Disputes in the Federal Court 1995-2005' IP Forum, 68, 65-74.

⁴⁵ Weatherall, K. and Jensen, P. (2005) 'An Empirical Investigation into Patent Enforcement in Australian Courts' *Federal Law Review* Volume 33, No. 2, 239-286.

patent cases settle, with peaks in settlements occurring within the first 100 days, then again between 200 to 300 days⁴⁶.

A recent IPRIA survey of inventors in Australia⁴⁷ noted that delay was cited by one in five inventors who responded, as a reason for deciding not to file patent infringement proceedings. The researchers note that it is possible that the results indicate that people are being turned off by the time a full proceeding will take in court without thinking about the possibility that a result may (and in many cases will) be achieved much more rapidly.

8.1.2. Financial

Financial factors are critical in the case of a patent for a number of reasons.

The relative financial capacity of parties in dispute can be a concern. The high cost of litigation has an effect on the bargaining power of the party with lower levels of financial resources. One respondent to IPRIA's qualitative research stated,

“In my experience, small players playing Goliath will not take action. A small player will even be cautious about writing a letter of demand, knowing full well the big player will use the unjustified threat procedure to commence proceedings, and then it's out of your control”⁴⁸.

A lack of financial capacity can be a major stumbling block for patent owners, as businesses or individuals with limited financial resources can often ill afford to proceed with legal action. This means that while the patentee has incurred costs in producing the technology, the value of the IP cannot be fully reaped by them. While other parties and the public may still have access to this particular technology, inventors could be deterred from patenting other ideas, leading to less social value in the long term.

The IPRIA survey of inventors in Australia⁴⁹ found that there were a significant number of inventors who felt that they incur substantial economic loss from infringement, but do not have the resources to pursue the matter through the courts. Notably, cost was the most cited reason (for both individual applicants and for large companies) for not sending a letter to the infringer despite being aware of non-trivial copying.

Lack of financial capacity is equally a problem for challengers to the validity of a patent. If the patent is not valid and the challenger cannot afford good legal representation, the patent may stay in force, creating uncertainty in the marketplace.

This will also have a negative effect on the public interest, if a patent stays in force merely because the challenger could not afford to challenge it in the courts. This will lead to a reduction in competition, as the exclusive right held by the patent owner will push prices up without any corresponding benefits in social knowledge.

The high cost of litigation affects all parties in a dispute. Despite previous reviews and their recommendations, the cost of patent enforcement has endured as a persistent

⁴⁶ Rotstein F. and Weatherall, K. (2007) 'Filing and Settlement of Patent Disputes in the Federal Court 1995-2005' *IP Forum*, 68, 65-74

⁴⁷ Kimberlee Weatherall and Elizabeth Webster, 'Patent infringement in Australia: Results from a survey', IPRIA working paper 10/2009

⁴⁸ IPRIA submission pg 8.

⁴⁹ Kimberlee Weatherall and Elizabeth Webster, 'Patent infringement in Australia: Results from a survey', IPRIA working paper 10/2009

problem. Even with awards of cost to the winning party in litigation and court procedures (designed to secure the legal costs of the challenging party in the event that they lose the action), enforcement of patents is a very expensive exercise in Australia and it is often referred to as the ‘sport of kings’⁵⁰.

The prohibitive cost of enforcement through the court system can represent many years’ profit derived from the patent and can even outweigh any expected cost recovery from damages or loss of profits. IPRIA has found that the issues of cost are the single most important consideration for both the patentee and the alleged infringer⁵¹.

A 1999 report⁵² published by the Australian Law Reform Commission (ALRC) included the results of a survey investigating attitudes and costs relating to the Federal Court of Australia. The responses were from legal practitioners. For IP matters, professional fees had a mean of \$76,900 with a range of \$8,000- 400,000 for applicants and a mean of \$36,100 with a range of \$2,100-280,000 for respondents. Disbursements in IP cases had a mean of \$19,700 with a range of \$4500-200,000 for applicants and a mean of \$2,400 with a range of \$10-14,300 for respondents. Anecdotally these estimates are conservative.

Potentially high litigation costs may have other effects. For example, some parties may choose to proceed with litigation only if they believe that they have a very good case. In this case, the likelihood that they will settle the dispute out of court, once the litigation process has begun, is reduced⁵³.

Alternatively, parties may use the potential for high costs for strategic purposes. As respondents to IPRIA’s survey commented, “There’s a lot of game playing going on in litigation”, and “they might use tactics which, on the surface of it, are obfuscatory”. This is not unique to Australia - economic research literature from the US and Europe documents the anti-competitive uses of IP, in which litigation is used as the ultimate threat⁵⁴.

ACIP heard evidence suggesting that high legal costs can be explained by four factors⁵⁵:

- The need to obtain specialised legal advice;
- The need to obtain expert witnesses;
- The legal process of discovery between the parties; and
- The time involved in explaining complex and technical issues to the judge (increasingly prevalent in many patent disputes).

⁵⁰ C. Dent and K. Weatherall, ‘Lawyers’ Decisions in Australia Patent Dispute Settlements: An empirical Perspective’ (2006) 17 Australian Intellectual Property Journal 255, 2.

⁵¹ IPRIA Submission pg 8.

⁵² ALRC Discussion Paper 62: Review of the Federal Civil Justice System T Matruglio Part two: The costs of litigation in the Federal Court of Australia, ALRC Sydney June 1999 (T Matruglio, Federal Court Empirical Report Part Two)

⁵³ IPRIA Submission pg 8.

⁵⁴ Weatherall, K., Webster, E., Bentley, L., ‘IP Enforcement in the UK and Beyond: A Literature Review’, SABIP Report (Number EC001), May 2009.

⁵⁵ For the purposes of this report, ACIP will not endeavour to provide a more detailed discussion of specific court processes, or the contribution that they may make to the relatively high cost of litigation. As outlined later in this report (see the opening paragraphs of section 9, on page 28), ACIP will focus primarily on non-court alternatives.

8.1.3. Informational

The two most significant informational issues are uncertainty and lack of knowledge. “Uncertainty” includes the built-in cost for all parties to a dispute which has an uncertain outcome, while “lack of knowledge” covers knowledge about the process, technical and legal issues by parties involved.

Uncertainty may be caused by the complexity of patent law (particularly relevant in foreign countries), the inherently uncertain nature of patent rights and the high degree of uncertainty of outcome in legal proceedings. Uncertainty makes it difficult for those in dispute to make a reasoned business decision about whether they should take legal action, and what the likely outcome may be.

Uncertainty regarding enforcement is not exclusive to patent owners, as IPRIA’s research indicates that this may also be a prevalent concern amongst patent professionals. IPRIA’s submission refers to qualitative research that patent and legal professionals generally accept uncertainty in patent enforcement - but there are two aspects to this uncertainty - firstly, the complexity of the law, and secondly, the uncertainty that arises from inconsistent application of the principles of law. However, IPRIA noted that the results of their empirical research do not show unanimity amongst the profession on the existence of undue uncertainty in patent law.

IPRIA’s recent survey of inventors in Australia⁵⁶ did not find evidence that uncertainty about the validity of a patent was a significant factor in the applicant’s decision about whether to enforce the patent or not, and this was the case even at the stage when deciding whether to institute proceedings in court. It could therefore be concluded that uncertainty is less important than some of the other factors discussed in this section.

The other informational issue that may influence a patent owner’s ability to enforce their patent rights relates to lack of knowledge. Given the highly technical and specialised field of patent law, most patent owners have insufficient knowledge about their options when it comes to enforcing a patent. They incur costs (in terms of time and money) in obtaining this knowledge. ACIP has gathered considerable anecdotal evidence that knowledge of patent enforcement is quite low in Australia and that this may be a root cause of problems that a portion of patent owners have in relation to enforcement. Despite patent owners generally seeking assistance from IP professionals on the technical/legal issues relating to patentability, they can overlook the need to understand the commercial implications or realities of enforcing a patent. If patent owners are ill-informed of their rights and responsibilities, they can find themselves in precarious, uncertain and often expensive situations detrimental to their business.

A number of submissions also argued that the information provided about patent enforcement needs to be tailored to the audience⁵⁷ - and that the audience includes potential infringers, challengers and the public, as well as patent owners.

⁵⁶ Kimberlee Weatherall and Elizabeth Webster, ‘Patent infringement in Australia: Results from a survey’, IPRIA working paper 10/2009

⁵⁷ Confidential submission.

The IPRIA survey of inventors in Australia⁵⁸ suggested that public education in relation to patents should extend to better education of inventors at the point of applying for patents: in particular, education in making the assessment of whether a standard patent is the right option (as opposed to other, informal means of protection including being first to market, developing a community of loyal customers and users, or trade secret). Alternatively, better education about the steps that may be taken short of litigation and the potential for settlement could also be considered. These suggestions arose from the finding that a large set of inventors were aware of non-trivial copying, but did not send any kind of letter to the alleged infringer, because they thought it would be too costly. The researchers posed the obvious question – “why are people expending their resources in applying for patents if when they discover a possible, and non-trivial infringement, they cannot (or do not find it worthwhile to) extend their resources to the point of sending a letter?”

8.1.4. Jurisdictional

Many of the factors mentioned earlier are also relevant for Australians holding patents granted in other countries. However, those specific to overseas jurisdictions include the following concerns:

- language differences,;
- additional costs due to interpretation, foreign patent costs;
- need for local advice;
- challenging business climate; and
- weak patent enforcement regime in some countries.

A number of submissions noted the difficulties that patentees encounter when attempting to enforce their patents in overseas jurisdictions. FICPI’s submission supported Australia’s efforts to harmonise patent laws throughout the world, but listed a number of areas where work is still needed. The submission noted that the need to obtain specialist advice in multiple jurisdictions adds considerably to the costs and difficulties facing patent owners.

Indeed, the IPRIA survey of inventors in Australia⁵⁹ found that the most important reason for corporate patent applicants not to take steps towards enforcement was the fact that the infringer was based overseas.

Another submission⁶⁰ commented that enforcing patent rights overseas is the main concern for their clients (all small Australian businesses), as this is where their existing and potential markets are located, and the major proportion of current and future revenues will come from exploitation of their overseas patents.

An IPRIA working paper of 2007 reports the results of a survey of more than 2,100 Australian enterprises that have business dealings with China⁶¹. When asked to rate how much they valued action by the Australian government to address IP issues, the top priority was to encourage China to increase enforcement of IP rights. It should be

⁵⁸ Kimberlee Weatherall and Elizabeth Webster, ‘Patent infringement in Australia: Results from a survey’, IPRIA working paper 10/2009

⁵⁹ Kimberlee Weatherall and Elizabeth Webster, ‘Patent infringement in Australia: Results from a survey’, IPRIA working paper 10/2009

⁶⁰ IP Strategies.

⁶¹ Leahy, A., MacLaren, D., Morgan, D., Weatherall, K., Webster, E., and Yong, J. ‘In the Shadow of the China–Australia FTA Negotiations: What Australian Business Thinks About IP’, IPRIA working paper 7/2007

noted, however, that the survey found that more than half of the businesses facing IP problems in China choose to do nothing about them. The researchers conclude that IP issues, while problematic for some Australian businesses dealing with China, are not significant enough to outweigh the benefits of doing business with China. Elsewhere, there are strong indicators that the enforcement regime in China is improving rapidly⁶².

8.2. Effect of previous and related reviews

As discussed in Section 6.3, there have been a number of reviews relating to the enforcement of patent rights in Australia. Some new measures have been introduced as a result of these reviews, including the introduction by the courts of a more active approach to case management⁶³, and IP Australia's programs promoting awareness and providing information about the importance and value of IP protection and commercialisation. IP Australia has developed a significant international reputation in the field of public education and awareness over the past decade. It has developed specific resources for groups including small to medium sized enterprises, IP owners, journalists, exporters, the fashion industry, school children and their teachers, and conducts regular seminars around Australia, targeted at specific audiences. It has also developed advocacy programs for Australian companies conducting business in China and Japan⁶⁴.

Another measure arising from both the March 1999 review by ACIP⁶⁵ and the IPCRC Review⁶⁶ was to allow the award of exemplary (or punitive) damages in patent infringement actions. This measure came into force in September 2006, and is only available for infringements that occur after that date. It is therefore probably too early to assess the effect of this change.

Some of the measures recommended in previous reviews have not yet been implemented, or have been only partially implemented. In some cases, this is because the recommendations were rejected by the Government, or because the measures were outside the scope of the Government's power. Some measures also appear to have been delayed or put on hold due to other Government priorities.

The recommendations which have not yet been implemented include some of those relating to court processes (many of which were made in the IPAC report of 1992); indemnity and seizure provisions for infringing patent material; and extending the jurisdiction of the Federal Magistrates Service to patent matters.

9. Mechanisms for improving post-grant enforcement

ACIP is recommending a number of mechanisms which are designed to address the issues discussed in section 8 of this report – namely the temporal, financial, jurisdictional and informational factors, which influence a patent owner's ability to enforce their patent rights.

⁶² See <http://www.ccpit-patent.com.cn/News/2009031201.htm>

⁶³ See for example the recent Practice Note No.30: Fast Track Directions, issued by the Chief Justice of the Federal Court and which commenced on 24 April 2009.

⁶⁴ Further discussion of these programs can be found in section 9.2.2 of this report.

⁶⁵ Advisory Council on Industrial Property, "Review of the Enforcement of Industrial Property Rights (patent enforcement)" March 1999.

⁶⁶ Intellectual Property and Competition Review Committee, "Review of intellectual property legislation under the Competition Principles Agreement", September 2000.

While this report considers improvements to the court system, its primary focus has been on non-court procedures. The reasons are two-fold. Firstly, to the extent that the recommendations of previous reviews relating to improvements in the courts have been implemented there appears to be little evidence that the fundamental concerns expressed have been overcome, particularly in the case of SMEs. Secondly, ACIP believes that there are many disputes which can and should be resolved without the need to go to court, but which are presently either not dealt with at all, or which proceed to litigation (perhaps unnecessarily), at a high cost to the parties.

ACIP acknowledges that there remains a proportion of patent disputes which should be resolved in court due to the nature of the issues involved. Any reduction in the cost and time of court proceedings would be beneficial for such cases. However, ACIP has chosen not to focus on this area, because many of the issues of cost and delay are relevant to civil litigation more broadly, rather than being exclusive to patent litigation. In addition, the Government has limited influence over the workings of the Federal and State court systems.

Each of the recommended mechanisms are described and analysed in detail in the sub-sections below, along with relevant input from stakeholder submissions and consultations.

The most important recommendation (discussed in subsection 9.1 below, and illustrated in Figure 1) is for IP Australia to set up and support an IP dispute resolution centre. This centre would provide general information about patent enforcement, including a summary of all the enforcement options available to patent owners. It would facilitate a number of enforcement-related services, by referring parties to experts who are qualified and experienced in the areas of mediation, expert assessment and arbitration. It would also be able to coordinate these enforcement-related services and provide administrative support and accommodation where appropriate.

ACIP anticipates that these services would reduce the effects of the issues that patent owners face when enforcing their patent rights. For example, some of the uncertainty that patent owners face about whether to proceed with a dispute could be eliminated if they were able to engage an expert to assess their likelihood of success. Further discussion about how each service is likely to assist patent owners is found in subsection 9.1 below. ACIP believes that each service has sufficient merit that it should be established whether or not consolidated into an IP dispute resolution centre, but that combining the services into a single body coordinated by IP Australia would increase the benefits and potentially reduce costs significantly.

In addition to the IP dispute resolution centre and the services incorporated within it, this report includes some further recommendations. The additional strategies that are proposed⁶⁷ include enabling Customs to act on a notification from a party that infringing goods are entering Australia (ACIP considers that this would address temporal and financial issues for patent owners), continuing to support Australian

⁶⁷ A number of other strategies were raised as possibilities in the Issues paper. ACIP has considered the submissions in relation to these strategies, and is currently inclined not to pursue them for the following reasons. Some of these strategies would clearly involve significant costs, and are unlikely to result in an increase in net social value. This is the case for tax reform (in which significant costs would be borne by the public); and an enforcement fund (this would involve significant administrative costs, and funding would be provided by other applicants). Other strategies are outside the control of the Government, and most submissions indicated that they are unlikely to be practical or workable. This is the case for legal fees and patent insurance.

innovators who hold patents in other countries, and monitoring Australia’s patent opposition process. These are discussed in subsection 9.3 below.

9.1. IP dispute resolution centre

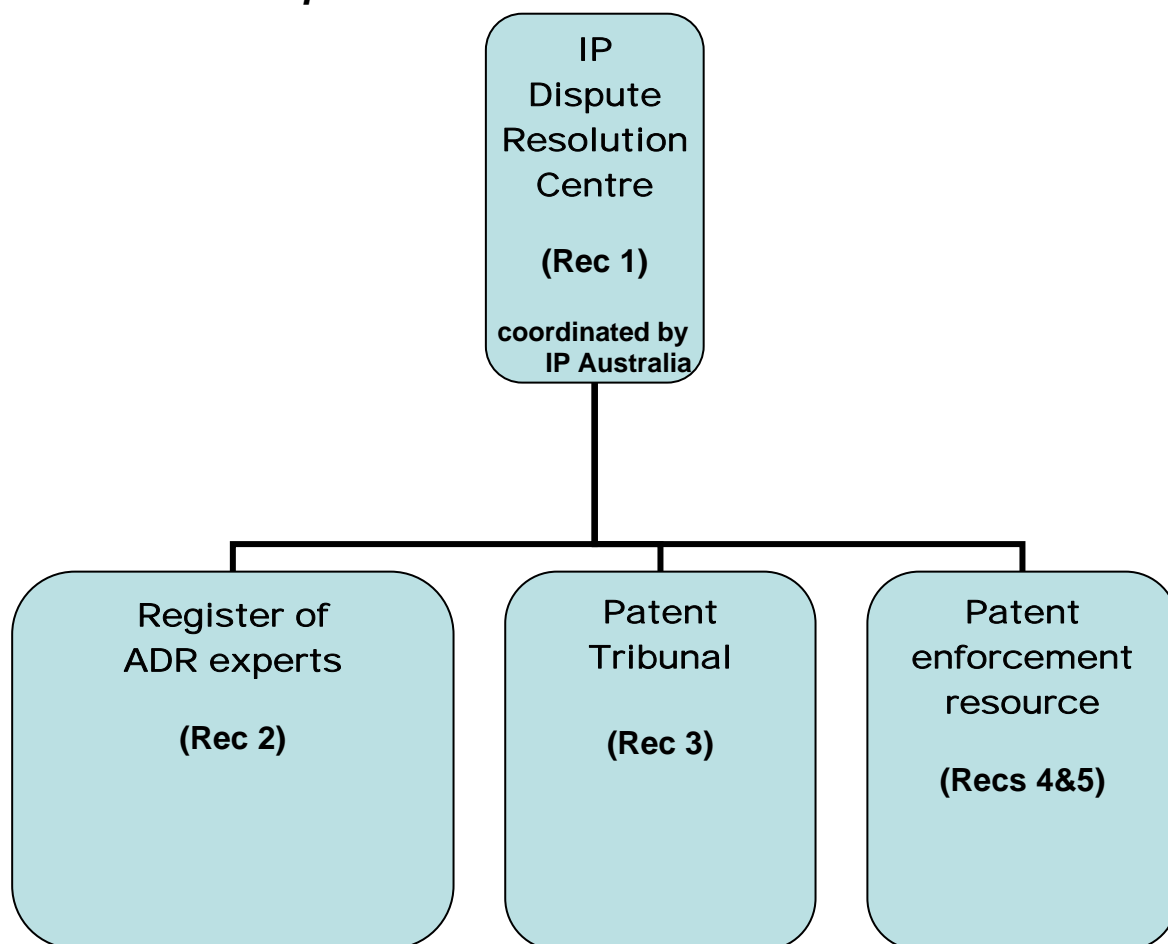


Figure 1

9.1.1. Establishment of intellectual property dispute resolution centre

ACIP is recommending that IP Australia establish and support an IP dispute resolution centre (IPDRC). This centre would provide general information about patent enforcement, including a summary of all the enforcement options available to patent owners. It would facilitate a number of enforcement-related services, by referring parties to experts who are qualified and experienced in the areas of assessment, mediation, and arbitration. It would also be able to coordinate these enforcement-related services and provide administrative support and accommodation where appropriate.

ACIP’s view is that linking the responsibility, resources and expertise within one central body would be most effective in reducing the effects of some of the issues that patent owners face when enforcing their patent rights. While each role or service to be included in the IP dispute resolution centre would, on its own, have some benefits, to provide them as a package of accessible options would be a far superior prospect.

ACIP considers that WIPO's Arbitration and Mediation Center provides a model for such a centre. Further information about WIPO's Center is provided at Appendix B.

Patent owners have been calling for more flexible and practical enforcement strategies and systems for a number of years. Despite previous reviews, and the implementation of some of the recommendations from those reviews, the inability of patent owners to access relatively quick and affordable dispute resolution processes has become a long-standing problem. This is the case not only in Australia, but also in other countries. ACIP considers therefore that now is the time to take a more innovative approach.

Because the pre-grant processes for opposing the grant of a patent are not conclusive, a patent remains open to formal and informal challenge for the duration of the grant. ACIP notes that alternative dispute resolution options such as the IP dispute resolution centre are particularly appropriate in this context.

Existing ADR mechanisms are not highly visible. Currently, patent owners are left to find out for themselves how to commence litigation or arrange for other forms of dispute resolution. It has been argued that the system currently operates to deter people from getting resolution, and that there are many patent owners that currently do not resolve their disputes to their satisfaction.

An IPDRC would give patent owners a single point of initial contact when they want to enforce their patent. It would provide information about a number of options which are inexpensive in comparison to commencing and maintaining a court action, as well as outlining the steps involved in commencing litigation. Many patent owners have little experience in this area, and may have difficulty identifying, assessing and carrying out the various options, or engaging suitably qualified experts to do so for them. An IPDRC would make it easier for patent owners enforcing a patent in Australia to choose the most suitable approach for them, as the options are all laid out and explained in one place.

Coordinating the different forms of dispute resolution within the IPDRC would enable efficiencies of scale to occur. This is because the centre could have a single register of experts, from which suitably qualified people could be drawn for the mediation service, expert assessment service and determinative ADR process, thus reducing the overall cost compared to setting up each service separately.

The Government has stated that it believes innovation is critical to Australia's future as a strong, prosperous and equitable nation. It wants to create sustainable conditions for innovation to flourish and to support its economic, environmental and social priorities.

A report released recently by the Attorney-General on access to justice in the Federal Civil Justice System⁶⁸ outlines a new Government policy, which encourages a broader concept of justice. The report requires policy makers to take a system wide approach to access to justice issues. It contains a strategic framework, comprising principles for access to justice policy-making and a methodology for translating the

⁶⁸ Access to Justice Taskforce, "A Strategic Framework for Access to Justice in the Federal Civil Justice System", 23 September 2009, see http://www.ag.gov.au/www/agd/agd.nsf/Page/Publications_AStrategicFrameworkforAccesstoJusticeintheFederalCivilJusticeSystem for further details. This report was released for public discussion and input.

principles into practice. The principles include accessibility, appropriateness, equity, efficiency and effectiveness. The Taskforce's report provides a number of general recommendations to support the increased use of ADR, including recommendations that relate to access to information and non-court models of dispute resolution. The report states that the traditional adversarial system is no longer relevant or sustainable for most disputes. It also notes that the cost and method of resolving disputes should be proportionate to the issues.

The Government will also be considering the more detailed ADR recommendations made by the National Alternative Dispute Resolution Advisory Council (NADRAC) in its report, *The Resolve to Resolve: Embracing ADR to improve access to justice*, which was provided to the Attorney-General on 30 September 2009.

In addition, the Access to Justice (Civil Litigation Reforms) Amendment Bill 2009, passed both Houses of Parliament on 19 November 2009. The Bill will amend the *Federal Court Act 1975* to introduce an overarching obligation upon the Court, the parties to litigation, and legal practitioners to facilitate the just resolution of disputes according to law and as quickly, inexpensively and efficiently as possible.

ACIP considers that the recommendation to establish an IP dispute resolution centre is consistent with and supported by this new approach to justice. The initiatives referred to above aim to bring about a cultural change from one of often protracted litigation to one of early and effective dispute resolution. While the initiatives promote the increased use of ADR, they also recognise the importance of people maintaining their right to have their disputes decided by a court or tribunal. ACIP notes that the establishment of the IP dispute resolution centre would not alter the rights of parties in dispute about a patent right to access court enforcement options. Such disputants will continue to be able to have their case heard in the Federal Court or in a State Supreme Court, with appeal to the full court of the Federal Court and potentially the High Court. In addition, ACIP recognises that some IP owners would be less likely to use some of the services of an IPDRC than others (for example SMEs and individuals would be more likely to seek validity and infringement opinions). ACIP does not consider that the lack of potential usage of parts of the IPDRC by some sectors is an argument against its establishment. In any case, ACIP considers that other services (such as the Patent Tribunal) might be used by a wide range of parties, if the circumstances of the dispute were considered appropriate for such a forum.

ACIP believes that an IP dispute resolution centre which incorporates a number of complementary services is a practical and workable concept. In the longer term, ACIP considers that, if successfully implemented, it could contribute to the improvement of patent enforcement processes not only in Australia but also overseas, especially in the local region – if other countries chose to adopt a similar approach.

Located with IP Australia

ACIP believes that it makes sense to locate the IP dispute resolution centre with IP Australia, because patent owners are already familiar with the organisation through the processing of their patent application, and many patent owners already have a perception that IP Australia will be involved when they want to enforce their patent. In addition, it would be a very efficient way of providing the IPDRC, as many of IP

Australia’s existing physical and personnel resources could be used as required. For example:

- IP Australia has existing infrastructure (both systems and personnel) suitable for the administration of the registry functions of the IPDRC;
- the expert assessment service could use suitably qualified and trained patent examiners, if they met the requirements to be added to the register of experts;
- most of the information and expertise needed to create the patent enforcement resource already resides within IP Australia;
- IP Australia has access to suitable accommodation both within Canberra and in the interstate capitals to facilitate accommodation for mediation, expert assessment and arbitration sessions; and
- should the uptake of the service provided by the IPDRC fluctuate, resources from within IP Australia could be quickly and efficiently redeployed.

ACIP is keen to stress that IP Australia would not be conducting any of the ADR processes, and no outcome from such a process would have official or implied endorsement by IP Australia. The IPDRC would effectively act as a referral point, and the ADR processes would be provided by one or more experts drawn from the register of experts (and chosen by the parties in the dispute). IP Australia would be able to provide physical resources (such as accommodation) and administrative and coordination services, where appropriate.

The Government has already indicated that when it comes to looking at new programs, it favours bringing them within the umbrella of current institutional arrangements that are in place, so that the critical mass and expertise in administration of the programs can be used, and they become more cost-efficient.⁶⁹ Indeed, one of the terms of reference of the NIS review was to consider ways to improve the governance of the national innovation system to support higher expectations of government agencies and industry. This certainly implies that there is an expectation within government that agencies such as IP Australia will continue to provide additional and improved services to their customers.

Locating the IPDRC with IP Australia would also help awareness, as many SMEs and individuals are familiar with IP Australia and have had dealings with the organisation during the patent application process.

Implementation

ACIP notes the concerns that have been raised in relation to the recommendation to set up an IPDRC, and in particular, its linkage with IP Australia. These concerns are outlined further here, and would need to be resolved should the Government accept this recommendation.

One of the concerns that has been raised relates to the potential for a real or perceived ‘conflict of interest’ within IP Australia. The argument is that a body with the statutory authority to grant IP rights should be independent of any body that is

⁶⁹ Dr Terry Cutler, 9 Sep 08, Media conference to release the review of the National Innovation System report, see <http://minister.innovation.gov.au/Carr/Pages/MEDIACONFERENCEWITHSENATORCARRDRTERRY/CUTLERANDDRNIC HOLASGRUEN.aspx>. “One of the challenges that the Minister gave to us in commissioning this review was the apparent fragmentation of industry programs and just the sheer number of them...”

involved in dispute resolution, particularly in relation to expert assessment and arbitration.

ACIP notes that, should the Government accept the recommendation to set up an IPDRC, it would need to ensure that there is a clear distinction between the statutory role of IP Australia, and the functions performed by the IPDRC. It should also be made clear that IP Australia would not be conducting any of the ADR processes, and no outcome from such a process would have official or implied endorsement by IP Australia.

Another concern relates to the issue of funding. This would need to be considered in more detail. While ACIP believes that as a general principle, the cost of the services provided by the centre should be recovered from those who use it, in accordance with the Government’s principle of cost recovery, there are some concerns about this funding model. For example, while it is relatively easy to see how a user-pays model would be managed in the case of the mediation, arbitration and expert assessment services, it is less clear as to how the user would fund the patent enforcement resource. Also, issues of equity and accessibility would need to be considered to ensure that the services were accessible to small and medium enterprises (SMEs). In addition, care would need to be taken to ensure that the costs of using the centre were less than the costs of court proceedings, so as to provide a meaningful alternative to litigation.

Recommendation 1:

That IP Australia establish and support an IP dispute resolution centre along the lines of WIPO’s Arbitration and Mediation Center, which in the first instance focuses on patent disputes. Funding for the centre should be consistent with the Government’s principle of cost recovery.

9.1.2. Register of alternative dispute resolution (ADR) experts

ADR can take place at any stage of a dispute, right from the outset and even during court proceedings⁷⁰. Often parties only agree to ADR once their dispute has escalated and both see the sense in trying to resolve the dispute in a quick, cost-efficient manner. Indeed, IPRIA research has noted that 20% of settlements occurred at court ordered or court proposed mediation⁷¹.

There are a number of different types of alternative dispute resolution procedures that can be used. These can be broadly divided into three groups:

- advisory (including mini-trials, non-binding opinions, early neutral evaluation and expert assessment);
- facilitative (including negotiation, mediation, and conciliation); and

⁷⁰ For example, under section 53A of the *Federal Court of Australia Act 1976*, the Federal Court may refer the whole or any part of a proceeding to a mediator, with or without the consent of the parties. Mediation is a dispute resolution process which is part of the current procedures of the FCA.

⁷¹ C. Dent and K Weatherall, ‘Lawyers’ Decisions in Australian Patent Dispute Settlements: An Empirical Perspective’ (2006) 17 *Australian Intellectual Property Journal* 255 and as IPRIA Working Paper 02/07.

- determinative (including arbitration, adjudication and expert determination).

There is a notable international trend towards the use of ADR processes. The recent announcement of a WIPO Arbitration and Mediation Center in the Asia Pacific Region⁷², and a push towards greater use of ADR in the UK are examples of this. Three particular ADR procedures seem especially suitable for patent disputes: expert assessment, mediation and arbitration.

Expert assessment (also known as expert appraisal) is a non-binding advisory process that can assist those in a dispute by narrowing and clarifying the issues, as well as providing parties with an objective view. It provides a non-binding opinion to the parties on the outcome of the issues, the extent of their rights involved and the strength and weaknesses of both sides. It is possible for each party to engage their own expert, or for both to use the same expert. Mediation is a process that can assist in finding common ground; identifying the key issues in dispute; and helping to solve some of the differences. It is a non-binding discussion process involving the parties, which is led by an independent mediator. Mediation can happen through the court system, or through commercial services. Finally, the formal arbitration process can be used. Both parties may agree to be bound by the arbitrator's decision, which is confined to the dispute in question (and thus does not have any effect on third parties). In the case where one party has not agreed to be bound by the decision, a court may still choose to take the arbitrator's decision into account if the case goes before it.

It is ACIP's view that the use of expert assessment, mediation and arbitration can, in appropriate cases, reduce the delay, cost, lack of knowledge and uncertainty for those involved in patent disputes. This is because those choosing to use these mechanisms may be able to resolve the dispute without taking it further. In addition, even if the dispute does eventually proceed through legal channels, it is likely that the main issues in dispute will have been substantially clarified before reaching court, potentially reducing the duration of the court hearing.

Submissions to this review were generally supportive of the IPDRC administering a register of experts for ADR, although they raised a number of issues that would need to be considered further and addressed, if the recommendation was implemented:

- There would need to be guidelines to determine who can be registered as an "expert". Criteria should include technical expertise, patent law expertise, and experience or training in mediations or ADR;
- The parties would need to agree on an expert, and thus the register should contain sufficient details about the experts to allow the parties to make an informed decision about the choice of expert;

A couple of submissions expressed the view that there is no need for IP Australia to provide support for expert assessment and mediation services, since such services are already available within Australia. ACIP acknowledges that there are a number of existing ADR service providers in Australia, however, none of these service providers specialise in patent disputes. ACIP takes this opportunity to emphasise that the focus of this recommendation is the *establishment of and referral to* the "register of

⁷² http://www.wipo.int/pressroom/en/articles/2009/article_0027.html

experts”, which will assist any party to a patent dispute to search for and retain a suitable independent expert. In addition, IP Australia could provide technical support to the chosen independent expert, who might (for example) have extensive experience in mediation, but need support in relation to the scientific and technical aspects of the case.

Recommendation 2:

That the IP Dispute Resolution Centre administer a register of experts that could be drawn upon for expert assessment (including opinions on validity and infringement, non-binding determinations and other types of expert assessment), mediation and arbitration.

9.1.3. Patent tribunal

In Australia, if initial approaches (such as a letter, offer to license or mediation) fail, the next step for those wanting to enforce their patent is to take the matter to court. Disputes between private parties are determined in the Federal Court or the State and Territory Supreme Courts.

Despite previous reviews and their recommendations, the cost of patent litigation in Australia has endured as a persistent problem. As mentioned earlier in this report, IPRIA has found that issues of cost are the single most important consideration for both the patentee and the alleged infringer, while submissions to ACIP confirmed that enforcement of patents is a very expensive exercise in Australia. It should be emphasised, however, that these costs are not restricted to litigation in *patent* matters – the cost of civil litigation is a broader problem, particularly for smaller companies and individuals. Other countries are grappling with similar issues, and addressing them in different ways. For example, the German system has introduced measures to enable patent infringement matters to be decided swiftly and efficiently (further discussion of the German system is provided in section 7.2.2.2 of this report).

While the high cost of litigation affects all parties in a dispute, it is sometimes used as a tool for strategic purposes. For example, one party may encourage delays in the process, knowing that this will reduce the bargaining power of the party less able to bear the costs. The high cost of litigation will also encourage parties to avoid the litigation process unless they believe that their case is strong. This may mean that they are then less likely to settle out of court once the hearing has begun.

ACIP recognises that some IP rights are unlikely to generate monetary returns commensurate with the cost of bringing an action in the first tier of the Federal Court. ACIP would like owners of these rights to have more choice when it comes to protecting their rights.

As noted in IPRIA’s study of patent disputes in the Federal Court⁷³, Australian litigation processes take a long time, although the parties in litigation may sometimes be responsible for the extent of these delays.

⁷³ Rotstein and K.Weatherall, ‘Filing and Settlement of Patent Disputes in the Federal Court: 1995-2005’ (2007) 68 *Intellectual Property Forum* 65. The text and graphs used in this section are reproduced with the express permission of the authors.

ACIP had previously recommended extending the jurisdiction of the Federal Magistrates Court to include patents⁷⁴, the rationale being that the Federal Magistrates Court could prove to be less intimidating and expensive, and provide an alternate avenue to those who would not have pursued a claim through existing court processes.

ACIP has not been alone in suggesting low cost alternatives for resolving intellectual property disputes, with particular emphasis on the Federal Magistrates Court. Indeed, the Ergas Review⁷⁵ also commented that opportunities should continue to be explored for reducing the costs of resolving the disputes that inevitably arise with respect to patents, and recommended that the Federal Magistrates Court be used as a lower court for the patent system, particularly for matters relating to the Innovation Patent.

Other reviews have suggested improving the case management processes and technical assistance available to judges in courts exercising jurisdiction under the *Patents Act 1990*. Indeed, the ALRC's report on Gene Patenting and Human Health⁷⁶ discussed this issue in section 10. The ALRC went on to recommend that Courts exercising jurisdiction under the *Patents Act 1990* should continue to develop procedures and arrangements to allow judges to benefit from the advice of assessors or scientific advisors in litigation involving patents over genetic materials and technologies.

Given that the Government decided not to implement ACIP's previous recommendation regarding the jurisdiction of the Federal Magistrates Court, the Council has given much thought to potential alternatives.

ACIP recognises that since that time, changes have been made to the way in which general federal law services are delivered, including a decision to restructure the Federal Courts system by merging the Federal Magistrates Court into the Family Court and Federal Court, and consolidating all general federal law matters under the Federal Court. ACIP notes that the restructured Federal Court will have two tiers, with Federal Magistrates operating in the second tier. ACIP has thus reconsidered its previous recommendation, and has considered whether the jurisdiction of this lower tier should include patent matters.

In its submission to the interim report, the Federal Court outlined the fast track rules which have been adopted by the judges of the Federal Court over the past two years to manage complex litigation in a timely and cost effective way, and provided data to demonstrate that the percentage of patents cases finalised within 12 months has increased significantly in the last two years. ACIP acknowledges and commends the Federal Court on its improvements to the case management of complex cases in recent years, and encourages the Court to continue to make improvements in this area.

The Federal Court questioned ACIP's assumption that giving a lower tier court jurisdiction over patent matters would result in quicker and less costly litigation.

⁷⁴ Advisory Council on Intellectual Property, "Should the jurisdiction of the Federal Magistrates Service be extended to include patent, trade mark and design matters?", November 2003.

⁷⁵ Intellectual Property and Competition Review Committee, "Review of Intellectual Property legislation under the Competition Principles Agreement", September 2000.

⁷⁶ ALRC 99, *Genes and Ingenuity: Gene Patenting and Human Health*.

“It is not clear ... why ACIP considers that lower tier judicial officers will be able to resolve patent matters more quickly and cheaply than Judges of the Federal Court. ... Apart from lower filing fees (that are set by the Government), the legal and other costs of conducting a patent case will be approximately the same irrespective of the type of judicial officer who hears the matter.”

ACIP is not in a position to dispute the Federal Court’s assertion that opening the jurisdiction of the lower tier of the Federal Court to patent matters will not have any significant impact on the cost and timing of litigation for patent matters. ACIP has therefore decided not to pursue its earlier recommendation, and has focussed on other, more innovative measures. Some stakeholders to the current review suggested that the UK Patents County Court (PCC) could be a suitable model for Australia to adopt. The PCC is an alternative venue to the Patents Court of the High Court for bringing legal cases involving certain matters concerning patents, registered designs and, more recently, trade marks, including Community trade marks and designs.

Further information about how the PCC works is available in a paper written by Justice Fysh in February 2003⁷⁷.

If such a court were to be established in Australia, it would require a judge who sits part-time, as it would be unlikely to generate enough work for a full-time judge⁷⁸. The question as to whether such a court would be successful in helping patentees to enforce their patents more quickly and cost-effectively would be very dependent on the judge who was in charge.

ACIP believes that now is the time to propose that the Government promote strategies as alternatives to court litigation. For this reason, many of the recommendations in this report focus on assisting patent owners (particularly individuals and SMEs) to enforce their rights in other ways. A quicker and cheaper alternative to court enforcement is needed, especially for SME patent holders. For these parties, infringement needs to be stopped quickly before their business is irreversibly damaged. For this reason, ACIP has decided to investigate in more detail the possibility of introducing alternative mechanisms for obtaining determinations, both binding and non-binding.

During its consultations, ACIP has developed a preferred embodiment a determination mechanism, called a “Patent Tribunal”⁷⁹. ACIP believes that a Patent Tribunal which is not a court has the potential to overcome some of the cost and delay issues discussed earlier. The Patent Tribunal could be used for two separate purposes:

- to provide non-binding determinations; and
- to undertake arbitration.

Earlier ACIP reviews have considered the option of determining issues of infringement in a non-judicial tribunal⁸⁰, but this option was previously rejected by ACIP as being unviable due to constitutional constraints. This is because it is

⁷⁷Fysh, Michael QC, SC, Judge, Patents County Court, London, “The Work of the Patents County Court”, IP Centre, St Peter’s College, Oxford, 11 February 2003

⁷⁸ Justice Fysh is assigned part-time to the UK Patents County Court, with the rest of his time on the High Court, also hearing IP matters.

⁷⁹ ACIP notes that other embodiments of the arbitration mechanism could also be used. A number of professional arbitrators currently offer their services in Australia in relation to commercial disputes.

⁸⁰ Advisory Council on Industrial Property, “Review of the Petty Patent System”, October 1995

unconstitutional to vest judicial power in a body unless it is a ‘court’ within the meaning of s 71 of the Constitution. Any court created by the Commonwealth Parliament must be staffed by judges whose tenure and remuneration are protected under s 72 of the Constitution. The distinction with the current recommendation is that the previous proposals were looking at conferring enforceable jurisdiction on a non-judicial tribunal. ACIP’s current recommendation is for a Patent Tribunal that is not a court for the purposes of Chapter III of the Constitution, and thus has no enforceable jurisdiction.

ACIP understands that a Patent Tribunal could be established, as long as it had its functions defined in such a way as to ensure that it was not exercising judicial power. The Tribunal could have the power to make determinations on disputes between private parties. ACIP expects that those appearing before the Tribunal would contribute, at least in part, to the costs of the hearing – along similar lines to the process used currently in opposition hearings before the Commissioner of Patents.

ACIP has spent some time considering this option, and considers that it has a number of advantages.

A tribunal is attractive because of virtues that the courts cannot provide. Ensuring that the panel members for a Tribunal hearing have relevant technical expertise would reduce the time needed for the panel members to grasp the technological aspects of the patent in dispute. ACIP expects that this would reduce the hearing time and cost of proceedings.

ACIP also believes that enabling patent attorneys to appear before the tribunal would be an advantage. Patent attorneys are familiar running matters before analogous tribunals (i.e. patent opposition hearings). ACIP anticipates that giving patent attorneys a right of appearance would result in lower pre-hearing costs, as the need to brief another person would be eliminated.

A Patent Tribunal would have much more streamlined procedures, without the rules of evidence and other formalities that are necessary in a court. Neutral individuals with the necessary expertise could also be selected as tribunal members. Given that the Patent Tribunal would not be a court, there would not be a need for the rules of evidence to apply. Giving the Tribunal a more inquisitorial role would allow the substance of the argument to be reached and discussed more efficiently and effectively.

ACIP believes that all of these measures in the form of a Patent Tribunal would assist patent owners, and particularly SMEs, by reducing costs. ACIP has heard evidence suggesting that high legal costs can be explained by four factors: the need to obtain specialised legal advice; the need to obtain expert witnesses; the legal process of discovery between the parties; and the time involved in explaining complex and technical issues (prevalent in many patent disputes) to the judge. In each of these cases, an alternative determination mechanism (such as a Patent Tribunal) would lower the costs.

In addition to reducing the financial outlay incurred, ACIP considers that a Patent Tribunal would encourage more businesses or individuals with limited financial

resources to proceed via the Tribunal. This means that they are more likely to be able to fully reap the value of their IP, and are more likely to continue to innovate.

A Patent Tribunal would also be more likely to produce an outcome in a shorter time for a significant proportion of disputes. This is likely to be particularly helpful for those who may not have sufficient resources to tide their business over during a dispute when no cash is coming in. It should also be noted that even after a patent has been granted, any delays in the enforcement process effectively shorten the time available for the patentee to recover their costs, thus reducing the benefits of their exclusive right.

Another potential benefit of a Patent Tribunal would be to reduce the opportunity costs that occur during a dispute – when time is spent defending or enforcing a patent rather than developing other innovations, or improving and marketing the current innovation.

The lower costs and time delays available through a Patent Tribunal would also benefit the wider community. For example, those wanting to challenge a patent might be more likely to take action. This contrasts with the current situation where if the patent is not valid and the challenger cannot afford legal representation, the patent may stay in force preventing the challenger from competing in the marketplace.

Reducing costs and delays would also enable consumers to gain the benefits of new technology as soon as possible, as in many cases a product will not be put on the market until a dispute is resolved.

Some submissions strongly supported the concept of a Patent Tribunal. They noted that it should provide a low cost and fast alternative to standard court proceedings, and that having specialist knowledge on the tribunal is important.

ACIP acknowledges that such a tribunal would need to be set up with appropriate procedures and tribunal members, or it would become an option of little real value.

Providing non-binding determinations

ACIP considers that the Patent Tribunal could provide non-binding determinations to parties in a dispute. Parties could choose to abide by the Tribunal's decision, or to take the dispute to other fora if they were unhappy with the result. Any subsequent litigation of the same matters in court would be a *de novo* review.

ACIP notes, however, that mechanisms could be introduced to encourage parties to accept the determinations of the Patent Tribunal. One possible mechanism is to require a court, in any subsequent litigation about a matter on which the Tribunal has produced a determination, to take into account the Tribunal's determination when considering awards of damages and/or costs. For example, if the Tribunal had determined that a party was infringing a patent and that party had ignored the determination, in the event that a court came to the same conclusion the court should be empowered and encouraged to award *additional damages* under s. 122(1A) against the infringing party (on the ground that the infringing party had chosen not to accept the Tribunal's determination). Another example is where a Tribunal had determined that there was no infringement of the patent and the patentee nevertheless brought

infringement proceedings in a court. In the event that the court found against the patentee, the court should be empowered and encouraged to make an award of costs greater than party-party costs, including those costs incurred at the Tribunal, against the patentee (on the ground that the patentee had chosen not to accept the Tribunal's determination).

Similarly, mechanisms could be introduced to encourage parties to use the Tribunal to resolve disputes, rather than to litigate in a court. This is relevant in the situation where parties might wish to bring proceedings in a court instead, for strategic reasons. For example, where a patentee is financially stronger than an alleged infringer, the patentee might choose to bring an infringement action in a court rather than seeking a Tribunal determination, on the ground that the high cost of the court proceeding may force the alleged infringer to settle (even if the claim for infringement is not strong). One mechanism is to encourage courts to refuse to award costs in favour of a successful plaintiff where the court concludes that the matter should have been brought before the Tribunal for determination.

Some stakeholders have raised concerns about using a Patent Tribunal for non-binding determinations. These concerns can be summarised as follows:

- some parties may expect to obtain an enforceable result from the Tribunal;
- given that the determinations are not formally binding on the parties, there is little benefit in using the tribunal, and expert assessment or mediation would be just as effective; and
- the discretionary mechanisms of awarding damages to encourage parties to accept the determination of a Patent Tribunal would act as a disincentive to using a Patent Tribunal in the first place, or are fundamentally inappropriate (and in any case, alternative mechanisms of awarding costs are always open to the court).

ACIP, while acknowledging these concerns, does not believe that they are fatal to the concept of using a Patent Tribunal for non-binding determinations. In fact, in relation to the last dot point, ACIP believes that without the discretionary mechanisms in place, the tribunal would be unlikely to replace the existing court-based system.

ACIP believes that there would be a proportion of cases in which the Tribunal's determination would be accepted by the parties. In those cases, being able to reduce the time and costs involved in going to court could be seen as a distinct advantage.

Arbitration (Binding determinations)

ACIP considers that the Patent Tribunal could also undertake arbitration in relation to patent disputes. Australia currently has two streams of arbitration law - state laws for domestic disputes⁸¹, and a federal law for international matters⁸². The outcome of an

⁸¹ Domestic arbitrations are governed by the uniform Commercial Arbitration Acts of the States and Territories. In April 2009, the Standing Committee of Attorneys-General (SCAG) agreed to reform the uniform Commercial Arbitration Acts. The reformed legislation, which is scheduled to be finalised at the meeting of SCAG in April 2010, will be based on the United Nations Commission on International Trade Law (UNCITRAL) Model Law on International Commercial Arbitration.

arbitration undertaken under one of these laws is binding on the parties, and the award of the arbitrator is enforceable by an Australian court. Thus, where the parties agree to have the Patent Tribunal act as an arbitrator of their dispute, the Tribunal's determination will be a binding determination.

Some stakeholders have raised concerns about setting up a Patent Tribunal for arbitration. These concerns can be summarised as follows:

- the quality of decisions issuing from the Patent Tribunal would be expected to be of significantly lower quality than that before the courts, and with simplified evidentiary requirements, the standard of evidence would also likely be much lower than that before the Federal Court, again providing for lower quality decisions; and
- the Tribunal's determination could have a negative impact on the validity of a patent, should the Tribunal find that it was invalid.

ACIP notes that the decision of any arbitration (whether in the form of a Patent Tribunal or not) applies only to the parties involved in the arbitration, and third parties are unaffected. Where an arbitrator questioned the validity of a patent, this would not affect the status of the patent unless a statutory mechanism (such as re-examination or revocation) was initiated by the relevant party. ACIP considers that this situation would be commercially analogous to where a patent may be challenged and revoked in one country, while its equivalent remains on the patent register in another country.

Conclusion

In summary, ACIP believes that it is possible, through the adoption of a combination of mechanisms along the lines described above, to ensure that a Patent Tribunal would be used as means for resolving a significant number of patent disputes in a more effective and less expensive manner.

ACIP understands that a Tribunal along the following lines could be established:

- each Tribunal hearing panel to comprise up to 3 people, integrating legal and technical expertise;
- patent attorneys to have a right to appear;
- the Tribunal to have streamlined procedures and simplified evidentiary requirements;
- the Tribunal to take a pro-active and inquisitorial role; and
- mechanisms be introduced to encourage parties to comply with the Tribunal's non-binding determinations, and to discourage parties from using the courts instead of the Tribunal where it would be appropriate to do so.

Finally, ACIP believes that the effectiveness of such a Patent Tribunal should be monitored noting that the uptake may be slow and the volume of usage is not necessarily as important as the filling of the void in the current system especially for SMEs.

⁸² Arbitration of disputes of an international nature fall under the *International Arbitration Act 1974* (Cth) (the IAA). The IAA is based on the UNCITRAL Model Law on International Commercial Arbitration.

Recommendation 3:

That an embodiment of the determination mechanism in the IP Dispute Resolution Centre is provided in the form of a Patent Tribunal along the following lines:

- (a) each Tribunal hearing panel to comprise up to 3 people, integrating legal and technical expertise;**
- (b) Tribunal hearing panel members to be drawn from the register of experts established under Recommendation 2;**
- (c) patent attorneys to have a right to appear;**
- (d) the Tribunal to have more streamlined procedures and simplified evidentiary requirements than a court;**
- (e) the Tribunal to take a pro-active and inquisitorial role;**
- (f) mechanisms be introduced to encourage parties to comply with the Tribunal’s non-binding determinations, and to discourage parties from using the courts instead of the Tribunal where it would be appropriate to do so; and**
- (g) that the effectiveness of the Patent Tribunal be monitored from its date of establishment.**

9.1.4. Patent enforcement information resource

As discussed earlier in this report, given the highly technical and specialised field of patent law, most patent owners have insufficient knowledge about their options when it comes to enforcing a patent. They incur costs (in terms of time and money) in obtaining this knowledge. ACIP has gathered considerable anecdotal evidence that knowledge of patent enforcement is quite low in Australia and that this may be one of the reasons why patent owners can encounter difficulties in relation to enforcement. Despite patent owners generally seeking assistance from IP professionals on the technical/legal issues relating to patentability, they can overlook the need to understand the commercial implications or realities of enforcing a patent. If patent owners are ill-informed of their rights and responsibilities, they can find themselves in precarious, uncertain and often expensive situations detrimental to their business.

One of the primary roles of IP Australia is to increase the awareness of and understanding about patents and the patent system. Stakeholders have told ACIP that there is insufficient information available from IP Australia on patent enforcement. In particular, IP Australia needs to provide good general information about the enforcement of patent rights for the benefit of less sophisticated users of the patent system. Information provided about patent enforcement needs to be tailored to the audience - and that audience includes potential infringers and the public, as well as patent owners.

There are a number of possible ways to convey this information, and ACIP does not intend to prescribe any particular means. Examples include a website devoted to the issue of enforcing a patent, and sending information on patent enforcement to a patent owner when their patent is granted or renewed. IP Australia could also establish links to the Enterprise Connect and Commercialisation Australia programs administered by the Department of Innovation, Industry, Science and Research. These programs enable direct interaction between the Government and Australian SMEs and they tap

into established business networks. IP Australia could use these links to disseminate patent enforcement information to a wider business audience.

ACIP notes a number of knowledge gaps that it considers should be addressed in order to improve awareness about patent enforcement. These include:

- a summary of the patent enforcement process in Australia, including clarification of the court process;
- restatement of the law relating to patent validity and infringement in simpler terms;
- the fact that there is no assumption of a patent’s validity after grant;
- the fact that the enforcement process is funded by the patentee;
- the fact that successful enforcement is often dependent on the way in which the claims have been drafted; and
- the fact that enforcement is jurisdiction-specific.

Recommendation 4:

That IP Australia establish a resource which provides information about patent enforcement.

The Australian Law Reform Commission conducted an enquiry into the intellectual property aspects of genetic material and technologies, which culminated in the final report, “Genes and Ingenuity: Gene patenting and human health”, tabled in Parliament in August 2004. One of the recommendations of this report was that information about patent litigation be made more readily accessible to the public⁸³. There has not yet been any formal Government response to the report, although the ALRC recently reiterated its findings and recommendations in its submission to the Senate Standing Committee on Community Affairs’ enquiry into gene patents.

ACIP agrees with the ALRC that it would be beneficial for information about patent litigation to be more readily accessible. ACIP recognises that various provisions of Order 58 of the Federal Court Rules require an applicant in an infringement action, a revocation action and certain other actions to serve on the Commissioner of Patents a copy of the application and of an affidavit or statement of claim. These Rules ensure that the Commissioner is notified of the *commencement* of the litigation; they do not, however, ensure that the Commissioner is informed of the *outcome* of the litigation. ACIP notes that section 140 of the Patents Act requires the Federal Court to provide the Commissioner of Patents with a copy of an order made under Chapter 12 of the Act – i.e. of an order either revoking a patent or granting a compulsory licence to a patent. The Act does not, however, require the Court to provide the Commissioner with copies of any *other* orders, such as orders with respect to a determination of infringement of a patent.

IP Australia has informed ACIP that the Commissioner of Patents places whatever information is received about the outcome of litigation on the file for the patent in question, and includes details of any orders in the register. However, such information does not appear in IP Australia’s publicly searchable electronic databases. ACIP notes

⁸³ “Genes and Ingenuity: Gene Patenting and Human Health”, (ALRC99). See paragraphs 9.68 to 9.70.

that details of actions commenced in the Federal Court can be accessed online, via the Federal Law Search facility. This facility allows for searching of cases by name of party and type of action. However, it does not allow for searching of cases by patent number. Thus, the Federal Law Search facility does not enable interested persons to find out what litigation has occurred in relation to a particular patent unless they already know the names of the parties to that litigation.

ACIP has considered the ALRC recommendation, and agrees that specific information about litigation that has occurred in respect of a patent is valuable to all stakeholders concerned with the enforcement of patents. ACIP considers that this is the case for patents in all technologies, not just those relating to genetic materials.

IP Australia's searchable databases currently allow the public to access information about patent applications and granted patents. The information made available includes the scope of protection claimed, and the details of the applicant and inventor. ACIP believes that the same databases should contain up-to-date information about all court proceedings that have been undertaken in respect of a particular patent, including the outcome of those proceedings and the status of any court action or orders from the courts. This would make it easier for interested parties or members of the public to locate all the relevant information about a particular patent. ACIP thus endorses the recommendations of the ALRC, and encourages the government, IP Australia and courts exercising jurisdiction under the Patents Act to give effect to those recommendations to the extent to which they have not already been implemented.

Recommendation 5:

That

- (a) the Patents Act 1990 (Cth), and the rules of courts exercising jurisdiction under the Patents Act, be amended to ensure that the Commissioner of Patents is provided with information about the existence and the outcome of all court actions in respect of a patent; and**
- (b) IP Australia provide public access to the information so provided to the Commissioner of Patents, either through or in association with its online searchable databases of patent information.**

9.2. Patent enforcement in other countries

Many Australian patent owners want to export their product overseas. Exporting can be a profitable way of expanding the business, spreading risks and reducing dependence on the local market. On average, exporting companies are more profitable than their non-exporting counterparts⁸⁴. But companies – particularly SMEs – often find it difficult to enforce their patents in other countries. These difficulties arise for a number of reasons.

⁸⁴ See Austrade website at <http://www.austrade.gov.au/How-to-export/default.aspx>

Firstly, if a business is selling their product in several countries, they need to deal with potentially different laws and requirements in each jurisdiction. If legal action is needed, they may have to take separate legal action in each country. They may need to have several sets of lawyers to advise on the same issue (one set for each country in which litigation is occurring, as well as a set in Australia) – effectively multiplying the time and cost involved. It can take time and substantial effort to understand the individual complexities of another system of justice, and there is no guarantee that they will have the same outcome in each country.

There is clear evidence⁸⁵ that one of the most dominant reasons cited by patentees for not taking steps to enforce their patent is the fact that the infringer is based overseas.

In addition, the legal processes in some countries can be even slower and/or more costly than in Australia. Other problems that are unique to litigating in another country include a perceived or real bias against overseas litigants, and a lack of respect for IP in some cultures.

Indeed, economic research literature from the US and Europe documents anti-competitive uses of IP, in which litigation is used as the ultimate threat⁸⁶.

The Australian government has no ability to directly control overseas systems. However, the government can assist patent owners who want to enforce their patents overseas by external and internal strategies. External strategies are measures that will directly help in the overseas country, while internal strategies can be undertaken within Australia to assist patent owners to enforce their patent overseas.

9.2.1. External strategies

The Australian government has been active in pursuing external strategies for a number of years. These include the Australian Government's current efforts through the United Nations' World Intellectual Property Organization (WIPO), to ensure other nations implement patent laws and enforcement systems that meet minimum international standards such as those outlined in the agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS). The global harmonization movement on IP has had some degree of success, but it is a slow process. There are still many countries that do not have fully developed IP enforcement systems, and this presents considerable difficulties for Australian patent owners.

Australia also directly assists countries to develop their IP systems, particularly in the Asia-Pacific region.

Given the TRIPS requirement that enforcement procedures not be unnecessarily complicated or costly, or entail unreasonable time-limits or unwarranted delays⁸⁷, it has been suggested that mechanisms should be introduced at the international level in order to bring these issues to the fore. Such mechanisms could involve strengthening the existing WIPO mediation service, and inserting penalties for parties who are clearly abusing the system.

⁸⁵ Kimberlee Weatherall and Elizabeth Webster, 'Patent infringement in Australia: Results from a survey', IPRIA working paper 10/2009.

⁸⁶ Weatherall, K., Webster, E., Bentley, L., 'IP Enforcement in the UK and Beyond: A Literature Review', SABIP Report (Number EC001), May 2009.

⁸⁷ TRIPS Article 41, para. 2.

Another external strategy is the prominent emergence of bilateral and multilateral free trade agreements (FTAs) with other countries. FTAs often include text on a shared understanding and commitment of international treaties on IP protection such as the TRIPS Agreement.

Stakeholders consulted by ACIP were unanimous in their support of the Government's work in this area.

9.2.2. Internal strategies

Internal strategies to aid patent owners in enforcing their patents overseas include providing information about the enforcement regimes in other countries. The Australian Government provides general industry and country profiles and information for Australian exporters through its Austrade website⁸⁸. IP Australia has also been carrying out work in this area - most recently, to help Australian companies that want to do business in China and Japan⁸⁹.

Under the China advocacy program, IP Australia carried out market research on Australian businesses' knowledge of IP administration and enforcement, and identified areas of concern about IP in China. The Australian Industry Group and the IP Research Institute of Australia also undertook research in the subject. The studies revealed a lack of understanding of the need to develop appropriate IP strategies and a lack of understanding of mechanisms to register and protect IP in China. The studies provided stimulus and support for IP Australia to be involved in developing IP information to support Australian traders in, or contemplating, doing business in China.

As a result of this research, IP Australia sought increased engagement with Chinese IP officials, provided two highly successful seminar series in capital cities around mainland states (with over 2000 registrants), and developed fact sheets and a website to assist Australian IP owners and their advisers trading in, or with China, to more effectively protect their IP and business interests. The website address for this program is http://www.ipaustralia.gov.au/resources/china_introduction.shtml.

The Japan advocacy program is underway on a smaller scale to assist Australian businesses to better understand the Japanese IP environment. A website containing comprehensive fact sheets, dedicated to increasing awareness of the Japanese IP system has been developed. These fact sheets cover general information on IP in Japan and provide information on protection of each of the IP rights. Case studies are being developed. The website address for this program is http://www.ipaustralia.gov.au/resources/japan_introduction.shtml.

A number of submissions to this review felt that little could be done within Australia to help patent owners enforce their patents overseas, and were concerned about the risk of having out-of-date or incorrect information published.

⁸⁸ See <http://www.austrade.gov.au/>

⁸⁹In the context of developing the FTA with China, IP Australia carried out an advocacy program to give Australian business a better understanding of the IP system in China, and assist them with strategies to protect their IP. A similar program on a smaller scale is underway in relation to Japan.

ACIP notes this concern, and the importance of keeping associated websites and publications up-to-date. ACIP also notes the need to devote sufficient resources to maintaining and expanding the scope of this information.

Another strategy that could be effective is the formation of business networks to share information about enforcing patents overseas.

A recent IPRIA working paper, in which more than 2,100 Australian enterprises that have business dealings with China⁹⁰ were surveyed, also discussed options for addressing enforcement problems in China. These included bilateral cooperation in law enforcement; or the operation of the relevant administrative agencies (such as those for copyright collection); or annual bilateral meetings to discuss enforcement issues. The researchers noted that as China develops its own R&D capacity, these measures are also likely to be in the interests of innovative Chinese businesses.

Another positive internal strategy is to be innovative and introduce effective systems which other countries may choose to adopt. ACIP believes that Australia is more likely to influence other countries to improve their IP enforcement systems when we have successfully addressed the issues that reduce the net social value of IP within Australia. In other words, other countries are more likely to look to Australia for solutions when we have reduced the delay, costs and uncertainty involved in enforcing a patent within Australia.

If the recommendation to set up an IP dispute resolution centre was successfully implemented for those enforcing their patent rights within Australia, it could eventually lead to other countries setting up similar bodies. ACIP acknowledges that this is a long-term strategy which would be unlikely to take effect for a number of years.

With these issues in mind, ACIP considers that IP Australia should be encouraged to maintain and expand on its internal and external strategies which help Australian patent owners to enforce their patents in other countries. In particular, IP Australia's efforts to help neighbouring countries to improve their patent systems should continue, and the advocacy programs developed recently for China and Japan should be extended to other countries in the region in which Australian companies operate. In doing this, IP Australia should take any steps necessary to ensure that the information provided is accurate, complete and up to date.

⁹⁰ Leahy, A., MacLaren, D., Morgan, D., Weatherall, K., Webster, E., and Yong, J. 'In the Shadow of the China–Australia FTA Negotiations: What Australian Business Thinks About IP', IPRIA working paper 7/2007

Recommendation 6:

That IP Australia continue to encourage and assist countries in the region to improve their patent enforcement systems.

Recommendation 7:

That IP Australia expand its advocacy program to other countries in the region in which Australian companies do business.

9.3. Alternative and additional strategies

9.3.1. Customs

While it is not possible for Customs to examine all goods being brought into the country, they could be empowered to make a seizure when forewarned of a likely shipment of infringing product. These patent seizure powers for Customs could be based on the notice system for trade marks, and patent owners would be liable for all costs. The product could be released to the importer if the patent holder did not bring proceedings for infringement within a reasonable time (say 30 days) of being advised by Customs of the seizure.

Australian Customs has raised significant concerns with this recommendation, including a lack of technical expertise and knowledge amongst Customs staff to enable them to identify and enforce patent rights at the border, a lack of resources given other priorities such as narcotics and counter-terrorism, the space and expense consequences of detaining large quantities of goods for an extended period, the need for an established procedure for the disposal of detained/seized goods, and whether the right holder would be responsible for any seizure costs.

Others argued that it is a costly and ineffective use of Customs' time; that there would need to be a judicial or expert determination that the products seized were an infringement; that there appears to be no existing problem in Australia which mandates the inclusion of such provisions, and that the nature of some goods means that they have a relatively short shelf life and seizure provisions are likely to adversely impact on the marketability of those products.

It should also be noted that there is an existing remedy (although it seems to be rarely used for patents), known as an Anton Piller order⁹¹. Anton Piller orders are not granted lightly. They are only available where there is clear evidence that there is incriminating evidence which might be destroyed without the element of surprise. Such an order can be obtained in a matter of hours.⁹²

ACIP has considered these arguments. On balance, ACIP is inclined to pursue this recommendation. It appears to overcome many of the difficulties raised by Customs – including lack of technical expertise and resources, and the space and expense issues associated with seizing large quantities of goods. ACIP also considers that it is

⁹¹ More details about this remedy were provided in ACIP's interim report.

⁹² see <http://www.unimelb.edu.au/copyright/information/fastfind/antonpillar.html>

reasonable that the right holder be responsible for any seizure and storage costs, and that they could be recovered in later court proceedings.

ACIP believes that this recommendation provides significant advantages to patent owners wanting to enforce their patent against a shipment of infringing product. The ability to seize at the border provides significant advantages in enforcement, particularly where the product will be quickly disseminated to a number of parties in the market place. Action against these numerous parties can be a challenge. Similarly, some goods may make their way to outlets that are difficult to police, such as market stalls.

In addition to these arguments, ACIP considers that the existence of an entry point enforcement will provide a strong deterrent to the import of infringing goods.

Recommendation 8:

That legislation be introduced to empower Australian Customs officials to seize goods at the border where the rights holder has forewarned them of a shipment of infringing product.

9.3.2. Criminal sanctions

As discussed earlier, criminal sanctions for patent infringement are available in some other jurisdictions. ACIP understands that the criminal procedure is rarely used in these countries, and that its presence acts as a deterrent for blatant infringers.

A number of submissions were strongly in favour of introducing criminal sanctions in Australia in the case of wilful infringement. However, others argued that it would be inappropriate to apply criminal sanctions when even the experts often find it difficult to determine whether a patent claim is valid and infringed. They supported the current arrangements which enable patentees to secure exemplary damages for wilful or flagrant infringement.

ACIP has considered all the arguments carefully, and notes that there are a number of potential difficulties with the introduction of criminal sanctions for patent infringement.

Criminal sanctions could create a barrier to competition and innovation if their presence resulted in innovators steering a wider course than necessary around patented technologies, for fear of criminal prosecution. The presence of such sanctions could also be open to abuse by patent owners wanting to intimidate others from operating in a similar arena.

Patent rights also differ from copyright and trade marks (which presently have criminal sanctions), because the question of whether a patent is valid, or has been infringed, is often *prima facie* not as clear cut. In addition to this, there would be difficulties in defining the scope of infringement that should be subject to criminal sanctions, as ACIP considers that such sanctions would only be appropriate for the most flagrant, repeated and commercial scale infringements.

Finally, while ACIP is attracted by the potential for criminal sanctions to act as a deterrent to blatant infringers, and expects that such sanctions, if introduced, would be rarely used, it is still a measure with potentially serious consequences, including the possibility of a custodial sentence. This becomes even more of a concern when it is possible that the patent could be subsequently found to be invalid.

None of these difficulties are insurmountable, however ACIP has not received any evidence to date that flagrant, commercial scale infringement is a significant problem. Rather, as discussed elsewhere in this report, the problem seems to be that costs and delays in the patent enforcement process are preventing patent owners from taking full advantage of their patent rights during the term of the patent.

Given the difficulties, challenges and concerns expressed in relation to criminal sanctions, ACIP's current view is that it would not be appropriate to introduce them at the present time. It would be preferable to proceed with the other measures that are proposed in this report, and monitor their effectiveness. ACIP considers that once the other measures have been implemented and in place for a suitable time, the question of whether to introduce criminal sanctions for patent infringement could once again be examined.

9.3.3. Opposition to patent grant

The current pre-grant opposition procedure occurs in the period between when IP Australia accepts the patent application as meeting the examination requirements for the grant of a patent, and when a patent is sealed (that is, granted). The procedure enables interested persons to place before the Commissioner of Patents evidence of lack of newness or inventiveness which may or may not have been considered when the application was examined, and to argue other grounds of invalidity. The process also allows for ownership of the invention to be argued, if there are allegations that the invention has been obtained from another person.

When an opposition is filed, the patent applicant and the opponent each have an opportunity to submit evidence. Under current practice the evidence submitted generally approaches the standard required in the Federal Court. Subsequently, a hearing is held before the Commissioner of Patents, who then makes a decision on whether or not the opposition succeeds. If the opposition is successful, the patent applicant is usually given an opportunity to amend their patent specification to overcome the problems identified in the Commissioner's decision. If either party disagrees with the Commissioner's decision, they can file an appeal (depending on the nature of the decision) to the Federal Court of Australia, or to the Administrative Appeals Tribunal.

The opposition process is usually the first time that a third party can challenge the grant of a patent and the first time the patent applicant has to defend its rights. In public consultations ACIP received some feedback from respondents that pre-grant oppositions can be a source of delay⁹³ and cost in patent enforcement. A delay in grant of a patent through opposition does not normally affect the ability of the patent applicant to take a product to market. That is, there is no requirement for a patent applicant to await grant of a patent before commercialising the invention. Any delay

These delay issues are in practice largely offset by the ability of applicants to use the innovation patent system to bring on proceedings independently and notwithstanding the delay and opposition to the standard patent. ACIP notes however that while this practice is currently employed in the market place, it is contrary to the policy objective of the innovation patent.

in grant does, however, correspondingly delay the patentee's ability to commence proceedings for infringement of the patent. The legislation seeks to address this by including provisions for the award of retrospective damages (subject to certain conditions) in respect of infringement occurring prior to grant of a patent.

In some cases the patent owner's ability to commercialise is arguably affected by a delay in grant; such as, for example, where a potential commercialisation partner takes the view that the outcome of the patent application process is determinative of their commercial interest in the invention. Frequently these issues are addressed by appropriate licensing terms that relate to the outcome of the patent application process.

A criticism of the current pre-grant system is the possibility of the process being open to abuse by the party that will benefit most from delayed proceedings. Whilst there are exceptions, on average pre-grant oppositions take up to 3 years to complete⁹⁴. Delays in patent opposition can present enforcement difficulties for patent owners as these proceedings are sometimes tactically and intentionally used by opponents to both hold up the possibility of an infringement action and to draw out the process at greater expense for the other party⁹⁵. In June 2009, IP Australia released a consultation paper⁹⁶ proposing reforms to prevent the tactical use of opposition proceedings. Submissions to this paper were due on 17 August 2009. IP Australia will consider the submissions and then make recommendations to Government on the way forward.

ACIP has received considerable anecdotal evidence that delays in the current opposition system are facilitated by repeated requests for extensions of time, some of which have no real merit. Such delays in pre-grant opposition can mean that patent owners are tied up in opposition proceedings, and without a granted patent they cannot take action against known infringers. ACIP has also received submissions referring to the costs involved in the patent opposition process.

Even though the cost of opposing a patent is lower than seeking revocation in the Federal Court, it is still an expensive exercise as opposition proceedings can routinely cost up to \$50,000 or more. Such expense is incurred as a result of the extensive evidence required and by the fact that participants can often treat oppositions as a 'mini trial' or 'dry run' of the case that will ultimately be heard in court. Patent oppositions are usually handled by patent attorneys or barristers.

Post-grant opposition has been examined under this review as a way of potentially overcoming the financial and temporal problems that currently occur. Post-grant opposition permits opponents to file an objection to the registration of a patent only *after* it is granted (usually within a specified period of time).

ACIP sought feedback on two key questions: whether a post-grant opposition system would offer greater benefits over the existing system of pre-grant opposition; and whether such a system would help patent owners better enforce their patent rights.

94 Patent and Examination Hearings Group, IP Australia, 2006.

95 Some patentees use the option of filing a divisional innovation patent for enforcement purposes. Such innovation patents are granted promptly, without the opportunity for opposition, and quickly place the patent owner in a position to enforce their rights.

96 "Resolving Patent Opposition Proceedings Faster", see http://www.ipaustralia.gov.au/pdfs/news/resolving_patent_oppositions_faster.pdf

As discussed earlier in this report, Australia is in the minority in terms of employing a pre-grant opposition system as most OECD countries employ a post-grant system only⁹⁷. The current usage of the pre-grant opposition system in Australia as a percentage of patents accepted is comparatively quite small. It is unclear whether this is related to the process or due to other factors such as market size or concerns of the kind raised by FICPI above.

One view clearly shared by stakeholders was that it was undesirable to have both a pre and post-grant opposition system. However, the submissions were divided on the benefits of post-grant opposition compared to the current pre-grant procedure.

In consultations, some stakeholders were concerned that in a post-grant system the opposition procedure could be avoided altogether, therefore replacing the lower cost opposition proceeding with a revocation action in a prescribed court and thus increasing the cost of enforcement to patent owners. However, others did not view this as a disadvantage, seeing benefits in speeding up the process by being able to go straight to a prescribed court.

In addition to other factors, some respondents did not support a post-grant opposition process on the philosophical ground that a post-grant opposition system may enable invalid patents to be granted, thereby impacting on certainty and confidence in granted patents. The Commissioner of Patents has a duty to prevent an application from proceeding to sealing where he or she has become aware of facts which would make the resulting patent invalid. The likelihood of this occurring is reduced if pre-grant opposition is abolished, because such facts often arise in the form of evidence lodged during the course of opposition proceedings.

ACIP is concerned with the perception that a post-grant opposition may convey to first time patent applicants. Having gone through a lengthy examination process that does not provide for the possibility of pre-grant opposition, patent owners may believe that the administrative process has ended with the grant of their patent, when in fact it still may be challenged at the patent office (post-grant). ACIP also sympathises with the argument that ideally patents should not be granted if they are invalid. The problem with post-grant opposition is that issues which may affect the validity of a patent can only be addressed in opposition after grant (obviously pre-grant opposition avoids this dilemma). This may adversely affect the confidence that innovators, inventors and investors have in granted patents.

It appears that changing to a post-grant opposition process would not address the current problems. Whilst a post-grant opposition regime would result in an earlier grant and the ability to commence infringement proceedings, any opposition procedure still delays the final outcome. That is, the patent rights would still be subject to challenge before they can be enforced. Either any infringement determination by a court would have to be delayed until the opposition is determined by IP Australia or the opposition would have to be combined with an infringement action in the Federal Court. In the former situation there is no change to delay and cost unless the procedure is changed; in the latter situation the opposition becomes a costly Federal Court matter.

⁹⁷ Whilst most OECD countries have what can be described as post-grant system of opposition the form of such systems are not necessarily similar to each other.

ACIP also has concerns about the impact that a change to a post-grant opposition regime would have on the balance of rights and interests between potential patentees and third parties exploiting technology in the same field. Under a pre-grant system third parties with an interest in the technology for which a patent is sought by another have the opportunity to question the validity and scope of the patent before the patent owner can take action against them. A change to post-grant opposition results in a patentee being able to commence proceedings in the Federal Court before any such concerns can be raised. It can be argued that this places patentees with strong financial resources in a potentially dominating position. If this concern is addressed by ensuring that the post-grant opposition is conducted prior to the commencement of any infringement proceedings then there is effectively no change from the current system.

ACIP is therefore reluctant, on the basis of the information available to it, and the limited analysis carried out to date, to recommend such a change at this time. However, there is persuasive evidence that the pre-grant opposition process in Australia would benefit from a more detailed review. While pre-grant patent enforcement is outside the scope of the current review, such an investigation could consider how best to reduce time delays and costs. Such a review could also use benchmarks, such as the time for resolution of opposition in comparable countries, to identify whether there is any convincing reason for change from the pre-grant opposition process.

The benefit or detriment of moving to a system of post-grant opposition would be highly dependant on the type of system and case management process adopted. ACIP believes that patent enforcement problems associated with pre-grant opposition could be addressed through legislative changes which tighten opposition time frames and the criteria for accepting repeated extensions of time. Such reforms are likely to have the same effect regardless of whether patent oppositions are pre- or post-grant.

ACIP has found no compelling reason to justify changing the current system from a pre-grant opposition process to a post-grant opposition process. This is partly because consideration of pre-grant opposition is outside the scope of the current review, and ACIP has not therefore obtained sufficient data/information to give full consideration to the issues involved.

Recommendation 9:

That IP Australia continue to monitor and review the opposition processes both locally and abroad to identify whether there is any convincing reason for change from the pre-grant opposition process.

Appendix A – List of submissions

A list of those who made submissions and participated in consultations with ACIP:

Australian Manufacturers' Patents, Industrial Designs, Copyright and Trade Mark Association (AMPICTA)

Intellectual Property Research Institute of Australia (IPRIA)

Mr Gary Lea, Senior Lecturer in Business Law, UNSW @ ADFA School of Business

Dr Luigi Palombi, Visiting Fellow, Australian National University

Mr Anthony Saunders, Director, Insurance Choice Pty Ltd

Australian Commonwealth Scientific and Research Organization (CSIRO)

Carden Industries Pty Ltd

IP Strategies

Law Council of Australia

The Australian Federation of Intellectual Property Attorneys (FICPI Australia)

The Institute of Patent and Trade Mark Attorneys of Australia (IPTA)

Medicines Australia

Dr Dimitrios G Eliades, Barrister

Australian Customs and Border Protection Service

Mr Alan Limbury, Specialist Accredited Mediator and Chartered Arbitrator and Adjunct Professor, Faculty of Law, The University of Sydney

Dr I F Turnbull, Barrister

IP Australia

Federal Court of Australia

Medicines Australia

The Royal College of Pathologists of Australasia

Mr Michael Kraemer, Sandercock & Cowie

Generic Medicines Industry Association Pty Ltd

Four confidential submissions were also received.

Appendix B – WIPO’s Arbitration and Mediation Center⁹⁸

In 1994, WIPO set up the Center to provide services for the resolution of disputes between private parties over intellectual property rights. This was in response to changes in which the way IP was being used by business - for many companies, intellectual property was becoming an essential business asset as well as a means of creating value. It was being exploited on an increasingly international level in various forms of collaborative arrangements, such as licenses, technology transfer agreements and R&D agreements. As a consequence, parties increasingly looked for dispute resolution mechanisms that matched their business requirements: private procedures which would provide efficient, flexible and less costly means of settling international disputes without disrupting commercial relationships.

Since its creation, the Center has advised parties and their lawyers on ways to resolve IP disputes, and provided them with access to mediation, arbitration and expedited arbitration. More recently, the Center has published rules to facilitate expert determination.

In the case of mediation, the neutral mediator assists the parties in reaching a settlement of the dispute. In the case of arbitration, the dispute is submitted to one or more arbitrators who make a binding decision on it. Expedited arbitration is an arbitration procedure which is carried out in an abbreviated time-frame and at a reduced cost. Parties may choose to use any combination of these services that they wish, and recourse to WIPO’s service is on a completely voluntary basis, needing the agreement of all parties to the dispute in order to proceed.

Since 1995, the Center has organized Arbitration Workshops and Mediation Workshops designed for IP lawyers, business executives, patent and trademark attorneys and others wishing to familiarize themselves with ADR processes and to receive training as mediators or arbitrators. By the end of 2007, over 1,000 IP professionals from over 60 countries had attended these workshops.

From 2002 and following an initial period of creating awareness of the Center’s procedures, the Center observed an increase in the number of arbitrations and mediations filed with it. By mid 2009, the Center had received over 80 requests for mediation, and over 110 requests for arbitration. The amounts in dispute varied between 20,000 euros to several hundred million US dollars. The Center also administers cases under uniform domain name dispute resolution policy (UDRP) procedures. In the last decade, it has dealt with over 15,800 of these cases and rendered decisions in relation to 26,000 disputed domain names.

From its establishment, the Center has focused significant resources on improving time and cost efficiency in IP alternative dispute resolution. WIPO’s Arbitration and Mediation Center demonstrates that such a model can work, and that patent owners will use the services that it provides. While WIPO’s Center focuses mainly on disputes occurring across international boundaries, ACIP considers that a similar model could work within Australia.

⁹⁸ See <http://www.wipo.int/amc/en/history/>.

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