

PATENTS AS ADMINISTRATIVE ACTS: PATENT DECISIONS FOR ADMINISTRATIVE REVIEW?

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ABSTRACT

Currently, challenges to decisions in the Australian patent system may be heard in either the Patent Office, if the challenge comes before the grant of the patent, or in the Federal Court, if a granted patent is challenged. This is the case despite the grant decision being an administrative decision. This Paper considers the decisions made as part of the patent system – including the decision by a patent examiner to grant a patent and the adjudicatory decisions of opposition and revocation – and explores the potential for the challenges to the grant decision to be subject to administrative review. In particular, the Paper raises the possibility of examiners' decisions being subject to merits review in the Administrative Appeals Tribunal and judicial review before the Federal Court.

I. INTRODUCTION

Ten years ago, the Administrative Review Council released its report on the administrative review of decisions of the Commissioner of Patents made during the patent grant process.¹ The conclusion of the Council was that no major changes should be considered until the structure and procedures of the proposed Administrative Review Tribunal (ART) were finalised;² however, the 'preliminary view' of the Council was that the 'ART is the proposed body for conducting merits review of patent decisions'.³ The legislation that was to establish that Tribunal, however, was not passed by Parliament. It may be time to revisit the issue – it may be

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¹ *Administrative Review of Patent Decisions*, Report 43 (1998) ('ARC'). The Intellectual Property Advisory Committee also considered expanding the role of the AAT in the patent grant system. The Committee, with minimal discussion, considered that, to 'give an appellate jurisdiction to the AAT [with respect to patent opposition proceedings], with the possibility of a further appeal to the Federal Court, would ... lead to additional proceedings and costs': *Practice and Procedures for Enforcement of Industrial Property Rights in Australia*, Report (1992) at para 6.29.

² ARC, above n 1 at 16.

³ Id at 15.

time to revisit the potential for key decisions made in the patent system to be subject to administrative review.⁴

The basic approach adopted in this Paper is to consider the nature of decisions relating to the grant, and challenge, of patents from first principles through an examination of the history and purpose of the patent system generally and the patent grant process specifically. Patents since their inception in the Anglophone world have, after all, been grants of the Executive branch of government.⁵ It, therefore, makes a degree of sense to consider the inclusion of at least some of the substantive aspects of the system in the administrative review process. As such, the operation of the administrative review system – including the Administrative Appeals Tribunal (AAT) and the role of judicial review by the courts – will be explored to demonstrate the potential for the administrative review of patent decisions.

II. PATENTS AS ACTIONS OF THE EXECUTIVE

The patent system has been part of the Western political and economic spheres for centuries.⁶ Patents, in short, offer monopoly protection for the exploitation of inventions. Currently governed by the *Patents Act 1990* (Cth) (the Patents Act), the regime allows for patentees to sue others who use, without a licence,⁷ the invention covered by the grant. This monopoly is time limited;⁸ but, not without its detractors.⁹

⁴ Certain aspects of the patent grant process are already included in the administrative review process. That is, some decisions of hearings officers made during the opposition procedure, for example, are appealable to the Administrative Appeals Tribunal (Patents Act s. 224). These decisions relate to extensions of time (s. 223) and ascertaining who is entitled to a patent that is subject to an opposition procedure (s. 33).

⁵ Justice Bennett of the Federal Court, in a paper presented when she was still a barrister, pointed out that it is ‘clear that the grant of a patent is an administrative act, such that determinations by the Commissioner [of Patents] as to whether the conditions for the making of grants are satisfied are exercises of administrative and not judicial power’: ‘Administrative Justice at the Fringe of Government – Aspects of Private Sector Regulation’ in Robin Creyke & John McMillan (eds), *Administrative Justice – The Core and the Fringe* (2000) at 194.

⁶ For a discussion of the patent system as a system, instead of as a legal framework, see Chris Dent, ‘An Exploration of the Principles, Precepts and Purposes that Provide Structure to the Patent System’ [2008] *Intellectual Property Quarterly* 456.

⁷ It is also arguable that there is an exception to this capacity to sue for infringement where the non-patentee uses the invention for non-commercial, such as experimental, purposes. For a discussion of this, see Chris Dent, Paul Jensen, Sophie Waller & Elizabeth Webster, *Research Use of Patented Knowledge – A Review*, Organisation of Economic Co-operation and Development STI Working Paper 2006/2 and Ann Monotti, ‘Limitations on the Scope of a Patentee’s Exclusive Rights in the Context of Third Party Experimental Uses’ (2006) 29 *University of New South Wales Law Journal* 63.

⁸ The term of a standard patent is 20 years: Patents Act s. 67. The Act also provides for the grant of an “innovation patent”. This form of patent has a duration of 8 years (s. 68). This comment will focus on the grant, and challenge, of standard patents as (a) there are significant similarities between the procedures that underpin both forms of patents and (b) there are more standard patents granted.

The central point of this Paper is that the grant of these monopoly rights has always been an action of the Executive arm of government and, therefore, there is the potential for key patent grant decisions to be reviewed as administrative decisions.¹⁰ This Part will highlight aspects of the patent process – including a brief history of patents and the current processes of adjudication of challenges in the patent system – to emphasise the executive nature of the grants.

A. Patent System

1. History of Patent System

The patent system started in the Anglophone world in the sixteenth century.¹¹ Elizabeth I granted patents to artisans, traders and members of court that provided monopoly rights in diverse areas of business.¹² Patent grants were made by the monarch on the basis of a request of the potential grantee.¹³ Restrictions were placed on the scope of the grant (in terms of the rights conferred and the period of its validity) and a formal application process was adopted.¹⁴ Patents were not, however, limited to inventions as understood now. They were granted to people who brought new manufacturing techniques to England from Europe and to establish new industries or

⁹ Some commentators argue that innovation will still occur without monopoly protection; see, for example, Michele Boldrin & David Levine, 'Perfectly Competitive Innovation', Federal Reserve Bank of Minneapolis, Research Department Staff Report 303, 2002. Others recognise that monopoly rights are not the only way to protect innovation: Adam Jaffe & Josh Lerner, *Innovation and Its Discontents* (2004) at 46-48. Empirical research has also found that the level of patenting of inventions varies between industry indicating that patents are not necessary for innovation. See, for example, Wesley Cohen, Richard Nelson & John Walsh, 'Protecting Their Intellectual Assets : Appropriability Conditions and Why US Manufacturing Firms Patent (or Not)' (2000) NBER Working Paper 7552.

¹⁰ It should be noted that there is no consideration of the use of the administrative review system for patent infringement actions. Infringement focuses on the adjudication of legal rights and, therefore, is an essentially judicial process.

¹¹ Seaborne Davies argues that it was under Elizabeth I that the *system* of patents began in England in 1561: David Seaborne Davies, 'Further Light on the Case of Monopolies' (1932) 49 *Law Quarterly Review* 394 at 396.

¹² These included the manufacturer of goods such as glass, wire and copper farthings, inventions used to improve mining practices and grants for the oversight of industries such as tanning and the regulation of taverns: see E. Wyndham Hulme, 'The History of the Patent System under the Prerogative and at Common Law' (1896) 12 *Law Quarterly Review* 141; E. Wyndham Hulme, 'The History of the Patent System under the Prerogative and at Common Law – A Sequel' (1900) 16 *Law Quarterly Review* 44; and Ramon Klitzke, 'Historical Background of the English Patent Law' (1959) 41 *Journal of the Patent Office Society* 615.

¹³ The patent grant procedures, set in place by legislation in by 1535, were 'extremely elaborate and involved several layers of checks and balances to ensure that no document acquired the Great Seal without the Crown's knowledge and express sanction': Justine Pila, *Inherent Patentability in Australian, United Kingdom and EPC Law: A History*, (2003), PhD Thesis, University of Melbourne at 10.

¹⁴ One notable aspect of the early patent system was the delegation of the grant power itself to an individual: E. F. Churchill, 'Monopolies' (1925) 41 *Law Quarterly Review* 275 at 281. The delegation of a discretionary power to grant patents may be seen as the forerunner of the modern Patent Offices.

to regulate existing industries.¹⁵ Patent grants, then, may be understood to reflect a number of policy objectives of the Crown of the time – including the boosting of employment, improving the balance of trade and the better regulation of industries.¹⁶

The patent system stagnated until the nineteenth century.¹⁷ The innovation that underpinned the industrial revolution also spawned vigorous debate about the benefits, procedures and costs of the patent system. In England, and as a consequence in colonial Australia, legislation was passed in the middle of the century to render the system more suitable for the demands of the economy of the time.¹⁸ With the birth of the Australian Commonwealth, and the Federal Government being given the responsibility for intellectual property,¹⁹ the first national patents statute was passed in 1903. Since then, there have been two other Patents Acts, the *Patents Act 1952* and the current 1990 statute.

2. Purpose of Patent System

The purpose of the patent system is tied to, yet separate from, its history. Lord Parker held:

A monopoly being a derogation from the common right of freedom of trade could not be granted without consideration moving to the public ... In the case of new inventions the consideration was found either in the interest of the public to encourage inventive ingenuity or more probably in the disclosure made to the public of a new and useful article or process.²⁰

Therefore, there may be understood to be two purposes of the patent system. For many, the justification for the patent system is essentially economic – as is its effect. The current understanding is that the monopoly grant offers an incentive for firms to

¹⁵ Patents were, for example, used to set up the overseas trading companies, such as the Merchant Adventurers. Further, the patent behind the most notorious patent case of the early modern period – *Darcy v Allen* (1602) 11 Co. Rep. 84b, 77 ER 1260; Noy 173, 74 ER 1131 – was for the regulation of the card manufacturing industry.

¹⁶ For a more complete discussion of the policies behind the grants of early patents see Chris Dent, ‘Patent Policy In Early Modern England: Jobs, Trade And Regulation’, (2006) 10 *Legal History* 71.

¹⁷ For a discussion of this period, see Christine MacLeod, *Inventing the Industrial Revolution: The English Patent System, 1660-1800* (1988).

¹⁸ There was also a concerted push for the abolition of patents in Europe in the second half of the nineteenth century – with the Netherlands being one country that did abolish their patent system. For a discussion of the causes and effect of the radical change to their system, see Eric Schiff, *Industrialization without National Patents* (1971). There were vocal abolitionists in England at the same time: see Fritz Machlup & Edith Penrose, ‘The Patent Controversy in the Nineteenth Century’ (1950) 10 *Journal of Economic History* 1.

¹⁹ Section 51(xviii) of the Australian Constitution.

²⁰ *Attorney-General (Cth) v Adelaide Steamship Co* [1913] AC 781 at 793.

invest in research and development.²¹ This has been, relatively recently, interpreted judicially as the ‘underlying purpose of the patent system is the encouragement of improvements and innovation’.²² The argument is that, if inventors and firms that employ them (whether they be small “backyard” operators or multi-national corporations) have an incentive to develop new products, then more innovation will occur and the economy, and society, will be better off.

The other significant purpose of the patent system is the *quid pro quo* that sees the exchange of monopoly protection for the description (the specification) of the invention.²³ This specification is intended to allow a person skilled in the relevant art to reproduce the invention.²⁴ The patent files of the various national patent offices, then, have become a vast repository of technical knowledge. Originally, Elizabethan patents brought knowledge into England for the benefit of the English population; now, the information retained may be accessed by most who participate in the global economy. Both purposes, however, demonstrate the public benefits of the patent system and reinforce the perspective that the granting of a patent is an act of the Executive aimed at furthering economic (and innovation) policy.

B. Decisions in the Patent System

That the patent system is best seen as an action of the Executive is evident in the decisions that are made in the system’s daily operation. This section details those decisions that relate to the grant of patents and those that relate to the challenge of patents and patent applications. From these descriptions, the characteristics of patent decisions will be drawn. It is on these characteristics that the balance of the piece – the consideration of the administrative review of the decisions – will be based.

²¹ See, for example, Frederic Scherer & David Ross, *Industrial Market Structure and Economic Performance*, 3rd ed, (1990). Other theories include those of ‘prospect’ (Edmund Kitch, ‘The Nature and Function of the Patent System’ (1977) 20 *Journal of Law and Economics* 265); ‘race to invent’ (Robert Merges & Richard Nelson, ‘On the Complex Economics of Patent Scope’ (1990) 90 *Columbia Law Review* 839); and ‘rent dissipation’ (Mark Grady & Jay Alexander, ‘Patent Law and Rent Dissipation’ (1992) *Virginia Law Review* 305). See also Samuel Oddi, ‘Un-unified Economic Theories of Patents – the Not-Quite-Holy Grail’ (1996) 71 *Notre Dame Law Review* 267 for a general discussion of the theories.

²² *Asahi Kasei Kogyo* [1991] RPC 485 at 523 per Lord Oliver. The difference between the justifications espoused by Lord Parker and Lord Oliver may reflect a societal trend towards the greater acceptance of matters economic.

²³ Patents Act s. 40. For a description of the rise in importance of the specification in the grant of patents, see David Brennan, ‘The Evolution of English Patent Claims as Property Definers’ [2005] *Intellectual Property Quarterly* 361.

²⁴ Jill McKeough, Andrew Stewart & Philip Griffith, *Intellectual Property in Australia*, 3rd ed (2004) at 305.

1. Decisions Made in the Grant Process

For an invention to be given a patent, an applicant for an Australian patent has to comply with the requirements of the Patents Act. An applicant files the paperwork, including the specification of the invention, with IP Australia – the federal government agency that includes the Australian Patent Office and that falls under the responsibility of the Department of Innovation, Industry, Science and Research. These documents will be checked for procedural irregularities; and, if everything is in order, details of the application will be published in the *Australian Official Journal of Patents*.²⁵

After the specification has been made available for public inspection, a request may be made by the applicant for the application to be examined. Once the request has been made, the application is reviewed by a single patent examiner – a delegate of the Commissioner of Patents.²⁶ An outline of the patent examination procedure is given in the Australian Patent Office *Manual of Practice and Procedure*.²⁷ Examiners undertake, *inter alia*, the following steps. They:

- Read the description for the admitted prior art, the problem to be overcome, the inventive concept and whether it fully describes the invention;
- Read and construe the claims, determine their scope and note whether they define one invention;
- Determine search strategy and conduct the search considering novelty and inventive step;²⁸ and
- Prepare the report, ensuring that all important objections are raised and submit the report for supervision, where necessary.

²⁵ Patents Act s. 53.

²⁶ The individual examiner may call on the advice of other examiners in the course of the examination. IP Australia also has a policy of a three person “search strategy team”. The team involves the ‘search examiner’ and two ‘consultant examiners ... drawn from examiners experienced in the relevant technology’: Australian Patent Office *Manual of Practice and Procedure*, 2003 at para 12.9.2.3.

²⁷ For a more complete discussion of the decision-making processes of Australian patent examiners, see Chris Dent, *Decision-Making and Quality in the Patent Examination Process: An Australian Exploration* IPRIA Working Paper 01/06.

²⁸ “Novelty” and “inventive step” are two of the key requirements for the patentability of an invention. These tests compare the invention, as described in the application, with the state of knowledge in the relevant field (as evidenced in the prior art found as a result of the search strategy). An invention is novel if it has not been previously described in the prior art; and an invention demonstrates an inventive step if it would not be an obvious development for a person skilled in the relevant field.

The examiner, therefore, considers the patent application, conducts a search for the “prior art base” (such as patents that have already been granted) to assess whether the invention as described fulfils the requirements of patentability,²⁹ and checks the application complies with the Act. If the invention reflects the requisite attributes then the application must be accepted. If after acceptance there is no opposition filed,³⁰ then the patent is sealed.³¹ It is only after the patent is sealed that a patentee can commence actions against others for the infringement of the patent.³² Acceptance, then, may be understood as a final decision of the patent examiner. If the examiner finds that aspects of the application do not reflect the requisite attributes,³³ then an objection will be raised and the applicant may have the opportunity to amend the application to satisfy the requirements of the Act.³⁴

2. Decisions Made during Challenges to Patents

The opposition process that may be initiated before the sealing of a patent is one form of challenge to the granting of a patent. The other is an action for revocation that may be commenced after the patent has been sealed. Both of these will be described, in brief, here.

(a) Revocation

Revocation is the process by which an invention may lose the monopoly protection offered by the grant of the patent. Prior to the procedural reforms in the nineteenth century, the revocation of a patent was achieved through the writ of *scire facias*.³⁵

²⁹ Such 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’: s. 18(1).

³⁰ The opposition process is discussed below.

³¹ Patents Act s. 61.

³² Patents Act s. 57(3).

³³ Such a decision may be characterised as an interim decision. There is no limit, in the Act, for the number of interim decisions that may be made in the course of a patent examination.

³⁴ It may be noted that under the current Patents Act, if an applicant has her or his application rejected, there is a right of appeal to the Federal Court: Patents Act s. 51. (Though it may also be noted that, during the examination process, examiners produce reports that raise objections to the patent application under examination. The patent applicant (or her or his patent attorney) has the capacity to amend the patent application so that the grounds of objection are removed.) It appears, however, that the right is little used. A search of the Austlii database produced two decisions relating to s. 51:

Imperial Chemicals Industries Pty Ltd v Commissioner of Patents [2004] FCA 1658; and *Alcatel NV v The Commissioner of Patents* (Unreported, Federal Court, 650/96, 2 August 1996). The ICI decision is also an example of where a party tried to use the ADJR Act to challenge a decision of the Commissioner. In that case, as the applicant was successful under s. 51 of the Patents Act, Justice Crennan dismissed the judicial review proceeding.

³⁵ Justine Pila, ‘Methods of Medical Treatment within Australian and United Kingdom Patents Law’ (2001) 24 *University of New South Wales Law Journal* 420 at 428n 42. The writ itself will be discussed in the next section of this comment.

According to Foster, there were a number of grounds upon which a patent could be found void through the use of the writ:

if the invention was not invented or found out by the grantee, or first introduced into the kingdom by him; and also if the invention is not new and useful to the public. It is also void for uncertainty, or for being too general; for misrecitals; for false suggestions, by which the Queen has been deceived or misinformed in her grant, or where she has granted more than she lawfully may, or what may be to the prejudice of the commonwealth, or to the general injury of the people; or where she has granted the same thing to two persons.³⁶

Despite the wealth of grounds of challenge, it is not clear how often the writ was used to revoke a granted patent. In the early years of the patent system, ‘few individuals dared to dispute the Queen’s grants’.³⁷ In the seventeenth and eighteenth centuries, a number of instances of prerogative writs being used to challenge letters patent were reported.³⁸ There is little evidence, however, that the writs were used to successfully challenge a grant covering a new invention (in the sense of the term as used now).

With the increased use of the patent system in the last hundred years, revocation proceedings, now, are often part of a counter-claim to an infringement action brought by a patent-holder. Such proceedings are heard in the Federal Court.³⁹ The grounds for the revocation of a patent include that:

- the patentee is not entitled to the patent;
- the invention is not a patentable invention (in terms of, for example, novelty and inventive step);
- the patent was obtained by fraud, false suggestion or misrepresentation;
- an amendment of the patent request or the complete specification was made or obtained by fraud, false suggestion or misrepresentation; and

³⁶ Thomas Foster, *A Treatise on the Writ of Scire Facias* (1851) 242, references omitted. It is worth noting that Foster wrote his treatise prior to the procedural reforms of 1883 that ended the use of the writ of *scire facias*.

³⁷ Klitzke, above n 12 at 637.

³⁸ See, for example, *City of London Case* (1610) 8 Co. Rep. 121b, 77 ER 658 (a writ of *habeas corpus* was used for the release of a man arrested for making candles contrary to the by-laws of the City of London – by-laws made under the powers granted by letters patent); *Butler’s Case* (1680) 2 Ventris 344, 86 ER 477, *Rex v Eyre* (1717) 1 Strange 43, 93 ER 374 (*Butler’s* and *Eyre’s* cases both involved the use of writs of *scire facias* to challenge the grant of a right to hold a market); and *R v Mussary* (1738) 1 HPC154 (the rules describing the use of the writ of *scire facias* to challenge the recitals of a patent were discussed, however, no fact situation was recorded). There were two earlier cases, *Bircot’s Case* and *Mathey’s Case* in which patents for inventions were revoked – though, as there are no direct reports of them, it is not clear on what basis they were revoked.

³⁹ Patents Act s. 154.

- the specification does not comply with subsection 40(2) or (3).⁴⁰

These provisions, therefore, are substantially similar to the circumstances where a writ of *scire facias* could have been used in the nineteenth century.

The focus of revocation may be on the more procedural matters such as entitlement or on the more technical areas such as whether the invention complies with the legal tests of patentability. 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. The application for revocation is not an appeal of a grant decision – the court considers the patent, and the evidence challenging it, *de novo*. The focus is not on whether the examiner applied the legal tests correctly but on whether the invention underlying the granted patent complied with the legal tests for patentability. In other words, a revocation action, to a significant extent, amounts to a review of the patent examiner’s decision.

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.⁴¹ The review of a patent grant with respect to potential fraud, therefore, is an action that can be characterised as judicial rather than administrative. Perhaps as a result of the nature of the finding, fraud is not a ground upon which a patent application may be opposed.

(b) Opposition

Patents are only granted after the applicant has demonstrated that the application complies with the law and that the invention defined in the application embodies a sufficient advance to attract the monopoly protection. It is possible, under the Patents Act, for a competitor of a patent applicant, or any other person, to challenge the application prior to the patent being sealed.⁴² The opposition procedure allows a third

⁴⁰ Patents Act s. 138(3). Subsections 40(2) and 40(3) require the specification to describe the invention fully and that the claims in the application are fairly based on the matter described in the specification.

⁴¹ The existence of a “controversy” is a central element of the classic description of judicial power as the ‘power which every sovereign authority must of necessity have to decide controversies between its subjects, or between itself and its subjects, whether the rights relate to life, liberty or property’: *Huddart, Parker & Co v Moorehead* (1909) 8 CLR 330 at 357 (Griffith CJ).

⁴² Other jurisdictions have a similar opposition procedure available after the patent has been granted. Currently, New Zealand is the only other OECD country that has a pre-grant opposition procedure.

party to raise concerns and evidence, with the hearings officer,⁴³ that will assist IP Australia in its assessment of whether the application complies with the Patents Act.⁴⁴ A notice of opposition may be filed after the patent examiner has accepted the application as meeting the requirements for the grant of a patent.

It has been held that the purpose of

opposition proceedings 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; that is, to decrease the occasion for costly revocation proceedings by ensuring that bad patents do not proceed to grant.⁴⁵

The value, then, of the procedure may be seen as limiting the capacity for bad patents to unfairly restrict competition and reducing costs through the use of non-court fora.⁴⁶ Neither of these purposes require the proceedings to be heard by IP Australia.⁴⁷

The grounds on which a standard patent may be opposed,⁴⁸ currently, include that the:

- nominated person is not entitled to the grant of a patent;
- invention is not a patentable invention; and the

There is not, however, consistency amongst the countries with post-grant opposition as to which is the appropriate forum for a third party challenge to a patent or its application – as distinct from the litigation of patents in courts. In Europe, for example, the opposition procedure is conducted within the European Patent Office. Japanese patent law, which used to include a post-grant opposition procedure, now provides for an invalidity trial to be run in the court system. Further, in the United States there is no opposition procedure as such; there is, however, a re-examination process where a third party can bring potentially valuable material to the attention of the patent examiner.

⁴³ The power to hear oppositions is given to the Commissioner of Patents in the Patents Act, however, the power is almost always delegated to a hearings officer – who, in practice, will be an experienced patent examiner working in the same field of technology as the patent application. The delegation of the Commissioner's powers and duties is authorised by s. 209 of the Patents Act.

⁴⁴ A number of procedures may be opposed under the Patents Act. These include an opposition to the grant of a standard patent (s. 59) or an innovation patent (s. 101M); to the extension of term of a patent (s. 75) or to the amendment of a document (s. 101(4)). Available statistics suggest that only approximately 1.5% of patent applications are opposed (IP Australia, *Submission P56*, 4 November 2003 quoted in Australian Law Reform Commission, *Genes and Ingenuity: Gene Patenting and Human Health*, Report 99 (2004) at para 9.12) and there are normally fewer than 100 opposition hearings a year (Intellectual Property and Competition Review Committee, 'Review of Intellectual Property Legislation under the Competition Principles Agreement, 2000 at 135).

⁴⁵ *Genetics Institute Inc v Kirin-Amgen Inc* (1999) 92 FCR 106 at 112.

⁴⁶ Estimates of the costs associated with opposition proceedings are not available. The substantial portion of the expense is representation, either by patent attorneys or barristers. IP Australia fees include a fee for filing a Notice of Opposition (\$500), filing a request for a hearing (\$500) and appearing at a hearing (\$500): *Patents Regulations 1991* Schedule 7. It is also possible for costs to be awarded against the losing party in the proceedings.

⁴⁷ Further, it is not clear from the research so far why, given the administrative history of the patent system, oppositions began to be heard in the patent office.

⁴⁸ It may be noted that the hearings officer may, 'in deciding a case, take into account any ground on which the grant of a standard patent may be opposed, whether relied upon by the opponent or not': Patents Act s. 60(3).

- specification filed in respect of the application does not comply with subsection 40(2) or (3) of the Patents Act.⁴⁹

The grounds, therefore, are the same as the grounds for revocation except that the ground that the patent was ‘obtained by fraud, false suggestion or misrepresentation’⁵⁰ is not available as a ground for opposing a patent application.⁵¹

The opposition proceedings usually take the form of oral hearings. The mechanics of the hearings are that both the patent applicant and the opponent must be given a ‘reasonable opportunity to be heard’ before the case is decided.⁵² The opponent may provide evidence in support of the opposition; further, the hearings officer may inform him or herself ‘by reference to any document available in the Patent Office’.⁵³ The decision of the officer is made on the balance of probabilities.⁵⁴

The possible outcomes of an opposition proceedings includes that the opposition is dismissed, the patent application is withdrawn by the applicant, acceptance of the application is withdrawn by the Commissioner or the patent application is amended. The decision of the officer may be appealed to the Federal Court.⁵⁵ Such an appeal is, however, in effect, an appeal *de novo*. In the words of Justice Kitto, the ‘appeal is, of course, only an appeal in name. In truth it is an original proceeding, being the first judicial proceeding in the matter of the opposition’.⁵⁶ Despite the use of the word “judicial” by Justice Kitto, it is arguable that as the court is, when arriving at a decision with respect to patentability, performing the same task as a hearings officer, the decision may still be seen as being broadly administrative in nature.⁵⁷

⁴⁹ Patents Act s. 59.

⁵⁰ Patents Act s. 138(3)(d).

⁵¹ In certain situations, however, the entitlement ground will be available to an opponent; for example, where the opponent asserts that the applicant is not entitled to the patent because a fraud was committed on the Patent Office. McKeough, Stewart & Griffith assert that the entitlement ground, under s. 59, is one of the ‘equivalent sections’ for the “obtaining” ground from the *Patents Act 1952* that covered fraudulent conduct: above n 24 at 371.

⁵² Patents Act s. 60(2).

⁵³ *Patents Regulations 1991* reg. 5.11(1).

⁵⁴ *Dunlop Holdings Ltd's Application* [1979] RPC 523.

⁵⁵ Patents Act s. 60(4).

⁵⁶ *Kaiser Aluminium & Chemical Corp v Reynolds Metal Co* (1969) 120 CLR 136 at 142.

⁵⁷ Whilst the court, when hearing an opposition, would be exercising judicial power, the task of a hearings officer is not an exercise of judicial power: Chris Dent, ‘Patent Opposition and the Constitution: Before or After?’ (2006) 17 *Australian Intellectual Property Journal* 217.

3. Characteristics of Patent System Decisions

Overall, the nature of patent decisions may be seen to have two, key characteristics. They are that the decisions are administrative – in that they involve the application of statutory requirements to a given invention and its accompanying patent application – and they require significant expertise on the part of patent examiners, hearings officers and the court. These characteristics indicate that there is potential, if not a preference, for some of them to be subsumed into the formal administrative review process.

III. INTRODUCTION TO AUSTRALIAN ADMINISTRATIVE LAW

The label “administrative law” may be applied to a set of practices, procedures, decisions and statutes – some of which date back centuries.⁵⁸ The system in place in Australia, however, is of a much more recent vintage. In the second half of the twentieth century, administrative law, at the federal level at least, underwent a major overhaul.⁵⁹ A number of significant inquiries were undertaken in the 1970s.⁶⁰ The result of this work was the enactment of a suite of Commonwealth legislation; including the *Administrative Appeals Tribunal Act 1975* (the AAT Act), the *Ombudsman Act 1976*, the *Administrative Decisions (Judicial Review) Act 1977* (the ADJR Act) and the *Freedom of Information Act 1982*. This Part of the Paper will detail the purpose and history of administrative law focusing on the prerogative writs; the operation of the AAT and the role of merits review of decisions under the current scheme in Australia; and the process of judicial review under the ADJR Act. This description, whilst familiar to those who practice in this area, is necessary in order to provide the framework for considering the administrative review of patent decisions.

⁵⁸ This does depend on what is meant by the phrase “administrative law”. The writs, as described below, have been available in England for centuries. Commentators, such as Lord Justice Woolf, however, have asserted that ‘public or administrative law developed later in England than in many other countries. Its appearance was heralded by Lord Reid in *Ridge v Baldwin* as recently as 1963’: Harry Woolf, ‘Administrative Law in England’ (1991) 16 *Queen’s Law Journal* 209 at 209.

⁵⁹ Reviews also took place in the individual states. See, for example, Electoral and Administrative Review Commission, *Report on Judicial Review of Administrative Decisions and Actions*, 1990 (a Queensland review); Victorian Attorney-General’s Law Reform Advisory Council Expert Report, 1999; and Law Reform Commission of Western Australia (LRCWA), *Report on the Judicial Review of Administrative Decisions*, 2002.

⁶⁰ These included those of the Commonwealth Administrative Review Committee (the Kerr Committee), the Committee on Administrative Discretions (Bland Committee) and the Committee for the Review of Prerogative Writ Procedures (Ellicott Committee).

A. Overview of Administrative Law

Administrative law provides for the review of decisions made by people exercising power arising from the Executive arm of government and is ‘largely confined to the regulation of public bureaucratic behaviour’.⁶¹ It, therefore, covers the work of tribunals that conduct merits review and the work of courts in their conduct of judicial review.⁶² In other words, through the use of both forms of review, this area of law allows for a body to review, where needed, exercises of administrative decision-making.⁶³ Until the reforms of the nineteenth and twentieth centuries, the formalised process of the review of administrative decisions centred on the prerogative writs.⁶⁴ These included the writs of *prohibition*, *certiorari*, *habeas corpus*, *mandamus*, *quo warranto* and *scire facias*.⁶⁵ Only the three relevant, or potentially relevant, for the adjudication of patent challenges – *certiorari*, *mandamus* and *scire facias* – are described here.⁶⁶

Mandamus and *certiorari* have the potential to be used in the patent system. *Certiorari* is ‘available to ensure that decision makers exercise their powers according to law’⁶⁷ and may be used to quash, and remove from the record, the impugned decision – to ‘wipe the slate clean’.⁶⁸ The writ is used when the decision maker has

⁶¹ Roger Douglas & Melinda Jones, *Administrative Law: Commentary and Materials*, 3rd ed. (1999) at 31.

⁶² Administrative law also covers the work of the Office of the Ombudsman and the capacity of members of the public to file Freedom of Information requests. These aspects of administrative law are not, however, important for the purposes of this comment.

⁶³ David Williams, ‘Administrative Law in England: The Emergence of a New Remedy’ (1986) 27 *William & Mary Law Review* 725 at 739. Williams was writing on the value of the then new Order 53 of the Rules of the Supreme Court, however, his sentiment is equally valid for administrative law more generally.

⁶⁴ These writs are a form of judicial review. There were also systems of ad hoc merits review.

⁶⁵ Historically, there were other prerogative writs. These included the writ *de non procedendo rege inconsulto* and *ne exeat regno*. For a discussion of these, and an historical exploration of the other four writs, see ‘Appendix 1: The Prerogative Writs: Historical Origins’ in John Evans, *de Smith’s Judicial Review of Administrative Action*, 4th ed. (1980).

⁶⁶ Briefly, the writ of *habeas corpus* is used to compel the ‘production of prisoner before the court ... [and] used to verify the authority of the detention’ and *quo warranto* is the ‘prerogative remedy issued by a court to prevent a person from wrongfully usurping a public office’: LRCWA, above n 58 at 43-44. The writ of *prohibition*, in short, is intended to prohibit the ‘impugned decision-maker and those relying on their decision from either doing something illegal which they are about to do, or from continuing on an illegal course of action already commenced’: Mark Aronson & Bruce Dyer, *Judicial Review of Administrative Action*, 2nd ed. (2000) at 556. Prerogative writs are still available to those who wish to challenge administrative decisions; however, for the vast majority of cases, procedures under the ADJR Act are simpler and more straight-forward.

⁶⁷ LRCWA, above n 58 at 4.

⁶⁸ Aronson & Dyer, above n 66 at 556. The second form of *certiorari* relates to the removing a record from one court into another ... However, venue changes are now regulated by statute without reference to the mechanism of *certiorari*: *id* at 555.

‘behaved irregularly in making a decision’.⁶⁹ It does not, however, ‘compel the decision-maker to start again’.⁷⁰ *Mandamus*, on the other hand, is the ‘prerogative remedy issued by a court to compel a public official to exercise a power in accordance with her or his public duty’.⁷¹ It would, therefore, be possible to use *certiorari* to remove a particular decision of a patent examiner from the record and then use *mandamus* to get the examiner to make the decision in accordance with the law. There is no guarantee, however, that the petitioner would get the sought outcome.

The third writ to be described here is that of *scire facias*.⁷² This writ is less well-known than *certiorari* or *prohibition*, but, it is more relevant for the historical understanding of challenges to the grant of patents – as discussed above.⁷³ The writ was used in order to ‘repeal and cancel the King’s letters patent’.⁷⁴ The procedure was available when the letters patent were granted in error or where the patentee has ‘done an act that amounts to a forfeiture of the grant’.⁷⁵ In practice, however, an individual was ‘required to seek leave to pursue the writ by petition of right to the Crown’.⁷⁶ *Scire facias*, as with the other writs, was not a simple and easily accessible remedy.⁷⁷

These practical difficulties, and the complex nature of the writs generally, contributed to the reforms of administrative law in the twentieth century and the rise of merits

⁶⁹ Douglas & Jones, above n 61 at 33.

⁷⁰ Aronson & Dyer, above n 66 at 557.

⁷¹ LRCWA, above n 58 at 43. The writ of *mandamus* could be used to compel an administrator to either grant, or to consider the grant, of a patent; however, it is not likely that a patent applicant would have to resort to such a tactic.

⁷² For a more complete description of the writ and its manner of use, see Foster, above n 36.

⁷³ It is also arguable that *scire facias* is not best classified as one of the prerogative writs, see Bradley Selway, ‘Of Kings and Officers – The Judicial Development of Public Law’ (2005) 33 *Federal Law Review* 187 at 199n 80. The Privy Council, however, referred to it as a ‘prerogative judicial writ’: *The Queen v Hughes* (1866) LR 1 PC 81 at 87 (Lord Chelmsford). Whether or not the writ is, properly, a prerogative writ is less important than the role it played in the history of law and of patent law in particular.

⁷⁴ William Blackstone, *Commentaries on the Laws of England*, Vol. 3 (1779/1768) at 47. Letters patent were not just limited to patents as understood today. The origins of the term is from the Latin phrase roughly translated as “open letter” – a document that has the royal seal affixed to it in such a manner so that the document can still be read (as opposed to the seal holding it closed so that it may not be read with first breaking the seal). A letter patent, then, could be used by the Crown in a number of situations that would not be relevant to this comment, including the grant of particular offices.

⁷⁵ *Id* at 260-1.

⁷⁶ James Pfander, ‘Sovereign Immunity and the Right to Petition: Toward a First Amendment Right to Pursue Judicial Claims Against the Government’ (1997) 91 *Northwestern University Law Review* 899 at 916.

⁷⁷ Commentators have gone so far as to suggest that the ‘procedures ... were so complex as to obstruct judicial review’: Robin Creyke & Graeme Hill, ‘A Wavy Line in the Sand: *Bond* and Jurisdictional Issues in Judicial and Administrative Review’ (1998) 26 *Federal Law Review* 15 at 16.

review tribunals.⁷⁸ It is worth noting that little attention was paid to patent administration in the reviews of the Australian administrative law system. The Bland Committee asserted that the ‘Patents, Designs and Trade Marks legislation places powers in the hands of the High Court. There seem good reason for leaving these provisions untouched’.⁷⁹ A conclusion based, perhaps, on the assumed judicial nature of the process. The core of this Paper is to indicate that it is equally appropriate to view the process as administrative.

B. Administrative Law in Practice

As mentioned above, there are two areas of administrative law relevant here: merits review and judicial review.⁸⁰ The former is conducted by tribunals established for the purpose of such review (and may be either internal or external to the body that made the original decision) and considers the merits of a particular decision; the latter is performed by courts (either state or Federal) and considers the legality of the decision.

1. Merits Review

The focus of merits review is the decisions of administrators made in the course of their work; in particular, the review centres on the manner in which the decision was made. As a result, one of the primary functions of a merits review tribunal is to determine whether the decision made by the decision-maker in question was the ‘correct or preferable one’.⁸¹ In many cases, where a merits review body considers a particular decision to not be the correct or preferable one, then, the body may substitute its own decision for that of the original decision-maker.⁸² This is because,

⁷⁸ The Kerr Committee, for example, considered that it was ‘generally accepted that [the] complex pattern of rules as to appropriate courts, principles and remedies is both unwieldy and unnecessary’: Commonwealth Administrative Review Committee, *Report* (1971), 20 reprinted in Robin Creyke & John McMillan, *The Making of Commonwealth Administrative Law: The Kerr, Bland and Ellicott Committee Reports* (1996).

⁷⁹ *Final Report of the Committee of Administrative Discretions*, Appendix C (1973), 58 reprinted in Creyke & McMillan, *The Making of Commonwealth Administrative Law*, above n 78. The Committee did, however, note that there were plans to ‘transfer this jurisdiction to the proposed Commonwealth Superior Court’: *id.* The Report, therefore, predated the creation of the Federal Court.

⁸⁰ Cane notes that ‘one of the most surprising aspects of the large literature about the federal administrative law system is the absence from it of sustained attempts to analyse what is meant by “merits review”, and to distinguish merits review from judicial review’: Peter Cane, ‘Merits Review and Judicial Review – the AAT as Trojan Horse’ (2000) 28 *Federal Law Review* 213 at 220.

⁸¹ *Drake v Minister for Immigration and Ethnic Affairs* (1979) 46 FLR 409 at 420 (Bowen CJ & Deane J).

⁸² There is also another stated purpose of the merits review process. That purpose is to exert a ‘normative influence on government decision-making’: Gabriel Fleming, ‘Administrative Review and the “Normative” Goal – Is Anybody Out There?’ (2000) 28 *Federal Law Review* 61 at 61. That is, it is

at least in the case of the AAT, the Tribunal has the capacity to ‘exercise the power and discretion which are conferred on the original decision-maker’.⁸³

The AAT provides review of the decisions, on their merits, that it has the jurisdiction to review.⁸⁴ That is, not every administrative decision may be reviewed by the AAT. For a decision to be reviewable by the Tribunal, there has to be an enactment that authorises the review.⁸⁵ When reviewing a decision,⁸⁶ the Tribunal may be constituted by one, two or three members.⁸⁷ Tribunals, where the proceedings involve specialised knowledge, will usually be ‘constituted so that there is at least one member with relevant expertise’.⁸⁸ There are, for example, particular Divisions within the AAT that may require specific knowledge or experience on the part of its members.⁸⁹

One feature of the AAT is that only those parties affected by the administrative decision may apply to the Tribunal for a review of the decision.⁹⁰ Parties are also to be provided with a reasonable opportunity to present their cases and, in particular, to inspect, and make submissions on, any document to be considered by the AAT when making its decision.⁹¹ Further, under the AAT Act, there is the capacity to appeal a decision of the Tribunal to the Federal Court on a question of law.⁹² The AAT may also, of its own motion or at the request of a party, refer a question of law, arising in a proceeding before it, to the Federal Court.⁹³ The Federal Court also has a significant role to play in the other facet of administrative law – judicial review.

intended that a centralised review body would provide guidance as to the process, and quality, of proper administrative decision-making.

⁸³ Douglas & Jones, above n 61 at 253 citing AAT Act s. 43(1).

⁸⁴ There are also state level merits tribunals such as the Victorian Civil and Administrative Tribunal, the Administrative Decisions Tribunal in New South Wales and the State Administrative Tribunal in Western Australia.

⁸⁵ AAT Act s. 25.

⁸⁶ Proceedings are conducted with as little formality and technicality as the review permits, though, it is not as informal as it could be – particularly when lawyers represent the parties before the Tribunal: Roger Douglas, *Douglas and Jones’s Administrative Law*, 5th ed. (2006) at 264ff. Further, the AAT is not bound by the rules of evidence and may inform itself on any matter in such manner as it thinks appropriate: AAT Act s. 33.

⁸⁷ AAT Act s. 21(1).

⁸⁸ Douglas, above n 86 at 248.

⁸⁹ Such Divisions include the Medical Appeals and the Security Appeals Divisions: AAT Act s. 19.

⁹⁰ AAT Act s. 27(1).

⁹¹ AAT Act s. 39.

⁹² AAT Act s. 44.

⁹³ AAT Act s. 45.

2. *Judicial Review*

Judicial review is a form of review ‘concerned with relatively narrow issues – with the legality of the decision, rather than with whether the decision-maker’s findings of fact were correct, or with whether the decision-maker should have exercised a discretion differently’.⁹⁴ A significant avenue for this review, in Australia at the Commonwealth level, is the ADJR Act.⁹⁵ There are a number of grounds upon which a challenge under that Act may be brought. These include that there was a ‘breach of the rules of natural justice’; the decision was not authorised by the relevant Act; the ‘making of the decision was an improper exercise of power’; and the ‘decision was induced or affected by fraud’.⁹⁶ As will be seen below, not all of the available grounds are relevant for the review of patent decisions.

Perhaps due to the nature of decisions made by patent examiners, there has been no successful use of the ADJR Act in the challenge of an examination decision.⁹⁷ A more likely explanation is that litigation, either as a result of an appeal from an opposition hearing or as a revocation action, will allow a court to examine the same issues. If, however, patent decisions are subject to a greater level of administrative review, then the judicial review of patent decisions may be more common.

IV. ADMINISTRATIVE REVIEW OF PATENTS

The focus of this Part of the Paper is on the greater use of administrative review in the Australian patent system. The history of the patent system suggests that the AAT would be an appropriate forum for the merits review of patent examiner decisions and to retain the option of judicial review to assess the legality of those decisions. The argument is that there is the potential for both opposition hearings and revocation proceedings to be subsumed into an administrative review process. In part because it

⁹⁴ Douglas & Jones, above n 61 at 319. Judicial review, as with merits review, also has a normative role ‘... to influence future administrative action’: Peter Bayne, ‘Judicial Review and Good Administration’ (1990) 64 *Australian Law Journal* 715 at 716.

⁹⁵ Parties may also bring proceedings under s. 75(v) of the Australian Constitution and s. 39B of the *Judiciary Act 1903*. For a discussion of the use of these provisions, see Douglas, above n 86 at 657-661.

⁹⁶ ADJR Act s. 5(1).

⁹⁷ A search of the Austlii database provided no results where the ADJR Act was successfully used to challenge a decision by an examiner to either grant or not grant a patent. There have been some instances, however, of a party unsuccessfully using the ADJR Act, for example, *Imperial Chemicals Industries Pty Ltd v Commissioner of Patents* [2004] FCA 1658.

is acknowledged that the change would take a significant cultural shift,⁹⁸ the purpose here is to raise the relevance of the administrative nature of the patent system, rather than to categorically demonstrate that the shift should occur.

A. Merits Review

As stated above, the purpose of merits review is to provide a forum for the assessment of whether the original decision was the “correct or preferable one”. In the patent system as it stands now, there are two forms of review of the patent examiner’s original decision – the opposition procedure and the action for revocation – both of which assess whether the examiner’s decision was correct with respect to the patentability of the invention described in the patent application. There is, therefore, the potential for the AAT to be utilised for these reviews.

1. Review of Patent Decisions

A key issue for the potential shift of patent challenge procedures to the AAT is whether the decision to be made is of a kind that may be reviewed by the Tribunal. If the grant of a patent, or the acceptance of a patent application, cannot be considered as a reviewable decision then there is no capacity the AAT to have a role in the patent challenge process. Not all decisions made by an administrator may be reviewed by the AAT. The AAT Act stipulates that, for a decision to be reviewed, there has to be an enactment that authorises the review.⁹⁹ Therefore, for patent challenge proceedings to be heard by the Tribunal, the Patents Act would have to state that such decisions were reviewable by the AAT. The question here is at what stage is a decision of an examiner to grant a patent sufficient to be categorised as a decision capable of being subject to external merits review.

Guidance as to the sufficiency of the decision may be found in the body of administrative law. First, section 3 of the AAT Act includes, in the description of what constitutes a decision for the purposes of the Act, the following: ‘making, suspending, revoking or refusing to make an order or determination’ and ‘issuing, suspending, revoking or refusing to issue a licence, authority or other instrument’. These descriptors are readily applied to a decision, by a patent examiner, to grant a

⁹⁸ The legal profession, for example, in their submissions to the ARC Review, above n 1, were strongly arguing for the status quo to be retained. Those that made submissions included the Law Council of Australia, the Victorian Bar Council and a group of ‘senior barristers’. The Council noted that the ‘strongest support for Federal Court review came from the Victorian Bar Council’: at 8.

⁹⁹ AAT Act s. 25.

patent for an invention. The examiner makes a determination, based on the information before him or her (in terms of the patent application and the found prior art) of the patentability of invention.¹⁰⁰ This characterisation of the decision applies both at the time of acceptance of the application (the point at which the application may be subject to opposition) and at the time of the seal of the patent. As such, there is little, in terms of the nature of the decision to be challenged, to stop the AAT from hearing either opposition or revocation cases or reviews of decisions by patent examiners not to grant a patent application.¹⁰¹ The similarities in the two types of decision – both are, in effect, *de novo* reviews of the patent examiner’s decision to grant the patent – means aspects of both may be subject to merits review before the Tribunal.¹⁰²

One ground of challenge, that of entitlement, may be problematic, however, in terms of merits review. Entitlement, here, relates to the application by a third party asserting that the patentee, or patent applicant in the case of oppositions, is not entitled to the patent.¹⁰³ Merits review is aimed at assessing the decision-making process of the administrator in question. The issue of entitlement is not a factor in the examination decision of the examiner. As noted above, the examiner must check to see that a notice of entitlement has been properly filed with respect to the patent application; the

¹⁰⁰ This determination may be contrasted with the “interim” decisions, described above, reflected in any objections raised by the examiner to the patent application under consideration.

¹⁰¹ It may be noted that, in many cases currently, a review by the AAT is only available after an internal merits review has already been carried out. This would mean that it would be unusual for the first review of an examiner’s decision to be in the AAT. If this approach was adopted, in effect, the opposition hearing in IP Australia would be the internal merits review mechanism for patent examiner decisions. The Tribunal, then, would review the decisions of the hearings officer, instead of the decision being appealed to the courts.

¹⁰² It has been suggested that there may be constitutional concerns over a non-judicial body hearing challenges to a granted patent (as such a body could be exercising judicial power contrary to Chapter III of the Australian Constitution); recent research, however, suggests that this may not be the case: Dent, above n 57. The merits review, or at the least the potential non-judicial, nature of revocation actions is reinforced by the capacity of people, in the UK, to seek the revocation of a patent through the United Kingdom Patent Office: *Patents Act 1977* (UK) s. 72.

¹⁰³ This is distinct from a dispute between parties under s. 32 of the Patents Act. The decision by the Commissioner under this provision is already reviewable by the AAT: *Patents Act* s. 224. There is a difference in the current provisions with respect to who can seek the review an application, or patent, on the grounds of entitlement. A decision under s. 32 may only be sought by ‘interested parties’ – defined as the ‘applicant or a joint applicant, or a person who claims to be entitled to the grant of a patent on the application, either alone or jointly with another person’ (*Patents Act*, Schedule 1). Opposition and revocation actions may be brought, as highlighted above, by any person. That is, a third party cannot challenge, and then seek a review of, a decision on the ground of entitlement through the administrative review process but may have to end up in the courts through an appeal of an opposition or an action for revocation.

examiner, however, does not assess the accuracy of the notice.¹⁰⁴ As the examiner does not make a decision about who should be entitled to the patent, there is doubt that a merits review tribunal could review the patent examiner's decision on this ground.¹⁰⁵ This doubt would suggest that actions on the ground of entitlement would remain a statutory action, pursued through the courts, if patent examiners' decisions are subject to administrative review.

2. Role of AAT in Merits Review

There is not the scope nor the need, in this Paper, to detail every aspect of the Tribunal's role, however, there is value in highlighting a key feature that is of relevance. That feature is the expertise that may be available to the AAT when conducting a merits review of a patent decision. As highlighted above, the AAT may be constituted by members, senior members and Presidential members. The inclusion of legally qualified senior members would be particularly relevant for the decision-making with respect to the legal aspects of the patent challenge processes.¹⁰⁶ These aspects include the application of the legal tests, such as novelty and inventive step, and the cross-examination of witnesses at the hearing.¹⁰⁷ The experience of a patent lawyer would be invaluable in the assessment of the legal tests particularly given the possibility that the invention is at the margins of patentability (as it is arguable that it is the marginal applications that are more likely to be sought to be reviewed).

There is also the capacity for the inclusion of a member who is familiar with the area of technology of the invention. This would assist in the Tribunal's understanding of the nature of the invention, the prior art and the evidence of any witnesses. These members could be patent attorneys, former patent examiners or academics.¹⁰⁸ This

¹⁰⁴ 'Objections to the notice of entitlement should be based on non-fulfilment of information required': Australian Patent Office *Manual of Practice and Procedure* at para 2.6.3.1.

¹⁰⁵ As, under the current system, hearings officers may decide oppositions on the entitlement ground, if the AAT was to review the decisions of hearings officers then the AAT could review the decision on this ground.

¹⁰⁶ The President must be a judge of the Federal Court and Deputy Presidents must be a legal practitioner with at least five years experience. A senior member must either be either a legal practitioner with at least five years experience or have special knowledge or expertise appropriate for a senior member. No slight is intended on the knowledge and expertise of the senior patent examiners at IP Australia, however, the extent of legal training undertaken by examiners is not co-extensive with the legal training and experience of practising lawyers.

¹⁰⁷ Opposition Divisions may be expanded at the EPO to include a legally qualified member where the taking of evidence is expected: Gerald Paterson, *The European Patent System: The Law and Practice of the European Patent Convention* (1992) at 190 citing Article 19(2) of the European Patent Convention.

¹⁰⁸ It would also be possible that a "Patents Division" could be created in the AAT: AAT Act s. 19.

expertise would allow the merits review process to be as knowledgeable about the issues as the patent examiner who, under the current system, hears the opposition.¹⁰⁹ The use of a scientifically qualified member and a legally qualified member would, therefore, allow for a more thorough consideration of the issues arising from both disciplines.¹¹⁰

Further, the Tribunal is empowered to ‘inform itself on any matter in such manner as it thinks appropriate’.¹¹¹ This allows the AAT to call any witnesses, such as scientific experts, necessary to assess the novelty or inventiveness of the invention in question – though, in practice, the experts called by the parties may be sufficient to provide the Tribunal with the information it needs. The provision for patent decision review proceedings to be heard by the AAT,¹¹² then, would not lead to a decrease in the level of expertise that may be brought to bear, and in fact, may lead to an increase in the level of expertise available.¹¹³

B. Judicial Review under the ADJR Act

There are two aspects of the judicial review of patent decisions that need to be highlighted.¹¹⁴ The first relates to the grounds of judicial review that are not open for merits review – namely error of law and fraud. The second aspect is the difference in effect between a merits review and a judicial review decision.

¹⁰⁹ It is acknowledged that, now, a patent examiner may consult other hearings officers when making her or his decision: *Patent Manual of Practice and Procedures* at para 3.2.13.

¹¹⁰ Linked to the issue of expertise is the nature of the decision to be reviewed by the Tribunal. It is arguable that patent challenges are best seen as a unique class of decisions – given the subject matter and the lucrative monopoly that may attach to a patent. The AAT currently, however, reviews decisions such as the rejection of applications for the approval of chemicals under the *Agricultural And Veterinary Chemicals Code Act 1994* (a decision requiring detailed technical knowledge) and the suitability of licensees under the *Broadcasting Services Act 1992* (a decision that has the potential for significant financial implications for the licensee).

¹¹¹ AAT Act s. 33(1)(c).

¹¹² It is not, however, clear what impact the shift in forum would have on the costs (both in terms of time and money) to the parties. It may be noted that the ARC supported an extension of the jurisdiction of the AAT in this area on the grounds that it ‘may assist in minimising the cost of review by eliminating the need for legal representation’: above n 1 at 7. It is likely, though, that parties, if potentially lucrative patents are at stake, will choose to be represented – thus negating any possible cost savings.

¹¹³ The Tribunal will, obviously, have access to the expertise of the examiner who made the original decision. Under the Act, the decision-maker ‘must use his or her best endeavours to assist the Tribunal to make its decision in relation to the proceeding’: AAT Act s. 33(1AA).

¹¹⁴ Given the exploratory nature of this comment, the discussion of the judicial review of patent decisions will be limited to reviews applied for under the ADJR Act.

1. *Grounds of Review under the ADJR Act*

If examiners' decisions are of an administrative character and subject to administrative review, then parties may apply to the Federal Court for the review of the decision under the ADJR Act.¹¹⁵ Such an application would be to test the legality, as opposed to the merits, of the decision of the patent examiner.¹¹⁶ Most of the grounds for judicial review, however, are not likely to be relevant to decisions relating to the grant of patents. Grounds such as the decision-maker not having the jurisdiction to make the decision¹¹⁷ or that the decision not being authorised by the enactment¹¹⁸ do not appear to be important for the review of a decision to grant a patent made by a patent examiner.

The two most relevant grounds are that the decision involved an error of law¹¹⁹ and that the decision was induced or affected by fraud.¹²⁰ The former could be used to challenge the application of the legal tests (such as those for inventive step and novelty) used by the examiner. Judicial review on the basis of error of law, however, potentially allows a person to apply for both merits and judicial review of the same decision.¹²¹ There is a fine line between reviewing an examiner's decision on the basis of the application of the legal tests to the patent application and the prior art (merits review) and the understanding of the legal tests used by the examiner (judicial review).¹²² This may lead to some abuse of the system.¹²³ The costs of multiple litigation in the patent area, however, means that it is not likely to be common.¹²⁴

¹¹⁵ The ADJR Act is of general application – few administrative decisions are outside the scope of the Act: ADJR Act s. 3.

¹¹⁶ With respect to the nature of decisions in the patent system, it may be noted that the High Court has considered the definition of “decision” for the purposes of the ADJR Act. Mason CJ held that, for a decision to be subject to judicial review, it must be ‘final or operative’, ‘determinative ... of the issue of fact’ and that it be a ‘substantive determination’: *Australian Broadcasting Tribunal v Bond* (1990) 170 CLR 321 at 337. Again, as was the case with the merits review of patent decisions, it would appear that the decisions of patent examiners would be sufficient to fulfil the requirements for judicial review. The Court's definition, and the *Bond* decision more broadly, is discussed in Creyke & Hill, above n 77.

¹¹⁷ ADJR Act s. 5(1)(c).

¹¹⁸ ADJR Act s. 5(1)(d).

¹¹⁹ ADJR Act s. 5(1)(f).

¹²⁰ ADJR Act s. 5(1)(g). This ground covers both fraud perpetrated by parties and on the part of the decision-maker: see Aronson & Dyer, above n 66 at 251-4. The ground, however, is not used extensively to review decisions given the high standard of proof required.

¹²¹ The capacity to seek the judicial review of a decision is in addition to another other rights of review with respect to the decision: ADJR Act s. 10(1).

¹²² An example of Cane's assertion that the ‘differences between judicial review and merits review are not as stark as they are often portrayed’: above n 80 at 213.

The judicial ground of review relating to fraud is similar to the equivalent ground for the revocation of patents. It is not, currently, a ground for opposition proceedings. The use of judicial review, and its attendant grounds, will harmonise the current review processes with respect to the grounds of review. It may also be noted that it is not common for fraud on the part of a party to an administrative decision, in non-criminal matters, to be the basis for judicial review.¹²⁵ The potential for such a challenge has, however, been assumed by the Federal Court.¹²⁶

2. *Effect of Judicial Review of Patent Decisions*

One of the key distinctions between merits and judicial review is that, in the former, the Tribunal may substitute its decision for the original decision; whereas, under judicial review, a court can only quash the original decision.¹²⁷ In other words, a review by the AAT will produce a new decision, by the Tribunal, at the end of the process; whereas, the Federal Court will only be able to return the matter back to the patent examiner, albeit possibly with directions as to the proper understanding of the law.¹²⁸ A successful judicial review application by a competitor to the patentee may not, therefore, get the desired result as the examiner could still pass the application the second time round. The judicial review of patent decisions, then, may be seen to leave the substantive decisions relating to patents in the hands of patent examiners; or, where a decision has been made by the AAT, in the hands of Tribunal members who, potentially, have more specialised knowledge than judges.

C. Standing for the Administrative Review of Patent Decisions

The final area of investigation here relates to the standing of parties to seek the review of an administrative decision. The issue of standing relates to whether the person who is attempting to bring an action to seek a remedy, or a change of decision, is an

¹²³ That is, there could be a concern that a person seeking review may first try merits review, appeal the decision of the AAT to the Federal Court; and if still unsuccessful, the person may then seek judicial review of the examiner's decision and then appeal the Court's decision if unfavourable.

¹²⁴ See the work of Rotstein and Weatherall for an analysis of Australian patent litigation statistics. They find that, in the period covered, there were, on average, 22 contentious proceedings (including actions for revocation and infringement – the latter is relevant as an action for infringement may include a counter-claim for revocation) commenced each year across the whole of the country: Fiona Rotstein & Kimberlee Weatherall, 'Filing and Settlement of Patent Disputes in the Federal Court: 1995-2005' (2007) 68 *Intellectual Property Forum* 65 at 68.

¹²⁵ Aronson & Dyer, above n 66 at 252-3.

¹²⁶ *Pharmacy Guild of Australia v Australian Community Pharmacy Authority* (1996) 70 FCR 462 at 479 (Branson J).

¹²⁷ Cane, above n 80 at 222-226.

¹²⁸ ADJR Act s. 16(1)(b).

appropriate person to do so. Standing has had significant discussion in the realm of administrative law. One of the problems with the prerogative writs was a lack of consistency, between the writs, relating to who had standing to bring a suit.¹²⁹ Standing could also be an issue if patent decisions were reviewable administratively.

1. Standing in Merits Review

Currently, only those parties ‘affected’ by the decision may apply to the AAT for a review of that decision.¹³⁰ Such an approach to applicants for administrative review would be more restricted, *de jure*, than the current regime under the Patents Act.¹³¹ In the context of the challenges to patents any person may either oppose a patent application¹³² or bring a revocation action.¹³³ As a matter of current practice,¹³⁴ however, it is only those parties who are affected (in the restricted sense of the term) by a patent grant who challenge the grant.¹³⁵

Case law in this area may be a useful guide here in terms of assessing standing for the purposes of the merits review of patent decisions. The *Bateman’s Bay* decision held that a firm operating in a ‘limited market’ had sufficient standing to challenge an administrative decision.¹³⁶ This is likely to mean that a competitor to a patent

¹²⁹ LRCWA, above n 58 at 7.

¹³⁰ AAT Act s. 27(1).

¹³¹ It may be noted that, under the *Trade Marks Act 1995*, only an ‘aggrieved person’ may apply to rectify the register of trade marks; for example, to cancel a registered mark (s. 86). ‘Aggrieved persons in this context denote those with a trading interest to protect rather than persons with a higher motive’: McKeough, Stewart & Griffith, above n 24 at 544 citing *Ellis’s Trade Mark* (1904) 21 RPC 619. This level of interest, if applied as the test of standing for patent challenges, would allow competitors of a patentee to challenge a patent but no other interested parties.

¹³² 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 – the Committee, in fact, recommended that the pre-grant opposition procedure be abolished on the grounds that the pre-grant nature of the process encouraged costly delays to the grant of a patent: Intellectual Property Advisory Committee, *Patents, Innovation and Competition in Australia*, Report (1984) at 63-4.

¹³³ Patents Act s. 138.

¹³⁴ This assessment is based on discussion with practising patent attorneys and patent examiners. A database has been established, as part of the ARC-funded project referred to in the author note above, to assess the accuracy of this claim.

¹³⁵ One issue connected to the question of standing is the potential role of the patentee in a merits review challenge of a patent decision by a competitor of the patentee. One perspective would suggest that the patentee would have no role as it is the applicant challenging on the basis the impact of the examiner’s decision on the applicant’s interests. The rules of procedural fairness apply to AAT proceedings; and, therefore, as the patentee’s rights are affected by the review of the decision by the Tribunal, the patentee would have standing in any such review: see, generally, *FAI Insurances Ltd v Winneke* (1981) 151 CLR 342; and *Kioa v Minister for Immigration and Ethnic Affairs* (1985) 159 CLR 550.

¹³⁶ *Bateman’s Bay Local Aboriginal Land Council v Aboriginal Community Benefit Fund* (1998) 194 CLR 247 at 267 (Gaudron, Gummow & Kirby JJ).

applicant, who stands to lose market-share or potential market-share,¹³⁷ would have a sufficient interest to seek the review of a patent examiner's decision. The concern, though, is that adopting an administrative review process may, by law, prevent other interested parties from participating in the patent system. The High Court, in *Allan v Transurban City Link*, also drew a distinction, with respect to s. 27 of the AAT Act, between 'affection' by a decision and an 'interest' in the outcome of that decision.¹³⁸ It is likely, then, that the courts would not consider the average person sufficiently affected,¹³⁹ by the outcome of a patent decision, to give them standing before the AAT even if they had an interest in the subject matter of the patent.¹⁴⁰ Regardless of the application of the case law, given current practice, the use of the AAT standing rules is not likely to impact on the nature of the parties who challenge patent decisions.

2. Standing under the ADJR Act

Under the ADJR Act, only a person 'aggrieved by a decision' may apply for judicial review.¹⁴¹ The issue, here, relates to the categories of parties that are sufficiently aggrieved by a patent examiner's decision to seek judicial review of that decision.¹⁴² Given the ACF decision,¹⁴³ it is likely that patentees and their competitors would

¹³⁷ A competitor may, in order to establish standing, have to demonstrate specific plans to move into the market sector covered by the patent application subject to potential review rather than simply arguing that the firm may move into the sector.

¹³⁸ (2001) 208 CLR 167 at 174 (Gleeson CJ, Gaudron, Gummow, Hayne & Callinan JJ).

¹³⁹ It is arguable that everyone who participates in the economy has a greater interest in the outcome of patent decisions than the person who 'merely hold[s] a belief that a particular type of conduct should be prevented or a particular law observed': *Control Investments Pty Ltd v Australian Broadcasting Tribunal* (1980) 50 FLR 1 at 8 (Davies J).

¹⁴⁰ It may be noted, however, that s. 27(2) of the Act provides that an 'organisation or association of persons, whether incorporated or not, shall be taken to have interests that are affected by a decision if the decision relates to a matter included in the objects or purposes of the organisation or association'. This suggests that groups such as Greenpeace may have a sufficient interest in, for example, a biotechnology patent if the invention is likely to impact on the environment. Under Article 99(1) of the European Patent Convention, any party may oppose a patent. That third parties do challenge patents before the EPO is shown by the decision of T0179/01 which was an appeal from a decision relating to an opposition by Greenpeace.

¹⁴¹ ADJR Act s. 5(1).

¹⁴² As a result of the High Court decision of *Griffith University v Tang* (2005) 221 CLR 89, the question of the capacity of a party to seek the review of a decision has become more complex. According to one commentator, applicants, now, 'will need to prove that the decision itself affected legal rights and obligations and that this decision was derived from the enactment': Melissa Gangemi, '*Griffith University v Tang*: Review of University Decisions "Made Under an Enactment"' (2005) 27 *Sydney Law Review* 567 at 575. Given the nature of the patent rights affected by patent examiner decisions, this requirement may not present a hurdle to prospective judicial review applicants.

¹⁴³ It has been decided, in that case, that a 'person is not interested', for the purposes of establishing standing, unless he is likely to gain some advantage, other than the satisfaction of righting a wrong, upholding a principle or winning a contest, if his actions succeeds or to suffer some disadvantage, other than a sense of grievance or a debt for costs, if his action fails: *Australian Conservation Foundation v Commonwealth* (1980) 146 CLR 493 at 530 (Gibbs J).

have sufficient interest in patent decisions to apply for judicial review as they have financial interests in the outcome of the decision.¹⁴⁴ This, therefore, would mean that those who tend to challenge patents now would still be able to apply for the judicial review of patent decisions.¹⁴⁵

The other potential parties are public interest groups and ordinary members of the community. The case law is relatively clear with respect to members of the public. A sufficient interest has been defined to cover, at least, a ‘person who can show a grievance ... beyond that which he or she has as an ordinary member of the public’.¹⁴⁶ This suggests that the average person in the community, by definition, would not have standing to seek the judicial review of patent decisions. The case of public interest groups is more complicated. Past cases have held that it depends on the nature of the group itself in relation to the matter being decided and whether the group has a particular profile in the community or with government.¹⁴⁷ Whether a particular group, then, would have standing to seek the review of a patent decision would depend on the group, its public role and the subject matter of the patent under dispute. The assessment would have to be made, by the court, prior to the hearing of an application for the judicial review of a patent decision.

V. CONCLUSION

The detail, nature, history and purpose of the Australian patent system all point to a serious potential for patent grant decisions to be subject to administrative review. There is neither the scope in a Paper such as this, nor the appropriate empirical data, to argue whether or not the decisions *should* be subject to such review. The practicalities of merits review in the AAT may mean that the option is less attractive than it appears; though, the shift of matters from the Federal Court to the Tribunal may provide cost and efficiency benefits to parties. The potential for the change in the

¹⁴⁴ See, for example, *Alphapharm Pty Ltd v SmithKline Beecham (Australia) Pty Ltd* (1994) FCR 250 at 259 (Davies J).

¹⁴⁵ A recent decision of the Federal Court considered, *obiter*, the issue of standing in a patent matter under the ADJR Act: *Interpharma Pty Ltd v Commissioner of Patents* [2008] 1283 at [17]-[27] (Sundberg J).

¹⁴⁶ *Tooheys Ltd v Minister for Business and Consumer Affairs* (1981) 54 FLR 421 at 437 (Ellicott J). It has also been suggested by commentators that ‘open-ended standing rules’ for judicial review would be constitutionally ‘invalid as purporting to confer a non-judicial “jurisdiction” on federal courts’: Douglas & Jones, above n 61 at 403.

¹⁴⁷ See, for example, *Australian Conservation Foundation v Commonwealth* (1980) 146 CLR 493; *Australian Conservation Foundation v Minister for Resources* (1989) 19 ALD 70; and *Right to Life Association (NSW) Inc v Secretary, Department of Human Services and Health* (1995) 128 ALR 238.

review of patent decisions, therefore, requires significant further research. The purpose of this piece has only been to re-engage with the earlier work of the Administrative Review Council and to re-insert the idea back into the ongoing debate into the reform of the patent system.

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