Dear Ms Bailey,


Further to our letter of 28 January 2017, we are pleased to make further submissions in relation the amendments proposed by IP Australia in the Intellectual Property Laws Amendment Bill 2017 (*Bill*) and the Intellectual Property Laws Amendment Regulations 2017 (*Draft Regulations*) (together, *Exposure Drafts*) to s 223(9) of the *Patents Act 1990* (Cth) (*Patents Act*) and r 22.21 of the *Patents Regulations 1991* (Cth) (*Patents Regulations*).

Where appropriate, the submissions in this letter cross-reference items contained, and use terms defined, in the Exposure Drafts.

**Limitation of Grounds**

The recent decision of *H. Lundbeck A/S v Commissioner of Patents* [2017] FCA 56 (3 February 2017) has highlighted two key issues that are relevant to the amendments proposed in item 143 (s 223H) of the *Bill*, in addition to those issues discussed in our earlier letter.

The first is that, under the current s 223(9), a person who exploited (or has taken definite steps to exploit) an invention may apply for a licence if they took such steps because of, as the case may be, the:

1. Failure to do the relevant act within the time allowed;
2. Lapsing of the patent application; or
3. Ceasing of the patent.

That is, there are three separate grounds on which the relevant person may make an application.1 This position is consistent with the legislative history of the relevant provisions in the *Patents Act*.2

Under the proposed s 223H, there are only two such grounds, being (ii) and (iii) above. The omission of (i) means that s 223(9) will no longer apply to scenarios not involving the lapsing of a patent application or the ceasing of a patent (for example a failure to file a Convention application or a divisional application within time).3 This position departs from the legislative history to a significant extent and risks prejudicing the interests of a relevant person who has taken such steps because of the failure of the applicant or patentee to do the relevant act.

**Exclusion of Anticipatory “Steps”**

The second issue is that the proposed s 223H will not operate to capture steps taken by the relevant person before the lapsing or ceasing of the patent (i.e. in anticipation thereof).4 Of the current s 223(9), Beach J concluded (emphasis added):

> Section 223(9) is concerned with protecting persons who exploited the invention concerned because of the failure to do the relevant act within the time allowed (or the lapsing of a patent application or ceasing of a patent). But it is also protective of persons who took definite steps by way of contract or otherwise to exploit the invention concerned because of the failure to do the relevant act within the

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1 *H. Lundbeck A/S v Commissioner of Patents* [2017] FCA 56 (3 February 2017), [96].
2 Ibid, [101]-[106].
3 Ibid, [98].
4 Intellectual Property Laws Amendment Bill 2017, item 43 (s 223H(2)(a)).
time allowed (or the lapsing of a patent application or ceasing of a patent). There is a difference between those two circumstances. A person cannot ordinarily exploit an invention before the lapsing of a patent application or the ceasing of a patent without exposing themselves to infringement proceedings; this is subject to some statutory exceptions. **But a person may take substantial steps by way of contract or otherwise before the lapsing of a patent application or the ceasing of a patent so as to put themselves in a position to exploit the invention as soon as the patent application lapses, or the patent ceases to be in force.** This is a reason why the Act requires that applications for an extension of term be made within a specified time. The Act acknowledges that persons may take legitimate steps by way of contract or otherwise towards exploiting an invention the subject of a patent that will cease to be in force because there has not been an application to extend the term of that patent.²

Limiting the “steps” required to enliven entitlement to a licence to those taken after the lapsing of a patent application or ceasing of the patent may unjustifiably prejudice the interest of a person who has legitimately taken steps to exploit an invention because, and in anticipation, of the patentee’s or applicant’s failure to do the relevant act, the lapsing of the patent application or the ceasing of the patent.

**Other matters**

The case also highlights one circumstance in which there may be good and legitimate reasons why it is not just for the relevant person to be allowed to continue to exploit the invention, and emphasises the importance of the right of a patentee or applicant to oppose an acquisition of rights under s 223H. That is, opposition provides an opportunity for an originator, who in all likelihood has expended significant time and resources in developing the patented invention, to protect its investment against generic companies.

**Concluding Remarks**

In summary, the position ultimately adopted in s 223H must balance, on the one hand, the risk of eroding the rights if a patentee or applicant to an unjustified extent and, on the other hand, the interests of a person who has legitimately exploited or taken steps to exploit an invention because of the failure to do the relevant act, the lapsing of the patent application or the ceasing of the patent. In our view, the current mechanism provided in s 223(9) and r 22.21 strikes this balance in a vastly more appropriate manner than the mechanism provided in proposed s 223H.

We would be happy to discuss any of the above matters, as well as those discussed in our earlier letter, with you should that assist IP Australia in finalising the Bill and Draft Regulations. In the meantime, we thank you for the opportunity to provide these submissions.

Yours faithfully,

Jeff Bergmann, CLP, LLM, BSc
Director
Solubility Pty Ltd
+61 (0)437 667 288
jeff.bergmann@solubility.com.au
solubility.com.au

Madeleine Crawford, LLM (IP), LLB
Senior Associate
Solubility Pty Ltd
+61 (0)439 689 199
madeleine.crawford@solubility.com.au
solubility.com.au

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² H. Lundbeck A/S v Commissioner of Patents [2017] FCA 56 (3 February 2017), [115].