

Law Council of Australia – Business Law Section

Intellectual Property Committee

The Secretary
Advisory Council on Intellectual Property
PO Box 200
WODEN ACT 2606

Dear Sir

Discussion Paper
***Extension of the jurisdiction of patents, trade mark and design matters to the
Federal Magistrates Service.***

The Law Council of Australia ("LCA") appreciates the opportunity to provide further comment on this issue.

General

The LCA provided comments in response to ACIP's July 2001 Issues Paper by written submissions dated 25 September 2001 and 22 October 2001. The ACIP July 2002 Discussion Paper in our view:

- (a) Accurately identifies the considerations relevant to the reference.
- (b) Reasonably accurately summarises the LCA position as per our written submissions of 25 September 2001 and 22 October 2001.

In view of (b) above the Law Council does not wish to restate its position but rather its purpose in making these submissions is to:

- Acknowledge some valid criticisms of the current system made by other respondents.
- Make some additional observations.
- Include the views of several senior and junior counsel who practise regularly in the intellectual property area and whose views on these issues had not been specifically sought at the time of providing the Law Council's written submissions of 25 September 2001 and 22 October 2001.
- Briefly articulate the LCA's slightly modified position.

1. The extent and nature of the problem and views on ways in which the current system can be improved

1.1 The extent of the problem

The Discussion Paper emphasises that many SME's have been dissuaded from using the current intellectual property system principally because of the costs of enforcement, both

financial and the diversionary influence of disputation. Unfortunately, there does not appear to be available statistical or other evidence demonstrating the extent of this problem, and in particular how frequently it occurs and how often it is a disincentive to investment. On the other hand, as a matter of routine best practice LCA members, very early in a dispute, outline the cost of disputation to clients, both in intellectual property and non-intellectual property disputes. In all cases, whether the client is an individual, an SME, or a multi-national, there is clearly a threshold of benefit, after taking into account disputation costs, below which formal disputation is not feasible. This is an economic fact of life that applies to intellectual property and non-intellectual property disputes. Indeed, it is an economic fact of life that often acts as a powerful incentive for the parties to settle their differences by compromise. The LCA wishes to simply ensure that ACIP appreciates:

- (a) that it is not only in the intellectual property area that these problems arise;
- (b) that there will always be a threshold below which escalation of the dispute will be uneconomic; and
- (c) that consequently there can be no economic justification for adoption of special evidentiary or practice rules to govern the conduct of intellectual property disputes.

1.2 certainty of result

Whilst accepting that there will always be a degree of uncertainty as to the outcome of any dispute, and especially one that proceeds to a full hearing (because otherwise the parties would settle), the LCA recognises that certainty of process, standards, and clarity of decision making is necessary to enable practitioners to:

- (a) predict outcomes with more certainty;
- (b) which in turn allows more definitive advice;
- (c) which in turn allows parties to carefully order their affairs;
- (d) and accordingly often avoid costly disputation.

The LCA is of the view that the FCA, with its specialist rules of court for dealing with IP disputes, provides certainty of process, standards and the ability to predict outcomes with a reasonable level of accuracy in most non-borderline cases. On the other hand, a magistrates court would not deliver certainty of process or standards because the magistrates system is based on summary procedure, the very antithesis of what is provided by the Federal Court. However, having said that, the LCA agrees with the criticisms concerning uncertainty recorded in the first full paragraph of page 13 of the July 2002 Discussion Paper. The two examples given in that paragraph, and similar issues, should be dealt with either by the judiciary recognising the need for consistency of approach, and if that is not possible because of the state of relevant legislation or case law, then by legislation.

2. The Law Council of Australia's position

Apart from these additional observations the LCA remains of the view that:

- (a) Most, if not all, Patent, Trade Mark and Design disputes are complex.
- (b) The cost and speed of reaching a final decision with reasonable predicability of result based upon certainty of process and standards, is heavily dependent upon the quality and standing of the tribunal, and that that is best achieved within the current system because the judges of the Federal Court are best qualified to provide high quality adjudication, with evenness and predicability of result. Furthermore, the Federal Court Judiciary are adopting measures to maintain and improve that quality such as:
- (i) There is already a specialist IP judges panel with considerable experience.
 - (ii) They maintain and improve their knowledge through personal research and participation in in-house and other seminars.
 - (iii) They have recognised and acknowledged the need for speedy resolution of disputes.
 - (iv) They are consistently reviewing their practices and procedures to improve, speed up, and reduce the cost of, intellectual property disputes both internally and by way of regular symposiums with the profession and users of the system.

The LCA therefore remains of the view that the current system is working reasonably well, and is constantly being improved. The LCA does however consider that mediation could be used more effectively to enhance the working of the system and deliver benefits, especially to SME's and individuals (see point (f) below).

- (c) It is not convinced that the federal magistrates service, as currently constituted, does possess magistrates with the appropriate knowledge and experience, either gained in practice or on the bench, to enable them to deal effectively with intellectual property disputes.
- (d) There are a number of procedural matters, and perhaps some peripheral substantive matters, that could be referred to an appropriately qualified magistrate or registrar.
- (e) Although the LCA believes that the current system, with its on-going program of improvements, coupled with more effective mediation (see (f) below), is the preferred approach to deliver the best and most cost effective outcomes, it takes the further view that if the FMS were to be invested with jurisdiction in patent, trade mark and design matters, it would be absolutely essential to implement a number of safeguards. Firstly, magistrates with appropriate knowledge and experience would need to be appointed (and that must be legally trained practitioners with satisfactory experience not just intellectual property but all the other substantive legal and procedural disciplines necessary to enable them to satisfactorily deal with all issues invariably arise in IP disputes). Secondly, any such jurisdiction should only be:
- exercise concurrently and determined and supervised by the Federal Court so that
 - all matters come first before a Federal Court judge to determine if all, or any of, the procedural or peripheral substantive issues, are suitable for referral to an appropriately skilled magistrate, and if so, with the ordinary rules of practice and procedure of the Federal Court (not the Federal Magistrates Rules) and the rules of evidence (with all their inherent safeguards) strictly applying to the dispute.

- (f) The LCA also favours early mediation being ordered (perhaps at the first directions hearing if appropriate) unless to do so would be clearly inappropriate or harmful to a party (for example, delaying or preventing a party applying for interlocutory relief to prevent irreparable harm). The mediator should be experienced and knowledgeable in IP disputes (perhaps a panel of independent but properly trained mediators with considerable IP experience). The prospects of early settlement would be significantly enhanced if the parties were prepared to permit the mediator to express some preliminary views about prospects (traditionally something rejected by mediators as anathema to proper mediation). The LCA is reasonably confident that mediation conducted in this manner by trained mediators experienced in intellectual property disputes is likely to result in early and satisfactory resolution of a substantial number of disputes, especially where the parties have limited resources and the dollar value of the dispute is not substantial, with significant consequent savings in legal costs.

Michael Lavarch
Secretary-General Designate