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Intellectual Property Research Institute of Australia

Working Paper No. 02.07

ISSN 1447-2317

April 2007

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I. INTRODUCTION

Litigating patents is an expensive proposition for both patent holders and alleged infringers. Indeed, it has been 'called the sport of kings; it is complex, uncertain and expensive'.¹ The last factor, expense, has almost become a mantra in analysis of patent litigation. It is often, for example, cited as the main motivation for parties to settle a dispute, rather than proceed all the way to judgment in a court. There is, however, little empirical research into the relative importance of cost in the conduct of disputes between patent-holders and their competitors.

The decisions relating to patent litigation are the subject of a significant amount of research around the world currently, much of it with a focus on reducing the amount of unnecessary litigation that is considered to occur. This article describes the results of empirical research that approaches this issue from two directions – an examination of the use of settlement procedures in Australia and an assessment of the processes adopted by lawyers when considering issues around patent litigation.² There is significant information on the practices associated with US patent litigation,³ however, it is not clear that the data is equally applicable to Australia – the differences in the sizes of the economies and in the levels of litigation may significantly impact

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¹ Bessen J and Meurer M, 'Lessons for Patent Policy from Empirical Research on Patent Litigation' (2005) 9 *Lewis & Clark Law Review* 1, 2.

² Many people contributed to the work in this article, in particular, in the formulation and refining of the survey document itself. The authors would like to gratefully acknowledge the assistance Mitch Casselman, Jui-shan Chang, Andrew Christie, Justine Clark, Mark Goldblatt, Tony Hodge, Emily Hudson, Paul Jensen, Andrew Kenyon, Des Ryan and Grania Sheehan.

³ Examples of empirical work in this area include Cohen W, Nelson R and Walsh J, 'Protecting Their Intellectual Assets: Appropriability Conditions and Why US Manufacturing Firms Patent (Or Not)' (2000) NBER Working Paper 7552; Lanjouw J and Schankerman M, 'Enforcement of Patent Rights in the United States' in Cohen W and Merrill S (eds), *Patents in the Knowledge-Based Economy*, National Academies Press, Washington DC, 2003; and Somaya D, 'Strategic Determinants of Decisions Not to Settle Patent Litigation' (2003) 24 *Strategic Management Journal* 17.

on litigation and settlement practice. This project, as a whole, is intended to fill this gap.

The empirical research discussed here, a mail-out questionnaire, is part of a broader investigation into practices associated with the settlement of patent disputes in Australia. The main purpose of the survey was to provide some insight into patent litigation in Australia through the establishment of some statistics on the level of use of settlement procedures in Australian patent litigation and analysis of the decision-making processes of lawyers during the litigation process. Both aspects will add to current assumptions about the importance of cost to decision relating to patent disputes.

There are two subsidiary processes to this study. The first is to trial the effectiveness of mail-out questionnaires as a means of empirical legal research, in particular for the eliciting of information on the legal decision-making processes. This empirical research technique is little used in Australian legal research; and, as the intent of the study was to gain a picture of the use of settlement procedures across the country, it was felt that the method may be an effective research tool. The second subsidiary purpose was to provide background data to inform interviews with experienced Australian patent lawyers – these in-depth interviews form the second half of the settlement project.

In terms of the structure of this article, after a broad overview of patent law and practice, there will be a section detailing the methods adopted in the study – the writing, production, distribution and analysis of the questionnaire – that achieved this success. Following that description will be a summary of the key results of the analysis.⁴ In summary, the research supports the view that cost is the most important factor in settlement decisions; however, cost does not dictate the timing of settlement, nor is it the only factor considered. Rounding out the article will be a discussion of the effectiveness of the research method; both in terms of gaining statistics on Australian patent dispute settlement practice and of accessing insights into the decision-making processes of lawyers engaged in patent litigation.

⁴ Further, not all the results that may be gained from an analysis of the responses are included here. There is insufficient space in this form of publication to detail the method and all the results. The more significant results – in terms of the application of the questionnaire method and of understandings of patent settlement practice – are discussed in this article. Further conclusions and analyses are to be published at a later date.

II. OVERVIEW OF PATENTS AND PATENT LITIGATION

Patents are grants of limited monopoly rights under the *Patents Act 1990* (Cth.). In essence, a patent is a reward for the investment of time, money and ingenuity an inventor puts into the creation of a new article or process.⁵ The monopoly granted restricts third parties, including the inventor's competitors, from using the invention without her or his permission (and, in most circumstances, the payment of a licence fee).

Not all inventions protected by patents are profitable (indeed, not all inventions protected by patents are used in practice). Therefore, not all such inventions are likely to be fought over. That is, the patent system can be seen as a big funnel. Of all patents that are applied for, some (a significant proportion) are granted. Of the thousands of patents that are in force at any given time, only some proportion will be infringed, and even then, only an unknown proportion of those infringements will be detected by the intellectual property (IP) owner. Even then, not all cases where infringement is detected will lead to a dispute: the patent owner may decide, even before consulting a lawyer, that the infringement is outside their market and unimportant, or not worth pursuing. Or they may come to that conclusion after consulting a lawyer. Even where there is a dispute, it may begin and end with the exchange of letters and/or negotiations, without infringement proceedings ever being commenced in court.⁶ Moreover, filing legal proceedings can itself be a stage in negotiations. Many of the disputes that end up being filed in the courts are resolved in out-of-court settlements, leaving only a tiny fraction that end up being resolved by a judge.

Consider the figures from the US. Lanjouw and Schankerman,⁷ in their study of patent enforcement, found that:

⁵ A number of theories have been developed with respect to the patent system focus on the role the limited monopolies play in the wider society. For a review of the theories see Oddi AS, 'Un-Unified Economic Theories of Patents – The Not-Quite-Holy Grail' (1996) 71 *Notre Dame Law Review* 267. Theories examined include "reward"; "patent-induced"; "prospect"; "race-to-invent" and "rent dissipation" theories. Most rely on the assumption, likely valid, that patentees seek the protection in order to financially benefit from the patent grant.

⁶ Data collected by ACIP in 1999 suggested that only 0.03-0.04 per cent of registered IP rights are the subject of a case filing in any given year. A small survey of patent attorneys done by ACIP for the same report also asked what percentage of patent disputes proceeded to litigation. Figures given by the patent attorneys ranged between 5 per cent and 40 per cent. Even this figure seems likely to overstate the number of infringement disputes, since it appears to include all cases filed under the *Patents Act* – thus including appeals from opposition proceedings, *inter alia*.

⁷ Lanjouw J and Schankerman M, "Enforcing Intellectual Property Rights", NBER Working Paper 8656, December 2001.

- the rate of filing of patent cases across technology types for the period 1978-1999 was 19 case filings per thousand patents, which varied significantly across technology fields, and other factors like the size of the patent owner; and
- about 95 per cent of all patent suits filed are settled by the parties before the conclusion of trial,⁸ 85 per cent of these settlements occurring very quickly: before even a pre-trial hearing is held.

There is, however, some variation in the data that has been produced in this area. Landes, for example, found that closer to 80% of cases settle.⁹

Figures are available as to how many patent cases which are filed in court proceed to judgment, and as are figures relating to how many patent cases have been filed in the last 10 years.¹⁰ In those cases, objective data are available. These very basic pieces of data do not shed light on what is going on outside the court system:

- how often would it happen that an IP owner would raise a potential infringement with their lawyer, but decide not to pursue the issue (and if so, why would they decide not to pursue it?)
- once matters proceed at least to the writing of a letter of demand, how often would those cases settle?

Firm figures on these issues are not likely to be obtained: the experience of lawyers will differ, and may differ in part based on their clientele and their own approach towards the sending of letters of demand and settlement. Further, any figures that are produced may not indicate why or how settlement happens. Nevertheless, surveying lawyers does provide some window on what is happening. The next Part of this article discusses the processes involved in the production and distribution of the questionnaire.

⁸ See also Moore KA, “Judges, Juries and Patent Cases – An Empirical Peek Inside the Black Box” (2000) 99 Michigan Law Review 365, 383 and Table 1 on 384. Moore studied 1411 patent cases in the period 1983 to 1999, and showed that 6.9 per cent of all patent suits filed in the period went to trial, with the vast majority the subject of summary disposal by the court or settlement by the parties.

⁹ Insert ref ***

¹⁰ WORKING PAPER ON FILINGS DATA

III. METHOD

The purpose of the research project is the investigation of the use of, and practices associated with, settlement procedures in patent disputes. Two approaches were selected – one that focused on breadth of coverage and another that focused on depth of responses.¹¹ The former is the survey method discussed in this article and the latter, the interview stage of the research, is ongoing.¹²

It was also decided that lawyers would be the target of the research. Other researchers have interviewed and surveyed other actors when studying patent practices.¹³ It would have been possible, for example, to survey patent-holders and parties alleged to have infringed patents. Legal practitioners were chosen for this study as they were seen to be best placed to provide information on the conduct of a number of examples of patent dispute settlement. This Part, therefore, details the method adopted in producing, distributing and analysing the mail-out survey that is the focus of this half of the research.

A. Production of Survey

The first stage of the study was the writing and trialling of the questionnaire. A key conclusion of the literature on the use of empirical research tools is that substantial effort needs to be expended in the construction of surveys. One text states as a warning, ‘all too often, survey questions fail to work as they are intended to’.¹⁴ As this study is among the first to survey Australian lawyers and the first to attempt to explore the decision-making processes of lawyers significant effort was made in the drafting and trialling of the survey.

¹¹ For a discussion of the varieties of research methods available see Babbie E, *The Practice of Social Research* (8th ed, Wadsworth, 1998); Kayrooz C and Trevitt C, *Research in Organisations and Communities* (Allen and Unwin, 2005); Neuman WL, *Social Research Methods: Qualitative and Quantitative Approaches* (5th ed, Allyn and Bacon, 2003); and Seale C, Gobo G, Gubrium J and Silverman D (eds), *Qualitative Research Practice* (Sage, 2004). One text that relates specifically to the use of empirical research methods with lawyers is Baldwin J and Davis G, ‘Empirical Research in Law’ in Cane P and Tushnet M (eds), *Oxford Handbook of Legal Studies* (Oxford University Press, 2003).

¹² Researchers have used in-depth interviews with great success in gaining insights into legal practices. See, for example, Kenyon A, *Defamation: Comparative Law and Practice* (University College London Press, 2006).

¹³ See, for example, Cohen, Nelson and Walsh, above n 3 and B. Hall and R. Ziedonis, ‘The Patent Paradox Revisited: An Empirical Study of Patenting in the US Semiconductor Industry, 1979-1995’ (2001) 32 *RAND Journal of Economics* 101.

¹⁴ Foddy W, *Construction Questions for Interviews and Questionnaires: Theory and Practice in Social Research* (Cambridge University Press, 1993), 188.

Prior to starting the process, the literature was surveyed in order to assess the success of previous attempts of using the type of empirical research technique on legal professionals. There has only been two dedicated surveys that have, so far, been carried out on Australian lawyers.¹⁵ One focused on the attitudes of lawyers to alternative dispute resolution.¹⁶ The other examined the job experience and satisfaction of young lawyers.¹⁷ A survey of New Zealand lawyers has been carried with respect to their experience of defamation litigation.¹⁸ Each of these can be seen to address the attitudes and experiences of respondents rather than attempting to gain insights into their decision-making processes.¹⁹

The lack of pre-existing relevant studies in Australia was a double-edged sword. On the one hand, there was less chance that the survey would be competing with other questionnaires for the respondents' attention. On the other hand, there was little guidance from previous work as to the most effective techniques for surveying lawyers. The vast amount of empirical research material produced in the social sciences was accessed to provide the necessary theoretical grounding and lawyers were sought out to provide more practical advice on question construction and the relevant aspects of the legal environment.

¹⁵ A survey of lawyers was part of one PhD study: Noakes D, *Reform to the Law of Corporate Groups to Protect Employees*, PhD, University of Melbourne, 2002. Few lawyers were included in the research that focused on accountants. Australian judges and magistrates have also been surveyed: Freckelton I, Reddy P and Selby H, *Australian Judicial Perspectives on Expert Evidence: An Empirical Study*, Australian Institute of Judicial Administration, 1999 and Freckelton I, Reddy P and Selby H, *Australian Magistrates' Perspectives on Expert Evidence: A Comparative Study*, Australian Institute of Judicial Administration, 2001.

¹⁶ Zariski A, 'Lawyers and Dispute Resolution: What Do They Think and Know (and Think They Know) – Finding Out Through Survey Research' (1997) 4(2) *E-Law*: www.murdoch.edu.au/elaw/issues/v4n2/zaris422.html. A survey of lawyers on the topic of alternative dispute resolution has also been carried out in New Zealand: Saville-Smith K and Fraser R, *Alternative Dispute Resolution: General Civil Cases*, Ministry of Justice, 2004.

¹⁷ This work was a web-based survey and sponsored Law Council of Australia: 'Young Lawyer Survey' (2004), Summary Available from: <http://www.lawcouncil.asn.au/AYLSurvey.html>.

¹⁸ Cheer U, 'Myths and Realities about the Chilling Effect: The New Zealand Media's Experience of Defamation Law' (2005) 13 TLJ 259. The questionnaire sent to lawyers was part of a broader survey into defamation practice that included newspapers, broadcasters, journalists and advertising agencies.

¹⁹ That there is little survey research carried out with lawyers is not explained. One possible reason for this gap is a perception that lawyers do not have the time or the inclination to respond to questionnaires. Previous studies, however, indicate that lawyers, if approached, are happy to participate in academic research. Much of the empirical work in Kenyon (above n 15), for example, focused on hour-long interviews with lawyers – a more extensive time commitment than that involved in the completion and return of a survey. Another reason may be that empirical researchers tend to operate out of social science faculties and they may not consider themselves to have sufficient expertise in legal matters to carry out such studies. The lack of empirical research of this type in law is, as stated above, one of the motivating reasons for this present work.

The multiple purposes to which this work was to put required that there be, in effect, two sections to the survey. The desire for statistics on Australian patent practice generally meant that there were a number of questions relating to the lawyer's experience in the area and patent workload. There were also a number of statistical questions aimed at respondents who did provide advice with respect to the settlement of patent disputes. These related to, for example, the number of settlements the lawyer was involved in, the outcomes of the settlements and perceptions of changes in the level of damages paid out as part of settlement agreements.²⁰

The second area of questioning related to the factors considered by lawyers when deciding on patent dispute settlements. There were, in effect, three types of questions that went to this issue. The combination of these three types of questions was intended to provide a broad picture of the features of patents that were important when it came to decisions about litigation and settlement of patent disputes.

The first in the survey was a request to nominate from a list the four most important characteristics of a patent that contributed to its value.²¹ The second type was a set of ratings scale questions.²² These two types of questions were about patents in the abstract; respondents were not asked to consider particular fact situations when providing their answers.

The questions that required the most trialling related to the factors that lawyers considered when providing advice to clients on a particular patent dispute settlement. Respondents were asked to rank the six most important factors in the last settlement decision they advised on.²³ The third factor-related question required the most

²⁰ It was not expected that all the lawyers who were to be sent the survey form would have sufficient knowledge of the area to provide information. This is because the names of potential respondents were gleaned from what may be seen as advertising material. (Contact details of the respondents were found on the internet. Aspects of the distribution of the survey will be discussed below in the next section.) For this reason, the survey had, in effect, two parts. The first was to gain some idea of the experience of people who work in patent law (though may not participate in litigation or settlement negotiations). At the end of the first part of the questionnaire there was a note asking respondents to stop there and return the survey if they did not feel they did sufficient work in patent litigation or settlement to complete the rest of the form. The second part of the survey contained detailed questions on experiences in settlement and decision-making factors. Statistical questions, as a result, were in both parts of the survey document.

²¹ A list of eight characteristics was included. Respondents were asked to rank their response. There was also space for the lawyers to add factors if they felt the list was incomplete.

²² That is, lawyers were asked to indicate if they thought specific factors were either "very important", "important", "slightly important" or "not important". See Foddy, n 16, 153-5 for a discussion of the various forms of attitudinal assessment systems used in surveys.

²³ One question related to the last settlement decision advised on when acting for a patentee and another related to the last decision advised on when acting for an alleged infringer. The list of factors in

trialling because it emphasised the one issue that was of particular importance to this survey given lawyers were to be the target.

There was a tension, inherent the questions,²⁴ between gaining detailed information from lawyers and the risk of compromising client confidentiality.²⁵ The most practical technique for guaranteeing the confidentiality of the returned surveys was the perforation of the cover page of the survey. A cover page, with space for the name of the respondent, was considered necessary for two reasons.²⁶ First, if the name was included then, when it came to follow up communication, there would be no “harassment” of respondents who had already completed the survey. The second reason for the cover page was that enabled respondents to indicate their interest in participating in the second stage of the research – the in-depth interviewing of patent lawyers. To emphasise the respect for the confidentiality of the survey data it was made clear in the literature that accompanied the survey that the cover page would be removed as soon as the questionnaire was received.

There are a number of suggestions highlighted in the literature that are aimed at encouraging the completion and return of surveys.²⁷ One in particular was the seeking of support from a relevant organisation. In this case, the Intellectual Property Society of Australia and New Zealand Inc. was approached. The Management Committee of

each question were not identical. There were, for example, 12 in the first question and 13 in the second. The factors in the list was a combination of the factors contained in the previous two types of questions that went to decision-making factors.

²⁴ Confidentiality was a particular issue, in part, because aspects of later parts of the questions could be seen as contributing to the identification of the decision in question. That is, details such as the industry sector and size of their client were requested (the question about size was limited to placing the client in the categories of either “individual inventor”, “small to medium enterprise”, “large corporation” or “foreign entity”).

²⁵ Confidentiality is an important concern for all surveys. There was, however, particular sensitivities with respect to this questionnaire because of the questions surrounding the factors that contributed to a specific (though unidentifiable) decision. These sensitivities are illustrated by the two potential respondents who cited confidentiality concerns as one of a number of reasons for declining to participate. This is despite the fact that no personal questions were asked in the survey – the issue seems to be the professional obligations that are drummed into lawyers from an early stage.

²⁶ The cover page also contained directions for completing the survey.

²⁷ One list includes the following ten suggestions: (1) ‘address the questionnaire to specific person’; (2) ‘include a carefully written, dated cover letter on letterhead stationery. In it, request respondent co-operation, guarantee confidentiality, explain the purpose of the survey and give the researcher’s name and phone number’; (3) ‘always include a postage-paid, addressed return envelope’; (4) ‘questionnaire should have a neat, attractive layout and reasonable page length’; (5) ‘questionnaire should be professionally printed and easy to read, with clear instructions’; (6) ‘send two follow-up letters’; (7) do not send questionnaires during major holiday periods’; (8) ‘do not put questions on the back page. Instead, leave a blank space and ask the respondent for general comments’; (9) ‘sponsors that are local and are seen as legitimate get a better response’; and (10) ‘include a small monetary inducement if possible’: Neuman, n 14, 288. This patent settlement survey complies with all suggestions, save the last.

the Society agreed and their support was indicated on the cover page of the survey form. Other techniques adopted included a layout that was clear and readable in order to facilitate the answering of the questions.²⁸ Further, it was decided that the survey document itself be non-white to minimise the risk of the questionnaire being “lost” amongst other papers on a busy lawyer’s desk. Once the survey document was completed, trialled and printed it then had to be sent out to respondents. The next section details the processes involved in the questionnaire’s distribution.

B. Distribution of Surveys

The survey was designed to investigate patent settlement practices in Australia. This research was intended to cover the practices of both solicitors and barristers. Intellectual property practice in Australia is a highly specialised field and there are relatively few lawyers who worked in the area. As a result, it was decided that surveys would be sent to as many as could be identified, rather than to just a random sample.²⁹

Websites were accessed in order to find names and contact details of Australian patent lawyers. There is no single, public, repository of information identifying lawyers practising in this space. It was, therefore, necessary to rely on lawyers’ self-identification. The website of IP Australia³⁰ has a list of law firms who provide intellectual property advice.³¹ Websites of firms listed there were then accessed to compile a list of potential respondents who were described as working in the field of patent law. This process produced a list of over 120 solicitors (most of whom were partners in the firms). Barristers were identified through the websites of the various State bar associations, and in some cases, the sites of individual clerks’ lists. As not all bar associations maintain a web presence, recent patent judgments were also read to find out the names of counsel who appeared before the court.

The questionnaire was then posted out to all the lawyers who names were found on the internet. 225 surveys were sent. The surveys were accompanied by reply-paid

²⁸ A frequently repeated warning in the empirical research literature is ‘while it is always essential to make questions clear and unambiguous, this requirement is even greater with self-administered questionnaires, since there is no interviewer to help the respondent if a question is not understood. Similarly, the format of the questionnaire has to be especially easy to follow’: Bryman A, *Research Methods and Organisation Studies* (Routledge, 1989), 43.

²⁹ This, therefore, removed a significant source of potential error in quantitative analysis – sample bias.

³⁰ IP Australia is the federal governmental organisation that examines and grants patents in Australia.

³¹ http://www.ipaustralia.gov.au/resources/professionals_lawyers.shtml.

envelopes in order to maximise the return of the surveys.³² Three to four weeks after the survey had been posted out to respondents a reminder letter was sent. Two to three weeks after that letter, a reminder email was sent to encourage the completion and return of the surveys.³³

On receipt, the cover pages were removed, the name of the respondent marked off the list and her or his interest in future participation noted. The information was then entered into a Microsoft Access database. The results produced from the analysis of the database are discussed in the next Part of this article.

IV. RESULTS

It is important to stress that great care needs to be exercised when interpreting the results of empirical research. There are significant risks that a quality research project is damaged by claims that are not supported by the evidence. As one critique of an empirical project phrased it: there is a 'need to temper some of the enthusiasm attending the reception and over-reading of empirical legal research'.³⁴ More particularly, 'we ought to be attentive to the assumptions, methods and conclusions made by the investigators'.³⁵ The results to follow here, therefore, are best considered to be indicative, rather than conclusive evidence, of current practice.

One of the causes for caution is the relatively low number of responses. As was stated above, 225 surveys were mailed out to solicitors and barristers in Australia. 46 completed surveys were returned. This number is relatively small, though any statistical significance of the results is boosted by the fact that as complete a population of self-identified Australian patent lawyers as possible was contacted rather than just a sample.

³² The reply-paid envelopes were of A4 size so that respondents did not have to negotiate the folding of the survey document. Also included was a statement detailing the purpose of the study, the manner in which respondent confidentiality would be maintained and how the information provided by the lawyers would be treated. This statement is a requirement of the University of Melbourne ethics approval process.

³³ The reminder email appeared to be a much more effective means of prompting a response from the lawyers – though in many cases the response was simply a return email stating that they did not feel they practised in the area enough to complete the survey.

³⁴ Edmond G, 'Judging Surveys: Experts, Empirical Evidence and Law Reform' (2005) 33 FLR 95, 135.

³⁵ Edmond, n 35, 136.

The 46 returned surveys represents 20.4% of the 225 sent out. A significant number, 26, of lawyers who received surveys, however, informed us that they did not work enough in the area to complete the questionnaire. The 46 returned may then be seen as 23% of respondents who worked in the area. Further, it may be extrapolated that as 30.6% of those who contacted us did not work in the area,³⁶ then 30% of the original 225 may not work in the area.³⁷ If this was the case then the 46 returned surveys may be seen to represent 29% of the approximately 150 lawyers who may be understood to work in the field.³⁸

Of the lawyers who did respond, 32 were solicitors and 14 were barristers. In general, the respondents were skewed towards the more experienced (a result in part of the persons to whom the surveys were directed, who were more likely to be partners and barristers than junior solicitors working in the area). Half the responses came from people with more than 15 years of experience (a quarter from people with more than 20 years' experience). Over three quarters had more than 10 years experience. Further, the solicitors were split more or less evenly between those working in specialist IP firms, and those working in more generalist law firms

The proportion of the respondents' work which was patent-related varied: 24% came from people whose workload was 80% or more patent-related; over 40% said that 60% or more of their work was patent-related. However, nearly a third of the responses (30%) said that between 1 and 20% of their work was patent related. The spread was similar between solicitors and barristers – it was not the case that the solicitors were more specialised than the barristers.

³⁶ That figure is taken from the fact that 85 people who contacted us in response to the survey. 13 people informed us that either they were too busy (5), were not going to complete the survey (4), were away (1) or had confidentiality (2) concerns over the survey document.

³⁷ It is likely that this figure is conservative as people who do not work in the area may be less likely to make the effort to inform us of that fact, so there is probably an under-reporting of the lawyers who do not work in patent law sufficient to fill out the survey.

³⁸ These percentages compare well with the response rate achieved by Zariski - 16%: above n 18. The Law Council's web-based survey received responses from 67% of subjects, though that is likely a function of the format of the study. US lawyer surveys also achieve comparable results. For example, a 1997 study produced a 31.7% response rate: Murata T, 'Gender Equity Survey of Lawyers' (1997) available through the Oregon Survey Research Laboratory – <http://osrl.uoregon.edu/archive/>; A 2005 study of Illinois lawyers achieved a 14% response rate: Day J, 'Satisfaction Survey: Lawyers talk about fulfilment, unhappiness and the profession' (2005) 28 *Chicago Lawyer* accessed from http://www.zmf.com/pdfs/articles/cl_zagnoli_jan_05.pdf; an Association of Corporate Counsel study received 363 responses from 'approximately 3,000' members: 'Is the Attorney-Client Privilege Under Attack?' (2005): <http://www.acca.com/Surveys/attyclient.pdf>; and the American Bar Association gained a 13.9% rate – '2005-2005 Legal Technology Resource Center Survey Report': available through <http://www.abanet.org/tech/ltrc/survstat.html>.

The results of the balance of the returned surveys will be discussed in terms of the statistics they suggest and the insights they provide with respect to the decision-making processes of lawyers in this area. It should be noted, however, that six of the 46 returned surveys included responses only to the first ten questions. These responses enhance the understanding of the profession, however, as these respondents do not engage in patent settlement work, their responses can not broaden the perspective on how patent disputes are settled.

A. Level of Patent Dispute Activity

Statistics were sought from the respondents on the nature of patent disputes and their settlement in Australia. The results on key issues are presented here:

- The amount of patent dispute-related activity in Australia – in particular focusing on that which cannot be ascertained from other statistical sources, such as data on commencement of proceedings in the Federal Court of Australia; and
- How frequently dispute-related activity is settled, and when settlement occurs.

(1) Proportion of potential disputes that lead to a letter of demand

The first issue of interest with respect to the conduct of patent disputes relates to the proportion of inquiries about possible infringement, in fact, lead to a letter of demand being sent. In response to that question, it was found that over half the respondents said that a letter of demand would be issued in 60% of cases: a figure which seems quite high.³⁹ Three explanations spring to mind:

1. IP owners, either alone/internally or in consultation with their patent attorneys, do a significant amount of ‘culling’ of potential disputes prior to consulting a solicitor or barrister;

³⁹ Although this figure *is* consistent with the smaller survey conducted by IPAC in 1999, where responses to the question ‘what percentage of inquiries lead to further action’ elicited responses ranging between 50 and 90%. It should be noted that the ACIP survey related to industrial property rights generally (i.e. trade mark, designs, and patent), and not exclusively to patent. While the respondents were patent attorneys, most of the inquiries that the practitioners dealt with related to trade marks, as opposed to patent: ACIP, *Review of Enforcement of Industrial Property Rights* (March 1999), at 30 and 32.

2. the sending of a letter of demand is not seen as a particularly significant step, and the sorting of serious from non-serious disputes⁴⁰ occurs at some later point: when the decision is made whether to commence proceedings, or even later; or
3. these issues do not arise that often in Australia – that is, the number of cases filed is a larger proportion of all disputes than is generally thought.

The questionnaire also raised the issue of what the usual reasons might be for not sending a letter of demand. The interest here, in particular, was to find out whether the possibility of a suit for unjustified threats might be a major factor tending against the sending of such a letter.⁴¹ In fact, the responses seemed to indicate that the most usual reasons were the weakness of the case (alleged behaviour not infringing, too low a chance of success, client did not have a valid patent) or the cost (61% of responses) – although a third of the responses indicated that the possibility of such an action was ‘usually’ a reason for not sending a letter of demand.

(2) Proportion of disputes that settle without commencement of legal proceedings

The next stage of a dispute at which a decision may be made not to proceed – which again is unmeasurable by conventional data – is before commencement of proceedings. Even where a letter of demand has been sent, various factors could lead to settlement: the behaviour of the alleged infringer for example, or the reality of high costs of proceeding to court. As a matter of first impressions, it might be expected that a large number of settlements/terminations would occur at this point. This is because it may be worth raising the issue of IP ownership to see whether an accommodation can be reached, but the reality of filing suit gives clients reason to pause. The usual assumption, then, would be that most potential patent disputes settle prior to proceedings being filed, with only the more serious cases going so far as filing in court. In fact, however, the overwhelming majority of lawyers who responded to the survey (78%) claimed that in the last five years, only between 0 and 20% of patent disputes in which they had been involved in the last five years had settled before a

⁴⁰ A serious dispute, in this context, is one in which both parties consider it necessary to risk litigation.

⁴¹ Patentees may apply for relief from the courts for unjustified threats under s 128 *Patents Act 1990*.

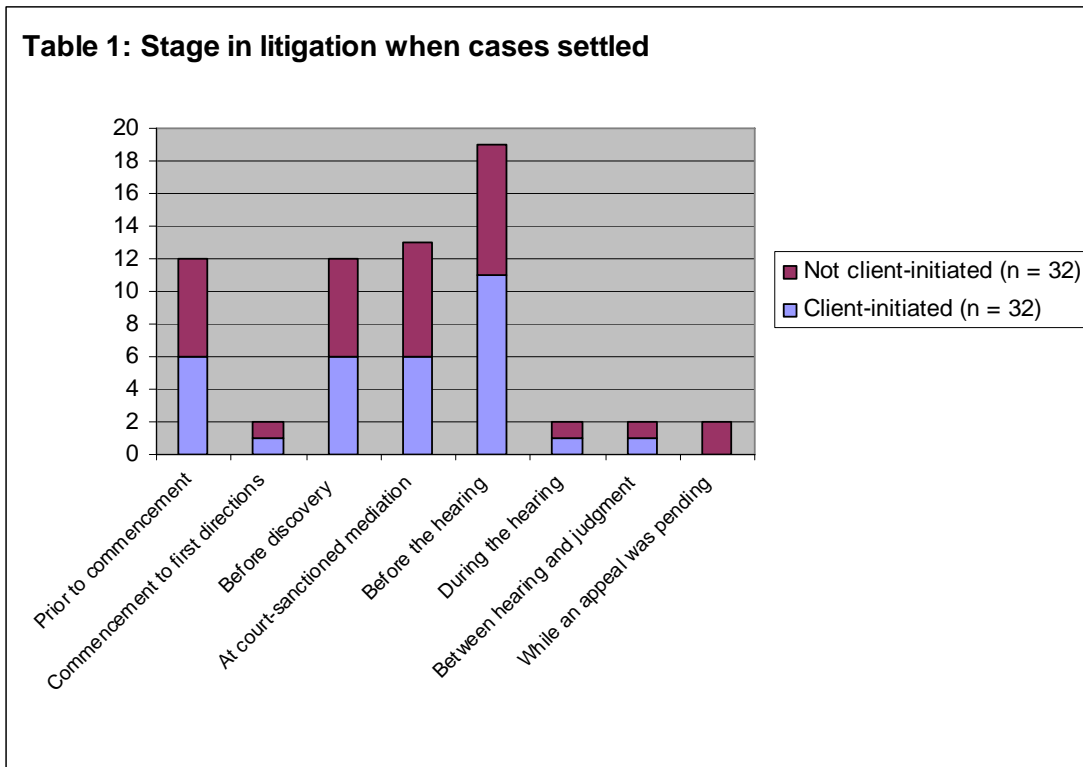
statement of claim was filed.⁴² This figure may suggest that filing is seen as, in effect, a stage of negotiations.

(3) Proportion of disputes that settle after commencement of legal proceedings

As for settlement after the filing of the statement of claim, the responses varied significantly in their estimates of how many cases actually settled. The question asked respondents to nominate, from a list, an estimate of the percentage of cases that they had been involved in, in the previous five years, that had settled after the filing of a claim. Only two respondents answered that no case had settled after filing while four said that all cases, in the past five years, had settled after that stage. The balance of responses were evenly spread across the range of other percentages.

Another angle on the settlement question was provided in two questions at the end of the survey, where respondents were asked when settlement occurred in two situations: first, in the last action initiated by their client, and second, in the last action not initiated by their client. Table 1 shows the range of responses to these two questions. The first point to be made is that there is little difference between the answers based on cases that were client-initiated and those that were initiated by another party. The second point to be made is that a significant, but not a large, proportion settled before the commencement of proceedings (19%). Further, only 9% of settlements occurred after the start of the dispute hearing.

⁴² Even if the barristers' responses are removed (on the basis that barristers may only become involved at all after a statement of claim is filed), still 70% of respondents claimed that only one in five (or less) patent disputes they were involved in settled prior to the statement of claim.



Perhaps unsurprisingly, the bulk of settlements (72%) happened after the start of proceedings but before the commencement of the hearing. This period is broken up into the periods:

- Between commencement of proceedings and first directions hearing (3% of all settlements);
- Between first directions hearing and discovery (19%);
- At court-ordered or court-proposed mediation (20%); and
- Otherwise before the commencement of the hearing (30%).

Two features of these figures may be noted. First is that 20% of all settlements occurred at court-ordered or court-proposed mediation. Second is that, despite the legal costs associated with the process, there does not seem to be a tendency for parties to settle prior to the conduct of discovery. This may reflect a desire for parties to suffer the inconvenience and cost of discovery in order to get a more complete picture of the information held by the opposing party. It is, perhaps, only then that parties are certain enough of their respective chances of success in litigation to decide whether or not to settle the dispute.

(4) Outcomes of settlements

The final, general, statistical matter regarding settlement considered in the questionnaire was the outcomes of settlement: a matter which is, once again, generally not able to be measured objectively due to a lack of data. Respondents were asked the outcome of two recent settlements: the last in an action initiated by their client, and the last in an action not initiated by their client. The outcomes listed were:

- Licence agreement;
- Cross-licence agreement;
- Financial payment;
- Cessation of infringing behaviour;
- No change; and
- Can't say as it was settled internationally.

Respondents were encouraged to tick as many of these outcomes as were appropriate. In addition, there was space for them to nominate other outcomes. Outcomes that were added by respondents included:

- A more complex commercial arrangement between the parties;
- The withdrawal of the patentee; and
- Acquisition.⁴³

The most notable feature of the responses is that they confirm that in the recent settlements in which the respondents to the survey were involved, patentees did have a relatively high rate of success. Arguably, both a cessation of infringing behaviour and a licensing agreement (including a cross-licence agreement) reflect an acknowledgement of a patentee's patent.⁴⁴ These were listed as outcomes in 46 of the 64 settlements. Another outcome listed was "financial payment". Due to a drafting oversight, this could either represent a payment from an alleged infringer to a patentee, or from a patentee to an alleged infringer – though the former arrangement

⁴³ The respondent did not indicate whether the patentee acquired the alleged infringer or vice versa.

⁴⁴ This does not imply that the results of the settlement fitted the patentees' subjective measure of success, however, a response of "no change" was not common.

seems more likely. Financial payment alone was given as an outcome in a further five settlements.

It is worth noting that licensing was a common outcome of settlement: of the 64 responses, a licence, or a cross-licence, was an outcome in 24 of the 64 settlements. Further, in 30 of the 64 settlements, cessation of behaviour was an outcome. Only in five of the settlements subject to responses was the result “no change”.

The last of statistically-oriented questions, discussed here, relate to changes in settlement practice over time. Respondents were asked for their impression of whether the size of damages paid as a result of settlement or the rate of licensing as a result of settlement has changed over the previous five years. The majority of responses for both questions (66% with respect to the size of damages and 67% with respect to the rate of settlement) was that the respondents “couldn’t say”. There is, therefore, no evidence that outcomes of such settlements have changed significantly in the last five years.

B. Decision-Making in Patent Litigation

The above responses provide an understanding of conduct of patent disputes in Australia that was unavailable before. The questionnaire was also intended to provide a new perspective of the decision-making processes undertaken by lawyers in the conduct of patent disputes. It is acknowledged that, technically speaking, it is the lawyers’ clients who make the decisions, however, it is assumed here that lawyers provide significant advice and are the best placed to weight the legal issues, and many of the financial issues, relevant to a patent dispute. For purposes of clarity of expression, these decisions are referred to as being made by lawyers, rather than saying they are made by clients on the advice of the lawyers. Before getting into the analysis of the responses, there needs to be a brief discussion of what is meant, here, by “decision-making processes”.

(1) Decision-making processes and factors

This article started with an acknowledgement that patent litigation is “complex, uncertain and expensive”. A significant reason for this claim is the manner in which

the law operates in the area. Part of the purpose of this research is to gain a greater understanding of the operation of the law and, therefore, of its complexity. One avenue for such an understanding is an exploration of the decision-making processes of lawyers – as the practices of lawyers may be seen as fundamental to the way in which the law is conducted.

The psychological literature highlights that the processes involved in decision-making are complex.⁴⁵ In other areas of academic research, however, this complexity tends to be glossed over. It is tempting, for example, to simplify the characterisation of the patent dispute process by acknowledging that lawyers decide matters in terms of their clients' best interests. A more complete picture of the operation of the law, patent law in this case, would be available if the decision-making processes undertaken by lawyers is understood.

Different theories of decision-making focus on different aspects of the process.⁴⁶ A significant part of many of them is an interest in the factors that go toward the decision to be made. In order to understand the decision-making process of patent lawyers, then, a greater understanding of the factors they consider is needed. One of the key goals of this research is to explore the factors kept in mind by lawyers as they make decisions with respect to patents.

In most circumstances, the decision to engage in litigation, and therefore to avoid litigation through settlement, is dictated by financial concerns. Patent litigation can be very expensive. The financial benefits that arise from the patent (in terms of either sales or licences) are likely to affect the chance of both litigation and settlement. But, while the importance of cost is obvious and well-known, its interaction with other factors is less well understood.

The current patent literature details a number of clients' interests that may be considered by patent lawyers when contemplating a course of action. These relate to the protection of technology; their client's 'retaliatory power against competitors;

⁴⁵ There is, for example, a significant sub-discipline within the field of psychology that examines the practices around decision-making. One of the authors of this article is exploring the application of these theories to the assessment of quality in the examination of patent applications: Dent C, 'Decision-Making and Quality in the Patent Examination Process: An Australian Exploration' (2006) IPRIA Working Paper 01/06.

⁴⁶ For a survey of the literature in the area, see Koehler D and Harvey N (eds), *Blackwell Handbook of Judgment and Decision Making* (Blackwell, 2004).

‘better possibilities of selling licences’; and the improvement of ‘corporate image’.⁴⁷ Other factors associated with decisions relating to patents include the obtaining of finance and the boosting of market valuation; their use ‘as signalling mechanisms’; and ‘to deter others from suing’.⁴⁸ A final example of an additional factor that may be considered is the existence of any litigation involving patents over the same subject-matter in other jurisdictions. That is, any litigation or settlement of a patent dispute in Australia may be part of a global strategy of patentees and their competitors.

There is an implicit distinction here between the interests of lawyer’s client and those of the lawyer. Much of the decision-making literature focuses on research into decisions made in areas where the decision-maker has a direct interest in the outcome of the decision. This survey is aimed at assessing the factors considered by lawyers when making decisions in this area. These may be contrasted, in later research, with the factors considered by patentees, and their competitors, when considering legal action over patents.

(2) Results on decision-making factors

There were four questions in the survey, to be discussed here, that went to assessing the factors involved in the making of decisions around patent disputes; with the factors included in the survey were taken from the literature highlighted above. One focused on the aspects of a patent that went to the valuing of a patent prior to commencing an action for infringement. This was intended to be a question of general application, that is, not tied to a particular decision of the respondent. The second question was of a matrix style – respondents were asked to rate five specific factors relating to patent disputes on a four point scale from “very important” to “not important”. As with the first, the matrix question was intended to be from the perspective of a patentee but not based on any particular patent dispute.

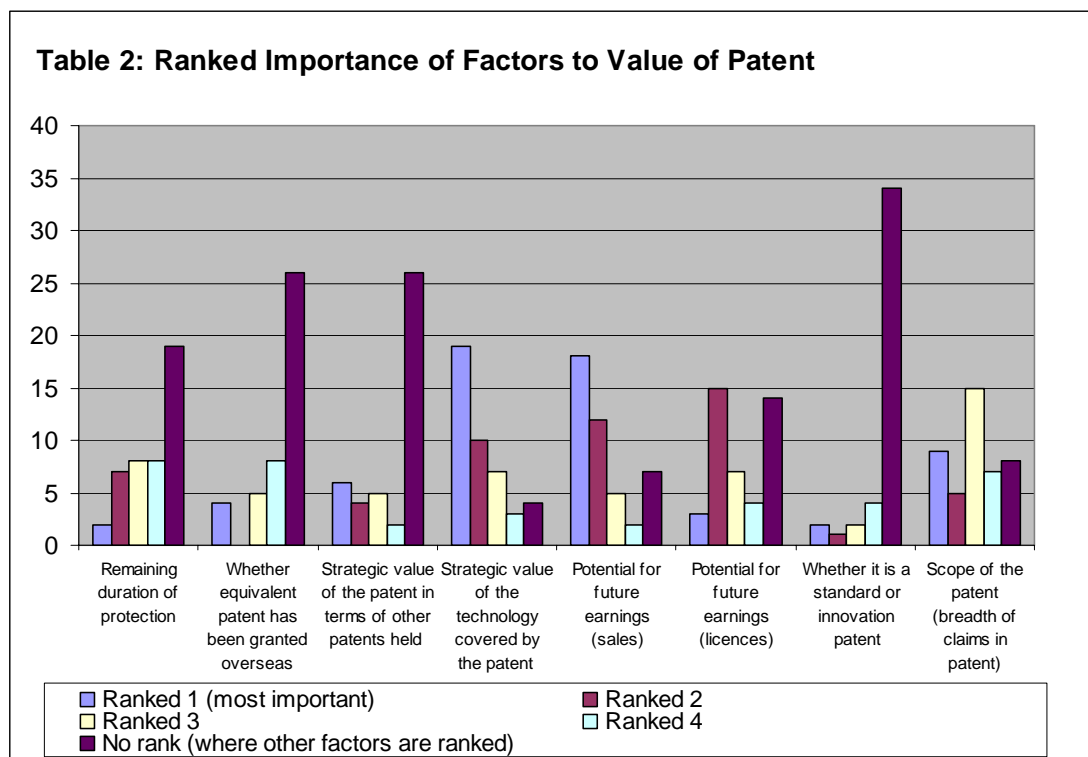
Two of the other questions, on the other hand, focused on specific decisions – one was the last dispute settlement decision in which the respondent acted for the

⁴⁷ Granstrand O, *The Economics and Management of Intellectual Property: Towards Intellectual Capitalism* (Edward Elgar, 1999), 78.

⁴⁸ Lemley M and Shapiro C, ‘Probabilistic Patents’ (2005) 19 *Journal of Economic Perspectives* 75. It is recognised that the existence of a granted patent provides significant bargaining power to a patentee even if the patent is relatively weak. See, for example, Shapiro C, ‘Patent System Reform: Economic Analysis and Critique’ (2004) 19 *Berkeley Technology Law Journal* 1017, 1031-4.

originator of the action and the other was the last decision where she or he acted for the other party. There was perceived, at the time of the construction of the survey document, to be a significant advantage in asking respondents about a specific decision. Ordinarily, it is easy to consider many factors to be important, in theory. Focussing on a particular decision allows the lawyer to put aside the question of what “should be” important and to focus on what was important in those, specific, circumstances.

Table 2 shows the ranked importance to the value of a patent of the listed factors. Respondents were asked to rank the (most important four) factors from the perspective of a patentee considering patent litigation. The clearest inference that may be drawn from these responses is that there are a number of factors not considered important by lawyers who work in this area. These include whether the patent in question is either a standard or an innovation patent, whether there is an equivalent patent granted in an overseas jurisdiction, the value of the patent in the context of other patents held by the patentee and the remaining duration of the protection offered by the patent.



The last of these may be seen as a little surprising, though this may be a result of the patentee only considering litigation where the patentee considers that the

remaining life of the patent is worth protecting. That is, the duration may not be a factor considered by the lawyer because the patentee has already considered it.

The factor relating to the value of a patent in relation to other patents held by the patentee was included to explore the use of “patent thickets” in Australian patent practice. A “patent thicket” occurs where one product may include technologies protected by multiple patents.⁴⁹ If this was common here it is likely that lawyers would be more interested in this factor in terms of the value of the patent.⁵⁰ It is possible, however, that the use of such thickets may be restricted to particular industries, the electronics sector for example, which was not well represented in the sample of patent lawyers surveyed for this research.

The responses also suggest, though less strongly, that the two most important factors are the strategic value of the technology covered by the patent and the potential for future earnings from the sale of the technology. This is not surprising as both reinforce the idea that patents are sought and valued for financial gain. Aside from these two factors, there does not seem to be any other factor that stands out as being particularly significant – at least when the lawyers were asked to consider these factors hypothetically.

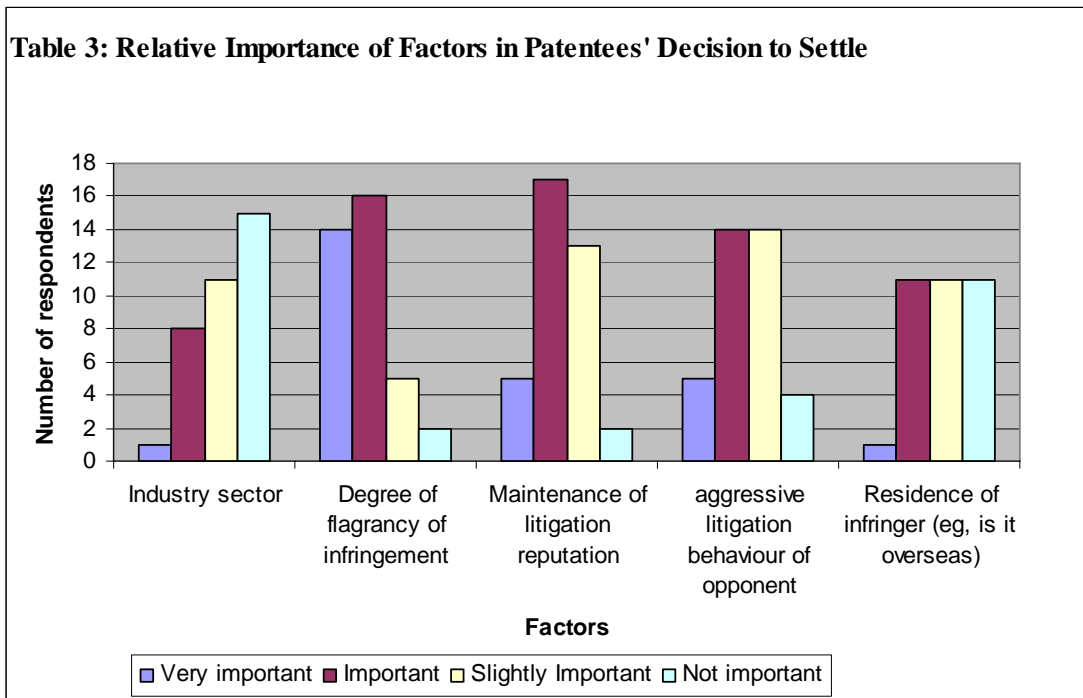
The relative importance of particular factors was explored in a different question of the survey. Respondents were asked to rate the importance of a list of particular factors on a scale ranging between 1 (very important) and 4 (not important). This question was different from the previously discussed one in that respondents were not asked to nominate the four most important from a list of a eight factors. Further, different factors were included in the second question that were not included in the first. It should be noted, though, that as with the previously discussed question, respondents were asked to consider these factors in the abstract and not directed to a particular decision that they were a party to.

A summary of the rankings are included in Table 3. A couple of features of the responses are notable. First, the two factors that the lawyers considered not to be important to decisions to settle were industry sector and the residence of the infringer.

⁴⁹ See, for example, Bessen J, ‘Patent Thickets: Strategic Patenting of Complex Technologies’ (2003) Research on Innovation Working Paper.

⁵⁰ Another study has suggested that, at least in the medical biotechnology sector, patent thickets are not of significant concern in Australia: Nicol, D and Nielsen J, ‘Patents and Medical Biotechnology: An Empirical Analysis of Issues Facing the Australian Industry’ IPRIA Working Report 01/04 (2004).

Second, the results confirm the importance of the assessments of behaviour to the “psychology” of patent litigation. That is, it was important to the respondents if there was a perception that the behaviour of their opponent was “flagrant” with respect to the alleged infringement or “aggressive” with respect to litigation. Further, the results indicate that it was important to the lawyers that their own side maintained the appropriate psychological profile – that is, the respondents considered it important to maintain their own litigation reputation.

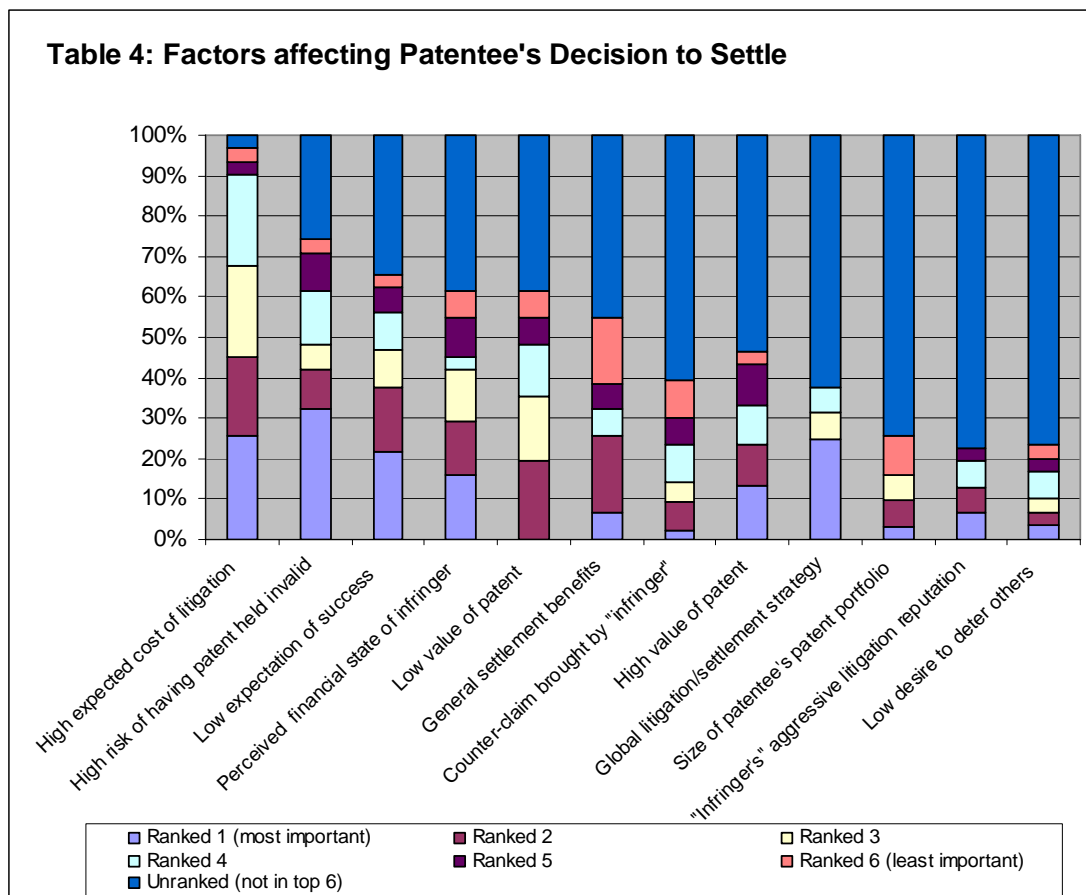


The final two questions relating to decision-making factors discussed here focused on particular decisions made by the respondents. For these questions the lawyers were asked to think about two particular settlements in which they had been involved: the most recent settlement where they acted for a patentee, and the most recent acting for the alleged infringer. They were asked to rank from 1 – 6 the most important factors from a list of 12 factors. The results are shown below – Table 4 has the results relating to the decision for the patentee and Table 5 the results of the decision for the alleged infringer.⁵¹

⁵¹ It should be noted that some respondents thought several factors were of equal importance. In these cases, they tended to give those factors the same number. For example, one respondent ranked three factors as ‘1’ (most important). In the results below we have honoured the views of the respondents: if a respondent ranked two factor ‘1’, ‘1’ is recorded for both in the graph below. Thus, the sum of the number of ‘1’ rankings does *not* correspond to the number of responses on the question overall.

The results for the patentee decision indicate, unsurprisingly, that the costs of the potential litigation were the most important. That is, the lawyers focused on the financial cost and the risk of the patent being held invalid by the court. It may be noted that almost every respondent, but not all, listed high expected cost as one of the six most important factors. That financial risk was a factor is also evidenced in the relative importance of the a “low expectation of success”.

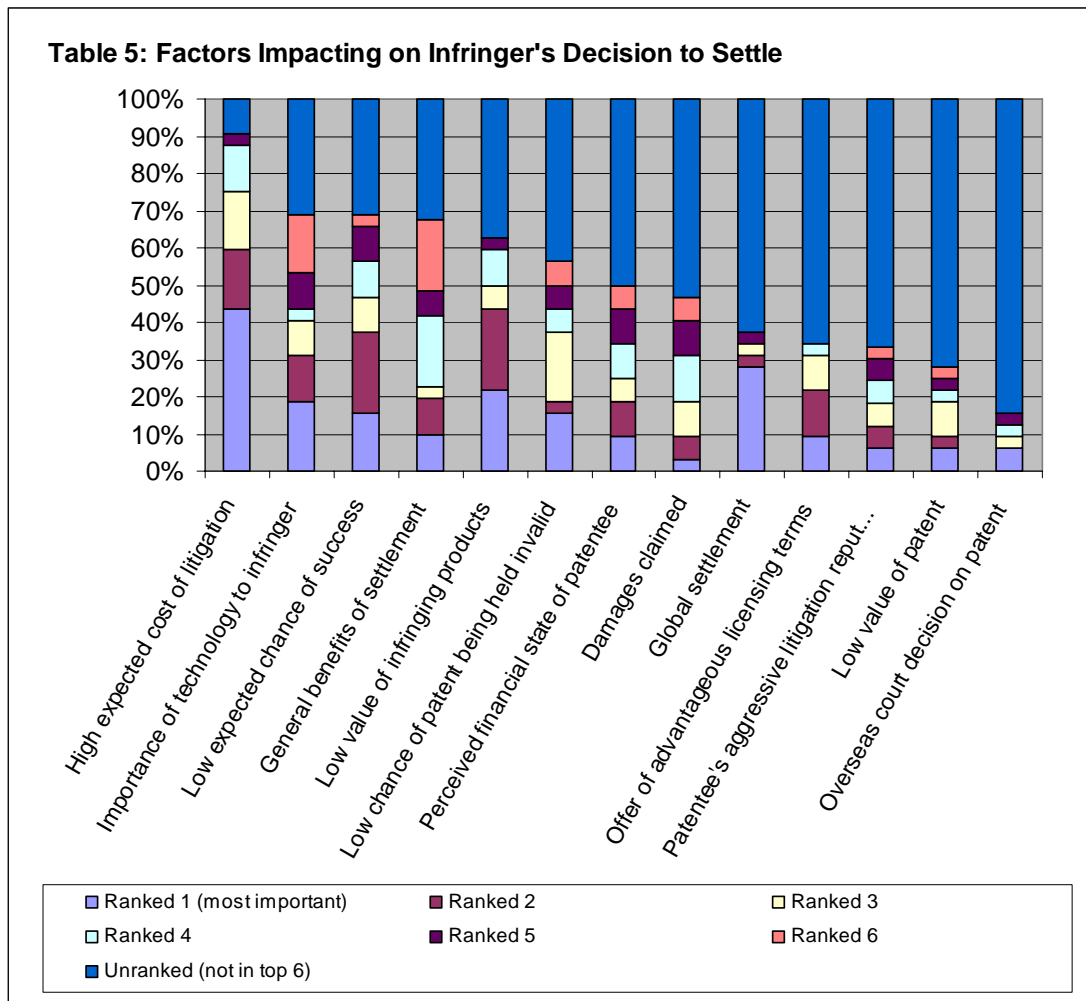
It is also worth highlighting those factors that were, on the whole, not considered by respondents. These included the size of the patentee’s patent portfolio, the “aggressive litigation reputation of the other party” and a “low desire to deter others”. The last of these reinforces the “psychological” aspect of litigation discussed above, in that a low desire not being a factor may indicate that a high desire to deter others would be.



The low importance of the opponent’s litigation reputation in these results seems to disagree with the results of the previously discussed question. This may be a result of the fact that in these specific decisions, the opponent’s reputation was of lesser importance than the six factors ranked by the respondents. This is less likely given the

number of respondents. More likely, though, may be that lawyers consider litigation reputation important in theory, but, in practice, it is not that important.

Table 5 details the responses for the settlement decision from the alleged infringer’s perspective. As with the previously discussed question, the financial aspects of the decision are nominated as the most important – high expected cost of litigation, low chance of success and the low value of infringing products. Again, almost all respondents included the cost of litigation as one of the six most important factors in their decision.



Worth noting is the manner in which the “global settlement” factor is ranked in the two decisions. In both situation, a global settlement tended to be either the most important factor in the decision or not one of the top six factors. This suggests that the disputes examined were either local disputes (where there was no international factor) or a dispute that was, in essence, an overseas one that had an Australian “sideshow”.

Other interesting observations arise when the factors are ranked, in order, as they were considered to affect the patentee and alleged infringer. The ranking was calculated by considering which factors the ranked with either a “1”, “2” or “3”. The results of this process is presented in Table 6. The comparison shows the similarity of the calculus for the lawyers when they consider the cases of the different parties. The shaded boxes emphasise direct matches.

Table 6: Comparison of Responses from Patentee’s and Alleged Infringer’s Perspective

Patentee	Alleged Infringer
High expected cost of litigation	High expected cost of litigation
High risk of having patent held invalid	Low value of infringing products
Low expectation of success	Low expected chance of success
Perceived financial state of infringer	Importance of technology to infringer
Low value of patent	Low chance of patent being held invalid
Global litigation/settlement strategy	Global settlement
General settlement benefits (certainty, confidentiality, payments)	Patentee offered advantageous licensing terms
High value of patent	Perceived financial state of patentee
Counter-claim brought by alleged infringer	Aggressive litigation reputation of patentee
Size of patentee's patent portfolio	Low value of patent
Aggressive litigation reputation of alleged infringer	Damages claimed
Low desire to deter others	General benefits
	Decision of overseas court on the patent

The results indicate that financial and risk aspects of the decision dominate the minds of both sides in a patent dispute. Also of interest is that the psychological aspects of the decision are of relatively low importance for both parties. This is particularly so

for the patentee, where the three lowest ranked factors, and only these three, impact on the psychology of disputes.

Respondents were also given the opportunity to add factors which they considered in their decision, but which were not included on the list in the questionnaire. A number of lawyers took advantage of this opportunity. The factors that were added included:

- A high risk of finding of non-infringement;
- Informal politics within client company;
- Reasonable expected chances of success;
- The strategic value of the patent in the market;
- Low amount of damages likely to be received; and
- Ownership disputes.

These additional factors, when considered with those include in the survey, demonstrate that a whole range of factors are considered relevant by patent lawyers when advising on patent disputes. That some respondents entered multiple factors as the most important also indicates that there is not a single factor that stands out as being the most important for lawyers when considering such disputes.

V. DISCUSSION

There are two aspects of this research that require further discussion. These are the results of the survey and an assessment of the effectiveness of the survey as a research tool. These two aspects reflect the stated purposes of this research and will be discussed in turn.

A. Results of Survey

Overall, the results from the survey provide useful data to ground future research. These results will be summarised. It needs to be recognised that there are, however, a couple of limitations to this research. These also will be discussed here.

(1) Results

The statistics gathered as part of this research offers a degree of detail of the operation of patent law in Australia that was unavailable before. There is now an estimate of the number of lawyers who work in the area and the amount of patent-related work they do. Further, there is a greater understanding of the practices associated with the conduct of patent disputes – the proportion of disputes that give rise to a letter of demand and the stages of a patent dispute at when settlements occur. The final statistical finding discussed here relates to the outcomes of patent settlements.

None of this material suggests that there are significant problems with the conduct of patent disputes in Australia. That there is a significant number of lawyers in the field, not all of whom are devoted to patent law, indicates that the profession is in a healthy state and that the law is sufficiently open to interpretation to allow for disputes to be properly contested. Further, that the settlement agreements tend to at least recognise the rights of patentees suggests that the disputes may be prompted more by the infringement of patents, rather than uncertainty of boundaries between patents. That is, if the dispute arose as a result of doubt over the scope of a particular patent, it is likely that the added certainty to the boundaries of the grant would, in aggregate, benefit both parties equally. Therefore, the outcomes of the settlements would not be so slanted towards the patentees.

The results that focus on the factors considered by the lawyers when they make decisions are even more illuminating. It is useful, however, to note the results in context of whether the question related to a particular decision made by the respondent or whether it was not based on a specific decision. Admittedly, though, there is no way of knowing whether the respondents had a particular set of circumstances in mind when they considered their hypothetical responses.

There did seem to be a disconnect between the factors considered by lawyers in the abstract and those considered in the context of a specific decision. This was most notable in the variation of the importance of the psychological factors.⁵² It also may be evident in the relative evenness of the responses to the two, abstract, questions as

⁵² The differences may be the result of the abstract decision being representative of the lawyer's own opinion, while the particular decision also reflected the client's input. Though, if this was the case, it may have been expected that psychological issues would be more, rather than less, important to the clients.

compared to the clearer prioritisation in the responses from the more particular questions.

Overall, the responses from the factor-based questions reinforce the assumption that financial concerns drive the conduct of patent disputes. The variation in importance, however, of the financial factors provides a good basis for future research in this area. That is, there is now empirical evidence suggesting the financial cost of litigation outweighs, in the minds of the lawyers, the risk to patents associated with litigation; and further, that both factors outweigh the psychological concerns that may be seen to have some importance in relationships between patentees and their competitors.

(2) Limitations of survey

The most significant limitation of this research is the group of respondents. There are a number of aspects of the group that need to be acknowledged in the context of assessing the results of this work. These are:

- The number of respondents;
- Their level of experience;
- The firms they work for; and
- Their profession.

The number of respondents to the survey is a key issue for the conclusions that that may be drawn from this analysis. Prior to this research, there was no accurate estimate of the number of lawyers who practice in the field of patent litigation in Australia. After having posted questionnaires to the law firms that offer patent litigation services, there is a clearer idea of how many lawyers work in the area – though, not a sufficiently clear idea to be sure of the representative nature of the sample used in this study.

That the questionnaires were sent to lawyers featured on websites meant that most of them were partners in firms. This skews the results to respondents who have significant experience in the field, though it does not provide a voice for less experienced lawyers. It does mean, however, that it is less likely that there would be multiple respondents considering the same settlement decision when asked to provide

answers for their last such decision. It is recognised, though, that, where respondents were asked about their last decision when they acted for the initiator of the action and when they acted for the alleged infringer, it is possible that two of the respondents were describing outcomes for the same action.

It is important to note that one of the limitations of this work is that there were no responses from firms with either one or two partners. It is possible, but not likely, that such firms do not participate in patent litigation. That there were no responses from the smaller firms may mean that there is an under representation of data on the smaller patent disputes, as they may be the ones most likely to be carried out by the smaller firms.

The final limitation, with respect to the respondents to this survey, is that they were lawyers. It is possible that some patent disputes are settled without recourse to these professionals. That is, it is possible that some disputes will either be resolved through negotiations between the parties or through the use of patent attorneys as intermediaries. Further research is needed to establish the frequency and nature of patent dispute settlements that occur without the assistance of lawyers.

B. Effectiveness of Questionnaire as a Research Tool

The quality of the results of this study indicate that questionnaires of this type are potentially of great value for legal research. This section considers to aspects of the potential effectiveness of this survey. These are the questionnaire's use as a statistical research tool and as a tool for assessing aspects of legal decisions.

(1) Effectiveness of Questionnaire as Statistical Legal Research Tool

The statistical results from this survey are novel and useful. As discussed above, there are limitations to the data, however, no set of figures are unqualified. This questionnaire, at the very least, indicates that there is strong potential for the surveying of practitioners in Australia. Most of the concerns that frame any use of the data from this research would be ameliorated in a study that had a much greater number of potential respondents (thus rendering a more detailed survey of patent lawyers unlikely).

(2) Effectiveness of Questionnaire as Tool for Assessing Legal Decisions

The asserted complexity of patent litigation was reinforced by the aspects of this research that focused on the factors that lawyers considered when making decisions about patent litigation. The use of questions relating to such decisions was integral to this study and to the follow-up interview-based research. In brief, the range of questions that sought responses around the factors considered by lawyers when making decisions was a useful tool. Each type of question elicited different responses, and, taken in conjunction with the others, provide a broad understanding of the priority of particular issues to the conduct of patent litigation.

The manner in which this questionnaire was carried out and the analysis of the results indicates that further improvements could be made in a number of the questions. It is not ideal, for example, that respondents ranked multiple factors as the most important factor when making a settlement decision. Further, the phrasing of a number of questions, despite the trialling undertaken, could have been improved. In addition, it may be noted that the enthusiasm evident in a number of the responses suggests an active interest of practitioners in this type of research.

VI. CONCLUSION

Coincidentally, this article may be seen as answering a call by two US academics. Bessen and Meurer wrote: ‘more research is needed to identify when patent disputes will degenerate into lawsuits. This research is needed to guide reforms designed to contain the apparently high and growing social cost of litigation’.⁵³ The research into patent settlement was conceived as a significant element of an ongoing project. The results from the questionnaire are being used to inform the next stage of the project. This next stage focuses on the in-depth interviewing of a number of the lawyers who completed the questionnaire. The data gained from this survey has already proved useful in supporting additional research.

Arguably, the stronger claim to the success of this study is the use of the survey method itself on practising lawyers, and in particular, the use of questions aimed at accessing the decision-making processes of lawyers. While acknowledging the limitations of the sample, in particular, the survey may be seen as a valuable tool in

⁵³ Bessen and Meurer, n 1 at 27.

understanding the working of lawyers and the conduct of patent litigation and settlements in Australia. An improved understanding of the way lawyers operate is a significant step towards minimising unnecessary litigation without unfairly impacting on the protection of legitimately held patent rights.

IPRIA Working Papers

No.	Title	Author(s)
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