

Submission to the ACIP Interim Report on *Post-Grant Patent Enforcement Strategies* (August 2009)

1. Introduction

1.1 Most of the clients I have dealt with as an Intellectual Property lawyer in a patent attorney's firm were individuals, small businesses or research organizations. Most considered patents as assets that they hoped would one day be bought or licensed by a big corporation; or as essential assets protection. To those ends they were prepared to incur what to them were often the very significant costs involved, believing those costs to be an investment. Frequently the belief in the long term benefit and value to the public of those inventions was unrealistic. Patents gather dust in filing cabinets and the hoped for large corporations often considered infringement or invalidity challenges better business options than more directly negotiating a licence or assignment.

1.2 From the perspective of those types of patentees and inventors the proposals in the interim report have considerable merit. Their key concerns are the financial and uncertainty of litigation issues; the possibility of throwing good money after bad.

1.3 It should be stressed that wrong allegations of infringement are damaging to the accused business.

1.4 I offer the following suggestions and comments to the interim report..

2. Proposals 1 and 3

2.1 How is "expert" to be defined and determined? There need to be guidelines regarding just who should be registered as an "expert". It would be wrong to only register existing patent examiners or IP Australia employees. Equally it would be a mistake just to register patent attorneys or IP lawyers. Specific technical expertise and patent law expertise are requirements but, in my view based on experience in litigation mediations, experience or training in mediations or ADR is essential.

2.2 How are experts to be allocated and by whom? Presumably the parties must agree. The register must contain sufficient details about the experts to allow the parties to make an informed decision about the choice of a mediator that they will be happy with.

2.3 The options of mediation, conciliation and arbitration should all be available for selection by the parties. The wider the choice the more likely the service will be used on a voluntary basis.

2.4 There must be incentives for parties to use ADR, particularly if they have to pay for it. The parties must agree to accept the final result and comply with any agreement. There must be significant costs and time savings over litigation, with confidence of the parties that the outcome would be what a court would find.

2.5 How are costs to be determined? The possibilities that costs are shared proportionally to business income and that individuals, small business and research organizations be granted exemptions (partial or complete), should apply. A role for IP Australia might be the provision of conference rooms at minimal or no cost to the parties, for use in ADR.

2.6 Whilst I do not disagree that one possibility could be that the centre should be located in IP Australia, it should not be just another branch of the public service with the inefficiencies, wasted money and delays that are associated with public authorities. I would prefer to see a completely independent statutory authority. Possibly a better approach would be to link it to a court or existing tribunal. It should be remembered that IP Australia examined and granted the patent in dispute, and received money from one or both parties. An invalidity claim may reflect badly on IP Australia.

### 3. Proposal 2

3.1 I like this proposal for a Validity and Infringement Opinion Service. To be useful and, more to the point, actually used, it must be authoritative, cost effective and reasonably quick. That would require that such an opinion must have substantial weight in ADR, a tribunal or court. That is to say that it would be accepted *prima facie* without new and compelling evidence.

3.2 The apparently poor uptake rate for the UKIPO suggests that a different approach is needed to achieve better use for the proposed service. Possibly patent attorneys should be required to inform clients of its existence.

### 4. Proposal 4

4.1 I have reservations about an "informal" and "non-binding" tribunal. Would a non-binding tribunal achieve anything more than the other ADR procedures suggested; particularly an arbitration? It would have to be voluntary if its decisions are non-binding. It would have the appearance of a moot or dry run for the real court. If there are serious evidentiary issues then a court is the appropriate place. However, in the contexts of infringement and invalidity where evidentiary difficulties are likely to be minimal and the case turns on expert evidence and technical knowledge, appropriate opinions and ADR by suitably qualified mediators or arbitrators is likely to be as effective, in my view.

4.2 The proposed tribunal seems a costly additional level of disputes resolution unlikely to be effective. If the dispute is serious enough for court then that is where it should go. If not then all attempts at settlement should be encouraged and if they fail then court is appropriate. Why would a tribunal be likely to reach a different result than an arbitrator or expert opinion or even a good mediation?

4.3 In my view, requirements that courts must give proper consideration to any authoritative expert opinion obtained by the parties from the Infringement and Validity Opinion Service and other ADR determinations, particularly with respect to awarding costs, would achieve more than a new tribunal.

## 5. Proposal 5

5.1 Since most patents are obtained through patent attorney firms the requirement should be that they provide clear or form information about infringement and validity to their clients. It seems likely that most patent attorneys do anyway, by sending out form letters at various stages of the process, that do convey the required information. Whether or not clients read or fully understand that information is another issue.

## 6. Proposal 6

6.1 I like this proposal. Public access to information of public interest should always be facilitated.

## 7. Proposal 9

7.1 Giving the Federal Magistrates Court express jurisdiction over patent matters is a much better option than a new tribunal. That overcomes the difficulties with non-binding decision, voluntary appearance, links with IP Australia and constitutional issues. It is the appropriate jurisdiction for litigants with limited resources such as individuals, small businesses and research organizations.

7.2 Improving case management may speed up trials. In my view the proper use of experts and handling of expert evidence would reduce delays and redress problems associated with "complex" technical issues. One possibility could be to have expert opinions exchanged between the parties at an interlocutory stage in a manner similar to injury compensation claims. Courts generally have provision to appoint experts to assist the court. That would be highly appropriate in patent cases. The court should also be able to seek its own expert opinions; most appropriately perhaps from the Validity and Infringement Opinion Service. At the very least use of experts in the interlocutory or early trial stages should point the parties to a settlement where appropriate.

7.3 The court should also have access to, and be required to use where appropriate, the mediation and other ADR procedures canvassed in proposals 1, 2 and 3.

## 8. Proposal 10

8.1 Given that account of profits is a remedy in patent infringement claims and for the most part sales of infringing products would be traceable, it seems to me to be an unnecessary extra task for the customs service to have to chase potentially infringing products. Experiences with trademarks, copyright and designs suggests that attempting to stop potentially infringing products at customs is not effective and only really used by large corporations against small players, which is a waste of customs time.

8.2 More seriously though there needs to be a judicial (or possibly expert) determination that the products seized were an actual infringement. Otherwise the seizure would be

unfair on the owner of the goods and downstream traders.

## 9. Criminal Sanctions

9.1 It is not appropriate to use criminal sanctions for patent infringement. There is no affront to the public good other than to the value of the patent system itself. There are sound arguments that the patent system could and should be done away with anyway. Rather, the public interest is better served by infringements such as cheap generic drugs, for example, and open and free competition.

9.2 Sanctions are available with civil actions in which the standard of proof is lower. Is there any suggestion that an account of profits or damages and costs going to the patentee is less of a punishment than a similar fine that goes to the government? Civil penalties are the trend in corporations law, administrative law, trades practices and taxation; a trend away from criminal penalties. It is regressive to suggest criminal sanctions for patent infringement under the Australian legal system which promotes competition.

9.3 Supporters of criminal sanctions simply wish to avoid having to chase the infringer themselves through civil action. That is not a reason for making something essentially a commercial matter, a crime.

9.4 Given that there will almost always be doubt about both validity and infringement; it seems to me unlikely that proof one way or the other will be "beyond reasonable doubt".

9.5 There are also problems in many cases with establishing the necessary *mens rea* where, for example, the infringer reasonably does not believe they are infringing. Any form of strict liability would be inappropriate.

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