

The Power of the Patent

Federal Court clarifies patent non-infringement declaration provisions

Innovation Heroes



Alf and Nadia Taylor, owners of Australian packaging company TNA Australia, were recently named as one of three "Innovation Heroes" by Sydney University's prestigious Warren Centre for Advanced Engineering at the Warren Centre Annual Innovation Lecture.

From their first sale in about 1985, TNA Australia has grown to the extent that they account for 40% of the world market in their specific type of packaging equipment. Initially operating out of a small unit factory in Sydney, TNA Australia has expanded to include major offices and factories in Sydney, Melbourne, UK, North America, Mexico, South America, Philippines and China. 95% of their packaging machines are exported.

Alf and Nadia are strong believers in protecting their Intellectual Property and have filed close to 300 patent cases and 40 trade mark cases. They have been clients of Spruson & Ferguson since starting their company in 1984, with the work having been undertaken continually since then by Greg Turner, Principal of Spruson & Ferguson.

Spruson & Ferguson congratulates Alf and Nadia, who are worthy recipients of this most prestigious prize.

Provisions have existed for many years in the Australian patents legislation whereby a person can apply to a court for a declaration that some commercial act which the person intends (such as the manufacture of a particular product or the adoption of a particular process) does not infringe the claims of a specified patent or patent application. If a non-infringement declaration is made but subsequently revoked, its holder is not liable for damages or an account of profits in respect of infringement of the specified patent before the date of revocation of the declaration.

The wording of the statutory provisions dealing with non-infringement declarations underwent a significant change between the current Patents Act and its predecessor but it has not been until very recently that the meaning of the current provisions has been considered by a court.

In the case referred to, *Occupational and Medical Innovations Ltd v Retractable Technologies Inc* [2008] FCA 1102, Dowsett J considered the relevant provisions of the *Patents Act 1990* and interpreted them to mean that when a person applies to the court for a non-infringement declaration in respect of a specified patent or patent application ("patent A"), it is a pre-condition that the applicant's proposed act (that is, the act which the applicant asserts does not infringe patent A) itself be the subject of a patent or a patent application ("patent B"). Furthermore, the court cannot make the declaration applied for unless a patent has been granted on patent B.

It is unclear why the Parliament chose to express the relevant statutory provision the way it did. The way it has been construed by Dowsett J appears to mean that it is not possible for a non-infringement declaration to be obtained in respect of some proposed commercial activity that is not the subject of a patent or patent application.

Other aspects of the statutory provisions remain to be clarified. In particular, it is not clear whether patent B (as identified above) must be in force when the applicant seeks



the non-infringement declaration. It is also unclear whether patent B must be owned by the person applying for the non-infringement declaration; it would seem not, but at the least it would appear that the applicant must be a licensee in respect of patent B if that patent is still in force.

The possibility of relying on the existence of a patent at some time in the future so as to obtain the benefits of holding a non-infringement declaration are additional to the more obvious benefits flowing from the protection of rights over an invention by virtue of patent ownership. This recent judgment of the Federal Court therefore provides a further reason for persons in possession of patentable subject matter to consider obtaining a patent to protect the subject matter, rather than attempting to keep it confidential.

Author: Colin Bodkin, Consultant, Spruson & Ferguson

For more information please contact:



John Brass
Principal
john.brass@sprusons.com.au