

Dear Sirs,

It is disappointing that ACIP has concluded that Options D and D2 would be in breach of the TRIPS Agreement and the AUSFTA. This is because, by your own admission, solutions which emphasise utilitarianism ensure that the monopoly “rights...only extend to the contribution made by the inventor”.^[1] While appreciating that Australia is a “net importer of innovation”^[2] and, as such, would be vulnerable to action under these instruments, the dismissal of D and D2 is unnecessary.

Firstly, I believe that reconstituting a patent right more in the form of a futures contract may solve many of the problems surrounding infringement. Allowing scientists, researchers and corporations to enter arrangements in an open market, to pay specified royalties at the maturity of a contract encourages two important forces to work. Firstly, the free market is operating and supply and demand will generally determine a reasonable price for patents. Secondly, a public futures market helps to ensure transparency in dealing, with the appropriate disclosure regimes in place. Thirdly, if researchers can have some access to inventions without having to immediately pay a royalty, they can do some exploratory work and then, if their hypothesis does not appear to be working, they can sell the futures contract. The sale of futures contracts before maturity does not appear uncommon, for it is noted by Nolan and Nolan-Haley that:

“...Only a small percentage of futures trading actually leads to delivery of a commodity, for a contract may change hands or be liquidated before the delivery date...”^[3]

To avoid abuse of access rights to patents under futures contracts, researchers who made use of the mechanism (but then subsequently sold a futures contract before maturity) should be required to attach to the patent a description of their hypothesis, the exploratory work they undertook and, a full scientific explanation of the reason why they terminated their investigation. If the patentee reasonably believed, on the basis of this information, that their patent had been infringed in bad faith, then they could initiate action against the party who had sold the futures contract. In assessing whether a researcher had made use of another's invention in bad faith on the futures market, the courts could be guided by the legislative provisions contemplated by Option C7. I note that ACIP has some concerns about this option, in the belief that it will “provide false comfort, as it will ultimately be interpreted by legal experts, not technologists”.^[4]

While acknowledging there is some validity in the above concern, it is neither a foregone conclusion nor an insurmountable problem. Firstly, I shall begin by presuming that technologists are professionals, amongst whom would be expected a collegiate standard of behaviour in the handling of research data. From here, tortious principles about when and how a court could find that a plaintiff had suffered economic loss could be applied. In particular, Luntz and Hambly note that, in relation to economic loss caused by negligent misstatement:

“...*Derry v Peek* made it clear that for an action in deceit to succeed the plaintiff must show that the defendant was fraudulent. This meant that the defendant must have made the statement knowing it to be untrue, or else conscious of the fact that it might be and not caring whether it was true or false...”^[5]

With reference to what we are discussing, the plaintiff's argument would be that the documentation produced as a requirement of the sale of the futures contract revealed that the defendant had trespassed beyond the reasonable bounds of the exemptions and permitted uses under Option C7. Noting that Luntz and Hambly state that it is quite difficult to sustain such an action, plaintiffs may seek relief via Trade Practices or Fair Trading legislation.^[6] Nonetheless, I would be concerned if maintaining such an action was too easy, given that some researchers have expressed concern about patent law stifling scientific research.^[7] In

that sense, it would seem useful to bring back into the statute law some very useful and relatively clear common law principles. For example, below is extracted the words of Lord Macmillan in *Mullard Radio Valve Co Ltd v Philco Radio and Television Corporation of Great Britain Ltd*. His Lordship carefully drew limits around the scope of any patent, when he observed:

"...The consideration which the patentee gives to the public disclosing his inventive idea *entitles* him in return to protection for an article which embodies his inventive idea but not for an article which, while capable of being used to carry his inventive idea into effect, is described in terms which cover things quite unrelated to his inventive idea, and which do not embody it at all...(and)...It is undoubtedly the case that a claim may be too wide, in the sense that it claims protection for that for which the patentee is not *entitled* to protection, or that it gives him a wider protection than his discovery *entitles* him to receive. In the present instance the Patentee has claimed a monopoly of all valves with a certain feature of construction although the *merit* of his invention does not lie in that feature but in the utilisation in a particular and limited way of a valve containing that feature of construction. In so doing he has in my opinion over-reached himself and his claim is wider than the law will support..."^[8]

Given ACIP's concern over the patentability of biotechnology,^[9] it may be useful to provide the judiciary with greater flexibility, even if this produces greater uncertainty. This is because have considered commentary on statutory interpretation,^[10] I find a purely statutory approach reductionary and restrictive. I would go as far as recommending Lord Macmillan's words be repeated in statute, along with Lord Atkin's famous articulation of the good neighbour principle in *Donoghue v Stevenson* early last century.^[11] Researchers should be neighbourly and, in applying for a patent, consider whether their legal monopoly is reasonably likely to stifle somebody else's work. I do not believe this is unreasonable, because even in corporate law, there can be some limited departure from the profit motive for some 'charitable dealing'.^[12] In order to achieve these ends, it may be necessary to take the granting and enforcement of patent rights out of the judicial realm, into an administrative law and alternative dispute resolution setting. In a quasi-judicial framework focused on conciliation, where the strict rules of evidence do not apply, we may be able to find a way to achieve all the competing aims I have outlined above.

Yours truly,
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^[1] Advisory Council on Intellectual Property, *Patents and Experimental Use: Issues Paper*, December 2004, p.14

^[2] *Ibid*, p.7

^[3] Nolan, Joseph R., and Jacqueline M. Nolan-Haley (eds), *Black's Law Dictionary*, 6th ed., St. Paul Minn. West Publishing Co., 1990, p .676

^[4] Advisory Council on Intellectual Property, *op. cit.*, p.13

^[5] Luntz, Harold, and David Hambly, *Torts: Cases and Commentary*, 4th ed., Butterworths, 1995, p.812

^[6] *See ibid.*, p.813

[7] For example, see Salleh, Anna (ABC Science Online), *Gene patents may stunt research, says expert*, Monday, 11 November 2002, available at thelab@your.abc.net.au

[8] (1936) 53 RPC 323 at 346-347.

[9] See Advisory Council on Intellectual Property, *op. cit.*, pp.21-22

[10] For example, see Barwick CJ in *Olin Corporation v Super Cartridge Co Pty Ltd* (1977) [180 CLR 236](#) at 242

[11] See Luntz and Hambly *op. cit.*, pp. 123-126

[12] See Bakan, Joel. *The Corporation*, Constable & Robinson Ltd, 2004, pp.38-39