Australian Government
Advisory Council on Intellectual Property

Compulsory Licensing of Patents
Productivity Commission
LB2 Collins Street East
MELBOURNE VIC 8003
By email: Patents@pc.gov.au

Dear Commissioner,

The Advisory Council on Intellectual Property (the Council or ACIP) welcomes the opportunity to comment on the issues raised in the Productivity Commission's Issues Paper entitled *Compulsory Licensing of Patents*. Please accept my apologies for the delay in providing our submission.

ACIP is an independent body appointed by the Australian Government, and advises the Federal Minister for Industry and Innovation - and his Parliamentary Secretary - on intellectual property matters and the strategic administration of IP Australia.

ACIP have not provided answers to many of the specific questions presented. We expect other groups with direct current knowledge will provide first-hand information on these matters.

Due to time constraints, ACIP have not had the opportunity to discuss the issues paper or this submission at a full Council meeting. Below are the general comments provided by individual members of ACIP together with comments to specific issues.

The Council has noted that the Issues Paper largely deals with potential licensing activities currently provided under the *Patents Act 1990* (Patents Act). However, the Council also notes that the *Intellectual Property Laws Amendment (Raising the Bar) Act 2012* will provide exemptions from patent infringement for a number of actions which may currently be subject to licensing activities. Therefore, the Council believes that the focus of the Inquiry should be clearly directed to the Patents Act as amended by the Raising the Bar Act.

There is an underlying impression gained from the Issues Paper that the compulsory licensing provisions in the Patents Act may not be needed since they are used very infrequently. ACIP contends that the lack of use of the provisions does not indicate that they are not needed. ACIP believes that the existing provisions should be retained as they provide a useful 'safety valve' should appropriate circumstances arise.

<u>Section 3 – Australia's system of patents and compulsory licensing</u>
ACIP believes that the definition of Crown within the Patents Act is unclear. There are many different entities that could be seen as either Commonwealth or State authorities. Perhaps s.162 of the Patents Act could be amended to more clearly define the entities entitled to use these provisions, or alternatively, specify the types of entities that are not entitled to use the provisions.

Section 4 - How efficient and effective is compulsory licensing?

There is no comprehensive evidence provided of 'concerns about the effectiveness and efficiency of the existing compulsory licensing provisions'. We await the assessment of these concerns.

ACIP agrees that there are problems with an individual patentee assessing the licensing requirement of 'reasonable requirements of the public' that is part of s.135 of the Patent Act.

Section 5 – Specific concerns raised in the terms of reference

Much of Section 5 provides information on specific concerns. There appears to be an emphasis on the patentability of genetic material. Both the Australian Government and ACIP have determined that genetic material is a suitable subject matter for a patent. Therefore, ACIP suggests that, if changes are to be proposed to the current compulsory licensing provisions, they should remain technology neutral.

Section 7 – Alternative mechanisms

At present, there is no central patent licensing repository in Australia similar to CAL – nor is there a licensing 'system' having uniform contracts, etc. The complications for such a system (if one was created) may include:

- Different technologies have different licensing needs and a 'one-size-fits-all' contract would not suit all technologies.
- There are different circumstances that need to be covered depending on what stage the patented technology is at and the skills/input required from the licensed party - i.e. is the technology fully developed and ready to be commercialised, immature and needing further development before commercialisation, or new technology needing 'proof-of-concept' to get it out of the laboratory or off the drawing board.
- There are many different incentives to license – not just financial. For example, terms might include: reciprocal commitments; joint research; product development collaboration; access to resources and Cooperation agreements.

It is ACIP's view that care should be taken in making available an easier approach to compulsory licensing for fear that the integrity and balance of the patent system is weakened. It may well be that the courts prove to provide a more open and transparent process.

In conclusion, ACIP submits that the existing compulsory licensing provisions of the Patents Act provide a reasonable remedy where the patentee has demonstrated an abuse of their exclusive rights or where the reasonable requirements of the public are not being met. It is not enough to say that the provisions are not needed just because they are so rarely used. Changes to the provisions, or their removal, could have a large number of unintended consequences with indeterminate impacts across a range of industries and sectors.

We look forward to hearing of the public consultation opportunities in early 2013.

Yours sincerely

Leon Allen
Chair

23 October 2012