
Submission to the Advisory Council on Intellectual
Property on Post-Grant Patent Enforcement Strategies

Law Council of Australia: Business Law Section,
Intellectual Property Committee

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The Intellectual Property Committee (*IPC*) of the Law Council of Australia has considered with interest ACIP's Issues Paper of November 2006 on post-grant patent enforcement strategies. The IPC would like to take the opportunity to respond to a number of the questions raised in the Issues Paper.

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?

1. In principle, IPC supports a post-grant opposition process, on the assumption that the pre-grant opposition process would be dropped, and that a time limit of 9 months from grant applies to commencement of the opposition process.
2. It will be of advantage to the patent owner to be able to commence infringement proceedings even during the opposition period. The average pre-grant opposition of three years is highly undesirable to the effective life of the patent.
3. The ability to enforce the patent within a shorter period of time would certainly assist patent owners to better enforce their patent rights.
4. As to the criticism of post-grant opposition having the potential to weaken the presumption of validity for a granted patent, the presumption of validity does not count for much. Compared with obtaining the ability to enforce a patent earlier than with pre-grant opposition, it pales to insignificance.
5. IPC agrees that under a post-grant system it would be open to the parties to completely avoid post-grant opposition and go straight to a prescribed court. One reason why an opponent might prefer to commence revocation proceedings rather than use the post-grant opposition procedure is that the grounds of invalidity which may be raised in revocation proceedings are still more extensive than the grounds of opposition. Following recent amendments to the *Patents Act 1990* (Cth) (the **Act**), utility and secret use are now grounds of opposition. However, a patent cannot be opposed on the basis that it was obtained by fraud, false suggestion or misrepresentation. Accordingly, if there is an argument that a particular patent is invalid for fraud, false suggestion or misrepresentation, an opponent to the patent may well choose to commence revocation proceedings rather than use the post-grant opposition procedure.
6. However, it is not a criticism of the post-grant system that post-grant opposition would be avoided by going straight to a prescribed court. On the contrary, if that occurs, it cuts a corner, which is desirable. Not only is the opposition step avoided but also a potential appeal of the Commissioner's decision to the Federal Court (see section 60 of the Act).
7. IPC is opposed to making opposition proceedings compulsory before any court action where the opposition period has not expired. That would just slow the determination of infringement and validity by requiring opposition proceedings which would in those circumstances be unnecessary.

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8. IPC considers that if a post-grant opposition procedure is adopted, the Act should prohibit the Commissioner from hearing an opposition if relevant court proceedings in relation to the patent are pending. The Act should provide that opposition proceedings may be stayed if there are court proceedings dealing with any of the same issues in opposition proceedings. This would be consistent with the position in relation to amendment (see section 112 of the Act) and re-examination (see section 97 of the Act). IPC notes that if the court does not wish to deal with the validity issues, the court may exercise its power to direct the Commissioner to re-examine the complete specification (see sub-section 97(3) of the Act). However, the scope of re-examination is limited to novelty and inventive step and the prior art base does not include prior art information made publicly available only through the doing of an act. Accordingly, it seems unlikely that a court would make an order for re-examination if grounds of invalidity other than novelty and inventive step were raised.
 9. IPC is opposed to adoption in Australia of the feature of the *Patent Reform Act 2006* in the US allowing outsiders to dispute validity of a patent before a board of administrative judges within the USPO. The reason for this opposition is that it will not reduce delays and litigation, which is said to be the rationale behind it. The proposal, if adopted, would create another layer in the system before determination of infringement and validity occurs at a level (ie, in court) upon which the patentee can rely.

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?

10. IPC considers that it will not be beneficial for patent owners to be able to obtain an opinion on patent validity or infringement from IP Australia. First, IP Australia would by the process of examination of the patent, have already in effect given an opinion on the issue of patent validity.
11. Secondly, as to infringement, IP Australia is ill-equipped to assess infringement because that involves assessment of information in accordance with the rules of evidence.

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

12. It should not be mandatory to obtain a validity opinion from IP Australia. The reasons include the reasons given in answer to question 7, plus the reason that for many patentees, such an opinion would be worthless and just add another layer of expense. That is because validity involves obtaining evidence from witnesses qualified to comment on the position of a person skilled in the art in Australia. That is a matter for independent expert opinion, not the opinion of anyone who is employed within IP Australia.
13. As well, an opinion on validity from IP Australia (which is responsible for the Patents Office) would be obtaining an opinion from a source with a potential conflict of interest, that is, IP

Australia's interest in supporting the decision made by someone within its own organisation.

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

14. IPC considers this proposal to be thoroughly objectionable on the following grounds. First, the patentee or opponent would be forced by the proposal of linking the award of costs to whether a patent had been re-examined as to its validity by IP Australia, to obtain an opinion as to validity the reliability of which cannot be warranted. Secondly, courts are traditionally able to take into account all the circumstances of the case in deciding how to award costs. Linking any one aspect of the behaviour of the parties to the award of costs to be made is restrictive of the discretion of the court when there is no justification for that limitation.
15. IPC observes that deference to the Patent Office in jurisdictions such as Japan and Germany, might be part of the culture of those countries but is certainly not the culture of common law countries, including Australia. Certainly in Germany, they do not apply the same rules of evidence that we do. The rules here have been developed to support both substantial and procedural fairness as part of our culture. Fundamentally, the common law culture seeks as part of doing justice, to find out what is right. The German process is one of getting resolution to which both sides will have to submit whether that resolution is in fact 'right' in our context, or not.

Question 10: Would mediation be of benefit in patent disputes?

Question 11: Should IP Australia provide a similar mediation service to that provided in the United Kingdom?

Question 12: Should mandatory mediation occur prior to an enforcement action being pursued in the courts?

16. The commentary of ACIP acknowledges that ADR systems may be part of the normal court process. IPC accepts that mediation is a proven dispute resolution process, and that it is of benefit in particular cases.
17. However, it is very much a matter of 'horses for courses' and one cannot predict for which case mediation will be appropriate without knowing its actual circumstances.
18. As both patentees and their legal advisors in Australia are alive to the availability of mediation, this topic should not be regarded as one which is new to patent disputes in Australia. In the case cited by ACIP (*Dunnett v Railtrack (in administration)*) - one can tell even from the name of the case that it might have had circumstances (being an appeal and

one party being in administration) that the matters coming before the Court of Appeal in the UK were ripe for the process of mediation.

19. IPC agrees with the drift of the commentary of ACIP on the idea of mandatory mediation, ie, that it is not warranted because it would add a further layer of time and cost in which is already a complex area (as the Issues Paper says).
20. IPC recommends that mediation continue to be controlled by the court and the parties before it.

Question 13: Would it be of benefit if mediation efforts were considered when legal costs are awarded?

21. IPC considers that when legal costs are awarded, courts should be (as now) entitled to take into account all of the circumstances. That includes mediation efforts, but only in circumstances where one party has steadfastly refused to mediate and the other party can prove that it has so refused. Any other assessment of how the parties performed in relation to mediation would require proof of matters not normally available to be proved (for example, without prejudice conversations) and would thus simply be unhelpful.

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?

22. IPC considers that the concept of a patent tribunal (administrative) is just another layer in the system by which we determine infringement and validity.
23. Such a tribunal would be in no better position (it would probably be in a worse position) than the court is to determine infringement and validity because it is only in courts that you have the skills for assessment of evidence. Judges are experts in assessing evidence.
24. It is true that judges are not experts in technology, but then neither should the persons who are heading up the tribunal be so expert in technology as to not need to make decisions without reliance upon the evidence that has been put to them. The right persons to assess such evidence are judges.
25. IPC agrees with the comment of ACIP that a patent tribunal simply adds another layer of complexity. IPC further agrees that such a tribunal hearing would be used to extract information (not so much evidence) to enable better preparation for the hearing before the court which would follow on after the hearing before the tribunal.

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26. IPC also agrees with the doubts expressed by ACIP as to the viability of placing restrictions on de novo appeals from a patent tribunal. Such a tribunal would not be a court and of course, the first time the matter is before the court, the parties must have their opportunity to provide information in accordance with the rules of evidence.
 27. Accordingly, this proposal is not viable first because it just adds another layer of complexity, secondly, because the tribunal would be less well equipped than is the court with appropriate witnesses before it and thirdly, the tribunal's determination would inevitably be followed by starting all over again in a hearing de novo. The latter point gives particular life to the first point.
 28. IPC is not aware of any other quasi judicial model that would be more effective than the patent tribunal proposed, but then IPC does not consider that the patent tribunal would itself be at all effective. Effective means adding efficiency without the loss of ground.

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

29. IPC does not consider that it would be beneficial for a patent tribunal to hear post-grant opposition proceedings for these reasons. First, the opposition should be dealt with by the Hearing Officer or Examiner who is already familiar with the issues raised by the Patent Office during the processing of the application up to grant. It is an inefficiency to bring another hearings body in to deal with what is partly a review of the application for grant, and partly consideration of fresh evidence and submissions from a third party or parties.
30. IPC considers that it is reasonably arguable that there could be a benefit for a patent tribunal to hear post-grant opposition proceedings in the sense that it would be a review by persons different from the person who processed the application. However, as the application process is an administrative one, there does not seem to be any justification for doubling the layers of administration process.
31. On the whole, IPC sees the introduction of a patent tribunal as just another layer of expense and complexity.

Question 26: Would more people be encouraged to use ADR measures if there were restrictions on tax deductions for litigation expenses?

32. The question involves the assumption that ADR measures are uniformly preferable to litigation, when in numerous cases, litigation is the better option for the particular circumstances. Why should there be discrimination against persons whose cases have to be litigated rather than put through ADR measures?
33. IPC considers this proposal to be objectionable on the grounds that whether people should use ADR measures or litigation is a matter for them to decide. They ought not to be

pressured in making their decisions as to whether to litigate or not, by changes in taxation law.

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

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

34. IPC considers that criminal sanctions for patent infringement are unnecessary. The footnote 21 says it all. In countries where there are criminal sanctions, they are rarely used.
35. The lack of use of criminal sanctions in countries where they exist is one matter - another is the interference with the patentee's control over the process which involves issues of ownership and validity of the patent. It is the patentee's role to defend ownership and validity. The concept of the State defending the validity of the patent under attack from an alleged criminal, defies gravity. Patentees should not lose control over processes involving challenges to the ownership and validity of their patents.

Question 34: Should there be legislative provisions relating to customs seizure of imported goods which infringe patents?

36. Provisions relating to customs seizure of imported goods which infringe patents would be a positive development for patentees.

Contingency Fee Issue

37. On the whole, litigation around patents is too complex for contingency fee proposals to be realistic.