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Mr Sean Applegate  
Secretariat  
Advisory Council on Intellectual Property  
PO Box 200  
**WODEN ACT 2606**

**FAXED**  
28 02 05

Dear Mr Applegate

**Re: Patents and Experimental Use**

The University of Adelaide has considered the various options outlined in the above Options Paper and would like to offer the following comments on each option.

**Option B – no change**

We believe that this option is not attractive in that it would perpetuate the current position of uncertainty regarding the law in this area.

Universities are working in a more commercial environment than ever before and this is accentuated by the nature of research agreements which include a range of commercial issues. More activity is occurring in the area of contract research and in generating spin-offs and start ups. With this increasing commercial focus, to leave research institutions in a continuing state of uncertainty and confusion regarding this issue is not acceptable. The consequences of developing major commercial projects based on research outcomes which may be subject to infringement claims are significant. Therefore, this option which provides no guidance on what strategies research institutions should take to ensure they comply with the law is not helpful. It would also fail to capitalise on the extensive work done in reviewing the current law and the results of consultation with specialist groups.

**Option C1 – definition of exploitation does not include experimental use**

Whilst this option would be quite simple to introduce its effect would most likely be minimal in terms of providing greater clarity in the law. Thus, it is not a preferred option.

## **C7 – exemption for fair experimentation with inclusive permitted uses (C4+ C6)**

We believe that there is merit in this option and that while this might not be the optimal option, amendments based on this alternative would be acceptable.

As mentioned earlier, with the increasing pressure on universities to create value from their research outputs through commercialisation there are likely to be an increasing number of circumstances where the infringing activity will not be for the sole or dominant purpose of experimentation.

If the sole or dominant purpose is experimentation but the patent holder's rights are diminished by such use, then the infringing activity directly impacts on the value of those rights to the patent holder in the market place. A fair dealing provision would enable the patent holder to maintain the value of his/her rights in these circumstances or at least limit the extent of erosion of such rights. Looking at the issue another way, if the option exempted infringing conduct even though not for the sole or dominant purpose of experimentation, but the impact on the patent holder's rights in the market place was negligible, this might not necessarily bring about a bad or unfair result.

It is arguable that the central issue should be whether there has been a negative impact on the patent holders rights ie have they been diminished in some way. This must be determined on a case-by-case basis.

We concur with the view that in many cases experimentation on a patented invention will bring greater acknowledgement and credit to the patent holder if the invention works and also may open up further opportunities for income generating activities if the underlying patented technology is required for commercialisation of a new technology.

The issues to be taken into account in determining fair experimentation are appropriate. For example, the subject matter of the invention may be very relevant in making such an assessment because there may be issues which are specific to the particular field of technology. In addition, the subject matter of the invention may, depending on its nature, have a different impact in the market place. For example, using a patented invention to develop a new product for a market previously not addressed at all would have a different impact in the market place to improving on a patented invention in order to offer a better but competing product.

While it can be argued that the fair dealing principles cannot be strictly applied in the patent area, there is similarity with the copyright system which recognises the unique nature of educational institutions. This includes the need for educational institutions to provide copies of materials to students for teaching purposes and additionally, the need for students to copy works for study purposes. In the same way, the use of patented technologies could also be recognised as playing a vital role in enabling research activities within publicly funded research institutions and rather than exempt them fully or seek to have research institutions pay full cost for patented research tools, a fair royalty return could be established. This would also address any concerns relating to use of patented research tools developed by research organisations or others and used mainly in the research context.

While it is not unreasonable for patent holders to be rewarded for their efforts, at the same time it needs to be recognised that research institutions do not have the resources to dedicate to identifying every possible infringing activity nor the budgets to pay for access to patented

technologies. This approach would provide greater equity to all experimental users of technology rather than being dependent upon the individual negotiating power of each organisation.

**C8 – exemption for experimenting “on the subject matter of the invention” with inclusive permitted uses (C3 + C6)**

We agree that this alternative is most likely to provide the greatest degree of clarity in the law and has the advantage of being partially in harmony with the position in Europe.

We also agree that despite the difficulty in distinguishing acts which experiment on the subject matter of a patented invention eg to investigate its properties or improve upon it and acts that experiment with the invention, the inclusion of specific acts which are non infringing will assist in interpreting this matter. Being able to refer to UK decisions on this point could be of considerable assistance to courts in Australia and would assist in establishing basic principles for interpreting the law.

It is also suggested that the harmonisation issue could reduce the costs for exporters: however, harmonisation also provides benefits for researchers who are competing globally in the race to be first to publish and would enable them to perform on a more even playing field.

The disadvantage of this option is that it would be narrower than a fair dealing exception in that it would only be available if experimentation is the sole or dominant purpose of the act. Therefore, there is less flexibility under this option in that there may be circumstances which fall outside this criterion but which, on an holistic approach, would not be detrimental to the rights of the patent holder. We accept, however, that the added clarity which this approach is likely to bring, may offset any loss of flexibility under the C7 option.

We also concur with the view that if an activity is only to be exempt if the purpose is solely or dominantly for experimentation, this could have the result of discouraging SMEs from instigating projects that would build on existing technologies for fear of infringement. This could result in static IP positions and in the longer term, discourage innovation.

I would like to take the opportunity to mention that our University welcomes the initiatives taken by ACIP to review the law on experimental use under the Patents Act and we look forward to an outcome that would provide clarity and guidance for research institutions on this issue in the future.

Yours sincerely



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