



**THE AUSTRALIAN FEDERATION OF INTELLECTUAL PROPERTY ATTORNEYS
FICPI AUSTRALIA**

26 September 2002

BY EMAIL

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Ms Kay Collins
Secretary
Advisory Counsel on Intellectual Property
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Dear Ms Collins

**Re: Federal Magistrates Service
Possible Extension of Jurisdiction to Include Patent,
Trade Mark & Design Matters**

The Australian Federation of Intellectual Property Attorneys (FICPI Australia) welcomes the opportunity to continue its involvement in discussions and deliberations relating to the possible extension of the jurisdiction of the Federal Magistrates Services (FMS) to intellectual property matters.

In large part it is considered that the response to the Issues Paper submitted by FICPI Australia in October of last year addressed the various questions raised in the recent Discussion Paper.

FICPI Australia is however mindful that its response to the Issues Paper was submitted on a confidential basis. In order to facilitate further discussions between all interest groups FICPI Australia is now agreeable to the publication of its submissions including those submissions made last year.

Having regard to the divergence of views set out in the Discussion Paper we offer the following additional comments:-

Overview

ACIP has noted in the Discussion Paper that the high costs of taking legal action in the courts and the delays in obtaining relief are problems that are not necessarily peculiar to intellectual property. Whilst it is true that the problems confronting IP litigants are not unique, FICPI Australia believes that it is fair to say that the nature of IP litigation exacerbates problems inherent in the judicial processes of our higher courts. In superior courts such as the Supreme Court and the Federal Court there is a greater likelihood than in the lower courts for a case to be protracted through a series of interlocutory

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steps; particularly steps relating to pleadings and discovery. Whilst pleadings are intended to provide a mechanism to enable the parties to determine what issues are really in dispute it is the experience of members of FICPI Australia that in IP matters these processes often involve considerable expense with limited effect. Generally it is not until there has been exchange of evidence in chief and evidence in answer from the parties' respective experts that the parties will appreciate what issues are genuinely in dispute.

IP litigation raises issues unlike those encountered in other areas of civil litigation – this is particularly the case with patent litigation. In patent litigation difficulties arise because there are invariably questions of technology requiring extensive statements from experts. This evidence is often required before the person adjudicating the dispute can interpret the scope of the monopoly conferred by the patent (as defined in the claims) and understand the nature of the infringing product or method which is the subject of the infringement allegation. Whilst expert testimony is required to enable these issues to be considered, it is generally the case that there is no exchange of any expert evidence until after all of the interlocutory steps relating to pleadings and discovery have been finalised. It is not uncommon for these steps to take 12 months or more. Whilst these steps may well be appropriate for adjudicating on a dispute where the technology is of great value and the respective parties are well funded it is FICPI Australia's view that these processes frustrate prompt and cost effective resolution. A prompt and cost effective solution is required when the respective parties are not as well funded or where the technology has a value which simply does not warrant the expense involved in having the matter determined by a superior court.

In non IP matters where the amount in dispute is low, parties have access to courts with procedures more appropriate to the amount in dispute. For example, in contractual disputes and in cases for damages resulting from some civil wrong such as negligence the parties have access to the state Magistrate's Courts or the state District or County Courts. If the quantum of the claim is relatively small the matter is properly brought in the Magistrate's Court whether the issues are complex or straight forward. At present patent owners do not have access to a forum for resolving a dispute for a small or moderate value where the procedures are commensurate with the value of the dispute. Interlocutory procedures adopted by the lower courts are (broadly speaking) tailored so that the costs involved in resolving the dispute are not disproportionate to the value of the claim. This is not an option for IP litigants where the courts having original jurisdiction are the Supreme Courts of the States and Territories and the Federal Court.

Further, there is presently no effective mechanism for either the Federal Court or the Supreme Courts to assess the likely value of a complaint at early stages when interlocutory steps relating to pleadings and discovery are ordered. In many cases damages are not even considered until after issues of liability have been determined and the processes adopted by these courts in determining liability are the same whether the dispute results in a \$10,000 damages award or a \$10,000,000 damages award. FICPI Australia considers that it is neither in the public interest nor in the interest of private litigants to devote disproportionate resources to a dispute. Many patent litigants recognise this and are deterred from taking action to enforce their rights. Many FICPI Australia members are familiar with cases where clients have decided against taking legal proceedings notwithstanding a problem of infringement because of these issues.

However, it is not asserted by the members of FICPI Australia that the current system and the use of the Federal Courts and the Supreme Courts is not effective in appropriate cases. Indeed, FICPI Australia is strongly of the view that the superior courts play an important role in determining IP complaints and disputes and that the current procedures are appropriate for dealing with cases where the amount in dispute is high. Nor would FICPI Australia suggest that it is appropriate to introduce radical changes to the rules for IP disputes before these courts because they are considered to be largely appropriate for cases between well resourced litigants in relation to important and valuable technology.

RESPONSE TO QUESTIONS PUT IN THE DISCUSSION PAPER – JULY 2002

1. *“Would merely extending the jurisdiction of IP matters to the FMS adequately address any perceived deficiencies in the enforcement system – or is a multi solution required? If so, what approaches are needed.”*

As stated in the previous submissions made by FICPI Australia it is considered that the mere extension of the jurisdiction of the FMS to include IP matters would not address the deficiencies in the current enforcement system. The major costs involved in IP disputes are directly related to time that must be spent by experts and IP professionals in conducting the litigation. Any significant cost reduction must therefore come from reducing the total amount of time which professionals and experts spend in preparing a case for trial and in conducting the trial. Streamlining efforts of the Federal Court, whilst they have been welcomed, have not made any significant change to the cost of the litigation – indeed some of the streamlining efforts have tended, in the experience of FICPI members, to increase costs with a higher number of interlocutory steps being experienced. For example, streamlining efforts to limit discovery by ordering categories of documents has largely resulted in higher costs and significant additional delays with interlocutory arguments regarding the permissibility of the categories sought by the respective parties.

In FICPI Australia’s submission of last year various proposals were made which would enable a significant reduction in the time required to prepare cases for trial. Whilst FICPI Australia does not consider that these changes will be appropriate in matters before the Federal Court, FICPI Australia sees real scope to reduce costs in cases before the FMS by simplifying pleadings and by moving more promptly to an exchange of evidence – similar to the procedures followed by the Patent Office in Patent Office opposition proceedings. Further, trial times could be significantly reduced if cross-examination of witnesses was limited. For example, cross-examination of witnesses might be available before the FMS only with leave of the court and where it was demonstrated that the cross-examination was necessary on some particular aspect of the evidence given by the expert. Furthermore, the right for general discovery might be modified so that it was available only in special cases with leave of the court. Clearly there is scope for further discussion regarding the particular changes that might be introduced to simplify matters before the FMS. However, FICPI Australia firmly considers that there is scope to develop modified procedures suitable for the FMS for dealing with IP matters where the value of the technology and the amount in dispute does not warrant action in the Federal or Supreme Courts.

We note from the discussion paper that various parties have been troubled by any modification to the rules relating to discovery or evidence or in any way diminishing the procedures which would mean that the court adjudicating on the matter could not be

satisfied to a very high degree that the evidence justified the making of an injunctive order. FICPI Australia notes that the FMS already deals in matters where it is necessary for the court to be satisfied to a very high degree that the evidence justifies the making of an order. Its jurisdiction covering matters of unlawful discrimination, reviews of visa related decisions of the Migration Review Tribunal and Unfair Trade Practices under the Trade Practices Act demonstrates that the Parliament has confidence that the FMS can operate in an effective manner and that there can be a high degree of confidence in its decisions in matters of import. Finally, FICPI Australia reiterates its view that if the FMS is to be granted jurisdiction to hear patent, trade mark and design matters it is important that there be Federal Magistrates appointed that have appropriate IP expertise.

2. “ACIP would welcome views on whether the FMS is perceived as an appropriate forum for IP matters. If so, what matters in particular are appropriate to be heard in the FMS or should jurisdiction be unlimited? If it should be limited, what limitations are appropriate?”

FICPI Australia considers that the FMS should be able to hear and decide on matters that include, but are not limited to:

- Appeals on decisions of the Commissioner of Patents, Registrar of Trade Marks and Registrar of Designs;
- Infringement and validity of patents, trade marks and designs;
- Groundless threats;
- Declarations of non-infringement;
- Amendments of an IP right; and
- Determinations of entitlement to an IP right.

This issue was addressed by FICPI Australia in its earlier submissions.

If an intellectual property right holder should choose to proceed in the FMS it is FICPI Australia's view that the matter should not be transferable to the Federal Court or a Supreme Court unless the respondent can demonstrate special reasons to justify the transfer. Generally, FICPI Australia would prefer a system where the respondent could not transfer the matter to the Federal Court once it has been initiated in the FMS but rather that there be a right to appeal *de novo* from the decision of the FMS. If a respondent had an automatic right to transfer a matter into a Federal Court then an SME bringing proceedings could not be confident that its adversary would not move the matter directly into the Federal Court with resultant costs implications. Insofar as limitations on the FMS are concerned it may be useful to consider removing issues of costs and damages from the scope of the FMS in this area. One benefit would be to provide focus to the preparation of each party's case, together with a reliable ability to predict the costs of conducting an action.

3. “ACIP would welcome views on whether the current arrangements are failing to meet the needs of all IP right holders. ACIP would also welcome views on whether the current system can be further improved.”

We refer to the matters raised in answer to question 1.

- 4. “ACIP would welcome views on whether options such as alternate dispute mechanisms, (including mediation, case appraisal and arbitration) are viewed as viable alternatives in the enforcement of IP rights. ACIP would also welcome views on whether there are opportunities or benefits to utilising or extending alternate dispute resolution mechanisms to the enforcement of IP rights.”**

FICPI Australia considers that alternate dispute mechanisms can, in certain cases, provide valuable opportunities and benefits. However, these mechanisms are generally effective only if both parties accede and co-operate in the alternative arrangements. Certainly, broadening the options for resolution through arbitration and mediation would be useful. However, it is not believed that providing alternative dispute mechanisms can be viewed as a viable alternative to conferring jurisdiction on the FMS. FICPI Australia believes that it is crucial for SME's and individuals that there be an “as of right” alternative forum for bringing actions for the enforcement of IP rights where the procedures and costs are lower than those traditionally encountered in the superior courts.

We trust our comments are useful in further deliberating and considering this important issue.

Yours sincerely
FICPI AUSTRALIA



Greg M. Chambers

IP Australia
22 October, 2002
