

**OPPOSING WHAT?
NATURE, PURPOSES AND QUESTIONS OF
REFORM OF THE OPPOSITION DECISION
IN THE PATENT SYSTEM**

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ABSTRACT

The opposition procedure in Australian patent law permits third parties to challenge the validity or scope of a patent application before the patent is granted. There have been suggestions, in the interests of harmonisation with other jurisdictions that the system should change so that the challenge is available after the grant of the patent. This article explores the purposes of the opposition procedure through a consideration of it in terms of the patent examination procedure, actions for revocation of patents and the principles that underpin the system as a whole. It is after a more complete understanding is achieved that attention is paid to three areas of potential reform – limiting the opposition procedure to an *ex parte* one (in order to reduce delays); removing the responsibility from the Patent Office; and the possibility of instituting a post-grant opposition procedure.

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I INTRODUCTION

The patent system in Australia allows third parties to challenge a patent application before it proceeds to grant; thereby, theoretically, reducing the risk that invalid, or overly broad patents are granted. This process is known as the opposition procedure. The pre-grant nature of the procedure under the *Patents Act 1990* (Cth) (Patents Act) renders it different to the post-grant opposition procedures in many other jurisdictions.¹ This, in itself, provides some justification for contemplating change – in the interests of the greater harmonisation of patent procedures across national economies.² To affect major reforms to the patent system on the basis of such a justification may do a major disservice to those who use, and maintain the system in this country.

The two possible approaches that may be adopted in order to substantiate any need for major change to this, or any aspect of the patent system are (1) an empirical study or (2) a theoretical framework. Work is underway with respect to the former option;³ this article explores the latter approach in order to consider potential reforms to the opposition procedure. This is not straightforward as, despite the fact that the opposition procedure has been around since the first Commonwealth patent legislation (*Patents Act 1903*), there

¹ Australia is now the only country in the OECD that is persisting with a pre-grant opposition system. New Zealand is proposing to abolish its pre-grant opposition system. See, eg, the *New Zealand Patents Bill 2008*, introduced into New Zealand Parliament in July 2008 to replace the *New Zealand Patents Act 1953*. At the time of writing, the Bill still had not passed the Parliament.

² See, eg, the European Patent Convention, the instrument that regulates the patents granted by the European Patent Office, provides for a post-grant opposition: Article 99. For a comparison of the Australian and the European opposition systems, see Fiona Rotstein and Chris Dent, 'Third Party Challenges in Europe, the United States and Australia: A Comparative Analysis' (2009) 12 *Journal of World Intellectual Property* 467.

³ This empirical work is part of the ARC-funded project referred to in the authorial note.

have been few attempts to conceptualise it in terms of its role and purpose within the overall patent system. This gap does not limit the usefulness of the procedure; it does have the potential, however, to limit the capacity to understand the need for particular reforms to the procedure and the chances of predicting the effectiveness of such reforms.

This article steps through a logical sequence to consider three potential ways in which the opposition procedure could be reformed. The first half of the article focuses on the establishment of a set of purposes that support the opposition procedure. An exploration of these purposes requires both an understanding of the patent system and of the principles that underpin it. The second half of the article then considers three broad options for the reform of the opposition procedure and assesses them against the discussed purposes of the procedure. It should be noted that recent considerations of reforms to the opposition procedure have been limited to either matters of “streamlining” the process⁴ or to the possibility of changing the procedure to a post-grant opposition procedure.⁵ Given the theoretical perspective of this article, it is possible to consider more substantial changes than are often contemplated. The broad directions for reform are the maintenance of the opposition process as an *inter partes* procedure; the potential for the procedure to be located outside the Australian Patent Office; and the question of whether the timing of the opposition process should change.

⁴ See, eg, IP Australia, *Toward a Stronger and More Efficient IP Rights System*, Consultation Paper (2009), 19-26.

⁵ See, eg, Advisory Council on Intellectual Property (ACIP), *Post-Grant Enforcement Strategies*, Interim Report (2009), 56-60. ACIP, in the end, decided that as the Council had ‘not ... obtained sufficient data/information to give full consideration to the issues involved’, it has not basis upon which to recommend change to the procedure: *Post-Grant Enforcement Strategies*, Final Report (2010) at 56. The Council did not, however, attempt a theoretical analysis of the procedure as such research was outside its Terms of Reference.

II THE AUSTRALIAN PATENT SYSTEM

A *Basics of Patent System*

First, there needs to be an overview of the granting, and challenging in court, of a patent – the key points in the “life” of a patent. Simply put, a patent is a monopoly right granted, by a patent office, in exchange for the specification (description) of an invention that evidences, amongst other things, a sufficient level of inventiveness. The limits of the grant are contained in the claims of the patent. The monopoly right may be defended in court where another party seeks to exploit the protected invention. Decisions regarding the validity of patents and patent applications may, for the purposes of this article, be understood to consist of two broad phases: the patent application process, and the challenges that may be mounted to a granted patent.

For an invention to be recognised as warranting patent protection, a patent applicant, and her or his patent application, has to comply with the requirements of the Patents Act. An applicant files the paperwork, including the specification of the invention, with the national patent office, IP Australia. If the application proceeds to examination, then a patent examiner will carry out specified procedures to examine the application.⁶ This examination includes a consideration of the patent application, a search of the “prior art base”⁷ (the results of which will be used to assess whether the invention as described fulfils the requirements of patentability⁸) and an overall check to ensure the application complies with the Act. If

⁶ The details of the examination procedure may be found in the Australian Patent Office *Manual of Practice and Procedure*.

⁷ The prior art base is the sum of publicly available documents, such as earlier published patent documents and other published technical literature that show the state of the technical art for that invention.

⁸ Other requirements for patentability include that the invention is novel, involves an ‘inventive step’, is ‘useful’ and is a ‘manner of manufacture within the meaning of section 6 of the Statute of Monopolies’: *Patents Act 1990* s 18(1).

the examiner is not satisfied with an aspect of the application, an adverse report will be issued and the applicant will have the opportunity to amend the application. This opportunity may, for example, be provided where the description of the invention is insufficient, or the claims defining the invention are overly broad, given the nature of the alleged invention. If amendments are filed, then the examiner considers whether the amended application satisfies the requirements of the Act. If it does, then the application must be accepted; and if there is no party opposing the application, the patent is sealed.⁹ It is only from that point that a patentee can commence actions against others for the infringement of the patent.¹⁰

If a party wishes to challenge a patent after grant, they may file a revocation action with the Federal Court.¹¹ Revocation is the process by which an invention loses the monopoly protection offered by the grant of the patent through a determination of the court that the patent was not validly granted. Revocation is often a counter-claim to a patent infringement action. The focus of revocation may be on the more procedural matters such as entitlement or on the more legal areas such as whether the invention complies with the tests of patentability.¹² The latter often requires detailed evidence relating to the prior art and whether the invention demonstrates sufficient novelty and/or incorporates a sufficient inventive step in the context of that prior art.¹³

The revocation procedure is not an appeal of the decision to grant the patent – the court considers the patent, and the evidence challenging it, *de novo*. The focus is not on whether the examiner

⁹ *Patents Act 1990* s 61.

¹⁰ *Patents Act 1990* s 57(3).

¹¹ *Patents Act 1990* s 154.

¹² *Patents Act 1990* s 138(3).

¹³ For a discussion of the grounds that tend to be successful in revocation actions in Australia, see Kimberlee Weatherall and Paul Jensen, 'An Empirical Investigation into Patent Enforcement in Australian Courts' (2005) 33 *Federal Law Review* 239.

applied the legal tests correctly but on whether the invention underlying the granted patent complied with the legal tests for patentability.¹⁴

B *Principles that Underpin the Patent System*

Such a brief description does not provide a sufficient basis for an understanding of any need for an opposition procedure to sit between examination and revocation. For that, there needs to be a consideration of the principles that underpin the whole patent system.¹⁵ For many commentators the patent system is – and is only – the set of rules regarding patentability, with those rules arising from the national patent laws and the international agreements on patents. This perspective does not provide much guidance about how aspects of the system should operate for the good of the society and the economy.

From the system's operation over the past four centuries, a number of first and second order principles may be deduced. The first order principles are the “always-already” aspects of the patent system; those aspects that are so integral to the system that they are no longer questioned.¹⁶ The second order precepts stem from these

¹⁴ The exception to this is the ground relating to fraud. Any finding of fraud requires more than a re-examination of the patent application or the assessment of the entitlement of the applicant. Such a finding requires the assessment of potentially contradictory evidence (the evidence of the party asserting fraud against the evidence of the party denying fraud) by an independent arbiter.

¹⁵ This section is an amended summary of Chris Dent, ‘An Exploration of the Principles, Precepts and Purposes that Provide Structure to the Patent System’ (2008) *Intellectual Property Quarterly* 456.

¹⁶ This “always-already” nature of the principles results in a lack of their acknowledgement in patent law decisions – that is, the principles are so foundational that they literally go without saying. There is a greater level of judicial discussion of the consequential (normative) precepts as they are used by the courts to guide their decisions.

first order principles and are more likely to be contested or contestable.¹⁷

1 *First Order Principles of the Patent System*

Four principles may be seen to underpin the system: state power, individual choice, the fundamental importance of knowledge and the acceptance of risk. With respect to the first of these, the patent system in the Anglophone world commenced through the granting, by the Crown and its prerogative right, of benefits to particular people for the presumed benefit of the wider population – such as the development of key domestic industries.¹⁸ This power of the Crown persists today in three forms: the power of a state to pass legislation authorising and limiting monopolies; the power of a state to negotiate with other states with respect to international agreements around patents;¹⁹ and the power of a state to adjudicate disputes over patents.²⁰

The patent system is not best understood as only the set of legal rules that arise from the power of the state. It is also founded on, and perpetuated by, the decisions of and the actions carried out by the different parties based on those rules. These decisions and actions

¹⁷ The importance of the precepts is different to the first order principles. The system could operate in a substantially similar manner as it does now if the precepts were not complied with; however, the system would not be the same if any of the first order principles were not part of the patent system.

¹⁸ For a discussion of the public policy reasons for the monopoly grants in early modern England, see Chris Dent, 'Patent Policy In Early Modern England: Jobs, Trade And Regulation' (2006) 10 *Legal History* 71.

¹⁹ Such as the Paris Convention, the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement), the Patent Co-operation Treaty and the Australia-US Free Trade Agreement.

²⁰ To remove the courts from the system as it operates now would render patents unenforceable and, therefore, effectively useless; the exploitation of inventions may, then, rely on the use of trade secrets and inter-firm negotiations over the transfer of those secrets. As such, the adjudicatory power of the state is absolutely fundamental to the operation of the patent system today.

reflect the second principle, “individual choice”. More fully, the patent system requires that those who participate in it are understood to be individuals who know what is in their interests, what those interests are and how they should pursue them – with these participants including those who seek patent protection for inventions, those who could seek patent protection but choose not to, and those who compete in the market alongside those who have gained patents for their inventions.²¹

The third principle of the patent system relates to the constitutive power of knowledge. It is uncontroversial to assert that the system is founded on the principle that knowledge is a public good that should be disseminated freely.²² The patent system, then, is easily seen as an institution that encourages the development of knowledge and a repository of the innovation protected by patents. The knowledge principle here is more fundamental, and more nuanced than the suggestion that knowledge is the *quid pro quo* of the grant. The argument is that knowledge constitutes the patent system. Knowledge, for example, constitutes expertise. Expertise, in turn, is central to decisions of the major players in the system, including patent examiners, patent attorneys and the decisions of firms to enter into particular markets and compete with other firms.

²¹ The other significant set of individuals relevant here is the group that may be loosely described as patent professionals – whose decisions, and actions, with respect to the patent system are constrained by the rules of the system itself.

²² Lord Parker held that a patent ‘could not be granted without consideration moving to the public ... In the case of new inventions the consideration [is] the disclosure made to the public of a new and useful article or process’: *Attorney-General (Cth) v Adelaide Steamship Co* [1913] AC 781, 793.

The fourth principle, acceptance of risk, is linked to the knowledge and individual choice principles.²³ Implicit in the process of actors in the patent system choosing between the options before them, is the notion that they have to accept a degree of risk in any path they pursue.²⁴ Risk exists in the patent system as it is not feasible to have absolute certainty about every aspect of the patent system.²⁵ The acceptance of risk is therefore a key and unavoidable part of the patent system.

2 *Consequential Precepts*

In addition to the three first order principles, there are a number of consequential and normative precepts that inform the operation of the patent system. The first of these accords with economic theory and with judicial assertions such as the ‘underlying purpose of the patent system is the encouragement of improvements and innovation’.²⁶ The precept may be seen, from an economic perspective, to justify the patent system on the basis that the

²³ This principle was previously discussed as a second order precept: Dent, above n 15, 470-472. It may, however, be more accurate to view the acceptance of risk as a first order principle on the basis that it is the flip-side to, and therefore equally important as, individual choice. That is, there is always a risk that choices made by any actor will have unforeseen consequences or that a consequence that was foreseen, but considered to have a low chance of happening, does, in fact occur.

²⁴ In terms of the key players of the system, the state has to accept the risk that patents may be abused by self-interested firms; patentees have to accept the risks that not all granted patents will be upheld by courts and not all patents will be respected by their competitors; and the competitors of patentees have to accept the risk that a product they provide, for example, may attract an action for infringement even if they believe that the product does not infringe a patent.

²⁵ It may be possible to achieve absolute certainty with respect to patent scope, for example, by legislating that there is no challenge possible to the scope of a patent granted by a patent office. Such certainty would directly impact on the principle of choice and the precepts of incentive and accountability and, therefore, would not be feasible in the patent system as it exists currently.

²⁶ *Asahi Kasei Kogyo* [1991] RPC 485, 523 per Lord Oliver. This precept accords with the first order principles of individual choice and knowledge as it assumes that firms and individuals have the capacity to choose to innovate – to generate new knowledge. Further, the precept acknowledges that individuals and firms may have good reasons to not innovate and, as a result, need an incentive to focus on innovation.

monopoly grants offer incentives for firms to invest in research and development.²⁷

The second precept is founded on the principle of choice and takes into account the principle of state power. Accountability, broadly speaking, supports and counters choice in the patent system through the utilisation of the knowledge and expertise of actors in the system. For the purposes here, it has a wide definition:

“Accountability refers to the implicit or explicit expectation that one may be called on to justify one’s beliefs, feelings and actions to others. Accountability also usually implies that people who do not provide a satisfactory justification for their actions will suffer negative consequences ... Conversely, people who do provide compelling justifications will experience positive consequences”.²⁸

²⁷ That incentives are important to the patent system would not surprise many. That it is a second order principle may be more controversial – the argument here is that the patent system did work in the 16th and 17th centuries without patents being an incentive for research and development. Incentives, therefore, cannot be of fundamental importance to the patent system. Further, economists are not unanimous in saying that patents are the best or only way of encouraging research. Some commentators argue that innovation will still occur without monopoly protection: see, eg, Michele Boldrin and David Levine, *Perfectly Competitive Innovation* (Research Department Staff Report 303, Federal Reserve Bank of Minneapolis, 2002); and others recognise that monopoly rights are not the only way to protect innovation: see, eg, Adam Jaffe and Josh Lerner, *Innovation and Its Discontents* (2004), 46-48.

²⁸ Jennifer Lerner and Phil Tetlock, ‘Accounting for the Effects of Accountability’ (1999) 125 *Psychological Bulletin* 255, 255. This article provides a useful overview of the growing field of psychology that focuses on accountability.

Accountability operates in three distinct sectors of the patent system: as a check on the decisions of patent examiners;²⁹ as a control on the actions of patentees;³⁰ and as a norm of behaviour of patent attorneys.³¹ Accountability, then, is integral to the processes of maintaining the proper conduct of the parties to the system. There are two areas of the patent system in which accessibility is important in terms of this article. They are accessibility to the system for inventors³² and accessibility to the system for those who wish to challenge patents.³³ The precept is founded on the principles of state power, individual choice and knowledge. As with the other precepts, accessibility is not a necessary part of the patent system; however, it is an aspect that justifies key features of the national laws, and international agreements that form the basis of the Australian system.

²⁹ The first mode of accountability arises from the fact that a patent is an exercise of state power based on a decision of a patent examiner. After all, a central plank of advanced liberal democracies is the rule of law, one aspect of which is the requirement for the accountability of decisions made by administrators: see generally, Ian Thynne and John Goldring, *Accountability and Control: Government Officials and the Exercise of Power* (1987).

³⁰ Patentees who sue for infringement where the alleged infringing behaviour is outside the scope of the patent may be counter-sued for revocation (which may result in the amendment or revocation of the patent). Patentees, therefore, are held to account through the court system, if their behaviour over-reaches the norms of sound commercial behaviour through the overly aggressive use of infringement actions.

³¹ Attorneys may be under an obligation to comply with the ethics of their professional body or they may be legally regulated under the patents legislation. For example, the *Patent Regulations* 1991 empower the Disciplinary Tribunal to make findings of unsatisfactory conduct or unprofessional conduct against an attorney who has had a complaint made about them: reg. 20.33.

³² Access to the patent system arises from the liberal democratic nature of the economy, in that each member of society should have the right to participate in the economy and to take advantage of the incentives that form part of the economy. Each person is understood to have the capacity to be educated in the technical arts in such a way as to be an inventor and, therefore, should have the right to benefit from systems that allocate incentives for inventive behaviour.

³³ Given the first order principles of knowledge and choice and the precept of accountability, it follows that any person with the appropriate knowledge to apply to correct the decision of the examiner should be able to challenge the decision.

III CURRENT OPPOSITION PROCEDURE AND ITS PURPOSES

A *Opposition Procedure*

The purpose of this section is not to describe the manner in which the procedure is conducted. The purpose is to draw out key aspects that are central to the understanding of the role of the opposition procedure within the broader patent system. As stated above, the opposition procedure dates back to the *Patents Act 1903*. Currently, a party may file an opposition to the grant of a standard patent under s 59 of the Patents Act.³⁴ There is a three-month window after the acceptance of a patent application has been advertised by IP Australia in which such a filing may take place.³⁵ This highlights one of the key features of the process – it takes place before the patent is granted. The second feature of importance for this analysis is that the opposition procedure is conducted within the patent office.

The substantive aspect of the opposition process is the hearing of the merits of the opposition.³⁶ This hearing is conducted by a senior patent examiner. This means that the opposition decision-maker has the technical knowledge and experience of an examiner. In addition, the decision-maker has training (and, after a time, experience) in

³⁴ This section allows for a patent application to be opposed. An amendment to a patent application may be opposed under s 104(4). An innovation patent may be opposed under s 101M.

³⁵ *Patent Regulations* 1991 reg 5.3(1).

³⁶ Patent applications may be amended, on the request of the patent applicant, prior to the conduct of a hearing. Such an amendment may be sufficient to satisfy the concerns of the opponent and, therefore, in many cases, the opposition will be withdrawn, after an amendment. In these cases, there may not be a merits hearing – though the Commissioner of Patents does have the power to determine an opposition even if the opposition is withdrawn: *Patents Regulations* 1991 reg 5.6(3).

running, and deciding, opposition hearings. The technical knowledge means that, where an opposition falls within that technology area, the hearings officer is already knowledgeable about the science – this is in contrast to the lack of technical expertise possessed by most judges who hear patent cases. The knowledge and experience of the opposition decision-maker minimises the extent to which the parties need to educate the decision-maker about the subject matter of the patent application.

The hearing itself is, as the name suggests, an *inter partes* process.³⁷ A key aspect of the opposition hearing is the standard of proof that is required to be met by the opponent. Currently, in order to be successful at an opposition, the hearing officer has to be ‘practically certain that the patent to be granted on the specification would have been invalid’.³⁸ An alternate formulation is that the decision-maker must be ‘clearly satisfied that the patent, if granted, would not be valid’.³⁹ This matches the standard set out in the *Manual of Practice and Procedure*: an application should only be refused in ‘clear cases’ and that the ‘onus is on the opponent to show that the patent if granted would be clearly bad on the ground alleged’.⁴⁰ Put more simply, the benefit of any doubt goes to the patent applicant.⁴¹

³⁷ As an opposition hearing is an *inter partes* procedure, it is bound by the rules of natural justice: *Manual of Practice and Procedure*, §3.2.4.1.

³⁸ *Genetics Institute v Kirin-Amgen* (1999) 92 FCR 106, 112, per curiam.

³⁹ *Hoffman-Law Roche v New England Biolabs* (2000) 99 FCR 56, 70, Emmett J.

⁴⁰ *Manual of Practice and Procedure*, §3.1.2.2. IP Australia has proposed that the standard of proof in opposition proceedings be modified to – ‘in the case of oppositions, the Commissioner must grant a standard patent unless she is satisfied that there is a lawful ground of objection to the grant of the patent’: IP Australia, see above n 4, 16.

⁴¹ This is different to the standard of proof for the tests of novelty and inventive step during the initial examination of the patent application. According to the Manual, that standard should be the balance of probabilities (§2.13.5.2.1) – the same standard that applies in revocation actions before a court. The standard of proof for other aspects of the assessment of the patent application is that the benefit of the doubt should be given to the patent applicant (§2.13.5.2.1).

There are four possible outcomes of an opposition: proceedings may be dismissed; the patent application may be refused; the application may be withdrawn by the applicant; or an application may be amended. This issue of amendment separates, to an extent, the opposition decision from a revocation action; currently, a court can order an amendment to a patent after it is granted,⁴² whereas a hearings officer can only give leave to amend with a different examiner then having the role of assessing the validity of a proposed amendment. The possibility of amendment is particularly important for this article as it goes to both the purposes of the procedure and to one of the possible options for its reform.

B *Purposes of the Opposition Procedure*

The description of the mechanics of the opposition procedure does not provide a complete picture of its purpose within the overall patent system. Building on the system's principles and precepts, it may be argued that there are, in fact, four distinct purposes to the opposition procedure. Further, these may be considered in two categories: the two that are of direct importance to the parties involved in the system; and the two that may be deduced from the first two and may be understood to be of greater relevance to the broader community.

1 *Purposes Directed at the Competitors of Patent Applicants*

Interviews with practitioners involved in opposition proceedings indicate that virtually all oppositions under the Patents Act are filed

⁴² However, a court cannot order an amendment to an application prior to the patent being granted, such as in an appeal from an opposition decision: *F. Hoffmann-La Roche AG v Commissioner of Patents* [2000] FCA 1845, [7]-[8], Emmett J.

by competitors of the patent applicant.⁴³ The opponents may be direct competitors (that is, working in the same market) or may be prospective competitors (the opponent may be considering a move into the market of the patent applicant).⁴⁴ This, essentially commercial, motivation is central to the purposes of the procedure from the perspective of those who file oppositions – the process provides a non-curial option for challenging patent applications and facilitates the clarification of claims within an application before the patent is granted (with the decision of the competitor aimed at reducing the chance that the company would be sued for infringement should the patent be granted unchallenged).

(a) Non-Curial Option for Challenging Patent Applications

That oppositions provide an alternative to seeking the revocation of a patent in court is a common justification for the procedure. Therefore, aspects of the purposes of the opposition and the revocation procedures are shared in that both are aimed at allowing the challenge, by a competitor, of patent claims of another party – complying with the second order principle of accountability. The Full Court of the Federal Court has, however, stated that the ‘purpose of a pre-grant opposition proceeding is to provide a swift and economical means of settling disputes that would otherwise need to be dealt with by the courts in more expensive and time consuming post-grant litigation’.⁴⁵ The goal of an “economical means” suggests

⁴³ These interviews were carried out as part of the ARC-funded research project referred to in the authorial note.

⁴⁴ In the past, it may be noted, only an interested party (or the responsible Minister) could oppose an application: *Patents Act 1952* s 59(1). No reference was made to the shift in who could oppose a patent in the IPAC Report that preceded the 1990 Act: Intellectual Property Advisory Committee (IPAC), *Patents, Innovation and Competition in Australia*, Report (1984), 63-4. There is no evidence that the opening up, under the *Patents Act 1990*, of those who may oppose application has resulted in a wider range of parties filing opposition procedures.

⁴⁵ *Genetics Institute Inc v Kirin-Amgen Inc* (1999) 92 FCR 106, 112, per curiam. See also Kimberlee Weatherall, ‘It’s Not Just Competitors: Acknowledging and Accommodating “Interfering Busybodies” and the Challenges to Patent Validity’ (2009) 12 *Journal of World Intellectual Property* 500, 506-508.

that the issue of accessibility is in play here. There may, in fact, be doubt in terms of the relative time savings of oppositions over court actions;⁴⁶ however, this doubt does not, in itself, dispel the argument that the procedure is an alternative dispute resolution process within the patent system.

The figures that are available support the suggestion that parties do use the opposition procedure for this purpose. First, while the use of the opposition procedure is not cheap, it appears to be significantly cheaper than litigation;⁴⁷ and second, oppositions are filed in greater numbers than are revocation actions. Figures from IP Australia indicate that there are about 110 oppositions filed each year.⁴⁸ Other research has shown that there were 32 standard patents that were subject to litigation (and where the litigation proceeded to judgment) in the period 1997-2003 (an average of just over five a year);⁴⁹ further, the Advisory Council on Intellectual Property found that the number of patent cases filed in the Federal Court was between 20 and 39 between 1993 and 1996.⁵⁰ These figures show that there are many more oppositions filed each year than there are instances of patent litigation; and as not all of these patent cases or instances of litigation will include actions for the revocation of patents,⁵¹ there are significantly more oppositions filed than suits for

⁴⁶ It has been suggested that oppositions delay the grant of a patent by, on average, 2.3 years with 20 percent of oppositions not being resolved within 4 years of the filing of the opposition: Andrew Christie, 'Australian Patent Opposition Proceedings – Preliminary Findings', presentation to Institute of Patent and Trade Mark Attorneys of Australia and New Zealand Institute of Patent Attorneys Joint Conference, Auckland, April 2008. These figures compare with the 2.5 year mean for the length of first instant patent cases before the Federal Court: Weatherall and Jensen, above n 13, 262.

⁴⁷ See below nn 73-74 and the accompanying text.

⁴⁸ Greg Powell, 'Patent Opposition', Paper presented at Tech IP Seminar, Brisbane, May 2009.

⁴⁹ Weatherall and Jensen, above n 13, 270.

⁵⁰ ACIP, *Review of Enforcement of Industrial Property Rights*, Report (1999), 29.

⁵¹ For example, a suit against an alleged infringer of a patent may be filed by the patentee and the alleged infringer may not file a counter-suit for revocation.

the revocation of patents. This is despite the fact that the legal effect of a hearings officer decision is not as final as the decision of a court.⁵² As opponents can only gain certainty about the validity of a patent through litigation, it may be assumed, then, that they are nonetheless gaining a sufficient benefit from the opposition procedure to make the use of the procedure worthwhile (in accordance with the principle of acceptance of risk).

(b) Potential Improvement of Clarity of Patent Claims

The Full Court of the Federal Court also described the opposition process as “ensuring that bad patents do not proceed to grant”.⁵³ This may be expressed as “ensuring that overly broad patent claims do not proceed to grant” and focuses on the limiting of patent claims to those that define the invention (this includes the invalidation of the complete specification where there is no novelty, inventive step or utility demonstrated). As the opposition procedure is instigated by competitors of the patent applicants, the opponents do not tend to have the public interest at heart. For them, the purpose of the process is to provide the opportunity to modify the claims of the patent application (that is, to refine the claims so that they more accurately encapsulate the scope of the invention identified in the patent application) to leave them with the freedom to operate in their market.⁵⁴

⁵² Only a court may rule on the validity of a patent. ‘The validity of a patent is not concluded by the Commissioner’s discretion to grant it, and the way is still open for any one to petition the court for its revocation’: *Manual of Practice and Procedure*, §3.1.2.5.

⁵³ *Genetics Institute Inc v Kirin-Amgen Inc* (1999) 92 FCR 106, 112.

⁵⁴ This purpose, therefore, may be seen to accord with the first order principles of individual choice and acceptance of risk and the second order principle of the incentive role of the system. The opposition procedure accords with the second order principle as the clarification of the patent claims that may result from the use of the procedure reduces the risk that the opponent has to accept when operating in the same market as the applicant and, if the scope of the ensuing patent is restricted as a result of the opposition, then this may provide an incentive for the competitor to invest in research in the area not covered by the refined claims.

This purpose is evidenced in the available statistics on the use of the opposition procedure in Australia. The most common outcome of an opposition hearing is that the patent applicant is given leave to amend the patent application, occurring in 61 percent of hearings.⁵⁵ As these changes to the patent claims are, largely⁵⁶ the result of a competitor's challenge, the amendments will either clarify, or reduce the scope of the claims. Commonly, such amendments may be to the benefit of the opponent. The beneficial nature of the amendments may also be inferred from the continued use of the procedure despite the fact that only 7 percent of patent applications are held to be invalid at an opposition hearing.⁵⁷ That is, as opponents continue to be happy to file oppositions with this chance of knocking the application out *in toto*, there must be something of value in the process to make it worth investing in the procedure.

2 *Purposes for the Benefit of the Wider Economy and Society*

As noted above, it is the competitors of a patent applicant who oppose patent applications. It would be tempting, therefore, to limit the purposes of the procedure to the purposes of those who utilise it. As the patent system overall is designed to be of benefit to the economy and society as a whole, it is not surprising that there are also purposes to the opposition procedure that are of benefit to the wider community.⁵⁸ Two such purposes are discussed here – the enhancement of accountability within the patent system and the improvement of the perception of the integrity of the system.

⁵⁵ Rotstein and Dent, above n 2, 483.

⁵⁶ It is possible that some of the amendments filed by the patent applicant in the course of the opposition may be unrelated to the opposition.

⁵⁷ Rotstein and Dent, above n 2, 483. A finding of invalidity with respect to the entire patent application is equivalent to a court revoking a patent in full.

⁵⁸ The 'main purpose' of the patent system has been said to be the stimulation of 'industrial invention and innovation by granting limited monopoly rights to inventors and by increasing public availability of information on new technology': Second Reading Speech on the *Patent Amendment Bill 1981*, quoted in Intellectual Property Competition Review Committee (IPCRC), *Review of Intellectual Property Legislation under the Competition Principles Agreement*, Report (2000), 136.

(a) *Enhancing Accountability with the Patent System*

Both of the purposes directed at the applicants' competitors may be seen to enhance accountability within the patent system. Accountability is furthered in two ways: the calling to account of the claims of the patent applicant and the consideration of the decision, of the patent examiner, to accept the patent application. If the only challenge to a patent or patent application was via a revocation action in the courts,⁵⁹ then (given the expense of court proceedings) fewer challenges are likely to be initiated and more patents with overly broad claims are likely to restrict the operation of the patentees' competitors. Further, while there are distinctions between an opposition procedure and a merits review of the examiner's decision, an opposition hearing allows aspects of the examiner's decision to be reconsidered. This reconsideration has benefits for the assessment of the validity of the patent application and it provides a mechanism for the assessment of the decision-making processes of the examiner.⁶⁰

In turn, the enhancing of the accountability of the patent system may be seen to facilitate competition. That is, because the interests of individual (commercial) parties are furthered by the opposition procedure, competition within the shared industry is enhanced as the clarification of the patent claims provides more room to move for the competitors of the patent applicant.⁶¹ If competition is defined as the

⁵⁹ One of the purposes of the revocation procedure may also be seen to be a mode of accountability within the patent system.

⁶⁰ While revocation actions are also *inter partes*, the examination process is not. The patent examiner is in communication with only the patent applicant (in the form of the reports referred to above). There is, therefore, limited scope for any other parties to assist in the decision of the examiner. Third parties may, however, raise matters going to the validity of a patent application under *Patents Act* 1990 s 27(1).

⁶¹ It is acknowledged that the purposes of the patent system are not usually considered in terms of competition; they are usually seen in terms of the incentive role that patents play with respect to investment in research and development and the increase in knowledge that results from that research and development.

“process of rivalrous striving”,⁶² then the opposition procedure provides greater clarity around the monopoly claims of the patent and, therefore, facilitates rivalry between firms that choose to operate within that market. Further, the review of the claims of the patent application reduces the risk of a single patent, and its owner, dominating a particular industry sub-sector⁶³ – such domination is, in many circumstances, against the interests of the wider community.⁶⁴

(b) Improved Perception of Integrity of Patent System

The final purpose of the opposition procedure may be seen to be in the interests of the parties who use the system and the society more generally. That purpose, the improved perception of the integrity of the patent system, is important as the better the system is seen to be, the more it is likely to be used.⁶⁵ While the use of the opposition procedure is limited to patent applicants, competitors who are in actual competition with a given patentee (who may or may not be patentees themselves) and other individuals or firms who may, in the future, seek to compete in the same market, there are other groups within society that have an interest in the integrity of the patent

⁶² IPCRC, above n 58, 24. For a further discussion of the intersection of patent law and competition law, see IPAC, above n 44.

⁶³ Domination could be achieved through a single patent or through a ‘thicket’ of closely related patents. Thickets are ‘dense webs of overlapping intellectual property rights that a company must hack its way through’ when bringing a new product to market: Carl Shapiro, ‘Navigating the Patent Thicket: Cross Licences, Patent Pools and Standard Setting’ in Adam Jaffe, Josh Lerner & Scott Stern (eds), *Innovation Policy and the Economy*, Vol. 1 (2001), 120.

⁶⁴ It also may be that oppositions have the potential to contribute to the competition of *ideas*. If public interest groups made use of the procedure to challenge patent applications that they objected to on non-commercial grounds (as Greenpeace has done before the European Patent Office: for example, T0179/01 – a decision that was an appeal from an opposition) then oppositions may be a forum for the debate of, for example, patentable subject matter.

⁶⁵ This may be better expressed as: the lower the perception of the quality of the system, the less likely it is that it will be used by those who could. ACIP noted that a strong review process is necessary in order to ‘give applicants and third parties greater confidence in the system’: ACIP, above n 50, 22.

system overall. These groups include consumers of the goods protected by a given patent (this could include firms downstream in the production process); public interest groups with a particular focus on a particular sector (for example, Greenpeace in the biotechnology sector); governments; and the wider public – the average person on the street who does not participate in that particular sector but who may be affected by the increased costs, caused by patent monopolies, that flow through the economy.

Each of these groups is directly, or indirectly, affected by the patent system. Given the financial burdens the system places on the economy,⁶⁶ there are grounds for encouraging procedures that promote the perception of integrity within the patent system.⁶⁷ The opposition process may be understood to promote this perception in two ways:⁶⁸ the facilitation of accountability (and, as a consequence, competition) and the normative guidance that the decisions of hearings officers may have on the work of other examiners. That is, the perception is enhanced as it is seen that there are mechanisms in place to revisit the decisions of patent examiners and to allow for the

⁶⁶ In terms of direct costs to the economy, IP Australia had an income of almost \$140 million in 2007-08: Department of Innovation, Industry, Science and Research, Annual Report (2008), 144. A significant proportion of this is fees from patentees and patent applicants. This figure also does not include the expenses, to patentee firms and their competitors, arising from advice provided by patent attorneys and lawyers or the costs to the community of maintaining a court system that may be used to adjudicate patent disputes.

⁶⁷ The public debate around the validity of patents for genetic inventions (see, for example, Senate Community Affairs Committee, *Gene Patents*, Report, 2010) may be seen to arise, in part, from a lack of understanding of how the patent system relates to developments in this area of scientific endeavour. This lack of understanding may lead to a perception that the patent system itself is flawed; this may be counter-productive to the use of this tool of innovation policy.

⁶⁸ The revocation procedure also has this effect; however, as with the previously discussed purpose, the expense associated with revocation means that fewer actions are filed with the Federal Court. The fewer number of revocation actions than oppositions means that the perception of the improved integrity may be lessened if, *ceteris paribus*, the opposition procedure was not available to challenge patent applications.

feeding back of decisions by experienced examiners into the understanding of examination practice of junior examiners.⁶⁹

While a positive perception of integrity is not the same as having a system with good integrity, it is at least arguable that the higher the perception of integrity, the greater the level of participation in the system (in the case of patents, either as a patent applicant/patentee or as a challenger to patents/patent applications).⁷⁰ Even a high degree of integrity within a system (or a perception of such) does not preclude the system from a need for reform; three potential directions for the reform of the Australian patent opposition procedure constitute the final Part of this article.

⁶⁹ That examiners' decisions are, to an extent, 'habitual' has been recognised before: Chris Dent, 'Decision-Making and Quality in Patents' (2006) 28 *European Intellectual Property Review* 381, 387. The decisions of hearings officers, therefore, allows for a potential "circuit-breaker" in decision-making practices of junior examiners. Federal Court decisions on patent validity also offer normative guidance; however, judicial decisions are less frequent and not necessarily couched in terms that are as familiar as those used by the senior examiners.

⁷⁰ Given the economic nature of patent rights, investor confidence must be seen as an important goal of any challenge system: Allan Soobert, 'Breaking New Grounds in Administrative Revocation of US Patents: A Proposition for Opposition – And Beyond' (1998) 14 *Santa Clara Computer and High Technology Law Journal* 63, 180.

IV QUESTIONS OF REFORM OF OPPOSITION DECISION

A *Potential Reasons for the Reform of the Opposition Procedure*

It is true that there are, currently, no proposals before the Government to radically reform the procedure;⁷¹ this does not mean the possibility of reform should be ignored.⁷² This section highlights three potential reasons for reform: current costs to parties (both in terms of time and money), the almost constant push for the greater harmonisation of patent procedures globally and the potential that the current procedure, if it is duplicative of other aspects of the patent system, represents an unnecessary expense to the state.

In terms of the cost to parties, estimates of the financial impact of are in the range of \$20,000-\$100,000.⁷³ This is not cheap, but it is lower than costs for patent litigation – given, in 2001, as \$750,000-\$1,000,000.⁷⁴ Further, the key cost to the patent applicant is the delay in the grant of the patent;⁷⁵ and it is only after the patent has been granted that the patentee can sue another party for infringement of the patent.

⁷¹ IP Australia is seeking to make the procedure more efficient through modifying the limits on providing notices and evidence amongst other things: IPAC, above n 4, 20-22. The possibility of change to post-grant opposition also persists. See, eg, ACIP, above n 5, 56-60.

⁷² The frequency of which reform to the system has been explored suggests that it may not be long before it is reviewed again – see, eg, IPAC above n 44; ACIP above n 50; IPCRC, above n 58; ACIP, above n 5; and IP Australia *Getting the Balance Right*, Consultation Paper (2009).

⁷³ Rotstein and Dent, above n 2, 481. Patent practitioners in the interviews for this project did, however, suggest that an opposition can cost up to \$200,000.

⁷⁴ Jill McKeough, Andrew Stewart and Phillip Griffith, *Intellectual Property in Australia*, 3rd ed (2004), 404.

⁷⁵ A common criticism of a pre-grant process is delay; it was, for example given as one of the key reasons for the move away from pre-grant opposition in the United Kingdom: ‘The British Patent System: Report of the Committee to Examine the Patent System and Patent Law’ (1970), 34.

With respect to harmonisation, there is a trend in international patent law towards more similar systems. The Agreement on Trade-Related Aspects of Intellectual Property Rights came into effect in 1995 and led to more harmonisation of substantive patent law, and the Patent Law Treaty, negotiated via the World Intellectual Property Organisation and concluded in 2000, will lead to some streamlining of international procedures.⁷⁶ That Australia's opposition procedure is pre-grant and those of key economies is post-grant (for example, before the EPO⁷⁷) is, perhaps, sufficient reason to consider change.

The final potential reason for reform relates to the similarities between the opposition and revocation decisions in the patent system.⁷⁸ That is, it does not make sense, in terms of the efficient allocation of resources of the patent office, the judicial system and the parties involved, for there to be a duplication of decisions. There are, for example, similarities in the grounds and aspects of

⁷⁶ For a discussion of the benefits of the harmonisation of patent laws see John Duffy, 'Harmony and Diversity in Global Patent Law' (2002) 17 *Berkeley Technology Law Journal* 685 and Faryan Afifi, 'Unifying Patent Protection: The World Intellectual Property Organisation Must Co-ordinate Regional Patent Systems' (1993) 15 *Loyola of Los Angeles International and Comparative Law Journal* 453, 460-462.

⁷⁷ The United States does not have an opposition procedure; instead it has a re-examination process. There have been attempts to introduce a post-grant procedure in the US; to date, though, the attempts have not been successful. See also, Rotstein and Dent, above n 2, 470-471.

⁷⁸ There is little to suggest that the opposition decision duplicates the examination decision. First, the later decision is an *inter partes* process, with the opponent able to bring new prior art to the attention of the decision-maker. Second, the hearings officer does not assess the validity of any amendments, proposed by the patent applicant, that are aimed at countering the concerns raised in the course of the opposition (such amendments are assessed by another examiner. The shuffling of decision-making responsibility between hearings officers and examiners that consider proposed amendments adds to the time taken between the filing of an opposition procedure and the sealing of the application – where the opposition does not result in the patent application being rejected *in toto*); whereas an examiner does assess amendments proposed by an applicant in response to an adverse report from the examiner.

procedure, of the two forms of challenge.⁷⁹ Further, when appeals from a decision of a hearing officer to the Federal Court are considered,⁸⁰ the connections between the two are emphasised. While such an appeal is a *de novo* hearing heard by a single judge of the Federal Court,⁸¹ concerns with respect to “issue estoppel” have been raised in a number of decisions.⁸² These concerns reflect a perception that there is a degree of duplication between oppositions and revocation actions.⁸³ Currently, key procedural differences between an opposition and a revocation hearing are the rules of

⁷⁹ The grounds for an opposition are (a) that the nominated person is either: (i) not entitled to a grant of a patent for the invention; or (ii) entitled to a grant of a patent for the invention but only in conjunction with some other person; (b) that the invention is not a patentable invention; and (c) that the specification filed in respect of the complete application does not comply with subsection 40(2) or (3): *Patents Act* 1990 s 59. The grounds for the revocation of a patent, under Australian law, include that: the patentee is not entitled to the patent; the invention is not a patentable invention; the patent (or an amendment thereto) was obtained by fraud, false suggestion or misrepresentation; and the specification does not comply with subsection 40(2) or (3): *Patents Act* 1990 s 138(3). Subsections 40(2) and 40(3) require that the specification describes the invention fully and that the claims in the application are fairly based on the matter described in the specification.

⁸⁰ *Patents Act* 1990 s 60(4).

⁸¹ *Patents Act* 1990 s 156.

⁸² See, eg, *Genetics Institute v Kirin-Amgen* (1999) 92 FCR 106, 111-112; and *Hoffman-La Roche v New England Biolabs* (2000) 99 FCR 56, 66. Issue estoppel has been discussed in the following terms: ‘A judicial determination directly involving an issue of fact or of law disposes once for all of the issue, so that it cannot afterwards be raised between the same parties or their privies. The estoppel covers only those matters which the prior judgment, decree or order necessarily established as the legal foundation or justification of its conclusion, whether that conclusion is that a money sum be recovered or that the doing of an act be commanded or be restrained or that rights be declared’: *Blair v Curran* (1939) 62 CLR 464, 531-532, Dixon J.

⁸³ It is arguable that the appeal from an opposition decision is not duplicative as the hearing, by a court, of the appeal may be best seen as an exercise of judicial power (*Farbenfabriken Bayer v Bayer Pharma* (1959) 101 CLR 652) rather than an exercise of administrative power as the opposition decision itself is often seen to be. The characterisation of the opposition decision as either administrative or quasi-judicial will be considered further below.

evidence⁸⁴ and the standard of proof required in each fora. Proposals, such as the one by IP Australia,⁸⁵ to make the standard of proof required at an opposition hearing the balance of probabilities only increase the similarity between the actions. Any inefficient duplication of actions may be removed through specific reforms to the opposition procedure.

B *Specific Proposals for Reforming the Patent Opposition Procedure*

This article is not arguing that there is good cause for reform, only that well-founded proposals for reform may resurface. The understanding of the opposition procedure developed in this article may be further utilised to consider possible reforms to the process. The answers to three specific questions are explored in order to provide a framework around which detailed reform options can be built.

1 *Should Oppositions Remain an Inter Partes Procedure?*

If the four purposes described above are accepted as sufficient to guide the construction of the “ideal” challenge procedure, then it would be in keeping with them to simply have a re-examination system that may be initiated by the competitors of the patent applicant.⁸⁶ That is, the opportunity for a competitor of a patent applicant to have the application re-examined (where the re-examination allowed the third party to bring material to the attention of the examiner) provides a non-curial option for challenging the application that may allow the claims of the application to be clarified; thereby providing a degree of accountability to the

⁸⁴ Unlike a court, an opposition hearing is not bound by the rules of evidence: *Manual of Practice and Procedure*, §3.1.2.6.

⁸⁵ IP Australia, above n 72, 15.

⁸⁶ There is already a provision for third parties to request the re-examination of a patent application: *Patents Act* 1990 s 97.

examination system. The low use of the re-examination procedure currently,⁸⁷ however, suggests that re-examination does not provide an adequate alternative.

A closer examination of one aspect of the final purpose of the procedure, and the principles that underpin the patent system as a whole, demonstrates the value of maintaining the opposition procedure as an *inter partes* process. In terms of the fourth purpose, the key is the *perception* of the system – in this case, the perception of those who use the system. The lack of utilisation of the re-examination process could, in part, be the result of a perception that the process does not offer something that the better utilised (yet more expensive) opposition procedure does.⁸⁸ For many practitioners,⁸⁹ the capacity to argue their case before the hearings officer is an essential part of the opposition process.⁹⁰ Such a process allows advocates to draw the hearing officer's attention to the key part of the party's argument.⁹¹ Further, the use of advocates will allow issues, and objections, to be raised with respect to the evidence of the other party. This is, in part, justified given the potential that a party who opposes a patent application to have specialised knowledge in the relevant area of technology; the *inter partes* nature, therefore, allows parties to raise issues and objections that would not necessarily have occurred to the hearings officer. The perception of

⁸⁷ Few of the interviewed patent practitioners said that they had, or would, use the re-examination procedure available under the Patents Act. It is acknowledged, however, that the low use of this procedure may be a result, in part, of the availability of the opposition process. It is acknowledged, however, that an expansion of grounds of re-examination, as proposed by IP Australia may increase the rate of use of the procedure: see IP Australia, above n 4, 15.

⁸⁸ It has been suggested that the perception of the work of examiners is one reason why the re-examination procedure in the US is under-utilised: Rotstein and Dent, above n 2, 487.

⁸⁹ As expressed in interviews.

⁹⁰ That is, the *inter partes* nature of oppositions allows advocates (or the parties themselves) to argue their position before a disinterested arbiter.

⁹¹ As opposed to the tribunal only reading submissions of parties without, necessarily, knowing how much weight to give to any particular document.

the integrity of the system, then, is enhanced when it is seen that suitably qualified parties have an interactive opportunity to contribute to the granting, or refusal, of patents.

This argument is strengthened if recourse is made to the principles that underpin the patent system. The relevant ones are the first order principle of individual choice and the second order principles of accessibility and accountability. The three may be seen to come together from two, inter-related, perspectives – the rules relating to natural justice and the constitution of parties as modern subjects. In terms of the former, the hearing rule specifically supports (but does not necessarily require) the presentation of argument by parties before the officer.⁹² The justifications for the rules of natural justice are vague; one textbook refers to the “logic of fairness”⁹³ and another to “common sense and common decency”.⁹⁴ These suggest that the hearing rule is based on an understanding of how people are supposed to act/be treated as proper members of society.

There are two aspects of the “proper” behaviour of the modern subject: the “freedom” to speak and the constitution as an economic actor. First, we are “obliged to be free”,⁹⁵ to engage in practices that

⁹² The Examination Manual phrases the rule as ‘each party must have the opportunity of adequately stating their case, and correcting or contradicting any relevant statement prejudicial to their case’: *Manual of Practice and Procedure*, §3.2.4.1

⁹³ Roger Douglas and Melinda Jones, *Administrative Law: Commentary and Materials*, 3rd ed. (1999), 592. It is acknowledged that there is insufficient space here to consider, in depth, the commentary on the role of natural justice in the adjudicating of disputes between individuals. The reference to text-books here is to act as a shortcut to the significant case law that has developed in this area and to the perspective of the authors who are noted commentators in their own right.

⁹⁴ Mark Aronson and Bruce Dyer, *Judicial Review of Administrative Action*, 2nd ed. (2000), 299.

⁹⁵ Nikolas Rose, *Powers of Freedom: Reframing Political Thought* (1999), 87.

reflect our constitution.⁹⁶ These include those relating to self-expression, ‘empowerment ... consultation and negotiation’.⁹⁷ In other words, modern citizens are compelled to speak to further their interests.⁹⁸ The modern economic subject is also constituted as being responsible for “his” own financial well-being and as being endowed with the capacity to fulfil that responsibility.⁹⁹ Taken together, these aspects of the modern self oblige a preference for expressing our (economic) interests where necessary for our own financial well-being.¹⁰⁰ This understanding of those participating in the economy generally, and the patent system specifically, renders unsurprising the higher rate of participation in *inter partes* procedures over *ex partes* processes. This understanding, therefore, is a strong argument for maintaining, *ceteris paribus*, the opposition procedure as an *inter partes* process.

⁹⁶ Rose considers that the modern citizen is a ‘confessing animal’: Nikolas Rose, *Governing the Soul: The Shaping of the Private Self*, 2nd ed. (1999) 244. This may be reconceived as the modern citizen is an “expressing animal” who ‘emit[s] signs’ (Michel Foucault, *Discipline and Punish: The Birth of the Prison* (1979) 25) as a practice aimed at furthering their constitutive interests.

⁹⁷ Mitchell Dean, *Governmentality: Power and Rule in Modern Society* (1999) 168.

⁹⁸ These are reflected, and encapsulated, in arguments for the freedom of speech. These have been summarised as the freedom being ‘instrumental to collective self-government and democratic deliberation... an essential element of individual autonomy and self-realisation [of] importance [to] the search for truth [and for] nurturing dissent, fostering tolerance or checking government abuse’: Neil Netanel, *Copyright’s Paradox* (2008) 31.

⁹⁹ It has been argued that one aspect of modern governance is the constitution of all modern subjects as *homo oeconomicus*, with *homo oeconomicus* being an ‘entrepreneur ... being for himself his own capital, being for himself his own producer, being for himself the source of his earnings’: Michel Foucault, *The Birth of Biopolitics: Lectures at the Collège de France 1978-1979* (2008) 226.

¹⁰⁰ This preference may be conducted via a representative, such as a patent attorney or lawyer, who has specific expertise in expressing the relevant interest.

2 *Should Oppositions be heard within or outside the Patent Office?*

If it is accepted that the opposition procedure should remain an *inter partes* procedure, there is the further issue of whether it should remain in the IP Australia or be undertaken by an external body.¹⁰¹ That external body could be the Administrative Appeals Tribunal¹⁰² or another tribunal that was independent from IP Australia.¹⁰³ Again, the purposes relating to the non-curial option for challenging patent applications and the potential for the clarification of patent claims would be satisfied by either option.

The two other purposes, however, may impact on this issue. The purpose of enhancing accountability may suggest that the forum for oppositions is different from both the forum for the original patent examination decision and the forum for patent revocation actions. The purpose relating to the perception of the integrity of the system is also fulfilled if the decision-maker is different across the three processes – the issue of the perception of integrity flows, to a significant extent, from the degree of accountability that the opposition procedure offers.

An independent tribunal may be seen to improve accountability for two reasons. First, if the tribunal is financially independent then resources could not be siphoned away from the part of the office conducting oppositions; alternatively, as granted patents are a source

¹⁰¹ The question of whether oppositions should be heard by a Tribunal with a chair independent of IP Australia (but with hearings officers seconded from the patent office) was considered by the IPCRC: IPCRC, above n 58, 173. This option did not form the basis of a Recommendation of the Committee on the grounds that the current situation exhibited the requisite level of independence and expertise.

¹⁰² See also the discussion in Chris Dent, 'Patents as Administrative Acts: Patent Decisions for Administrative Review?' (2008) 30 *Sydney Law Review* 691.

¹⁰³ The possibility of having the proposed Administrative Review Tribunal the power to review, on their merits, patent decisions was raised in Administrative Research Council, *Administrative Review of Patent Decisions*, Report No 43 (1998).

of revenue for IP Australia,¹⁰⁴ there may be a perception that there is a bias within the office to allow “bad” or overly broad patents to proceed to grant – just so the income of the office is not compromised. There is no suggestion that either of these practices are happening now;¹⁰⁵ however, the perception of integrity would, no doubt, be improved if neither of these were even possible.

An independent tribunal would also improve accountability through reducing the potential for any faulty practice being repeated across fora.¹⁰⁶ That is, if there is an incorrect practice (such as a misunderstanding of the legal tests) associated with patent examination endemic within the patent office, then, a re-assessment of an examination decision by a non-patent office body may be less likely to repeat the practice.¹⁰⁷ The purposes, and principle, of

¹⁰⁴ The initial grant of a patent gives the patentee a five year monopoly over the exploitation of the invention. Should the patentee want the full 20 year monopoly, the patentee has to pay annual renewal fees to IP Australia. Currently, the annual fee ranges from \$250 for the sixth year of protection to \$900 for the twentieth year: *Patent Regulations* 1991 Schedule 7.

¹⁰⁵ There were no comments made in the course of the interviews with the patent practitioners that suggested that such a perception exists in the Australian patent community. The responses reinforced the submissions to the IPCRC that all ‘praised the decisions of the hearings officers as professional and unbiased’: IPCRC, above n 58, 174.

¹⁰⁶ An independent tribunal may also improve the accessibility of the procedure if costs were lower before the tribunal. That would depend on the structure of the tribunal and, to a significant extent, on changes to the production of evidence to be used in an opposition. There is not the scope in this article to consider this matter in depth.

¹⁰⁷ The current procedure for the writing of opposition decisions, for example, includes the use of a template for the decision (*Manual of Practice and Procedure*, §3.33) and a requirement that the hearings officer submit a draft of the decision to a “peer review panel” to assist in the quality management processes of IP Australia (*Manual of Practice and Procedure*, §3.32.1). It is acknowledged that there are sound policy reasons for ensuring the decision includes all the necessary information; however, the recourse to forms and understandings common amongst senior examiners in the patent office may perpetuate incorrect processes and perspectives.

accountability, therefore, may indicate that a separate tribunal be used to hear opposition proceedings.¹⁰⁸

The preference for an independent tribunal is predicated on the tribunal having the requisite expertise to run proceedings.¹⁰⁹ That expertise, however, may not address one of the key concerns about a move to an external tribunal (though it is also a concern with respect to the current procedure); that concern is the manner in which amendments to the patent application are dealt with. The hearings officer, currently, cannot examine any amendments proposed by the patent applicant, to deal with the issues of patentability raised by the opponent. One of the arguments put forward for this state of affairs is that the opponent needs, on the basis of natural justice, to be able to consider the amendments in case the amendments do not deal with the concerns raised in the opposition.¹¹⁰ The purposes of the

¹⁰⁸ A separate body would also allow for disciplinary costs to be awarded against IP Australia in circumstances where the tribunal felt that the acceptance of the patent application was egregiously wrong – that is, where the opponent suffered significant expense to oppose an application that should never have been accepted (the Administrative Review Council considered the issue of disciplinary costs in *Better Decisions: A Review of Commonwealth Merits Review Tribunals*, Report 39 (1995) 58-59). This matter is distinct from the concern raised by interviewees that the current award of costs procedures are problematic and may limit the use of oppositions. There is not the scope in this article to consider the matter of costs to an extent greater than this note.

¹⁰⁹ That could require the tribunal have to have access to legal expertise (for the necessary understanding of the law), technical expertise (relating to the particular area of technology covered by the patent) and patent office expertise (relating to patent office procedures and the structure and function of patents). A subject matter expert and a lawyer skilled in patent law may not be trained in, for example, the role of patent claims within a patent – this is a highly specialised area of practice that is distinct from the law as stated in the Patents Act. A multi-member tribunal would also allow for the better use of inquisitorial techniques to probe parties and witnesses to clarify the advance the invention makes to the relevant art as one member could be experienced in cross-examination and another could have the requisite knowledge to pose the appropriate questions and understand, fully, the answers given.

¹¹⁰ This consideration is currently provided for under *Manual of Practice and Procedure*, §3.2.14.

opposition procedure only suggest, however, that the opponent is given the chance to challenge the application in order to restrict, where appropriate, the scope of the claims – this does not require that opponents vet the amendments.¹¹¹

The process of dealing with amendments, presently, adds to the delay caused by the procedure; it may, however, create a more significant problem if an external tribunal hears oppositions. This potential problem results from the different characteristics of the decision-makers and the decision-making processes. If the tribunal simply replaced the hearings officer, then when the tribunal gave leave to amend the application (on the basis of the concerns of the opponent) the ensuing amendments would be examined by a patent examiner in IP Australia. The examiner then considers whether the amendments are allowable¹¹² – but not whether they deal with the concerns raised in the opposition. Once an amendment is accepted as allowable, the patent application returns to the tribunal.¹¹³ Where the decision-making processes are different for examiners and the tribunal, it may be more likely that delays will occur where a patentee, accustomed to dealing with concerns of examiners, fails to deal with the concerns of the tribunal. This concern arises because the opposition procedure is currently pre-grant. As the patent is yet to be sealed, it is the role of IP Australia to assess any amendments to the application; and, therefore, there needs to be an interaction between the body hearing the opposition and IP Australia. The issue of amendments may change, however, if patents could be opposed after they are granted.¹¹⁴ The final substantive section of this article considers other reasons for shifting the timing of the procedure.

¹¹¹ This is in keeping with post-grant challenges – a party seeking revocation does not have the right to vet the amendments order by the court under s 105.

¹¹² *Patents Act 1990* s 102.

¹¹³ Currently, the application returns to the hearings officer for a final determination of the opposition: *Manual of Practice and Procedure*, §3.2.15.

¹¹⁴ A court may, for example, order an amendment after the patent has been granted; however this would not require an interaction between the court and IP Australia.

3 *Should Opposition take place Pre-Grant or Post-Grant?*

The distinction between a pre-grant and a post-grant opposition may be expressed as follows: the advantage of a pre-grant process is that a patentee cannot exploit an improperly granted patent (where the opposition prevents the grant of such a patent); alternatively, a patentee may be able to (unfairly) exploit an improperly granted patent if the opposition procedure is only available to a competitor after the patent has been granted. Before this option is explored, one point needs to be addressed. One of the concerns raised by the possibility of oppositions being available after the grant of a patent is that such a procedure would be unconstitutional.¹¹⁵ Given the nature of the decision-maker,¹¹⁶ and the fact that no rights are being assessed (as no rights attach to the patent application),¹¹⁷ the decisions are not enforceable,¹¹⁸ appeals are heard de novo by a

¹¹⁵ The IPCRC sought the opinion of the Australian Government Solicitor's office on this issue. The 'advice given was that it was a "grey" area ... [as] the High Court may view such a review process as the exercise of a judicial power by a non-judicial body, which would offend the separation of powers doctrine in the Constitution': IPCRC, above n 58, 172.

¹¹⁶ In accordance with s 71 of the Australian Constitution, 'no part of the judicial power can be conferred in virtue of any other authority or otherwise than in accordance with the provisions of Chap III' of the Constitution: *R v Kirby; Ex parte Boilermakers' Society of Australia* (1956) 94 CLR 254, 270, Dixon CJ, McTiernan, Fullagar and Kitto JJ.

¹¹⁷ Success in an opposition 'involves ... the thwarting of another person's attempt to obtain a patent. That may have commercial advantages for the successful party, but it does not carry with it the right of property': *Frederikshavn Vaert A/S v Stena Rederi Aktiebolag* (2002) 124 FCR 243, 254, Sundberg J.

¹¹⁸ If a tribunal has the capacity to enforce its decision then it is more likely to be considered to be exercising judicial power: *Brandy v Human Rights and Equal Opportunity Commission* (1995) 183 CLR 245, 268. Further, no damages are capable of being awarded by the hearings officer. A decision of a hearings officer, therefore, may be best understood as a 'factum by reference to which the statute creates rights for the future which then are to be enforced by resort to the courts': *Luton v Lessels* (2002) 210 CLR 333, 360, McHugh J.

court¹¹⁹ and, historically, the granting of a patent is an administrative task,¹²⁰ it is uncontroversial to suggest that a pre-grant opposition is an administrative decision.¹²¹ Further, a post-grant opposition procedure would not be counter to the exercise of judicial power under the Constitution.¹²² The most important difference is that the latter may be seen to be deciding on the rights of a patentee.¹²³ The nature of the putative rights found in a challenged patent, coupled with the weight of the other factors considered, still strongly suggests that the power exercised would be administrative.¹²⁴

¹¹⁹ That is, Justice Sundberg stated that such a ‘proceeding under [subsection 60(4)] is in the original jurisdiction of the Court. The appeal is not an appeal stricto sensu’: *Frederikshavn Vaert A/S v Stena Rederi Aktiebolag* (2002) 124 FCR 243, 248, Sundberg J. His Honour cited *Kaiser Aluminium & Chemical Corporation v Reynolds Metal Co.* The reasoning of Kitto J in that case was that ‘it is an original proceeding, being the first judicial proceeding in the matter of the opposition’: (1969) 120 CLR 136, 142.

¹²⁰ *Stack v Commissioner of Patents* (1999) 161 ALR 531, 541, Drummond J.

¹²¹ The High Court has also held that an opposition decision under the *Trade Marks Act* 1905 was an administrative decision: *Farbenfabriken Bayer v Bayer Pharma* (1959) 101 CLR 652, 658. As the Court was ruling on the exercise of the power in an appeal from an opposition, this finding may be seen as *obiter*.

¹²² In a recent decision, it was stated that ‘no single combination of necessary or sufficient factors identifies what is judicial power’: *Attorney-General for the Commonwealth v Alinta Ltd* (2008) 233 CLR 542, 577, Hayne J. This suggests that there may always be doubt about the nature of the decisions of a hearing officer – at least until the High Court rules upon the matter.

¹²³ This is, of course, assuming that all other aspects of the procedure remain constant apart from the timing of the procedure. With respect to the procedural aspects, the High Court decision relating to the Corporation and Securities Panel offers a useful analogy. The Court held that decisions of the Panel were not exercises of judicial power, in part on the basis that even though the Panel was ‘authorised to hold hearings’, they were to be ‘conducted with as little formality and technicality, and with as much expedition, as the requirements’ of the law permit. Further, the Panel was ‘not bound by the rules of evidence’: *Precision Data Holdings Ltd v Wills* (1991) 173 CLR 167, 183, per curiam.

¹²⁴ See also, Chris Dent, ‘Patent Oppositions and the Constitution: Before or After?’ (2006) 17 *Australian Intellectual Property Journal* 217. One aspect of that article was a discussion of the High Court decision, *R v Quinn* (1977) 138 CLR 1. In that case, the decision of the Registrar of Trade Marks to order the removal of a trade mark from the Register of Trade Marks was not an exercise of judicial power.

In terms of the framework offered by this article, it is not clear that the purposes of, or the principles supporting, the opposition procedure dictate whether oppositions should take place before, or after, the grant of the patent. Either option allows for non-curial challenge to clarify claims and provides accountability and an enhancement of the perception of the integrity of the system. Both facilitate accessibility, accommodate (but not exacerbate) the acceptance of risk and neither would seem to negatively impact on the capacity of patents to act as incentives for research and development. A conclusion that may be drawn from this is that there is no internal framework for judging whether a pre-grant or post-grant opposition is “better”. That is, there are no criteria that may be deduced from the operation of the patent system that dictates the preferred timing of a third-party challenge procedure. Recourse to statistics of use also does not assist¹²⁵ – the few figures that have been included in this article cannot categorically indicate whether the current procedure is good, bad or indifferent. The indicated figure of 7 percent of opposed patent applications that are rejected in a hearing may be seen as too low, too high or just right.¹²⁶ If statistics cannot be used to judge how well the current system is being used, then it is difficult to see how they can be adopted to justify a shift from a pre-grant to a post-grant process.¹²⁷

¹²⁵ This claim is made, in part, on the analysis of a database of opposition filings and decisions compiled as part of this research into the patent opposition process.

¹²⁶ The figure may be seen as too low if compared to the proportion of patents that are knocked out in European (post-grant) oppositions (35 percent: Rotstein & Dent, above n 2, 482) and it may be too high if it is acknowledged that all patent applications have been examined and accepted prior to being opposed and that patent applicants have a wide freedom to amend an application during the opposition period to avoid the application being rejected.

¹²⁷ It is possible to use more qualitative data to assess the benefits of, and problems with, the present system. Such data does still not prove that pre-grant is better than post-grant. Our project has asked practitioners in Australia and Europe about the opposition procedure in place before each office. The Australians, on the whole, were happy with the Australian system and the Europeans were happy with the process at the European Patent Office. As one Australian attorney said: ‘I guess [opposition] is like an old friend, you sort of get used to it and all its flaws and bumps and lumps so... I mean I don’t know whether or not a post-grant opposition

This leaves three possibilities: no change, reform based on external criteria or an option that does not require a choice between either having an opposition before or after the grant of a patent. As this article is not aimed at arguing for change, the first of the three is certainly viable; with respect to the second possibility, the decision to impose a post-grant procedure solely on the grounds of harmonisation with other jurisdictions raises policy concerns outside the scope of this article (on the basis that the concerns do not arise as a result of the principles of the patent system). The third option focuses on the sole principle of the patent system that may have a direct impact on the pre-/post-grant question.

That principle relates to choice and it may only indicate that there is no need for the procedure to be either before or after the sealing of the patent. That is, an opposition could be filed during either period.¹²⁸ It is envisaged that such a possibility could involve a pre-grant opposition with strict time limits (thereby limiting the delays to grant caused by the current system) before a hearing officer and a post-grant opposition that could either be before IP Australia or an independent tribunal. Under this model, there would be less of a need for an appeal system in the pre-grant process – if the decision goes against the applicant, then there may still be the opportunity to file a divisional application¹²⁹ and if the decision goes against the

would work any better'. It is rare to find a practitioner with significant experience in both systems; and even with such attorneys, their experience is likely to be limited to a particular area of technology (the use of, and the issues relating to, the opposition procedure varies across technology sectors).

¹²⁸ This is the case under the New Zealand *Patents Act* 1953, though the post-grant opposition was referred to as “revocation by the Commissioner” (under s 42 of the Act). Under the Bill currently before the NZ Parliament, the pre-grant opposition will no longer be available. No discussion of the reasoning behind the change is publicly available.

¹²⁹ *Patents Act* 1990 s 79B. The principle of choice suggests that the applicant should have the option to try again, without losing the priority date, if the application fails; to allow an unlimited number of divisionals may, however, provide insufficient accountability of the actions of the applicant.

opponent, then they still have a second opportunity to oppose post-grant.¹³⁰ There may also be the potential for the hearings officer to decide on the allowability, and sufficiency,¹³¹ of any amendments at the time of the hearing.¹³²

Providing for both a pre-grant and a post-grant opportunity to challenge offers a choice for the opponent as to timing of the challenge;¹³³ it also gives the applicant a choice of continuing the application as a divisional. More importantly for the applicant, though, is the positive impact on the incentive that is likely given the shorter time-frames to sealing (if time limits are strictly enforced).¹³⁴ The additional potential burden of a post-grant opposition is little different to the risk accepted by all patentees that their patent may be challenged in a court. There is not the space to detail how such an option could work;¹³⁵ however, the linking of the possibility with the principles and purposes demonstrates the value of further work being done on it.

¹³⁰ This option does have implications that have to be thought through in terms of the “double jeopardy” point made above – that patentees/patent applicants should not have to weather multiple challenges that rely on the same grounds/arguments. One possible solution would be for the opponent to seek “leave” of the post-grant tribunal to oppose the patent on the same prior art as they relied upon in the pre-grant opposition.

¹³¹ That is, whether the proposed amendment accommodates the validity issues raised by the opponent and hearings officer during the opposition.

¹³² This is on the basis that there is no principled reason for the opponent to vet the amendment prior to a hearing; this is also how amendments to patents are dealt with during an opposition hearing held before the European Patent Office under Article 102 of the European Patent Convention.

¹³³ The choice could also extend to the expense to be incurred: a quick pre-grant challenge is likely to be cheaper than a more in-depth opposition post-grant.

¹³⁴ The additional benefit to the patentee of having the potential for damages to accrue while the post-grant proceeding is on foot may also be attractive.

¹³⁵ Such as with respect to the time periods for each challenge and whether revocation proceedings (or the post-grant opposition) would be put on hold while the other challenge is on foot.

V CONCLUSION

The purpose of this article is not to argue for specific reform options for the opposition procedure within the patent system, but rather to consider from an abstract perspective, its nature and purposes. Without such an understanding of the function of the opposition decision as a key feature of the system, it is difficult to conceive of a theoretically rigorous justification for any substantial change to the operation of the procedure. In particular, should the push for a post-grant opposition gain strength (on the basis of a need for harmonisation), it is important that evidence is available to either resist, or encourage, the shift. This article does not offer any empirical evidence but does provide a conceptualisation of opposition decision in terms of its nature and its purposes – a conceptualisation that has not been available before.

The four distinct purposes of the opposition procedure offered here are in keeping with the (internal) principles of the overall patent system. The capacity for third parties to challenge, through the introduction of advocated information, the potential grant of a patent enhances accountability, accessibility, choice and the perception of the integrity of the overall system. This understanding, however, is not sufficient to argue conclusively for any of the options considered here. This means that any reform needs to be motivated by, and justified with, arguments that are external to the patent system. Now, at least, such arguments can also be assessed against a nuanced conception of the opposition procedure in order to minimise the negative impact of any change on those who use the patent system for the betterment of their interests and the economy as a whole.