

Working of Patents

A patentee is not obliged to work the patent in Australia. However, the Patents Act 1990 does provide certain consequences where a patent is not being exploited, the patentee has been approached by a third party seeking a licence, and the patentee has refused to grant a licence "on reasonable terms and conditions".

In these circumstances, the third party may apply to a prescribed court for an order requiring the patentee to grant a non-exclusive licence to work the patented invention in return for a reasonable royalty payment. This is called a "compulsory licence".

A period of 3 years from the date of grant must have elapsed before an application for a compulsory licence can be made. The court must be satisfied that:

- the reasonable requirements of the public with respect to the patented invention have not been satisfied; and
- the patentee has given no satisfactory reason for failing to exploit the patent.

A patent may be revoked in response to an application by an interested person made at least two years after the first compulsory licence is granted, if the court is satisfied that the above circumstances exist.

Section 135 of the Act states that the "reasonable requirements of the public" have not been satisfied if:

- an existing trade or industry in Australia, or the establishment of a new trade or industry in Australia, is unfairly prejudiced, or the demand in Australia for the patented product, or for a product resulting from the patented process, is not reasonably met, because of the patentee's failure:
 - (a) to manufacture the patented product to an adequate extent, and to supply it on reasonable terms; or
 - (b) to manufacture, to an adequate extent, a part of the patented product that is necessary for the efficient working of the product, and to supply the part on reasonable terms; or
 - (c) to carry on the patented process to a reasonable extent; or
 - (d) to grant licences on reasonable terms; or
- a trade or industry in Australia is unfairly prejudiced by the conditions attached by the patentee to the purchase, hire or use of the patented product, the use or working of the patented process; or
- if the patented invention is not being worked in Australia on a commercial scale, but is capable of being worked in Australia.

Applications for compulsory licences are very rare. None has so far been granted.

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