



## Post – Grant Patent Enforcement Strategies

Advisory Council on Intellectual Property

### CSIRO observations

February 2007

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### Executive Summary

CSIRO is not intending to state a position on any particular issue identified in the Issues Paper. Rather, the comments below are observations on some of the issues raised in the Issues Paper that might assist ACIP with its review. CSIRO welcomes the opportunity to be involved as the review progresses.

**Question 5: Would a post-grant opposition process offer greater benefits over the existing pre-grant opposition process?**

**Question 6: Would a post-grant opposition process assist patent owners to better enforce their patent rights?**

- The Issues Paper refers to one of the main advantages of a post-grant opposition being the ability of the patent owner to commence infringement proceedings during the opposition period after grant of the patent. However, the distinction between pre-grant and post-grant opposition processes may not be as significant vis-à-vis enforcement for the following reason.
- It is open to an applicant to file a divisional innovation patent and obtain a relatively quick certification for subsequent enforcement. Then, prior to grant of the standard patent, the innovation patent can be withdrawn or narrowed to overcome objections that might be raised under **Patents Act 1990** section 64.

**Question 7: Would it be beneficial for patent owners if, on request, IP Australia provided an opinion on the issue of patent validity or infringement?**

**Question 8: Should it be mandatory to obtain a validity opinion from IP Australia prior to seeking legal action?**

**Question 9: Should the award of costs be linked to whether a patent had been reexamined in terms of its validity by IP Australia before the question had been argued in court proceedings?**

- Potentially this form of non-binding process might become, in effect, an additional form of opposition proceedings.
- A patentee may incur considerable expense in “defending” an invalidity allegation.
- An adverse opinion on validity would clearly devalue the patent and may undermine commercialisation and hence support for innovation in Australia.
- The “informal” nature of the process belies the seriousness of the outcome – need to ensure that the process permits adequate investigation and opportunity to present evidence.
- Otherwise, the process might be indistinguishable in effect from a change to the legal standard of validity, even though it is only directed to procedure.

**Question 14: Would an independent decision-making body such as a patent tribunal assist patent owners to effectively enforce their patents?**

**Question 15: Before seeking a hearing from the Federal or State Supreme Court should it be mandatory for patent owners to first seek judgment in a patents tribunal on questions of patent validity and/or infringement?**

**Question 16: Is it likely that a patent tribunal would add another layer of expense and complexity to the current process of patent enforcement?**

**Question 17: Are there other quasi judicial models that would be more effective?**

**Question 18: Would it be beneficial for a patent tribunal to hear post-grant opposition proceedings?**

- The time taken to run patent proceedings (with the associated costs of those proceedings) together with uncertainty in the law resulting from a widely vested patent jurisdiction seem to be major sources of the difficulties identified in the Issues Paper. Consequently, rather than introducing an additional non-binding procedure which would involve additional cost, a better approach may be to consider addressing the



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source of the problem. In this regard, rather than a non-binding tribunal or validity and infringement opinions, consideration could be given to a specialised patent court or to providing more specialised training for judges hearing patent cases in the Federal Court.

- The point raised in the Issues Paper concerning spending significant court time educating the judge is well made. A specialised patent court staffed with appropriate technical experts (possibly similar to the way a non-binding patent tribunal could be constituted) may produce quicker outcomes.
- A specialised patent court may also be expected to produce more consistent decisions and hence introduce greater certainty into the patent system. It is acknowledged that there would be a need for a specialised court to also be able to address issues arising between the parties other than patent issues.
- As with non-binding opinions on validity and infringement, a great deal may be at stake and adverse outcomes may not be accepted by a party with the matter proceeding to the courts in any event.

**Question 19: Is patent insurance a viable option for SMEs seeking to enforce their patent or defend their patent from invalidity claims?**

**Question 20: What is the reason for the apparent reluctance of private enterprise to provide patent insurance?**

**Question 21: What can be done to ensure private enterprise provides commercially viable patent insurance?**

- Fundamentally, the difficulty of assessing the insured risk, and the cost of seeking to do so, make accurate modelling difficult. Without accurate modelling of risk it is difficult to see how an insurance scheme can be viably undertaken.
- The same issues causing a patent insurance product to be only reluctantly supported by private enterprise and of such narrow scope is likely to affect the viability of any government administered insurance scheme.

**Question 22: Would patent holders benefit by a type of enforcement fund?**

**Question 23: How could an enforcement fund be administered and financed?**

**Question 24: Should an enforcement fund be established that is funded by patent examination and registration fees?**

- If barriers to commencing proceedings are to be lowered through the introduction of an enforcement fund, it is imperative for publicly funded research agencies and their employees that a research exemption to patent infringement of appropriate scope is enacted. See CSIRO's submission relating to this issue which is attached as Appendix 1.
- To benefit Australia, any such enforcement fund scheme should only be open to Australian patentees. Consideration needs to be given to whether this is permissible under Australia's various free trade agreements.
- It seems inappropriate that foreign entities, particularly from more litigious jurisdictions or cultures, would be permitted to attack Australian businesses with subsidisation from an Australian government scheme.
- It needs to be considered whether for reasons of equity, if an infringement action brought with support from the fund is unsuccessful, the successful defendant should be entitled to recover their costs from the fund.
- Presumably, a plaintiff that is sufficiently impecunious to justify support from the fund in the first place would be subject to the ordinary rules concerning an application for security for costs made by the defendant. The fund could thus be potentially liable to fund both the plaintiff and defendant.
- It would need to be demonstrated that the value delivered would be justified by the costs, especially to patent applicants and patentees that would be principally supporting the fund through increased fees.



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**Question 28: Should criminal penalties be available for patent infringement?**

**Question 29: Should criminal sanctions be available only in the event of willful patent infringement?**

- If the sanctions for infringement are to be increased it is imperative for publicly funded research agencies and their employees that a research exemption to patent infringement of appropriate scope is enacted. See CSIRO's submission relating to this issue which is attached as Appendix 1.



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### Appendix 1

Public Consultation Paper on the ACIP  
Report 'Patents and Experimental Use'

IP Australia

CSIRO Submission

October 2006



# Public Consultation Paper on the ACIP Report 'Patents and Experimental Use'

IP Australia

## CSIRO submission

October 2006

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# Public Consultation Paper on the ACIP Report 'Patents and Experimental Use'

IP Australia

## Question 1: How effective and appropriate do you think recommendation 1 of the ACIP report would be if introduced?

### (a) Introduction

CSIRO is strongly in favour of the introduction of an experimental use exemption. We agree with ACIP that it is necessary to introduce a legislative provision to provide clarity for all users of the patent system in this important area of Australian patent law. In particular, CSIRO agrees with ACIP that it is essential that any proposed provision provide clarity in respect of the legality of day to day research activities.

As stated on page 30 of the ACIP Report, in *Backing Australia's Ability*, the Prime Minister stated that "the Australian Government's goal is for Australia to build a world-class innovation system". CSIRO considers that for Australia to develop such an innovation system, Australia must be a favourable jurisdiction for carrying out research and development.

CSIRO considers that for Australia to be a favourable jurisdiction for carrying out research and development, the exemption should be as wide as possible, subject to Australia's obligations under TRIPS.

CSIRO considers that the ACIP provision in its present form has a number of difficulties that could undermine its intended effect. These difficulties, and proposed solutions, are set out below.

### (b) "Experimental purposes" – element of intention?

The expression "experimental purposes" raises the prospect that "purpose" or "intention" will need to be established.

We note that ACIP expressed concerns about having to determine intention. For example, we refer to ACIP's comments regarding the "dominant purpose" requirement of the ALRC-99 recommendation (ACIP Report, page 61):

One concern is that proving what was the dominant purpose of an act could be very difficult, as it would involve determining the intent of the alleged infringer. Documentary evidence of a dominant

experimental purpose could be manufactured, thus creating a loophole for infringement. The credibility of such documentation would have to be assessed, increasing complexity and cost.

CSIRO agrees with ACIP's concerns about the practical difficulties associated with having to prove intention.

CSIRO acknowledges that the inclusive list of experimental acts appears to be constructed so that if a researcher can bring itself within the scope of one of the included acts, they will be deemed to have done that act for "experimental purposes". For example, if a researcher can show that an experiment was conducted to determine how a patented invention works, then the act will be deemed to be an act done for experimental purposes.

Nevertheless, experimental acts that are not within the inclusive list will still need to be shown to be "acts done for experimental purposes" to come within the exemption. The word "purpose" likely introduces a question of intention, with the difficulties referred to above.

One difficulty that arises with the narrowness of the inclusive list is the fact that research carried out for one purpose often yields broader and unanticipated results. History is replete with serendipitous scientific discoveries. Thus, a researcher may undertake an experiment solely for one purpose, such as determining how the invention works. Nevertheless, that experimental work may yield broader results, such as the discovery of a principle that indicates how to avoid infringement of the patent. Where broader results are achieved it may be difficult to argue in retrospect that an experiment was carried out for a narrower purpose within the inclusive list.

Accordingly, CSIRO considers that the ACIP proposal could be improved by clarifying the extent (if at all) to which intent must be proven.

### (c) "Experimental purposes" – burden of proof?

It appears that the experimental use exemption could have two distinct areas of operation. Firstly, it could operate as a defence to infringement



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proceedings brought against a researcher. Secondly, it could operate as a ground for seeking a declaration of non-infringement by a researcher.

In our submission, the Act should provide clarity as to who bears the obligation of establishing that an act was done for “experimental purposes” in legal proceedings.

In particular, it is not clear from the proposed ACIP provision whether:

- the plaintiff, having been met by the assertion of experimental purpose, bears the onus of showing that the allegedly infringing acts were not, or could not reasonably be regarded as being, carried out for an experimental purpose; or
- the defendant bears the onus of showing that the acts were done for an experimental purpose.

**(d) “acts ... that do not unreasonably conflict with the normal exploitation of a patent”**

*(i) General*

CSIRO has two principal concerns with the formulation of this proviso to the experimental use exemption.

Firstly, its scope and meaning is so uncertain that the proviso threatens to undermine the certainty sought to be achieved through an experimental use exemption.

Secondly, the scope and meaning is so unclear that it leaves significant discretion to the courts to interpret the provision. Although the purpose of the proviso is to ensure compliance with Australia’s TRIPS obligations, there is insufficient guidance in the proviso to ensure that a court’s construction of the provision will be compliant with TRIPS.

*(ii) Research tools*

We have only been able to identify one example in the ACIP report of a circumstance where an experimental use would be expected to “unreasonably conflict with the normal exploitation of a patent”. That example is the case of research tools.

If the only real example of the application of this proviso is to grant appropriate protection to the

research tools sector, then the proviso should be explicitly and clearly limited to that extent. Such a limitation would obviate the uncertainty and difficulty associated with the proviso in its present form. Accordingly, CSIRO would prefer to replace the broad proviso with an express provision.

CSIRO considers that “research tools” are essentially tangible or identifiable products that facilitate carrying out research, such as chemical or biological reagents, kits, experimental apparatus (such as a microscope) and computer programs. However, research tools should not include supplying experimental results or other research reports.

CSIRO does not consider that the research tools market legitimately extends to undertaking pure patent licensing without a prospect of developing a market to supply a tangible or identifiable product.

CSIRO acknowledges that it is challenging to draft a provision which is technology neutral and which exempts the supply of genuine research reports while excluding from the exemption the sale of information which is the product of a patented process. By “technology neutral” we mean that the provision should apply equally to any patentable subject matter – in particular without distinguishing between tangible products and pure information, where each is a product of a patented process.

Nevertheless, CSIRO sets out the following draft provision as a starting point to develop a provision to replace the broad proviso concerning acts that do not unreasonably conflict with the normal exploitation of a patent:

The experimental use exemption does not include hiring or selling a Research Tool, or offering to hire or sell a Research Tool, or to importing a Research Tool for the purpose of doing any of those things.

Research Tool means any tangible or identifiable product that facilitates carrying out research, including chemical or biological reagents, kits, experimental apparatus and computer programs but does not include experimental results.

Some examples of the intended operation of an experimental use exemption with this proposed provision are set out below.



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Example 1: Selling or offering for sale patented research reagents or computer programs. This conduct would not fall within the experimental use exemption. Reason: the conduct involves selling or offering for sale a Research Tool, and is thus excluded from the experimental use exemption.

Example 2: Selling a product of a patented process. The product could be identifiable "data" produced by using a patented method for generating the data. The product could be a tangible product such as a chemical or biological substance produced by using a patented process. This conduct would not fall within the experimental use exemption, even if using the patented process was for experimental processes, because the subsequent sale or offer to sell is not an act done for experimental purposes.

Example 3: Providing research services including supplying research reports. This conduct would fall within the experimental use exemption. Insofar as a research report may include experimental results generated from using a patented process, such experimental results are expressly excluded from the proposed definition of Research Tools.

If the research tools situation is not clarified, then the intent of the legislature could be undermined by patent attorneys adopting a practice of artificially constructing "research tools" claims in patent applications.

CSIRO considers itself well placed to comment on the balance between rights to conduct research and rights to protect research tools, as it is both a researcher and a developer of research tools.

### (iii) Drafting – "normal" and "unreasonable"

The expression "normal exploitation" is taken from Article 30 of TRIPS. However, the word "exploit" is already defined in the Patents Act. The existing definition of "exploit" is extremely broad. It is not clear how the word "normal" is intended to qualify the word "exploit".

It appears that Article 30 of TRIPS seeks to ensure that countries are not bound to impose legal restraints under patent law that depart too much from conduct that, before the introduction of domestic legislation to give effect to TRIPS, would have been considered standard or normal in the country. CSIRO submits that the expression "normal exploitation", which was drafted for the

purposes of an international treaty, is insufficiently clear and certain for adoption in domestic legislation.

CSIRO considers that the reference to "normal exploitation" is so uncertain that it threatens to undermine the certainty sought to be achieved through introduction of a statutory exemption.

Proving what is "normal" or "unreasonable" will significantly add to litigation complexity and cost.

### (e) "the invention" – scope of permitted experimental activity

The proposed experimental use exemption makes numerous references to "the invention". CSIRO is concerned to ensure that this expression does not inappropriately limit the scope of the exemption. Our concerns are based on the following reasoning.

Under Australian patent law the general principle for determining infringement is whether the alleged infringer has taken every essential feature of the claimed invention. Further, the presence of additional features in the alleged infringer's product or process does not prevent a finding of infringement, provided that all of the claimed features are present.

Accordingly, if the subject matter of an experiment includes all the features of a patented invention, but also includes additional features, then unless that activity is within the exemption, it will constitute patent infringement.

CSIRO considers that the exemption should apply to research that would otherwise infringe a patent, whether or not the experimental activity is limited to the features of the patented invention. That is, if the claimed invention has features (a), (b) and (c) and an experiment is conducted in respect of features (a), (b), (c) and (d) then the experimental use should be within the exemption.

This issue is important in research practice. If the exemption is limited to experimental activities in respect of the specific combination of features claimed, the exemption will be too narrow to be of practical utility. For example a researcher may need to undertake a patent clearance search, an analysis of relevant claim sets, and an adjustment of the experimental program, to ensure that the proposed experimental activities come within the exemption. This outcome would be onerous and



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impractical and would undermine the purpose of the experimental use exemption.

CSIRO acknowledges that it can be argued that the expression “relating to the subject matter of the invention” is broad enough to exempt experiments with additional features. However, CSIRO considers that this issue goes to the heart of the practicability of the experimental use exemption and should therefore be expressly clarified. Further, the inclusive list only expressly exempts activities that are directed to specific acts concerning “the invention”. This limitation could be taken by implication to inappropriately limit the scope of the principal part of the exemption.

For these reasons, CSIRO recommends expressly clarifying the position. An example of such a clarifying provision is as follows: Each reference to “the invention” in [experimental use exemption section number] includes a product or process that would infringe the patent in the absence of this section [experimental use exemption section number].

We observe that in the absence of further clarification, the meaning and scope of the expression “relating to the subject matter of the invention” could be contentious and may contribute to litigation complexity and cost.

Appropriate clarification of this issue is also important to ensure that conduct that might otherwise constitute “inadvertent infringement” is exempted. This will be particularly important after the Intellectual Property Laws Amendment Bill 2006 comes into force, since an infringer will then be potentially liable for exemplary damages in addition to the existing liability for damages or an account of profits.

## **(d) Permitted use of experimental results**

We observe that the exemption provides that the rights of a patentee are not infringed by certain “acts done for experimental purposes”. Using the information resulting from such experimental work, for example by publication or filing a patent application, is not itself an “act done for experimental purposes”. While we do not consider that mere use of information constitutes an infringement of the exclusive right to “exploit” a patented invention, the word “exploit” is given such a broad meaning that CSIRO considers this freedom should be expressly clarified.

## **(e) Reliance on extrinsic materials to guide interpretation**

ACIP recommendations 2 and 3 relate to the preparation of materials extrinsic to the Patents Act to guide interpretation. While there is an ability for courts to refer to extraneous materials in the interpretation of statutes to resolve an ambiguity (Acts Interpretations Act 1901, section 15AB), it is not required that courts look at such materials.

CSIRO recommends that the statutory exemption itself should be drafted as clearly as possible to resolve all of the identified uncertainties.

## **(f) Further drafting issues**

### *(i) “the invention” – no antecedent*

In ACIP’s proposed experimental use exemption, the expression “the invention” has no antecedent. This expression could be clarified by inserting the following words immediately after “The rights of a patentee”: “in respect of a patent for an invention”. This amendment would clarify the meaning of subsequent references to “the invention”.

### *(ii) References to “trial” or “experiment”*

Section 9(a) of the Patents Act refers to “reasonable trial or experiment”. Regulation 2.2(2)(d)(i) of the Patents Regulations refers to “purposes of reasonable trial”.

It could be argued that these provisions affect the interpretation of “experimental purposes” in the proposed experimental use exemption. For example, “experimental” could be inappropriately construed as not including a “trial”. CSIRO suggests that the legislation should use consistent language. One solution is to expressly state in the experimental use exemption that “experimental purposes” is not to be read down by implication from other provisions in the Act or Regulations.

## **(g) Further clarifications**

CSIRO supports the ALRC’s proposal to clarify that:

- the existence of a commercial purpose or objective does not preclude the application of the exemption; and
- the exemption does not derogate from any study or experimentation that may otherwise be permitted under the Patents Act.



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Accordingly, CSIRO considers that ACIP's proposed provision could be improved by adopting the above two proposals of the ALRC.

### **Question 2: How effective and appropriate do you think recommendation 13-1 of the ALRC-99 Report would be if introduced?**

As set out in relation to Question 1 above, CSIRO is strongly in favour of the introduction of an experimental use exemption.

CSIRO observes that recommendation 13-1 of the ALRC-99 Report is a statement of principles rather than a fully drafted proposed provision. CSIRO's comments on the recommendation are as follows.

CSIRO agrees with ACIP's observations that the ALRC's proposed "dominant purpose" test has a number of drawbacks (see quote above from page 61 of the ACIP Report).

CSIRO agrees with ACIP's view that the "on/with" distinction creates a number of difficulties (see for example page 61 of the ACIP Report). CSIRO prefers the approach proposed by ACIP i.e. use of the words "relating to" coupled with further guidance provided by a list of inclusive acts (but subject to our further comments in relation to Question 1 above).

Insofar as the "on/with" distinction relates to the research tools industry, as further discussed above, CSIRO considers that the research tools market should not legitimately extend to undertaking pure patent licensing without a prospect of developing a market to supply a tangible or identifiable product. Accordingly, CSIRO considers that limiting the exemption to experimenting "on" the subject matter of an invention is inappropriately narrow and would undermine the certainty sought to be obtained through introducing a statutory exemption.

CSIRO supports ALRC's proposal to clarify that:

- the existence of a commercial purpose or objective does not preclude the application of the exemption; and
- the exemption does not derogate from any study or experimentation that may otherwise be permitted under the Patents Act.

### **Question 3: If ACIP recommendation 1 was accepted, what, if any, changes should be made to the list of acts done for experimental purposes relating to the subject matter of the invention?**

CSIRO agrees that each of the presently listed inclusive acts should qualify as acts done for experimental purposes. CSIRO also supports clarifying the meaning of "seeking improvements" as proposed by the New Zealand legislature (i.e. seeking improvements to an invention includes determining new properties or new uses of an invention).

As explained above, CSIRO considers that there is a significant gap in the scope of the included acts as presently drafted. CSIRO considers that the exemption should clearly apply to research that would otherwise infringe a patent, whether or not the experimental activity is strictly limited to the claimed features of the patented invention. This object could be achieved by adding a clarifying statement as follows: Each reference to "the invention" in [experimental use exemption section number] includes a product or process that would infringe the patent in the absence of this section [experimental use exemption section number].