

## Australian Patent Enforcement— A Proposal For An Expert Panel Opinion Part 1

By Dimitrios Eliades

### Abstract

The Australian Government has been concerned “to find ways of making patent enforcement less of an issue” and to make it “cheaper, simpler and quicker to get fair and appropriate resolution for any dispute.”<sup>1</sup> Major problems relating to patent enforcement in Australia have been identified as:

- the cost of legal proceedings;
- the lack of patent owners’ financial capacity to fund enforcement proceedings;
- delay; and
- uncertainty as to outcome and lack of knowledge about the processes of enforcement.

This paper considers some of the problems associated with patent enforcement in Australia and proposes an approach to patent litigation which is directed at alleviating some of the difficulties which have been identified. Specifically, it proposes a strategy designed to identify the parties’ risks at an early stage of patent litigation proceeding and facilitate an early resolution of the dispute.

Central to the proposed strategy is the establishment of a specialist, three-member panel of experts within IP Australia, which would provide an opinion to the Court on the issue of patent validity. The availability to the court of a joint expert opinion on validity at an early stage of the proceedings would impact upon all the problems with the patent enforcement system in its present form. The proposed risk identification strategy would complement the recent amendments to the Patents Act 1990 (Cth) designed to strengthen granted patents<sup>2</sup> and the requirements under the Civil Disputes Resolution Act 2011 (Cth), which encourage parties to resolve disputes prior to commencing litigation.<sup>3</sup>

1. Advisory Council on Intellectual Property (ACIP), Post Grant Patent Enforcement Strategies—Issues Paper, November 2006, page 7. See <http://www.acip.gov.au/library/Post-Grant%20Issues%20Paper%20v5-print%20version.pdf> (“the Issues Paper”).

2. The *Intellectual Property Amendments* (Raising the Bar) Bill 2011.

3. *Civil Disputes Resolution Act 2011* (Cth).

### ACIP’s Review of Post-Grant Patent Enforcement

In 2006, the Australian Government requested ACIP<sup>4</sup> to:

Inquire and report on issues relating to post-grant patent enforcement strategies to benefit the Australian economy by assisting patentees to effectively enforce their patent rights.<sup>5</sup>

### ACIP’s Issues Paper (2006)

Concern about the difficulties associated with the current arrangements for patent enforcement in Australia were raised in the Issues Paper. It identified several problems with the patent enforcement system in its current form:<sup>6</sup>

- Legal representation is a significant factor in the high cost of enforcement.<sup>7</sup>
- Many patent owners are deterred from pursuing litigation because of the significant costs involved relative to the expected returns from the patented invention.<sup>8</sup>
- Financial disparity between the patent owner and the alleged infringer often means that an out of court settlement might be less likely if the owner of the patent is a small enterprise but the alleged infringer can easily carry the costs of litigation.<sup>9</sup>
- Deliberately delaying the dispute process can work to the commercial advantage of

■ Dimitrios Eliades,  
Queensland University  
of Technology,  
Adjunct Lecturer & Barrister  
Gardens Point,  
Brisbane, Australia  
E-mail: [deliades@qldbar.asn.au](mailto:deliades@qldbar.asn.au)

4. ACIP is an independent body appointed by the Australian Government, and advises the Federal Minister for Industry and Innovation—and his Parliamentary Secretary—on intellectual property matters and the strategic administration of IP Australia. The Council was established in 1994.

5. The Issues Paper, above n2 at p. 1.

6. *Ibid.*

7. The Issues Paper above n2 at p. 7.

8. *Ibid.*

the party with the greater financial strength. Time delays are inextricably linked to costs as expert witnesses and IP lawyers charge by the hour.<sup>10</sup>

- Uncertainty is associated with the present patent enforcement system, due to a variety of factors such as:
  - the probabilistic nature of patent rights;
  - a low level of knowledge about what patent rights entail and how to manage intellectual property;
  - the cost and time involved in pursuing enforcement in the courts;
  - the high degree of uncertainty of outcome in legal proceedings; and
  - a fear that parties with more resources can abuse the system and force an unfair outcome on smaller parties.<sup>11</sup>

## ACIP's Final Report (2010)

In February 2010 ACIP released its Final Report setting out a number of recommendations.<sup>12</sup> The Executive Summary noted that ACIP's recommendations focused on non-court measures. ACIP explained that the rationale for this approach was that earlier reviews had concentrated on improvements in the courts and that there appeared 'little evidence' these assisted enforcement, particularly for small to medium businesses (SMEs).<sup>13</sup>

In addition, ACIP considered that many disputes should be resolved without the need to go to court. Accordingly, its recommendations involved the introduction of an IP dispute resolution centre which would act as a referral point for IP owners seeking information about enforcement.<sup>14</sup>

## ACIP's Conclusions

Based on an examination of patent enforcement strategies carried out from 2006 to 2010, ACIP concluded that SMEs and individual innovators continued to experience difficulties with patent enforcement.

The difficulties identified by ACIP centred on three main areas.

The first problem identified by ACIP was the temporal difficulty, that is, the delays associated with the finalisation of patent infringement proceedings.<sup>15</sup> ACIP referred to a 2007 study conducted by the Intellectual Property Research Institute of Australia (IPRIA) which found that the actual time taken for the completion of patent litigation matters was well outside the Federal Court's general target for disposal of cases within 18 months:

Australian litigation processes take a long time, longer than equivalent processes in the United States. For example, the average time taken for patent cases to reach judgement in Australia is 2.7 years from filing to the first instance decision, with a further 1.1 years if the matter goes on appeal—giving a total if it goes on appeal of 3.8 years. This is considerably more than the Federal Court target of disposal of all cases (except native title) within 18 months. IPRIA's study indicated that the parties in litigation may sometimes be responsible for the extent of these delays.<sup>16</sup>

The next difficulty identified was the financial one. This took several forms. When there is financial disparity between the stakeholder and the alleged infringer, there is a resistance to take on a 'Goliath'. ACIP referred to a submission made in a qualitative analysis undertaken by IPRIA, which stated:

In my experience, small players playing Goliath will not take action. A small player will even be cautious about writing a letter of demand, knowing full well the big player will use the unjustified threat procedure to commence proceedings, and then it's out of your control.<sup>17</sup>

IPRIA's survey of Australian inventors found that a significant number of inventors felt that they did not have the resources to pursue the matter through the courts or even send a letter of demand.<sup>18</sup>

The high cost of patent litigation also presents a problem for legitimate challenges to the patent's validity:

Lack of financial capacity is equally a problem for

---

9. The Issues Paper above n2 at p. 8.

10. *Ibid.*

11. The Issues Paper above n2 at p. 9.

12. ACIP, *Post-Grant Patent Enforcement Strategies—Final Report*, Australian Government (IP Australia) January 2010: <http://www.acip.gov.au/library/Final%20report%20dated%2016Jan2010.pdf> (the "ACIP 2010 Report").

13. *Ibid.* at p. 4.

14. *Ibid.*

---

15. The ACIP 2010 Report p. 25.

16. *Ibid.*

17. The ACIP 2010 Report p. 26.

18. IPRIA working paper 10/2009 referred to in the ACIP 2010 Report p. 26 footnote 49.

challengers to the validity of a patent. If the patent is not valid and the challenger cannot afford good legal representation, the patent may stay in force, creating uncertainty in the marketplace.<sup>19</sup>

The disadvantage in such a case has an impact not only on the competitor who fears the costs of an application to revoke a patent, but to the public, which is deprived of a competitor.<sup>20</sup>

The high cost of patent litigation may lead to a strategy of 'game playing' whereby a financially stronger party seeks to exhaust their opponent through the strategic use of some of the processes used in patent litigation. For example, in a process patent, the alleged infringer may resist inspection of their process, forcing the applicant to seek interlocutory orders for inspection and incurring costs in doing so.

Submissions to ACIP suggested that high legal costs could be explained by four factors:

- The need to obtain specialised legal advice;
- The need to obtain expert witnesses;
- The legal process of discovery between the parties; and
- The time involved in explaining complex and technical issues to the judge (increasingly prevalent in many patent disputes).<sup>21</sup>

The third difficulty identified was informational issues, such as built-in costs associated with patent enforcement and a lack of knowledge about the process, technical and legal issues.<sup>22</sup>

### *Relevantly, ACIP Stated:*

The two most significant informational issues are uncertainty and lack of knowledge. "Uncertainty" includes the built-in cost for all parties to a dispute which has an uncertain outcome, while "lack of knowledge" covers knowledge about the process, technical and legal issues by parties involved.<sup>23</sup>

The uncertainty was not limited to the parties but also to professionals. It was considered that this uncertainty was caused by the complexity of the law and the inconsistent application of legal principles.

### *ACIP's Recommendations*

The ACIP recommendations included the establishment of a Patent Tribunal. By way of background, Australia does not have a dedicated Intellectual Prop-

erty jurisdiction, with the exception of the Copyright Tribunal established under the Copyright Act 1968.

### *ACIP Recommended (in recommendation three):*

That an embodiment of the determination mechanism in the IP Dispute Resolution Centre is provided in the form of a Patent Tribunal along the following lines:

- (a) Each Tribunal hearing panel to comprise up to three people, integrating legal and technical expertise;
- (b) Tribunal hearing panel members to be drawn from the register of experts established under recommendation two;
- (c) Patent attorneys to have a right to appear;
- (d) The Tribunal to have more streamlined procedures and simplified evidentiary requirements than a court;
- (e) The Tribunal to take a pro-active and inquisitorial role;
- (f) Mechanisms be introduced to encourage parties to comply with the Tribunal's non-binding determinations, and to discourage parties from using the courts instead of the Tribunal where it would be appropriate to do so; and
- (g) That the effectiveness of the Patent Tribunal be monitored from its date of establishment.<sup>26</sup>

The mechanisms envisaged in paragraph (f) included costs penalties for bypassing the Tribunal in favour of the Courts, even against a successful party before a Court.

The Government, however, in its response rejected the recommendation that a Patent Tribunal be established.<sup>27</sup> The Government considered the following factors weighed against the acceptance of the recommendation:

- The inability of the Tribunal to make binding decisions;
- The requirement that both parties submitted to the Tribunal;
- The limited range of mechanisms by which

19. The ACIP 2010 Report p. 26.

20. *Ibid.*

21. The ACIP 2010 Report p. 27.

22. The ACIP 2010 Report p. 28.

23. *Ibid.*

24. *Ibid.*

25. The Copyright Tribunal has presiding as President and the two Deputy Presidents, justices of the Federal Court of Australia.

26. The ACIP 2010 Report Recommendation 3 at p. 45.

27. See the Government response at: [http://www.acip.gov.au/library/post\\_grant\\_strategies\\_response.pdf](http://www.acip.gov.au/library/post_grant_strategies_response.pdf).

parties could be encouraged to abide by the Tribunal's decisions;

- The constitutional issue that a Tribunal as constituted in the recommendation could not make judicial decisions as it was not a court (the constitutional issue);
- The Tribunal represented another layer in the appeal process;
- The cost of the Tribunal outweighed any perceived benefits.

## The Government's Response<sup>28</sup>

In explaining its rejection of Recommendation three in ACIP's Final Report, the Government stated:

In its report, ACIP considered the establishment of a non-judicial tribunal which has the power to issue determinative judgments. However, this is not viable because judicial power may not be vested in a body unless it is a 'court' within the meaning of s.71 of the Constitution.

ACIP recommends that a Patent Tribunal without the power to issue binding determinations be established as an alternative. The Government considers that this model has limited benefits. Both parties in a dispute would have to agree to use the Tribunal. Its decision would not be binding and mechanisms to encourage the parties to abide by its decisions would be limited. Such a body may therefore only add another layer of appeal.

Parties in dispute already have the option of agreeing to arbitrate in a form of ADR. As noted in its response to recommendations one and two, the Government is committing to improve the information available on ADR for IP matters.

On balance, the Government considers that the costs of a Patent Tribunal to the parties in a dispute, in particular the potential uncertainty created by such a body, outweigh the potential benefits at this time.

The Government's response indicates that it had several concerns about the proposed Tribunal, including:

- Whether the establishment of the Patent Tribunal offended s 71 of the Constitution by vesting a 'judicial power' in a body other than a 'court'.
- Following on from this, the potential uncertainty about the constitutional validity of

the proposed Patent Tribunal.

- Consent of both parties would be required to submit to the Tribunal.
- An Alternate Dispute Resolution process (ADR) was already available to the parties.
- The Government was already working on making more information available to the parties going to ADR in IP matters.
- Costs of the Patent Tribunal would amount to an additional layer of expense.

The Government emphasised the value of ADR for reducing the costs of patent litigation, stating in response to ACIP's recommendation two:

The Government believes that alternative dispute resolution (ADR) mechanisms can provide significantly quicker and cheaper avenues for enforcing patent rights.

## Recent Relevant Developments

In an effort to have parties resolve disputes before they even commence litigation, the Federal Government has introduced legislation which requires that parties take genuine steps to resolve disputes before process is initiated.<sup>29</sup>

The Honourable Patrick Keane, (then) Chief Justice of the Federal Court of Australia, issued a number of Practice Directions,<sup>30</sup> commensurate with the introduction of the new Federal Court Rules. These included practice directions in relation to the 'Fast Track' system within the Court. The Fast Track directions are applicable to:

- (i) Commercial transactions;
- (ii) Matters where there is an issue that has importance in trade or commerce;
- (iii) The construction of commercial documents.

It aims to remove undue formality in pleading processes and a series of scheduling conferences to narrow the issues.

Although the directions specifically note that they are to apply to intellectual property rights, patents are excluded. However, a more streamlined process of patent enforcement might merit reconsideration for the Fast Track process.

Notwithstanding, these initiatives to drive the parties to resolve disputes early or to at least narrow the issues at an early stage, patent litigation remains an

---

28. Issued 3 June 2011 and available at [http://www.acip.gov.au/library/post\\_grant\\_strategies\\_response.pdf](http://www.acip.gov.au/library/post_grant_strategies_response.pdf).

---

29. The *Civil Disputes Resolution Act* 2011 (Cth) was enacted on 1 August 2011.

30. Effective from 1 August 2011.

expensive, uncertain and for many SMEs, a prohibitive option.

## The Korean Example—The Intellectual Property Tribunal

Since the 1960s, the Republic of South Korea has maintained a forum known as the Intellectual Property Tribunal (IPT), which operates independently within the Korean Intellectual Property Office (KIPO). The IPT consists of 3 divisions:

- Eleven (11) boards for trials, each comprised of 3 administrative patent judges who are senior examiners in KIPO;
- The Trial Policy Division, and
- The Litigation Division.

The IPT hears matters by way of oral hearings or hearings on the papers or documentary proceedings. Some matters are heard *ex parte*, such as appeals against the commissioner's decision of rejection. IPT matters heard *inter partes*, include applications seeking:

- The invalidation of a patent;
- The correction of a patent, or
- Determination of the scope of a patent.<sup>31</sup>

The IPT's decision is appealable to the Patent Court, which has exclusive jurisdiction over all cancellation appeals from diverse decisions rendered by the IPT.<sup>32</sup>

### Invalidation of a Patent

In relation to applications for invalidation of a patent, KIPO explains:

Due to a mistake of an examiner or appeal examiners, some patents which should not have been granted may exist. In such cases, an interested party or examiner may demand a trial to invalidate the patent. For a patent containing two or more claims, a demand for a trial of invalidation may be made for each claim.<sup>33</sup>

An application may be made by an interested party or an examiner.<sup>34</sup>

### Correction of a Patent

A defendant under Article 133(1) may request a correction to the description or drawing(s) of a patented invention *during the course of an invalidation trial*, provided that the correction falls under any of

the subparagraphs under Article 136(1) within the designated period.<sup>35</sup>

Provided an IPT invalidation trial is not pending, a patentee has the opportunity to request a trial to correct the description or drawing(s) of a patented-invention in the following cases:

- Where the scope of claims is narrowed;
- Where a clerical error is corrected;
- Where an ambiguous description is clarified.<sup>36</sup>

### Scope of the claims

The IPT can determine the scope of a patent. An application may be made by the patentee, an exclusive licensee or an interested party, who may request a trial to confirm the scope of a patent right.<sup>37</sup> When such a request is made, if the patent right contains two or more claims in the scope of claims, a request for a trial to confirm the scope of a patent right may be made for each claim.<sup>38</sup>

The IPT is therefore concerned as a general observation, with the validity of a patent.

### Infringement

Questions of patent infringement and damages are determined at first instance by the District Court. Whilst infringement proceedings are pending, it is possible—and not uncommon—to receive a determination by the IPT on the validity of the patent, the subject of the District Court infringement lawsuit. For example, Given Imaging Ltd ('Given'), a pioneer of capsule endoscopy, had filed a patent infringement lawsuit against Intromedic in Seoul's Central District Court in November 2011. Given asserted that Intromedic's capsule endoscope, marketed under the brand name MiroCam, infringed two of its Korean patents. In response, Intromedic commenced proceedings before the KIPO to invalidate the two patents asserted by Given. In July 2012 the IPT ruled that Given's two Korean patents asserted against Intromedic in the Seoul Central District Court were valid.

### Statistics

The KIPO Annual Reports disclose the following relevant information:

- In 2005,<sup>39</sup> the number of petitions to the IPT

31. <http://www.kipo.go.kr/kpo/user.tdf?a=user.english.html.HtmlApp&c=30300&catmenu=ek30300#a3>.

32. *Ibid.*

33. The Patent Act: Article 133.

34. *Ibid.*

35. The Patent Act: Article 133bis.

36. The Patent Act: Article 136.

37. The Patent Act: Article 135(1).

38. The Patent Act: Article 135(2).

were 7,142 patent cases of which:

- 6,365 were *ex partes*; and
- 777 were *inter partes*.
- In 2008,<sup>40</sup> the number of petitions to the IPT were 12,238 patent cases of which:
  - 11,055 were *ex partes*; and
  - 1,183 were *inter partes*.
- In 2011, the number of petitions to the IPT were 9,664 patent cases of which:
  - 8535 were *ex partes*; and
  - 1,129 were *inter partes*.<sup>41</sup>

Of the applications to the IPT, both *ex parte* and *inter partes*, the number of successful petitions followed by their ratio to the total number of applications are seen in Table 1:

## Suitability of the Korean Model in the Australian Context

There are two main difficulties associated with any proposal for adoption of the Korean model as a solution to streamlining the Australian patent enforcement system. Both of these difficulties were identified by the government in its response ACIP's recommendation for the establishment of a Patent Tribunal.<sup>42</sup>

Firstly, the introduction of a Patent Tribunal might offend s 71 of the Constitution as 'judicial power' would be vested in a body other than a 'court'. This criticism has weight notwithstanding that an independent experts panel of the kind recommended by ACIP, would be constituted differently from the KIPO-administered IPT.

Secondly, the introduction of a Patent Tribunal into the system would add another adversarial layer to the litigation proceedings. This layer would take the form of a validity hearing at which the parties present

their respective cases, including the evidence of their respective experts.

Both of these criticisms are valid. Any proposal to add another adversarial venue, at which competing evidence is presented and an appealable decision given, can only add to the overall expenses and delay associated with patent enforcement. Of far greater appeal is a system which utilises the mechanisms we have already in place and has the effect of potentially saving money and time.

## A Proposed Model— The Expert Panel Opinion

This paper proposes a new model which borrows an important feature of the Korean IPT system—a panel of three experts who are independent of the parties. However, rather than establishing a Patent Tribunal which would deliver a decision, the proposed Expert Panel Opinion would be directed by the Court, under rule 23.01 of the Federal Court Rules 2011, to provide it with an opinion on validity.

The new Federal Court Rules 2011 provide<sup>43</sup> as did the old Rules,<sup>44</sup> for the appointment of a 'Court expert'. Both the old rules and the new rules specifically provided for the appointment upon the application of a party.<sup>45</sup>

Under the new rules this may be done upon the application of a party 'to inquire into and report on any question or on any facts relevant to any question arising in a proceeding'.<sup>46</sup> The opinion would not give rise to any presumptions of validity,<sup>47</sup> and the judge is not at all bound by the opinion.

The Explanatory Statement to the 2011 rules states that the power to appoint a court expert has not changed but clarifies the role:

Part 23 adopts, simplifies and streamlines the process and procedures which operated under the former Rules. It does not substantially alter exist-

**Table 1: Kipo Table Of Successful Petitions**

Successful Petitions To IPT										
Classification	2007		2008		2009		2010		2011	
Ex Partes	1,650	35.7%	1,247	29.5%	926	24.5%	1,100	28.0%	1,248	28.8%
Inter Partes	571	53.5%	541	52.4%	499	52.8%	500	47.9%	552	48.5%

39. KIPO Annual Report 2010 at p. 79.

40. KIPO Annual Report 2011 at p. 78.

41. *Ibid.*

42. Government Response to ACIP report, above n26.

43. Rule 23.01.

44. O 34 r 2 of the old FCR.

45. *Ibid.*

46. Rule 23.01(1)(a) FCR 2011.

47. *Patents Act* 1990 s 20.

ing practice but provides better guidance to parties and experts on requirements and obligations.

Alternately, the Court could appoint the panel on its own volition, to provide the joint opinion on validity, under the General Powers of the Court.<sup>48</sup> In any event, it would seem to be a minor amendment to accommodate this model, to insert in Rule 23(1) a clear statement that alternately to a party applying for such an order, the Court may make the order on its own volition.

The *Uniform Civil Procedure Rules* 1999 of Queensland, for example, provide at Rule 429J for the Court to appoint expert/s on its own initiative. In addition, there is a mechanism in Rule 429G for the parties to nominate three experts from which one court expert is selected. However, even in this case, the Court may act on its own initiative:

(3) ...the court may, on its own initiative and at any stage of a proceeding, if it considers that expert evidence may help in resolving a substantial issue in the proceeding, appoint an expert to prepare a report on the issue.

### A Mechanism to Assist the Court

As pointed out by the Federal Court in its submission to the ACIP review, several Federal Court judges have considerable expertise and experience in the area of patent law:

A key element to ensuring the streamlined (and economical) conduct of patent cases is for the court to have the expertise and experience to identify and oversee the most appropriate mechanisms for managing the litigation. The intellectual property judges of the Federal Court have the expertise and procedural tools to streamline the conduct of intellectual cases to avoid unnecessary or otherwise inappropriate procedures. This expertise has been recognised by Government, the profession and litigants. It is also reflected in the fact that very few patent matters are commenced in the State and Territory Supreme Courts.<sup>49</sup>

The Federal Court judges would have the benefit of three experts advising the Court, those experts being independent of the parties. Further, one party is likely to have the benefit that an opinion on validity favouring their case may remove the need to brief an expert.

The recommended model does not remove the ability of the parties to obtain their own independent

experts. However, the Expert Panel Opinion for the Court from a panel of three senior examiners of IP Australia, impacts upon the traditional position followed in the Federal Court, where the judge must prefer one parties' expert opinion over another. The position will therefore be under the recommended model, that the Court will have an objective opinion on validity, which may be tested by the parties' experts.

It is suggested that this model will address issues identified by ACIP as obstacles to enforcement and address concerns the Government expressed in rejecting the ACIP recommendation.

Firstly, an objective opinion on validity would be obtained without excessive additional financial burden on the parties. As will be explained later in this paper, the contribution to costs of the Expert Panel Opinion may in many cases, obviate the need for a party to brief their own expert.

The Expert Panel Opinion would express a majority view as the panel would in the normal course comprise of three members. ACIP suggested that a contributing factor to the large legal fees in patent enforcement was the costs associated in familiarising the judge with the technical matters.<sup>50</sup> In the recommended model, the judge could liaise with the Court's panel of experts to seek any technical clarification the judge might require.

Secondly, the Court's Expert Panel Opinion becomes a valuable tool in mediation of the dispute. For the respondent in an infringement action, an unfavourable opinion on validity will place greater pressure on the respondent's non-infringement case as well as greater emphasis on the correctness of their own expert. It is not uncommon in patent cases for the respondent to approach the matter from the perspective that they accept that if the patent is valid, their conduct constitutes infringement.

For the applicant, an unfavourable Expert Panel Opinion on validity will create the risk that there is no infringement claim at all. An opinion by the Expert Panel, favouring invalidity will also place greater emphasis on the correctness of the applicant's own expert and the prospect of losing the patent altogether becomes a very real possibility. In such a situation, the parties might be amenable to an irrevocable non exclusive licence to the patent on favourable terms, in exchange for a non challenge by the respondent.

In a heightened risk situation, the parties are likely to be more willing to negotiate a commercial resolution in an ADR environment, particularly if

48. Division 1.3 of the FCR 2011.

49. Federal Court submission to ACIP, 30 September 2009 at page 2.

50. Above n21.

their own expert has difficulty in faulting the Court Expert Panel Opinion.

The introduction of the Court Expert Panel Opinion at an early stage of the proceeding is consistent with the Government's position on the value of dispute resolution at an early stage of dispute. Generally, parties will be less likely to want to spend more money if there is a heightened risk of an adverse costs order. This is the expected result for the party facing an Expert Panel Opinion which is against them on validity.

Thirdly, if the matter proceeds to trial, the Expert Panel Opinion provides the judge with an objective platform from which to commence the hearing. In this regard reference is made to the Federal Court Practice direction which states:

Additionally, it is hoped that the guidelines will assist individual expert witnesses to avoid the criticism that is sometimes made (whether rightly or wrongly) that expert witnesses lack objectivity, or have coloured their evidence in favour of the party calling them.<sup>51</sup>

Fourthly, there is no Constitutional issue, as the Court has the power to appoint a Court expert or experts. The infrastructure is there. There will need to be attention to the appointment of appropriate panel members for the various technologies involved, however, there are no costs associated with forming a new Tribunal.

Fifthly, the mechanism of the Expert Panel Opinion to assist the Court, does not add a layer of adversarial costs to the parties. It is not an adversarial forum. If anything, it has the potential to reduce the costs, as the party who is supported by the Expert Panel Opinion on validity, may consider it unnecessary to obtain their own expert. Similarly, the party not supported by the Expert Panel Opinion, may find a commercial resolution far more appealing than obtaining an opinion to challenge the Expert Panel Opinion.

Sixthly, there is a 'fall back' position for the Court. In the rare cases where there may not be three experts in IP Australia, who are able to give an opinion on validity by reason of the narrow technical area of the 'skilled addressee', the Court may always rely on its powers to appoint a Court expert under the rules. Although there will be an expense shared by the parties, the benefits, particularly from an ADR perspective will still remain.

## Assistance in ADR

In a survey of patent infringement cases in Australia, IPRIA found that approximately 85 percent of pat-

ent cases settle, with peaks in settlements occurring within the first 100 days, then again between 200 to 300 days.<sup>52</sup> These findings support the view that the availability to the Court of the Expert Panel Opinion on validity at an early stage of the proceedings would assist in the earlier resolution of disputes.

An objective indication of the strength of the attack on the validity of the patent in suit would provide a valuable insight on the prospects of validity and in some cases upon infringement. The insight would be gained at an early stage before the expensive processes of evidence (particularly expert evidence) and discovery have been undertaken. Of course, a party whose position is weakened by the Expert Panel Opinion on validity may wish to brief its own expert, which it is entitled to do.

In 2009, IP Australia also considered that early identification of the patent opponent's case could lead to an early resolution of the opposition. Relevantly, it commented that its proposal to require the patent opponent's evidence in support to be provided no later than three months after the date of filing of the notice of opposition (rather than three months after the date of the statement of grounds and particulars) would:

...give the applicant the benefit of viewing the evidence in support at an early stage in the opposition process. In the case that the statement and evidence reveal a strong or a weak enough case—this proposal could even lead to early resolution of an opposition by the applicant withdrawing or amending the opposed application or by the opponent withdrawing the opposition.<sup>53</sup>

Similarly, an objective opinion would usually identify the strength or weakness of the case in revocation proceedings.

The introduction of the Expert Panel Opinion would militate against disparity between the parties in the ADR process. In 1999, I wrote that a financially superior party may have an advantage in either the court adjudication process or in mediation. NADRAC has said that in ADR, as in any other dispute resolution process, the participant with the greater resources who can hire a lawyer, afford to wait and to raise more issues will have an advantage over other participants.<sup>54</sup>

The introduction of the Expert Panel Opinion on

51. Practice Direction CM7, dated 1 August 2011.

52. Kimberlee Weatherall and Elizabeth Webster, 'Patent infringement in Australia: Results from a survey', IPRIA working paper, 10/2009.

53. 'Toward a stronger and more efficient IP rights system: Resolving patent opposition proceedings faster,' IP Australia Consultation Paper, June 2009, at [48].

validity will have the effect, where the opinion supports a financially stronger participant in the mediation, of giving the weaker participant a ‘wake up call’ to end the litigation. This is a very valuable tool for those passionate inventor/patentees who consider (erroneously) that a grant of a patent results in an infeasible title in the invention.

Similarly, if the Expert Panel Opinion does not support a financially stronger participant, it will bridge the power gap between the parties and create a greater equality between the participants. In such circumstances, mediation will have greater prospects of success, by reason of one simple circumstance: the risk to one party will be raised by an adverse Expert Panel Opinion.

## Response to Government’s Concerns

In addressing the concern of the Government, expressed in its response to the ACIP recommendation three:

- The proposed model does not offend s 71, as it is an exercise of a power the Court already has—the Court may make an order for a Court expert on the motion of a party (rule 23.01) or of its own motion (see rule 1.40 and a note to rule 23.01).

The term “judicial power” was defined by Chief Justice Griffith of the High Court of Australia in *Huddart Parker v Moorehead*<sup>54</sup> and was expressed as:

the power which every sovereign authority must of necessity have to decide controversies between its subjects or between itself and its subjects, whether the rights relate to life, liberty or property.<sup>56</sup>

The essence of ‘judicial power’ therefore is ‘decision’. The Expert Panel Opinion is not a decision or determination, but rather an opinion to assist the Court.

- With respect to the concern that consensus of the parties is required, the Court may make an order for a Court expert on the motion of a party (rule 23.01) or of its own motion (see rule 1.40 and a note to rule 23.01).
- In respect of existing avenues to ADR being

available for the parties at present, it is clear to anyone who participates in ADR, that where the parties go to mediation with their own perspective, supported by their own experts, there is understandable reliance placed on their own polarised position.

However, where there is an objective piece of evidence, such as the Expert Panel Opinion, there is considerably more scope for resolution because one party faces an objective opinion detrimental to its success in the proceeding.

The following observations are also made:

- There is a potential to reduce the costs of the litigation. The Court experts’ briefing, which would be by agreement between the parties and failing agreement by direction of the Court, would enable the production of a valuable resource in the dispute—an objective view of the vulnerability of the patent.
- *The Intellectual Property Amendments (Raising the Bar) Act 2012* (*‘Raising the Bar Act’*) strengthens patents by requiring more rigorous examination procedures and extending the geographic territory from which the common general knowledge of the skilled addressee might be drawn, for the purpose of inventive step. The proposed system complements this purpose, by scrutinising the patent at an early stage of litigation.
- The ‘shifting’ of the first opinion on validity to the Court experts, will be welcomed by patentees, who could otherwise be discouraged with the process which involves investing substantial time and money well before the evidence supporting the parties’ respective positions begins to be exposed.
- Of course, the parties do not have to accept the Expert Panel Opinion, but it is likely to have the effect that the parties consider other options at an early stage such as licensing the patent or altering their process or product to avoid infringement. These matters whilst not able to be of benefit in the pre-initiating period envisaged by the *Civil Disputes Resolution Act 2012* will provide an early opportunity to face the realities of a patent case, its perceived validity or its perceived vulnerability.

54. Eliades, Dimitrios (1999) “Power in mediation— some reflections,” ADR Bulletin: Vol. 2: No. 1, Article 2.

55. (1909) 8 CLR 330.

56. *Ibid* at 357.

- The Court experts become a resource for the judge. If the parties' experts raise an issue not directly identified by the Court experts or the judge considers he or she might benefit from the response of the Court experts, the judge may seek further clarification or responses from the Court's panel.

## Objectivity of IP Australia Experts

An important issue is whether the proposed Expert Panel—comprised of officers within IP Australia—would be able to operate with the necessary degree of objectivity in the circumstances. In particular, a concern may be that there may be a tendency for

panel members to be unwilling to express views on patent validity that may be seen as implicitly criticising IP Australia and its scrutiny process. However, these concerns are not borne out by the Korean experience with a similar model.

The statistics in Table 1: KIPO Table of Successful Petitions indicates that the average ratio of successful *inter partes* applications over a 5 year period was 51.02%. In short, approximately half of the challenges to validity handled by the IPT were successful. Of course, one would expect that with the amendments to the *Patents Act* introduced by the *Raising the Bar Act* directed to strengthening patents, this will impact on the number of successful challenges. ■