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Mr Kostas Arvanitis
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Dear Mr Arvanitis

Post-Grant Patent Enforcement Strategies

FICPI Australia, as an organisation whose members are all registered patent attorneys or registered patent and trade marks attorneys in Australia, and partners or principals in patent attorney firms conducting business in Australia, welcomes the opportunity to comment on the issues paper of November 2006 regarding a review of post-grant patent enforcement strategies.

As an initial comment FICPI Australia considers the ACIP Issues Paper to be too wide-ranging to allow for in-depth comment on all of the issues raised. FICPI Australia also considers that many of the issues raised are outside the area of expertise of its members, so that there are some questions to which no detailed reply is provided.

Question 1

Is IP Australia's current information on patent enforcement sufficient?

While it might be advantageous for IPA to provide general information on patent enforcement, for example in its advisory information on patenting inventions, FICPI Australia believes that IPA's emphasis and primary focus should be on ensuring that it grants strong patents. Thus, IPA should allocate the vast majority of its resources to examining patent applications in depth, thereby ensuring to the best of its ability that Australian patents when granted are as strong as reasonably possible.

It is believed that all Australian-based patent applicants who use a patent attorney to pursue their patent application would be advised by the patent attorney that patent enforcement is the responsibility of the patent owner, not IPA, and potentially expensive. Thus, it seems likely that those parties referred to in the Issues Paper as believing that patent enforcement costs would be borne by IPA are the vast minority who have not used a patent attorney to secure their patent, and these parties in most cases are unlikely to have sufficient funds to pursue infringers at any level.

IPA should not allocate any funds to providing specific advice on patent enforcement. This is the remit of IP specialists such as patent attorneys and IP lawyers and involves detailed knowledge of technical and legal issues.

Question 2

Is there a need to refocus IP Australia's education and awareness programs?

FICPI Australia has no specific knowledge of IPA's education and awareness programs. However, from the information provided in the Issues Paper and in the light of the comments above, it is believed that no refocusing of its programs is required in relation to patent enforcement.

Question 3

Are there any more effective ways to increase awareness of patent owners or potential patent owners about the responsibility of patent enforcement?

As noted above, it is considered likely that all Australian-based patentees who have used a patent attorney to secure their patent in Australia, and certainly all overseas owners of Australian patents, will be well aware of where the responsibility for patent enforcement lies. For the remainder, IPA could ensure that its literature, including its website, gives general information on where the responsibility lies and what the various options and ensuing costs are.

Question 4

Should IP Australia's educational and awareness programs contain more emphasis on enforcing patents in overseas jurisdictions?

Again, FICPI Australia has no specific knowledge of IPA's education and awareness programs. However, it is believed that it is not practical for IPA to provide anything other than very general information on enforcing patents in overseas jurisdictions. Issues relating to patent enforcement vary so greatly country by country that it is not appropriate to provide specific information on any particular country prior to considering enforcement there. At that time, the specific information should be provided by Australian professionals having knowledge of the issues, including the patentee's particular concerns – with detailed advice being additionally provided by professionals in the country in question.

Question 5

Would a post-grant opposition process offer greater benefits over the existing pre-grant opposition process?

FICPI Australia is not opposed to a post-grant opposition procedure being adopted for Australia, in place of the current pre-grant procedure. However, it is not seen that any greater benefits would be offered by adopting such a system, except that it would accord more closely with current International thinking. It is not accepted that time is a critical factor in considering which procedure is appropriate for

Australia. While grant of a standard patent may be deferred under the current system if the patent application is opposed, patent applicants now have the option of securing a certified divisional innovation patent with which to pursue infringers, without the risk of opposition prior to certification.

It is to be noted that pre-grant opposition is rarely recommended by patent attorneys. Some of the reasons for this are: the rarity of total success; the opportunity that the system gives the applicant to strengthen the patent application by amendment; the opportunity that the system gives the applicant to file divisional applications; and the considerable cost (especially compared to opposition costs in Europe). The main reason for the latter concern is the cost of establishing evidence on inventive step.

If a post-grant opposition procedure were to be adopted, FICPI Australia is of the view that the opposition period should be no more than 3 months from grant.

Question 6

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

For the reasons outlined under 5. above, particularly the availability of divisional innovation patents, FICPI Australia does not believe that a post-grant opposition process would assist patent owners to better enforce their patents.

Question 7

Would it be beneficial for patent owners if, on request, IP Australia provided an opinion on the issue of patent validity and infringement?

FICPI Australia has considerable concerns about IPA providing opinions on the validity or infringement of patents. As noted already it is considered that IPA's primary focus should be on the quality examination of patent applications with the aim of ensuring to the best of its ability that strong patents are granted.

If the provision of such opinions by IPA detracted from its ability to provide this quality examination, FICPI Australia would be wholly against the proposal.

While there is clearly the potential for advantage to both patentees and potential infringers in the type of opinion service provided by the UKPO, IPA is considerably smaller than the UKPO and it is difficult to see how IPA could provide the same type of service without using experienced examiners that, in our view, should be examining patent applications. Further, issues of both validity and infringement of patents invariably require expert evidence under Australia's legal system, and there would appear to be little value in IPA providing opinions on these issues without access to such evidence. Privilege considerations may arise for parties in deciding whether or not provide all potentially relevant evidence to IPA, which may of itself limit IPA's ability to provide useful opinions.

FICPI Australia notes that the number of Australian patents that end up being tested in Court is very small. Partly this is because opinions on validity and infringement, as well as practical advice on appropriate courses to follow, are

provided by IP professionals such as patent attorneys and lawyers. Another factor is of course cost, but it is not seen how this factor will be affected by whether or not IPA Australia provides validity and infringement opinions.

Patent attorneys spend many years training on the job, usually with guidance from other experienced patent attorneys, to give appropriate patent validity and infringement opinions. Those opinions are given in the knowledge that they risk being sued for providing poor advice, and appropriate insurance is taken out against this risk. It is not clear to us that any of this would be available to those seeking such opinions from IPA.

Question 8

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

For all of the reasons expressed above under Item 7., FICPI Australia considers that it should not be mandatory to obtain a legal opinion from IPA prior to seeking legal action. Having to seek such a legal opinion in the form proposed, that is one involving both prospective parties, is likely to cause considerable delay in initiating proceedings should one of the parties wish to do so. It is also not at all clear how such a requirement could exist alongside the availability of interlocutory injunctions and other forms of “immediate” relief, such as Anton Pillar orders.

Question 9

Should an award of costs be linked to whether a patent had been re-examined in terms of its validity before the question had been argued in court proceedings?

The Courts are entitled to consider a wide variety of issues in awarding costs, and the question of whether a patent has been re-examined before the Court proceedings might be one of them. However, FICPI Australia is of the view that, as with all of the other issues, it should not be mandatory for the Court to take this in to consideration.

Question 10

Would mediation be of benefit in patent disputes?

There would seem to be little question that mediation can be of benefit in some patent disputes, and no doubt it is for this reason that the Federal Court has the option of recommending it in such disputes.

FICPI Australia has long supported moves to reduce the cost of patent litigation or otherwise resolving patent disputes, and mediation can be one way of achieving this. However, as recognised in ACIP’s Issues Paper, there are times when mediation is not appropriate.

Question 11

Should IP Australia provide a similar mediation service to that provided in the United Kingdom?

Once again, FICPI Australia considers that IPA's primary focus should be on the quality examination of patent applications with the aim of ensuring to the best of its ability that strong patents are granted. If the provision of mediation by IPA detracted from its ability to provide this quality examination, FICPI Australia would be wholly against the proposal.

Mediation services for patent and other IP disputes are already provided outside of the Court system, by independent ADR specialists, and it is not clear to us that such a service need be provided by IPA. If it were, could it be cost effective and at least neutral in terms of affecting examination quality? Could it be seen as being provided by independent mediators, given IPA's role in granting the patent in the first place?

Question 12

Should mandatory mediation occur prior to an enforcement action being pursued in the Courts?

FICPI Australia does not support mandatory mediation prior to patent enforcement actions being pursued through the Courts, for all the reasons set out in the Issues Paper under the heading Alternative Dispute Resolution (ADR) – Mediation.

Question 13

Would it be of benefit if mediation efforts were considered when legal costs are awarded?

The Courts are entitled to consider a wide variety of issues in awarding costs, and the question of whether a patent dispute has been subjected to mediation before Court proceedings on the same conflict might be one of them. However, FICPI Australia is of the view that, as with all of the other issues, it should not be mandatory for the Court to take this in to consideration in awarding costs.

Question 14

Would an independent decision making body such as a Patent Tribunal assist patent owners to effectively enforce their patents?

FICPI Australia has long been supportive of any new independent forum or procedure for hearing patent disputes that has the potential to reduce the cost of resolving those disputes, and we believe an independent decision-making body such as a patent tribunal could assist patent owners to effectively enforce their patents.

As an example of such an independent forum, we note the existence of the Patents County Court in the United Kingdom. FICPI Australia sponsored the visit to Australia of Justice Peter Ford, the first judge of the Patents County Court, in the

1990s with the aim of promoting the adoption of a similar body in Australia. British patent attorneys are permitted to represent clients before the Patent County Court.

We believe there is a need for a forum and procedure in Australia that is particularly suited to hearing patent disputes that involve relatively small amounts, when the substantial cost of pursuing full proceedings through the Federal Court is not warranted.

FICPI Australia strongly supported the ACIP proposal for the Federal Magistracy to hear IP matters, including patents, and is disappointed that the Government's response has restricted its support for the proposal to copyright and trade mark matters.

FICPI Australia understands that there are proposals for the Federal Court to streamline procedures before it in selected IP matters, and again is supportive of these if they reduce the cost and length of time of IP proceedings. However, it is further understood that patent disputes are to be excluded from these on the basis that they are too complex.

We believe that both the Government and the Federal Court may be misguided in excluding all patent matters from these proposals, since it is precisely the "smaller" patent disputes that need them. Adopting these procedures could greatly assist SMEs to enforce their patents and defend infringement allegations.

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?

FICPI Australia does not support the proposal that all patent disputes should first be heard in a patent tribunal or other new independent decision-making body. The purpose of the new decision-making body should be to reduce the cost and length of patent disputes involving relatively small amounts, particularly for SMEs. Forcing all patent disputes through this system would have the tendency to clog up the system and remove the advantage of speedy resolution.

Question 16

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

Any new decision-making body for patent disputes whose decisions are appealable has the potential to add another layer of expense and complexity to the current process of patent enforcement. However, FICPI Australia believes that the procedures in, and possibly the full availability of appeals from, the body could be managed in such a way as to alleviate these risks for a least some patent disputes.

Question 17

Are there other quasi-judicial models that would be more effective?

As noted above under Question 14 above, FICPI Australia believes that the Federal Magistracy could be adapted as a relatively low-cost forum for hearing certain patent disputes.

Question 18

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

While there may ultimately be advantage in a patent tribunal or other independent decision-making body hearing post-grant opposition proceedings, FICPI Australia is again concerned that this may clog up the system and remove the possibility of speedy resolution of patent enforcement disputes in that body.

Question 19

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

Patent insurance has always been problematic. The premiums are high and the process for securing cover is generally complicated and lengthy. FICPI Australia is aware that AON Risk Services promoted patent infringement insurance in the late 1990s with very little pick up from industry. They no longer provide patent infringement insurance as few Australian corporations were prepared to pay the premiums demanded. Furthermore, the underwriters (usually either English or American) required a large volume of information before they would agree to insure and this process in itself deterred many from pursuing infringement insurance. At present, patent insurance is not a viable option for SME's and it is unlikely, in the view of FICPI Australia, to become a viable option unless the process could be streamlined and the premiums substantially reduced.

Question 20

What is the reason for the apparent reluctance of private enterprise to provide patent insurance?

It is the experience of FICPI Australia members that it is now very difficult to secure patent insurance. No doubt there are a number of reasons for this but it is FICPI Australia's view that the most significant factors are: -

(i) the uncertainty that a granted patent is valid; and

(ii) the high cost of patent infringement litigation.

Question 21

What can be done to ensure private enterprise provides commercially viable patent insurance?

In a free market, when insurance risks are high it seems that little can be done to ensure that private insurers provide patent insurance which is "commercially

viable". FICPI Australia considers that the most effective action that government can take is to foster an environment where private insurers will be less concerned about the level of risk. A first area to target would be Patent Office examination. A re-doubling of efforts to ensure quality examination of patent applications would hopefully mean that granted patents would be more likely to be upheld by the Courts. The relatively high proportion of granted patents which have in recent years been found to be invalid by Australian Courts no doubt influences the attitude of private insurers.

The second area of potential reform is enforcement costs. FICPI Australia maintains its concerns that the costs of litigation are too high and often disproportionate to the commercial value of the inventions protected by patents. FICPI Australia reiterates earlier submissions that it considers that the Federal Magistrates' Court should be conferred with jurisdiction to deal with both patent infringement and patent validity. Whilst we recognise that the government has recently agreed to extend the jurisdiction of the Federal Magistrates' Court only to Design and Trade Mark matters, FICPI Australia continues to be of the view that the Federal Magistrates' Court should be empowered to hear patent matters.

Question 22

Would patent holders benefit by an Enforcement Fund?

FICPI Australia does not support an Enforcement Fund. In practical terms an Enforcement Fund could only be established through increased official fees. A significant proportion of the fund would be needed for administration. The establishment of a fund would not address the core issue being the high costs currently involved in resolving patent infringement disputes.

Question 23

How would an enforcement fund be administered and financed?

FICPI Australia's reluctance to support an Enforcement Fund is in part due to the difficulties posed by this question. If the fund was means tested so that large, well financed corporations could not get access to the fund, how would the means testing be structured? Would the question be addressed differently if the corporation was a public as opposed to a private corporation? Would the body administering the fund make an assessment of the strength of the case before granting access to funding and if so how would that assessment be made? How could the fund be administered so that a patent holder could move quickly in cases requiring interlocutory relief? No doubt these and other issues militated against the formation of such a fund in the UK.

Question 24

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

No.

Question 25

Would patent owners be better able to pursue enforcement actions if there were higher rates of tax deductions for litigation expenses?

FICPI Australia has no firm views and certainly no data which would suggest that patent owners would be better able to pursue enforcement actions in the event that there was some tax relief in relation to legal costs. Plainly there are some patent owners whose rate of tax deductibility would be largely irrelevant to the issue of whether to pursue an enforcement action. However, in a case where the likely cost of litigation is finely balanced against the commercial benefits of enforcing the patent, a higher rate of tax deductibility may well influence a patent holder to proceed with infringement litigation. For poorly resourced patentees increased tax deductibility would be unlikely to significantly affect the decision on whether to litigate or not. Whilst FICPI Australia is not opposed to a higher rate of tax deductibility for patent litigation expenses, we consider it unlikely that the implementation of such a proposal would have an impact on a significant number of patent owners when deciding whether they should or could pursue enforcement proceedings.

Question 26

Would more people be encouraged to use ADR measures if there were restrictions on tax deductions for litigation expenses?

Again this is hard to assess from the experience of FICPI Australia members. Nonetheless, we would be surprised if tax deductibility in itself would be a major consideration in determining whether to pursue ADR measures. Often it is a party to a dispute with more economic power that will be reluctant to participate in mediation or some other alternative dispute resolution mechanism. ADR is effective when both parties to a dispute recognise benefits in early resolution of that dispute. Whilst there might be an occasional case where different tax treatment on litigation expenses might be relevant in making a decision about whether to pursue ADR it is FICPI Australia’s view that the proportion would be small.

Question 27

Could other tax incentives assist individuals and businesses to better enforce their patents?

The FICPI Australia membership does not have the expertise to properly address this question. Nonetheless, we do comment that there is a fine balance between the respective rights of patentees and members of the general public. Patentees are granted monopoly rights for a limited period. These patent monopoly rights are exceptions to the general prohibition to the grant of exclusive rights to one person in an otherwise free market. If tax incentives were to be contemplated for patentees it would be crucial that these incentives were structured so that they did not operate to unfairly disadvantage persons alleged (possibly incorrectly) to be infringing a patent.

Question 28

Should criminal penalties be available for patent infringement?

FICPI Australia has some reluctance in supporting criminal penalties for cases of patent infringement. Generally, there is a public policy aversion to conduct being defined as criminal unless there is a wilful intention to do an act which is known to be wrong. It is often difficult for experienced practitioners to determine whether a patent claim is valid and infringed, let alone for individuals to make this assessment. FICPI Australia welcomes the changes to the Patents Act which now enable patentees to secure exemplary damages for wilful or flagrant infringement. We consider these measures more appropriate for dealing with flagrant infringement than criminal sanctions. The issues of validity and infringement are generally much more complex in patent matters than they are in cases of copyright or trade mark infringement where criminal sanctions currently exist for wilful infringement.

Question 29

Should criminal sanctions be available only in the event of wilful patent infringement?

In the event that criminal sanctions were introduced for patent infringement FICPI Australia would agree with the proposition that those sanctions should only be available in the event of showing that the person knew of the existence of the relevant patent rights and was involved in wilful infringement. However, as expressed above, we do not support such a move.

Question 30

In addition to current efforts in international fora, what other strategies could Australia pursue internationally to assist patent owners enforce their patent rights in overseas jurisdictions?

FICPI Australia, whilst generally supportive of efforts to harmonise patent laws throughout the world, is concerned that not enough is being done to harmonise enforcement procedures in different countries of the world. FICPI Australia is, for example, concerned that too little is being done to harmonise the laws relating to privilege, that discovery continues to be an overburdening and inappropriate cost in US litigation, that nullity proceedings and infringement proceedings are conducted separately in Germany, and that the manner of taking evidence from experts varies so widely from jurisdiction to jurisdiction. The need to obtain specialist advice in multiple jurisdictions for enforcing patents which are essentially in the same terms adds considerably to the costs and difficulties facing patent owners in enforcing their patent rights in overseas countries.

Question 31

What kind of domestic changes, programs or strategies are more likely to assist patent owners with enforcement overseas?

FICPI Australia believes that it is very difficult for any domestic changes to have any significant assistance for patent owners with enforcement problems overseas.

Unless overseas countries were prepared to give some weight to decisions of an Australian court on a corresponding patent, FICPI Australia sees little that can be done domestically to assist in overseas enforcement. However, we do not support cross-jurisdictional support of decisions in IP matters unless the relevant laws and the practical application of the laws of the two countries are completely harmonised.

Question 32

Would a publication or on-line information site dedicated to assist patent owners enforce or defend their rights in country specific jurisdictions be advantageous?

FICPI Australia believes that such an on line information site is likely to be costly to produce and maintain, with very little benefit. As indicated in our response to Question 4, enforcement issues are generally case specific and it is necessary to secure professional advice from a person practising in the relevant overseas country.

Question 33

Are there other strategies that could make overseas patent enforcement easier and less costly?

We refer to our answer to question 30.

Question 34

Should there be legislative provisions relating to customs seizure of imported goods which infringe patents?

Whilst FICPI Australia is not averse to this proposal, we recognise that, practically speaking, it would be difficult for Customs to operate such a seizure program. Even with the existing copyright and trade mark programs there are many instances of products being imported into Australia which infringe registered rights – it is simply not possible for Customs to examine all goods being brought into the country and check them against an IP register. In the case of Customs seizure for patent infringement it would be necessary for a Customs Officer to be forewarned of a likely shipment of infringing product. From time to time this could occur and the capacity of Customs to make a seizure in these circumstances would be of benefit and would be supported by FICPI Australia. As with the current regime for seizure under the Copyright Act and under the Trade Marks Act we would support a scheme which would require Customs to release the product to the importer unless the patent holder brought proceedings for infringement within a reasonable time of being advised by Customs of the seizure.

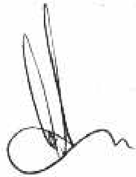
General

FICPI Australia recognises that the costs and delays in enforcing patents in Australia and overseas is one of the most pressing problems facing the IP community. As can be gathered from our responses to each of the questions above, FICPI Australia does not believe that the primary emphasis in dealing with

these problems should be focussed on IP Australia providing additional services or information. Rather, FICPI Australia considers that there is a significant need to address some of the fundamentals. We consider that there needs to be a re-focus on IP Australia's core task of providing quality examination, that there is a need for the Australian Government to be involved in efforts to harmonise patent enforcement laws and procedures and that further consideration should be given to the establishment of a lower level court having jurisdiction to deal with patent enforcement matters.

Representatives of FICPI Australia are available to discuss any aspect of this submission. We appreciate the opportunity of being involved in this review.

Yours sincerely
FICPI AUSTRALIA



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