

Patents and Experimental Use

OPTIONS PAPER

SUBMISSION:

Summary:

- The patent system should allow experimental use of patented products and processes.
- It may be difficult to provide a statutory definition of "experimental use", thus an open, non-limiting approach may be preferable, such as Option C1.
- It is suggested that a practical way of allowing experimental use is via an investigation into the economics of damages. If an otherwise infringing use would cause no economic damage, there would be no point in suing. This approach may be consistent with Option B.

Discussion:

It is difficult to define "experimental use". One might consider that experimental use is something that is done in universities and research institutions. While some activities of a research institution might fall within such a concept, others, such as contract research, may not. This may be the case notwithstanding that "experimental use" may be a collateral benefit of the contract research.

Researchers use commercially manufactured equipment all the time. A patent holder in the business of making research equipment such as electron microscopes would no doubt be unhappy about a university infringing an electron microscope patent, simply because the university was conducting research. Commercial organisations conduct experiments and trials. Depending on the facts and as discussed below, some of the activities of a commercial organisation might comfortably fall within the scope of "experimental use."

The patent system is fundamentally linked to trade. It provides a time-limited restriction on trade of patented products and processes. It is hoped that the provision of the trade restriction encourages inventors to teach the world about their invention by awarding the economic benefit of the time-limited trade restriction. When the patent term expires, the trade restriction is lifted. In the NRDC case¹ the concept of a patentable process was considered (CLR at 275):

¹ National Research Development Corporation v Commissioner of Patents,

"The point is that a process, to fall within the limits of patentability which the context of the Statute of Monopolies has supplied, must be one that offers some advantage which is material, in the sense that the process belongs to a useful art as distinct from a fine art ... - that *its value to the country is in the field of economic endeavour.*"

It is suggested in considering whether or not a use is an experimental use, regard should be had to whether the use is "in the field of [an] economic endeavour". That is, an experimental use is a use that is essentially non-economic, non-commercial. We suggest that experimental uses includes uses from which the experimenter does not make an revenue benefit, nor does a patent holder suffer a loss of sales, profits, or other economic damage.

We suggest uses that could fall within such a definition of "experimental use" include prototype development, tests, trials, and comparisons where no revenue is generated.

These are concepts and distinctions that are regularly acknowledged and made in taxation law.

The options paper notes the concern that patents could prevent primary research. However we note that there are implications for business.

Importantly, we note that in view of the time required for product development, not allowing experimental use as described above creates a *de facto* extension of the patent monopoly. Unless experimental use is permitted prior to the lapse of a patent, a party may be unable to prepare a competing product for sometime after lapse of the patent because of practical considerations such as gearing up for production.

Patent specifications are published, raising awareness in the relevant art. To prevent experimental use during the period of monopoly could stifle the public benefit the system aims to provide.

The option paper notes that there is little empirical evidence in Australia relating to experimental use. One possible reason is that it is simply not worth suing for patent infringement in Australia unless there is likely to be a significant economic benefit to the patent holder. Patent litigation is

expensive - typically hundreds of thousands of dollars - and favourable results are not guaranteed. A recent article² on patent litigation in Australia over the last 10 years noted that an infringement action was successful in only 20% of cases. Perhaps as suggested on page 36 of the option paper, patent holders are only pursuing those infringers causing significant economic damage. In that case, perhaps there is no need to change the law, and option B would be a suitable outcome.

Additionally or alternatively, it may be worth reviewing the way damages are awarded. The idea being that damages, to the extent to which they do not already, ought to relate to the economic damage suffered by the patent holder. An experimental use, being a use during the term of the patent from which a patent holder suffers no economic damage, ought thus to result in little or no damage award to a patent holder. That being the case, a patent holder would derive no benefit from launching an infringement action.

There is considerable merit in having a flexible approach that allows the courts to consider the facts of each case and produce an outcome in accordance with the above points. A strict definition of experimental use may be easier to circumvent.

A common sense approach to experimental use consistent with the aims of the patent system should prevail.

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² Drummond, "Are the Courts Down Under Properly Handling Patent Disputes ?", Intellectual Property Forum, **42**, 2000.

