

Ms Jacqueline Carroll
ACIP Secretariat
PO Box 200
WODEN ACT 2606

Dear Ms Carroll,

Post-Grant Enforcement Strategies

1. The Intellectual Property Committee of the Business Law Section of the Law Council of Australia ('the Committee') has considered ACIP's Post-Grant Enforcement Strategies Interim Report.
2. The Committee previously lodged a submission on the ACIP Issues Paper on 11 April 2007 which it maintains, but does not repeat here.

Proposals 1, 2, 3, 4, 5 and 6: Alternative dispute resolution
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3. Taken as a whole, the Interim Report proposes to erect an extensive alternative dispute resolution edifice.
4. There are already many mediation and arbitration services available in Australia.¹ The existing services include, in all or almost all cases, the ability to choose mediators or arbitrators with patent experience and qualifications. Consequently the ADR structure duplicates services which are already available.
5. Given the relatively small number of patent disputes in Australia, the extensive ADR structure proposed in the Interim Report also appears to be disproportionate and potentially costly to the government.

¹ These include the Federal Court mediation service, mediation services in State Courts, Australian Institute of Mediators and Arbitrators, Australian Centre for International Commercial Arbitrations, Australian Mediation Association, Intermediate Dispute Management, Australian Arbitration.

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6. If, notwithstanding the Committee's submission that the proposed structure is unnecessary, ACIP recommends proceeding with the proposals, the Committee regards it as of importance that the ADR structure does not divert scarce resources from the core activities of the Patents Office, particularly examination and re-examination processes. The Committee notes, for example, the large examination backlog.² Any ADR structure should therefore be self financing rather than cross-subsidised.
 7. The foregoing comments apply generally to the ADR structures proposed, but the Opinion Service gives rise to particular problems. Unlike the other ADR processes proposed, participation is not truly voluntary. Patentees or alleged infringers may find that opinions are sought in relation to their patents, or alleged infringing conduct to which, as a matter of practice, they consider they are obliged to respond. Certainly, that has been what has occurred in the UK experience.
 8. The proposal is therefore not necessarily low cost to the parties. The substantial costs do not arise because of the fees charged by the Patents Office but because of the costs involved in preparing submissions. From the UK experience it appears that detailed submissions and evidence have often been prepared. Opinions have even been appealed to the courts.³ The potential for costs associated with preparation of evidence and submissions will be more onerous in cases involving issues of infringement. And the opinion does not finally determine anything. Indeed, it may well serve only to encourage one party or the other to litigate.
 9. UK experience is that a majority of opinion requests relate to validity and over 40% relate exclusively to validity.⁴ The Committee's view is that it would be preferable for these disputes to be dealt with by re-

² There were 72,664 pending applications as at 2007 (more than double the figure in 2006); World Intellectual Property Indicators, WIPO, 2009.

³ *DLP Limited, re UK Intellectual Property Office Decision* [2007] EWHC 2669 (Pat); *Cunningham v Nokia Corporation* [2008] EWHC 1174 (Ch).

⁴ The proportion of opinion requests raising validity (including where infringement was also an issue) is 57% (68 out of 119), and the proportion overall raising validity exclusively is 41% (49 out of 119). UK Intellectual Property Office, 'Requests for opinions', <<http://www.ipo.gov.uk/pro-types/pro-patent/pro-p-dispute/pro-p-opinion-advert.htm>>, (accessed 12 October 2009).

examination, where there is a binding determination of the issue. If the patent is found invalid, it is removed from the register. There is no re-examination procedure available in the UK.

10. In relation to infringement issues, the Committee remains of the view, expressed in its previous submission, that the opinion process is not one which is suited to this sort of determination having regard to the need, in many or most cases, to deal with contested evidence including evidence of fact.

Proposal 10: Australian Customs seizures

11. The Committee is in favour of this proposal on the basis that the system will operate in a similar manner to the system currently in place under Part 13 of the *Trade Marks Act 1995* (Cth). The Committee does not consider that there will be serious practical issues for customs officers in determining whether to seize goods in cases where there is potential patent infringement. In practice, in the trade mark area, customs officers are briefed in advance on expected importations of infringing product. The Committee expects that a similar approach would be followed with patents.

Proposal 11: Monitoring and review of reasons for change from pre-grant opposition

12. The Committee is disappointed that ACIP has deferred consideration of the key substantive proposal contained in the issues paper – the proposal to replace pre-grant opposition with post-grant opposition. Delays in grant resulting from pre-grant oppositions seriously impinge upon the rights of patentees by delaying their ability to commence action for infringement including the ability in appropriate cases to obtain urgent relief.
13. The present Australian system is inconsistent with the practice in most other major jurisdictions. Europe has post-grant oppositions. The US has no opposition process.
14. The Committee considers that the issue of preventing grant of invalid patents should be addressed primarily by improving the quality of examination. The number of patent applications opposed is a very small proportion of all patent applications, and patent applications are almost never wholly invalidated in oppositions. This, and improvement

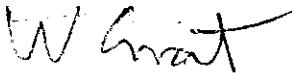
of the re-examination system, is one of the reasons the Committee considers resources should not be diverted from these core functions.

15. There is no guarantee that a patent granted after an opposition is valid. Hearing officers have experience and ability in dealing with written citations but the structures, procedures and experience of hearing officers are not adapted to dealing with contested issues of fact and credibility. In the context of oppositions, the Committee's observation is that hearing officers are forced, generally, to avoid determining the real merits of credibility disputes, by deciding on onus.
16. The concern that post-grant opposition may convey a misleading perception to first time applicants can be addressed by education. The Committee is aware of no evidence that the confidence of innovators, inventors or investors has been affected by this procedure in Europe.
17. As to delay, the pre-grant opposition period delays (for an average of three years)⁵ the ability of the patentee to commence an action in court. Post-grant opposition would enable the patentee to obtain, in appropriate cases, interlocutory injunctions or other similar relief. As to how the case would then proceed, the Act contains a procedure in relation to opposition to innovation patents which would be apt (section 101P). That gives the Court the power to either proceed with hearing the action or to stay the action and give leave for the opposition to be determined by the Patents Office. Thus the patentees need for urgent relief and the desirability, in relevant cases, of using the less costly opposition procedure to determine validity can both be satisfied.
18. Consequently the Committee encourages ACIP to reconsider this issue for its final report.

⁵ Advisory Council on Intellectual Property, *Post-Grant Patent Enforcement Strategies Interim Report*, August 2009; citing Patent and Examination Hearings Group, IP Australia, 2006.

If you have any questions in relation to this submission, in the first instance please contact the Committee Chair, Ian Pascarl, on [03] 9254 2567.

Yours sincerely,



Bill Grant

Secretary-General

6 November 2009