Submission to the Advisory Council on Intellectual Property in response to its Issues Paper

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Post-Grant Patent Enforcement Strategies

Intellectual Property Research Institute of Australia (IPRIA)

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1. Preface

The Intellectual Property Research Institute of Australia (IPRIA) is a national centre for multi-disciplinary research on the law, economics and management of intellectual property. It is based at the University of Melbourne, and is a joint venture of the Faculty of Law, the Faculty of Economics and Commerce, and the Melbourne Business School.

IPRIA was established in 2002 as part of the Federal Government's Innovation Statement, *Backing Australia's Ability*. IPRIA's research focuses on ways to improve the protection, management and exploitation of intellectual property by business, research institutions and other users of the IP system, and on supporting high quality policy development by government in areas relating to intellectual property. It seeks to use the outcomes of its research to create and contribute to public debate on key issues relating to intellectual property. Part of IPRIA's missions is to provide objective contributions to law reform efforts.

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2. Introduction

ACIP has sought, through its Issues Paper, submissions regarding post-grant enforcement strategies in patent practice. The Council's review has been prompted by concerns that the enforcement of patent rights, through the courts, is prohibitively expensive and time consuming. In particular, the Paper raises the prospects of alternative means both of reducing the cost of individual actions through mechanisms such as tax reform and patent insurance; and of resolving disputes through the use of a patent tribunal and mediation. It is the latter aspect of the Issues Paper that is the focus of this submission.

IPRIA's submission takes the form of a summary of the empirical work that the Institute has conducted in this area – work that is ongoing and being carried out by Kim Weatherall, Chris Dent and Fiona Rotstein, into the settlement of patent disputes under Australian law. In brief, the work includes the analysis of court filings in patent disputes in the Federal Court;[1] a questionnaire mailed out to all lawyers who practised in the area of patent law;[2] and in-depth interviews with a number of the lawyers who participated in the second phase.[3] It is hoped that this will provide useful information on the current state of affairs and offer insights into the potential benefits, and detriments, of possible reforms of the enforcement system.[4]

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[1] The results of this aspect of the research have been published as F. Rotstein and K. Weatherall, 'Filing and Settlement of Patent Disputes in the Federal Court: 1995-2005' (2007) 68 *Intellectual Property Forum* 65. This work is a continuation of research already under consideration by ACIP: K. Weatherall and P. Jensen, 'An Empirical Investigation into Patent Enforcement in Australian Courts' (2005) 33 *Federal Law Review* 239.

[2] The results of this aspect of the research have been published as 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.

[3] The interviews included in this submission took place in 2005 and 2006. Each interview was recorded, transcribed and coded using nVivo software. The contribution of Katie Scott in the transcription of the tapes has been greatly valued. The integrity of the questionnaire and interview phases of the research is, in part, based on the anonymity of responses. In keeping with this principle, the returned surveys were anonymised prior to analysis being undertaken and, with respect to the interviews, the transcripts were assigned pseudonyms prior to coding. As a result, any direct quotes from interviewees are attributed to these 2 letter pseudonyms. The only identification possible is that the second letter of the pseudonym refers to the respondent being either a barrister (B) or solicitor (S).

[4] One other area of IPRIA research of tangential relevance to this review is the ongoing project on opposition procedures in Australia and Europe and the re-examination process in the US. One publication arising from that research addresses the possibility of a post-grant opposition procedure in Australian patent law; in particular, it considers the issue of whether such a post-grant process would be unconstitutional as an improper exercise of judicial power. The finding was that a post-grant procedure is not likely to be held to be unconstitutional. See, C. Dent, 'Patent Oppositions and the Constitution: Before or After?' (2006) 17 *Australian Intellectual Property Journal* 217, also available as IPRIA Working Paper 01/07.

The structure of the submission is as follows: first, there will be a summary of the statistical information gained by IPRIA relevant to post-grant enforcement; second, there will be a discussion of some of the background concerns (considered in the Issues Paper as "current enforcement issues") of patentees and their competitors; and, third, the submission considers the role of mediation in patent disputes, the suggestion that the Federal Magistrates Court be given jurisdiction in this area, and the fundamentally important role of specialist knowledge for the constitution of any patent tribunal. The submission will conclude with a summary of the key points and comments that go to the purpose of ACIP's review of post-grant enforcement strategies.

3. Litigation and Settlement Data

The state of play in the post-grant enforcement of patent disputes is substantially drawn from the work of Rotstein and Weatherall; however, some, more qualitative, information is also taken from the questionnaire studies where relevant.

The research into the Federal Court databases shows that there were 399 proceedings filed with the Court from 1995 to 2005.[5] Of these, 47% were infringement cases, 21% were appeals from opposition decisions, 8% were unjustified threats cases, 6% were revocation proceedings and 3% were appeals from court decisions.[6] This indicates that the majority of proceedings filed with the court (61%) directly relate to the post-grant enforcement of patents. This translates to at least 22 proceedings each year across Australia. This does not appear to be a significant figure – particularly given that 'there are close to 100,000 patents in force'.[7]

Of the proceedings filed from 1995 to 2002, about 15% carried through to final judgment – the balance, therefore, may be seen to have settled.[8] Whilst it is possible to suggest that this means only 42 disputes over the 8 years lead to the full expense of a trial for the parties, such a statement would discount the expense of settlements that

[5] Rotstein and Weatherall, above n 1, 68.
[6] Ibid, 68-9. The nature of 21% of proceedings could not be identified.
[7] Ibid, 68; citing WIPO statistics. Rotstein and Weatherall go so far as to say that the number of proceedings filed per year is a 'tiny number': ibid.
[8] Ibid, 69. The end date, here, is 2002, rather than 2005 to allow for a time lag – it would not be clear whether a lack of final judgment in a proceeding started in 2005 would the result of a settlement or because the litigation is still continuing. The authors considered that 'only a handful of cases are unilaterally withdrawn' particularly after the issue of proceedings (ibid 67). Therefore, almost all cases that did not proceed to final judgment may be considered to have settled as a result of at least some discussion or negotiation between the parties.

occurred post-hearing but prior to judgment.[9] In terms of the timing of settlement, the data shows that, while the 'average time to settlement is 511 days', the 'peak settlement time for Australian patent litigation is in the first 100 days'.[10]

This latter statement accords with the more general findings of the survey which indicated that the majority of settlements (72%) 'happened after the start of proceedings but before the commencement of the hearing'.[11] Further, 78% of respondents had said that 'between 0 and 20% of patent disputes … had been settled before a statement of claim was filed'.[12] This suggests that the filing of proceedings is an almost obligatory stage of a patent dispute settlement; this, in turn, could suggest that the figures in the Rotstein and Weatherall study reflect the vast majority of patent disputes rather than just a minority of disputes that make it to legal proceedings. An alternative explanation is that many disputes are resolved without recourse to lawyers – either in party-to-party dialogue or with the assistance of patent attorneys. Further research would need to be carried out to establish which of these explanations most closely mirrors reality.

One final, quantitative, result needs to be highlighted from the survey. The responses from the questionnaire also indicated that 20% of settlements occurred at court-ordered, or court-proposed, mediation.[13] This shows that in a significant number of cases, but not in a majority of cases, mediation has a direct impact on the settlement of patent disputes.

4. Current Enforcement Issues: Factors in Post-Grant Enforcement

The current issues referred to in the ACIP Paper included the cost of enforcement of patent rights, financial capacity, delay, uncertainty and aspects of the international enforcement of patents. The responses to the questionnaire, and in the interviews, provide practical insight into the importance of these issues Australian patent disputes.

[9] The figures from the questionnaire suggest that 6% of disputes settle after the hearing – either before judgment or while an appeal is pending: Dent and Weatherall, above n 2, 265. The pinpoint cites in this submission are to the peer-reviewed journals, rather than the Working Papers.
[10] Rotstein and Weatherall, above n 1, 70.
[11] Dent and Weatherall, above n 2, 265.
[12] Ibid, 264.
[13] Ibid, 265.

The focus of both forms of empirical investigation was the decision of patent disputants to settle. The relevant area of the survey phase was the group of questions on the factors affecting the parties' decision to settle. For these questions, the respondents were offered a list of possible factors and they were asked to rank, from 1 to 6, the most important of these factors to the decision to settle.[14] After the aggregation of responses, the six most important factors for a patentee were:

- High expected cost of litigation (most important);
- High risk of having patent held invalid;
- Low expectation of success;
- Perceived financial state of infringer;
- Low value patent; and
- Global litigation/settlement strategy.[15]

The six most important factors for the alleged infringer were:

- High expected cost of litigation (most important);
- Low value of infringing products;
- Low expected chance of success;
- Importance of technology to infringer;
- Low chance of patent being held invalid; and
- Global settlement.[16]

Before the factors are discussed, it is worth noting the similarity between the two lists. That is, three of the factors are in the same position on the list for both patentees and alleged infringers. This emphasises the importance of these factors to the decision-making process in patent disputes.

The three issues highlighted by ACIP are reflected in these factors – namely, cost uncertainty and international aspects of post-grant enforcement (it may be noted, however, that the Council's interest in overseas litigation is different from the factor

[14] There was one question for the patentee's decision (with 12 listed factors) and another for the alleged infringer's decision to settle (with 13 factors). The lists were similar, but not identical: ibid, 271-2.
[15] Ibid, 273.
[16] Ibid.

discussed in the empirical research – this difference is discussed below). The balance of this section will contextualise the responses to the survey with the interview data and relate them to the concerns expressed by the Council.

A. Costs

From the lists above, the expected cost of litigation was the most significant factor in the parties' decision to settle. This was confirmed in the interviews. A selection of the impressions of the respondents are:

- 'Legal costs are a real impediment to people';[17]
- 'Costs overshadow everything';[18]
- 'It's a war of attrition';[19]
- 'An individual simply can't afford a patent case';[20] and
- 'Money is the biggest reason that cases settle'.[21]

In terms of figures, one interviewee suggested that 'it's going to cost you, if it's a major patent case, upwards of $500,000'.[22] Another indicated that it can be 'difficult to run a fully contested patent infringement case for under a million dollars'.[23]

There are a number of effects of these costs:

- Smaller parties may not bring an action, particularly against a large company: '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

[17] FB. Differences in costs between litigation across areas of technology were also alluded to; for example, 'I think it's fair to say that in mechanical type cases, speaking in generalities, that they would not involve the amount of time and expense that a pharmaceutical case would or a biotech case': CS.
[18] AS1.
[19] HS.
[20] BB.
[21] BS, similar EB.
[22] DB, a similar figure was given by AS1.
[23] CS. This solicitor continued that, in the pharmaceutical industry, it can be 'an actual fight over the monopoly and it's an actual fight over real money, big money. If you can close that person out of the market for the next five years because you've got a patent right that entitles you to that, and you can enforce it, that can be very, very valuable in proportion to the costs of the litigation. The litigation costs are small, even when it is a million dollar, two million dollar case'. The figure of a million dollars for a case was also provided by DB. One solicitor pointed out that Australian litigation was cheaper than in the US where a figure of between US$3,000,000 and US$7,000,000 was mentioned: AS1.

well the big player will use the unjustified threat procedure to commence proceedings, and then it's out of your control';[24]

- Invalid patents: 'there's a lot of patents out there people know are probably invalid. If you speak to any patent attorneys, they'll tell you that they know, they actually actively pursue patents that are not going to be valid, when they know people don't have the money to challenge them';[25] and
- Only a 'very small percentage' of disputes settle: 'it's very expensive litigation and you don't start it unless you think you've got a very good case';[26]

The aspect of litigation that was most expensive related to the gathering, and presentation at trial, of evidence. One respondent said that 'it's usually evidence where the biggest costs are';[27] another stated that the 'practitioners are generally high charging practitioners who are expert experts, and you've got experts involved as well, and that blows it out';[28] further, 'and then the evidence process starts … it's an expensive and difficult procedure';[29] and finally, 'discovery is always a telling point, it's where you're having to put lots of money in'.[30]

The last point to be made on the relevance of costs for post-grant enforcement of patents is their use by parties for strategic purposes. One respondent suggested that parties actively seek to increase the other side's costs: 'there's a lot of game playing going on in litigation, and the patentee's strategy is to not tell the respondent what it thinks the claims mean until as late as it can; obviously, that leads to inefficient dispute resolution, can spend lots and lots of money going down one avenue, only to be told it's the wrong avenue'.[31] Another interviewee highlighted an example, from his experience, of a dispute between mismatched (in terms of size) parties: the larger 'side will immediately move to the security of costs to try and hamstring you. They might use tactics which, on the surface of it, are obfuscatory. To a certain extent, that's legitimate … but not when it becomes an overwhelming objective – because costs can be increased to the point where people, literally, get economically bled to

[24] DS.
[25] EB.
[26] AB, similar GS.
[27] AS2.
[28] BB, similar CS.
[29] DB.
[30] DS.
[31] GS. One solicitor linked the "game playing" to settlement: 'litigation is often run for strategic reasons and one side doesn't want to settle': AS1.

death'.[32] Costs, and the capacity of parties to afford them, therefore, are key issues with respect to the post-grant enforcement of patents.

B. Uncertainty

The perception of uncertainty of patent litigation was not unanimously held across the two qualitative studies. The results of the survey – the relative importance of factors such as the high risk of patent being held invalid, the low expectation of success and the low chance of the patent being held invalid – suggest that there is significant certainty in patent litigation. The comments from the interviews indicate that there is an acceptance of uncertainty; however, there are two distinct aspects to it – an uncertainty that results from the complexity of law and an uncertainty that arises from inconsistent application of the principles of law.

With respect to the former conception of uncertainty, one respondent stated that 'patent cases are notoriously difficult to predict the outcome of'.[33] One barrister suggested that 'it's very difficult, one of the most difficult areas of law and involves so many different areas of expertise'.[34] Another stated that it is 'fiendishly complicated'.[35] One solicitor, however, considered that patent law, with respect to uncertainty, is 'no different [from] any other litigation'.[36]

In terms of the application of the legal tests, one interviewee considered that they 'are a little bit uncertain to apply'.[37] A solicitor indicated that 'its actually very difficult to advise people in relation to patents … with any degree of certainty on certain elements because the law is being changed, judicially, too often'.[38] Another respondent provided more detail, 'novelty is not so much of a problem, but you've got serious difficulties if obviousness is in dispute, and obviousness is invariably in dispute, so any judge that makes a finding in an arguable case is doing so in a

[32] FB. Another respondent similarly suggested that 'orders for security costs might tend to affect the ability of a party to take that next step': FS.
[33] AB.
[34] BB. This barrister further considered that a 'multitude of issues arise with every patent that don't tend to arise in other cases'. For a discussion of the impact on perceptions of uncertainty that arise from different disciplines see C. Dent, 'To See Patents as Devices of Uncertain (But Contingent) Quality: A Foucaultian Perspective' (2007) *Intellectual Property Quarterly* 148.
[35] CB.
[36] GS.
[37] BB. The barrister was of the opinion that 'patent law … was much more settled in the 80s to mid-90s'.
[38] BS. This was put, alternately, as the 'courts struggle to get consistency on the way they interpret issues and validity': CB.

circumstance where there's a right for the other side to take them upstairs'.[39] A barrister suggested that 'you've got no idea what you're going to get on manner of manufacture, section 40 is all over the place; in fact, it's now impossible to advise on the potential outcome of a piece of litigation unless you know there is a piece of red hot [anticipatory prior art]'.[40] For one, the application of the legal tests meant that uncertainty was an inevitable part of patent litigation – whether in Australia, the US or the UK.[41]

On the other hand, some interviewees disagreed with the proposition that uncertainty was inherent in patent law. One, for example, stated that the High Court has 'given pretty clear directions' with respect to issues of validity.[42] Another suggested that, with respect to uncertainty, 'it's not the law that's the problem, it's the facts, how the evidence is received'.[43] The results of the empirical research, then, do not show unanimity amongst the profession on the existence of undue uncertainty in patent law, let alone the best way to remedy such uncertainty.

C. International litigation

The final background issue relating to the post-grant enforcement of patents to be discussed here is the prospect of international litigation. The ACIP Issues Paper considers this from the perspective of an Australian patentee attempting to enforce the equivalent patent rights in another jurisdiction. IPRIA's research cannot speak to that; however, our work has looked at the place of Australian patent litigation in context of global patent disputes. This will, briefly, be described here.

The results of the questionnaire showed that a global settlement was the sixth most important factor, for both patentees and alleged infringers, when considering a settlement. The responses in the interviews emphasised the role that international litigation plays in Australian patent disputes. There are two aspects to this role – first,

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[39] AB. The propensity of parties to appeal in patent cases is evidenced in Weatherall and Jensen, above n 1, where it was found that 59% of Federal Court decisions in this area (between 1997 and 2003) were appealed to the Full Court of the Federal Court: at 267. One barrister, however, suggested that the problem lay with the fact that the 'High Court doesn't take enough IP cases … at the end of the day, you're getting an awful lot of single judge decisions kicking about and people pushing their own little barrows': FB.
[40] DB.
[41] ES.
[42] CS.
[43] EB.

that litigation happens here as a direct result of overseas decisions; and second, the impact that overseas actions have on the carriage of Australian litigation.

With respect to the first role, in a global market such as pharmaceuticals, according to one barrister, ‘usually’ there will be ‘multiple disputes or multiple products and litigation is often initiated just as another piece on the chessboard and why it settles in Australia may not be related to the merits of the case at all’.[44] A solicitor suggested that a client ‘might have a deliberate strategy of where they think they’ve got a strong patent position internationally is they’ll commence proceedings in all of the jurisdictions where the patent exists’;[45] an example was given ‘where proceedings started off in the UK and then Australia was next and then there was sort of a flurry of activity where you saw Canada, Brazil, Mexico, New Zealand all get in on the act’.[46] In other words, ‘Australia is just one piece to the puzzle’.[47]

It may be emphasised that this does not apply to all Australian patent disputes. For one solicitor, ‘we have a couple of cases where they have an overseas element but the vast majority are all Australian companies’.[48] A barrister suggested that, ‘to think of purely Australian disputes, they’re more likely … Another argued that the ‘market for some products in Australia is worth litigating over’.[49]

The overseas dimension may also directly impact on the conduct of the dispute. One barrister suggested that one ‘reason that litigation is often agitated here is because … the patentee wants to make sure that the case isn’t prosecuted through to a conclusion in front of a court … with witnesses saying things or judges saying things inconsistent with what might happen in the UK or in Europe’.[50] Another said that Australia is ‘regarded as not a bad testing ground’.[51] A solicitor indicated that ‘neither party may have an interest in actually seeing the Australian proceedings go to trial and resolution

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[44] AB, similar FS.
[45] BS, similar CB.
[46] BS.
[47] CS.
[48] HS, similar DS.
[49] BS.
[50] AB, similar GS.
[51] CB, similar DB. One solicitor, however, specifically ruled out Australia being used as a test case on the grounds that ‘Australian law is completely idiosyncratic [and] the outcome here will have no bearing whatsoever on the outcome in any jurisdiction of note’: BS. Another stated that litigation happens in the US and the UK prior to Australia (and, therefore, cannot be a test case) ‘because the focus of the client is on its biggest market first, and we are a minnow compared with the United States’: ES.

before things might happen in more significant jurisdictions'.[52] The corollary is that a settlement in an overseas jurisdiction may include settlement here without any involvement of Australian lawyers.[53]

In terms of the perceived need for reform to the Australian patent system, it is important to be aware of the international dimension to patent disputes. Given the annual number of patent filings shown in the Rotstein and Weatherall study, if the number of disputes that are the result of overseas-driven battles (which are not likely to be greatly affected by reforms to Australia's patent enforcement processes) are excluded, then there are even fewer disputes that are run solely under Australian law and procedure. Any change, therefore, may have less of an impact than hoped on the carriage of a significant number of post-grant enforcement proceedings.

5. Post-Grant Enforcement Decision-Maker

This final part of the submission focuses on the responses of the lawyers in the interviews. As such, it may be seen as an aggregation of individual opinions on these matters. The issues dealt with here are the role of mediation in patent disputes, the potential role of the Federal Magistrates Court in the adjudication of patent disputes and the fundamental importance, in the eyes of lawyers, of specialist knowledge for the constitution of any tribunal, or court, that hears patent disputes.

A. Mediation

As noted above, the results of the questionnaire showed that 20% of settlements in patent disputes occurred as a result of court-order, or court-proposed, mediation. Again, as with the above section on current enforcement issues, the interviews probed, to a deeper level, the opinions and perspectives of the lawyers on this matter. These responses relate directly to Questions 10 and 12 of the Issues Paper.

These opinions were mixed.[54] In terms of their frequency, for one barrister, mediation is 'pretty rare in patent cases';[55] another said 'I haven't been to one'.[56] One solicitor,

[52] BS.
[53] DB, similar EB.
[54] This is despite one barrister suggesting that patent cases are suited to mediation because, 'there are more mechanisms within patent cases to achieve compromise … you've got that licensing situation, you've got a revocation and validity question, both of which can be compromised, and so there's quite a lot of options for flexibility': CB.

however, said ‘I can’t remember ever going to trial without having a mediation’.[57] Another barrister had ‘been to a few’;[58] as had another ‘because the Federal Court tends to require a mediation’ – though this interviewee described the procedure as ‘usually quite useless’.[59] A third barrister acknowledged the interventionist role of the Court and indicated that the procedure was ‘critical’.[60]

The use, and value, of mediation appears to depend on the industry sector and the size of the parties. The ‘big pharmaceutical companies’, for example, ‘negotiate without the assistance of a mediator, they don’t need it’.[61] A solicitor was more forthright: for patent disputes that ‘have gone any significant way down the path, [mediation would be a] pointless waste of time [because the parties] are sophisticated commercial operators in their own right who have got a clear idea about if the matter was going to resolve without intervention’.[62] For another barrister, the ‘important cases … I don’t think are mediatable … Lesser cases I think are mediatable’.[63] It was also suggested, however, that even in cases with ‘quite small persons involved … they don’t tend to settle at mediation’.[64]

Two factors were considered relevant to the likely success of mediation. One was the motivation of parties. One barrister said that ‘I’ve never been to a mediation where the parties have thought that they wouldn’t be able to do a deal’.[65] Alternatively, a ‘lot of the cases that get to the point of issuing proceedings are cases where … the parties are pretty entrenched … and mediation doesn’t seem to be a good forum for those types of disputes to be resolved’.[66] In other words, ‘you can’t compel people to mediate’.[67]

The second factor was the circumstances of the mediation. For one solicitor, the procedure was ‘useful, but the timing of it is critical and … the later in the

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[55] AB. One solicitor also volunteered that ‘nobody ever goes to arbitration these days, certainly in IP, because I think they found it more expensive than litigation … [and] it was just found to be a hopeless procedure’: AS1.
[56] BB, similar BS.
[57] AS2.
[58] CB.
[59] EB. A solicitor took the sentiment further and stated that ‘I don’t think there’s a lawyer in the country that takes mediation seriously’: FS.
[60] FB.
[61] AB; similarly, ‘in a big dispute, a big multi-national dispute, it’s very unlikely that the mediation will result in a settlement; or at least the mediation in Australia’: CS.
[62] BS, similar ES.
[63] DB.
[64] EB.
[65] CB.
[66] CS, similar DS.
[67] GS.

proceeding, it's probably more likely to be successful'.[68] A barrister suggested that 'settlements are more likely to occur when the mediation or settlement procedure occurs after each party is well informed as to where it's going, and that arises after you've got, in patent cases, … your expert evidence'.[69] The barrister also suggested that, based on experience in mediation in 'big commercial cases … the mediator probably needs to have some background in the area because it comes in useful in pointing out to parties who could be weak on this or strong on that'.[70] Mediation, then, has the potential to be useful in patent disputes, however, factors such as the motivations of parties, and their litigation histories impact on the chances of success of the procedure.

B. Federal Magistrates Court

Given the currency of the proposal to give the Federal Magistrates Court jurisdiction in patent disputes, most interviewees were directly asked about their reaction to such a reform. Most were against the possibility. Whilst this does not relate to a direct question in the Issues Paper, the views of the lawyers are applicable to potential, non-curial, fora for post-grant enforcement actions.

One solicitor was particularly blunt, such a move would be an 'absolute disaster';[71] a second indicated that 'I don't think it would assist in any way shape or form'.[72] A barrister called the idea 'crazy'.[73] Another's view was 'anti', citing the experience of the similar level court in the UK.[74] A third barrister said, 'I don't think it would be a good idea at all';[75] a fourth stated 'it just wouldn't work'.[76]

Despite the strength of these comments, the view wasn't universal. One respondent solicitor acknowledged being 'in two minds about', though the accompanying reasoning was negative.[77] Another was supportive if sufficient procedural changes

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[68] HS.
[69] BB, similar FB.
[70] BB; the advantage of mediation was expressly given as the procedure 'gets an independent person to be looking at the merits': DS.
[71] AS1.
[72] FS.
[73] BB.
[74] DB.
[75] EB.
[76] FB.
[77] BS.

were made – in order to reduce costs and to 'better meet the needs of particularly small to medium enterprises wanting to enforce their patent rights.[78]

With respect to the potential cost savings of a shift to the Magistrates Court, one respondent argued that 'you still have to go through the same steps, you still have to prepare evidence … all those tasks still take the same amount of time and you're charging an hourly rate'.[79] Another reasoned that 'it would require very significant changes to procedure if it was going to have any real impact on costs, because much of the cost is involved in expert time'.[80] Further, 'recoverable costs would be a lot less, but that's just bad luck for the clients'.[81]

The most common argument against the extension of the Federal Magistrates' jurisdiction related to perceptions about the level of expertise that would be available in the Court. According to one solicitor, what you would get would be a 'sense of great dissatisfaction, because you know the adjudicator is someone less than you would get, or should get, from a full blown Federal Court judge'.[82] A barrister considered that, 'even in the level of the Federal Court, as judges are appointed, there's less expertise in the area, you're getting some rather odd decisions … it's an area where it's very important to keep some consistent doctrine operating and inconsistent decisions cause big problems'.[83] Another solicitor agreed, 'Federal Court judges have enough trouble in dealing with patent cases. I think that would be magnified in the Federal Magistrates Service'.[84]

C. Specialist knowledge

This concern about the knowledge and expertise is generalisable to any, non-curial, forum for hearing post-grant enforcement disputes. This final section of the submission deals with the practitioners' perspectives on the need for specialised knowledge on the part of the adjudicator. As such, the responses included here go directly to issues raised in Questions 14, 15 and 17 of the Issues Paper.

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[78] CS.
[79] AS2, similar DS.
[80] CS.
[81] AS1.
[82] AS1.
[83] BB, similar CB.
[84] BS, similar DB, EB, ES.

With respect to the current situation, one barrister summed up the issue effectively, ‘patent cases, generally speaking, are won or lost on whether or not the judge understands the science … the prospects are heavily influenced by how well the court can come to grips with what’s being disputed … The problem is that often the cases are quite voluminous, and judges are skilled at sifting voluminous information and technical information, but it’s hard of you’re dealing with subject matter that’s completely foreign, like a biotech case … where it’s like running the trial in French’.[85]

Two possibilities are considered to improve the specialised knowledge available to the adjudicator. One is a specialist tribunal and the other a specialist court. In terms a specialist tribunal, one barrister first raised the possibility of patent cases being heard by two or three scientists but then said, ‘if you had non-judges who were skilled in the area, you’d still have serious problems. Let’s assume it was a biotech case and you’ve got two witnesses, one on either side and they’re both Nobel Laureates. You then empanel your Tribunal, either your experts or your arbitrators as the case may be, and then one or the other happens to have a particular inclination towards the views expressed by one or other Nobel Laureate generally, as a person they admire … The client wouldn’t accept it. The clients wouldn’t want to run the risk’.[86]

The idea of a specialist court or at least a specialist bench,[87] however, was better received. One barrister suggested that such a court would provide a ‘degree of consistency of decisions’.[88] Another endorsed ‘100%’ the introduction of an IP list.[89] A third added it ‘would be better if there were just concentrated groups who do a lot more of that type of work, who would be a lot more experienced and … if some of them had a scientific background it might be of assistance in some of the cases that are very complex’.[90] The barrister further argued that ‘clients and practitioners would be happier with the results of the judgments’, though, it was acknowledged that a ‘lot of it is psychological. If they did have something that seemed to be well reasoned and

[85] AB.
[86] AB.
[87] This option is distinct from the current IP panel of the Federal Court – according to one barrister, the Sydney registry of the Federal Court has ‘17 judges on it, then at one stage, 11 of them were on the IP panel, so that’s not terribly specialised’: CB.
[88] BB, similar GS. This may be linked with the comment of a solicitor, the ‘biggest concern I have about patent litigation is it being handled by non-specialist judges’: BS.
[89] FB, similar FS.
[90] EB. One solicitor posited that, ‘if I could wave a wand … that would be specifically, in my area, that the judges should be trained or qualified as chemists’: ES.

it looked like the judge understood the case, if the client was in there and saw the judge asking sensible questions of the witnesses … then the client would probably be happy with the outcome, even if they lost'.[91] It may be understood, then, that for any forum to efficiently, and effectively, adjudicate patent disputes a significant degree of experience and expertise is essential.

6. Summary

The data collated in this submission may be condensed into eight key points:

- The rate of patent litigation is low in Australia. From 1995 to 2005, there were 242 contentious proceedings filed in the Federal Court – not many considering the 100,000 patents in force – and, of these, a significant number will be motivated by international, rather than local, pressures. It may be better, therefore, to focus reform proposals on issues other than court enforcement;
- Settlement is much more common, in terms of the finalisation of disputes, than court hearings – it seems more than 80% of filed patent proceedings terminate through settlement. The figures indicate that the peak settlement time is the first 100 days and that 20% of settlements occur at mediation;
- Cost is, unsurprisingly, the most significant factor in the decision to settle a dispute – with the most expensive aspect of litigation being the gathering, at presentation at trial, of evidence – a factor that will only change if a forum for the adjudication of patent disputes is chosen that has greatly restricted rules relating to discovery and the examination of witnesses;
- There is some variation between areas of technology that appears to result from the value of the patents concerned – the practices associated with pharmaceutical patents are different to those related to mechanical patents, for example. Thus, any reforms are not likely to be equally relevant to, or equally important for, for all categories of patent;
- There were perceptions of significant uncertainty in patent litigation that arises from both the complex nature of the subject matter and the inherent nature of litigation – there was, however, no unanimity in terms of the extent of that uncertainty;

[91] EB.

- The detailed knowledge required, for the adjudication of patent disputes, on the part of lawyers and judges suggests that either a specialist tribunal, or a specialist list within the court, will be a more effective forum for patent disputes;
- Meditation was not universally liked, or loathed, by the interviewed practitioners – its effectiveness depended on the motivation of parties and the circumstances of the mediation; and
- Patent disputes are subject to a lot of game playing – in terms of their initiation and their conduct. The nature of the parties involved, and the financial returns potentially at stake, indicates that any procedure will be stretched and deformed in line with such strategies; further, any additional steps in the post-grant enforcement process will provide for extra opportunities for the game playing.

Appendix 1: Methodology

As noted above, most of the substantive content of this submission results from ongoing research, being carried out by Kim Weatherall, Chris Dent and Fiona Rotstein, into the settlement of patent disputes under Australian law. There are three phases of this work. The first phase comprised an analysis of court filings in patent disputes in the Federal Court; the second phase consisted of a questionnaire mailed out to all lawyers who practised in the area of patent law; and the third, continuing, phase focuses on in-depth interviews with a number of the lawyers who participated in the second phase. This appendix briefly describes the methodology of each.

The statistical work focused on the analysis of the filing of proceedings, of patent disputes, in the Federal Court between 1995 and 2005.[92] The Court's online case management systems were used to access the number, and some details, of the proceedings filed and whether the proceedings went through to judgment. Further, the patent decisions available on the Australian Legal Information Institute website were used to supplement the information gained from the databases.

The questionnaire was sent out to over 200 lawyers, including both barristers and solicitors, who were listed on the internet as practising in the area of patents; 46 were returned.[93] The focus of the questionnaire was the 'investigation of the use of, and practices associated with, settlement procedures in patent disputes'.[94] A number of the responses, however, are relevant to the post-grant enforcement of patents. The questions included in the survey may be split into two categories: those that dealt with quantitative issues such as the number of disputes and settlements that the respondent would be involved in each year; and those that related to more qualitative concerns such as the factors considered by lawyers when providing advice to a client on the potential settlement of patent disputes.

The second category of survey responses provided the basis of the final piece of empirical work relevant to this submission. The purpose of the interview phase of the research, a phase that is still ongoing, is to explore, to a greater depth, the results of

[92] This study, therefore, adopts a method different from Weatherall and Jensen's work, above n 1, in which the focus of analysis was the judgments of the courts.
[93] Given the number of lawyers who notified us that they did not work sufficiently in the area to provide useful information, the number of returned surveys may be estimated to be from just under 30% of Australian lawyers who practice in the area.
[94] Dent and Weatherall, above n 2, 258.

the questionnaire. So far, interviews with 15 patent lawyers have been coded and analysed.[95] The inclusion, here, of the perspectives of these experienced solicitors and barristers may be seen as a compilation of responses to the issues raised by ACIP.

[95] From the figures obtained from the first phase of research, this number of lawyers represents about 10% of the total number of Australian patent lawyers who regularly practice in the area of patent disputes.