

Sharing the blame

Contributory infringement after Collins

If you are a patentee wishing to defend your rights, or if you want to operate in an area that is subject to someone else's patent and you need to avoid infringing, you should understand the principles of both direct and contributory infringement.

The recent set of Australian cases (Collins^{1,2}) involved a patent for methods of obtaining oil from the tree species *Callitris Intratropica*. The Northern Territory Government ('NTG') issued licences to Australian Cypress Oil Company Pty Ltd ('ACOC') authorising ACOC to take this type of timber from Crown Lands. Mr and Mrs Collins, owners of the patent, alleged that by issuing the licences the NTG infringed their patent as a contributory infringer.

Background

Australian courts have traditionally been reluctant to extend the scope of patent monopoly beyond literal infringement. This has been based on the premise that the vendor of a product who by selling that product "merely" facilitates infringement, should not be subject to infringement proceedings, even if vendor sells the product knowing that the purchaser intends to use that product to infringe a patent.³

Contributory infringement under statute

A 1984 review of Australia's patent regime⁴ found that patentees had significant difficulty trying to enforce their patent rights when infringed by consumers supplied by an unauthorised third party with the means to infringe. Section 117, which extends the statutory concept of infringement to include "contributory infringement", was subsequently



introduced into the Australian Patents Act.

A partial paraphrase of s 117 states that ... if the use of a product by a person would infringe a patent, (and) ... if the product is not a staple commercial product, then the supply of that product by one person to another is an infringement of the patent by the supplier ...

The Collins cases and s 117

The aspect of "supply"

At first instance the primary judge found that "there is no positive act of the Territory which, in terms of the definition of "supply", amounted to the "sale, exchange, lease, hire or hire-purchase" or the offer to supply by way of sale etc of the timber". Accordingly, the grant of the licences to ACOC did not amount to the "supply" of the timber by the NTG to ACOC for the purposes of s 117(1). However, on appeal Branson and Sundberg JJ of the Full Federal Court (French J dissenting) found that what ACOC had was not so much a licence to enter upon land and take timber but an obligation to do so. There was no doubt that ACOC was in need of the NTG's timber. It was unable to obtain it without the NTG's consent. In those circumstances the NTG provided or furnished the timber to ACOC, and thus

"supplied" it to ACOC. The aspect of "staple commercial product"

At first instance Mansfield J noted that "... but for one feature, the timber was a "staple commercial product". The distinguishing feature was that the NTG had "written off" the trees on the land in question as a commercial crop for use as timber". His Honour found that the decision of the NTG ... not to maintain the plan to allow further growth of the trees ...

for harvesting for timber (did not result) in the timber from those trees losing that character (as a staple commercial product). Accordingly, the timber was a "staple commercial product" for the purposes of s 117(2)(b). However, on appeal the Full Court, by majority, found that a quality of a 'staple commercial product' is that it is an item of commerce in the sense that it is ordinarily available for purchase from an entity that trades in that product. Their Honours noted that no evidence was presented showing that the trees in question could be purchased without difficulty by a person wishing to obtain a supply thereof. Instead they found that a person wishing to obtain unmilled *Callitris Intratropica* trees, at least in the Northern Territory, must apply to the Crown for a licence to harvest the trees from Crown Land. For such a licence or permit to be granted, it appears that the applicant must assume significant obligations. They thus found that these trees, at least in the Northern Territory, are not a 'staple commercial product' for s 117(2)(b) of the Act.

How effective is Section 117 in relation to method claims?

A fundamental remaining issue was the extent to which s 117 is effective in regard to method claims. The applicable case law in

this regard prior to Collins is exemplified by Rescare^{5,6}, and Bristol-Myers.⁷

Rescare concerned a patent for a method of treating a breathing disorder by applying air under pressure to a patient through a nose-piece. The alleged contributory infringer (Mr X) had offered for sale apparatus together with instructions for use, for administering continuous positive airway pressure to treat this breathing disorder. Both the lower court and the Full Court commented that Mr X would not have been found liable as a contributory infringer under s 117.

Bristol-Myers concerned a patent for a method of administering taxol, a drug having anti carcinogenic properties. The alleged contributory infringer (Mr Y) sold taxol together with an information guide on how to use the drug for the treatment of cancer. The Bristol-Myers case was decided on other grounds, but Black CJ and Lehane J suggested that Mr Y would have been a contributory infringer under s 117.

Returning to Collins, Mansfield J at first instance found against Mr and Mrs Collins on the issues of 'supply' and 'staple commercial product', and accordingly His Honour did not need to choose between Rescare and Bristol Myers. The Full Court thus did not find it necessary to express a preference between the approaches adopted in Rescare and Bristol Myers but explicitly constructed the following paraphrase of the Collins situation using the Bristol-Myers approach - 'If: (a) ACOC's use of the product would infringe the patent, and (b) the Territory, as supplier of the product to ACOC, had reason to believe that ACOC would so use the product, then, the supply of the product is an infringement of the patent by the Territory.'

Conclusions

The Collins cases provide a solid if limited understanding of aspects of "supply" and "staple commercial product" in s 117 cases. The scope of s 117 as it applies generally to method claims was commented upon,

but not used as a basis for decision in either Collins case. Since the case was remitted back to the trial judge to be further heard and determined, this matter has yet to be resolved.

¹Collins v Northern Territory of Australia [2006] FCA 1698

²Collins v Northern Territory [2007] FCAFC 152

³Walker v Alemite Corporation (1933) 49 CLR 643 at 658 per Dixon J

⁴"Patents, Innovation and Competition in Australia" by Australia's Industrial Property Advisory Committee (IPAC) 29 April 1984

⁵Rescare Ltd v Anaesthetic Supplies Pty Ltd (1992) 111 ALR 205

⁶Anaesthetic Supplies Pty Ltd v Rescare Ltd (1994) 50 FCR 1

⁷Bristol Myers Squibb Co v FH Faulding & Co Ltd (2000) 97 FCR 524



Martin Friedgut

Senior Associate

martin.friedgut@sprusons.com.au