

Comments of Malcolm Royal

The benefits of the Patent System are undermined if the legal machinery for the enforcement of patent rights is too slow, too complicated and too expensive. (Preface to the Patents County Court User's Guide).

There is a body of opinion that in Australia, many patentees do not litigate because of the complexity, expense and expected time of litigation to which I would add the uncertainty. It is to this body of potential litigants that the current proposals are directed. It is expected that a number of cases similar to the present would be litigated in the Federal Court because the nature of those cases warrant that level of determination a Magistrate Court would provide an opportunity for litigation of the less complex cases which are, despite their simplicity, of considerable importance to a patentee. All of the above applies to a party wishing to appeal an opposition decision.

We see these disillusioned people on a regular basis. The profit from a patented manufacturer may be say \$150,000 per annum, significant to an SME, but not enough to support litigation in the Federal Court. It is because of this that I am convinced something must be done.

In relation to the question of uncertainty, I refer, with respect, to the attached copy of an article entitled "Are the Courts Down Under Properly Handling Patent Disputes?" by the Honourable Mr Justice Douglas Drummond, Judge of the Federal Court of Australia, published in the Intellectual Property Forum, issue 42. His Honour refers to the National Innovation Summit and the report of the Summit Working Group referring to the difficulties in patent litigation in Australia. He concluded that the statistics do not establish that the court's adjudication record in patent cases is obviously deficient.

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A close analysis of the table attached to his Honour's article shows that in 59 cases before the courts between 1990 and 1999, 38 of the patents were revoked and 9 held not to infringe. Thus a total of 47 cases were unsuccessful and in 12 the patentee was successful. If it is assumed that litigants take advice and have a reasonable prospect of success before they embark on litigation, the success rate of 12 in 59 is far from encouraging. It should be noted that a holding that a patent is not infringed is generally the result of a narrow interpretation of the claims. What that table also shows that in those 59 cases, excluding the High Court on appeal, some 36 different judges were involved. A list is attached. It is noted that where a case is appealed an appeal court of 3 judges is necessary. Thus four judges must have been involved in a case that has been appealed. Nevertheless, the involvement of some 36 judges indicates a lack of patent background and experience is inevitable.

The article draws comparison with the United Kingdom Patents County Court and Patents Court experience. In Britain a matter may be taken to the Patents County Court or to the Patents Court. A total of four judges serve on these courts and each of these practiced extensively in intellectual property before appointment - they are patent specialists.

The above analysis is restricted to infringement/validity litigation. There is also the question of appeal from Patent Office decisions. At the moment appeal is to the Federal Court. The appeal is denovo which means that the evidence before the Patent Office is disregarded. New evidence is required, generally by affidavit.

A number of expert committees have identified the problem that exists in patent litigation, ail before the establishment of the Federal Magistracy. However the Industrial Property Advisory Council in its review of enforcement of industrial property rights said *"From âme to time there have been proposais for the establishment of a Federal inferior court system such as a Federal Magistracy. If this were to happen there may be opportunity to appoint Federal Magistrates with IP qualifications to hear minor infringement matters and possibly other matters arising under the Act"* In that review, ACIP also said *"in recent years there have been some court interpretations of Australian patent law that have introduced inconsistencies with international trends and these have caused applicants in Australia some difficulties. One example of this is the meaning the courts have given to the term "comprising" in Australia. Generally speaking, it is international patent practice in English speaking countries to use the term "comprising" in an application to mean that the specification includes, but is not limited to those elements following the word. This is an inclusive or non-exhaustive reading of the word. A recent Australian case has interpreted the term to mean only or exclusively those elements. This is*

*an exhaustive or exclusive reading. This interpretation lead to the patent being held not to be infringed. ACIP concludes that this type of inconsistency can weaken our strong international IP position. This is especially so given the fact that more and more applicants are using the PCT system to file applications in more than one country. This means that one specification will be used in a number of countries..... this sort of problem also works against the rationale of the PCT system and general harmonization moves which are aimed at providing more convenient and cost effective ways of gaining patent protection in one or more countries." ACIP went on to say that it considers 'that this type of problem could be minimized through the development of a core of IP specialist judges in Australia':*

**This followed an earlier report of ACIP in its review of the petty patent system in 1995 which recommended the introduction of the innovation patent. It said "We recognize that there is a strong perception among users that the present enforcement procedures are lengthy complex and expensive. As the petty patent system is designed particularly for smaller innovators an important element if it is to be effective, will be a less complex and less expensive process for enforcement..... we..... are firmly of the view that a substantial need exists for the provision of a lower level of determination of the issue of infringement, at least in the case of innovation patents... there may be alternative procedures worth examining and there may be changes made to the Federal Judicial Structure. "**

**In a submission to the IPCR Committee, Interpat said as follows:-**

*"We support the position of ACIP. There is a need for a relatively inexpensive process for appeals from the Patent Office decisions and to hear invalidity and infringement issues. While there are many cases of significant importance that would continue to be appealed to and litigated before the Federal Court, there are also a significant number of cases where a less expensive option would be taken if available and where, at the moment, the costs of litigation are not warranted. A Federal Magistracy could be comprised by experienced practitioners and this would not interfere with the current work of the Magistracy.*

*We believe that appeal to the Federal Magistracy should be on the materials presented to the Patent Office.*

*The length of trials in the Federal Court in Australia generally go beyond the length of trials in other countries. This might arise because the presiding judiciary are not experienced in intellectual property matters and therefore significant time is taken to explain points that would not need to be explained to a specialist intellectual property jurist. In addition, because practitioners cannot be confident that the judge will be aware of the relevant issues the preparation is significantly more expensive than would otherwise be the case. Arguments have been run that would not be run before an experienced IP jurist. Not only has this resulted in much more expense but some decisions are at odds with International patent practice. The establishment of a specialist intellectual property court within the Federal Court as exists with the High Court in England would go a long way towards obviating this major deficiency in Australia, particularly, when coupled with a Federal Magistracy"*

Interpat is an association of International companies actively involved in patenting around the world.

The International Property Working Group of the National Innovation Summit said:-

"The working group endorses the following propositions put forward by ACIP:

- *an effective IP System must provide for effective enforcement;*
- *testing of rights should be fast, cheap and predictable - independent of the financial strength of the parties,*
- *ineffective enforcement mechanisms will discourage use of the IP system."*

In the discussion paper at page 23, the submission of the Federal Court is noted. The number of cases finalised is given. With respect, I say that is misleading and tends to support conclusion that litigants are not satisfied with the process. Of the 161 matters, 34 were patents, 125 trade marks and two designs. But there were only 31 final judgements, of which 16 were patents, 13 trade marks and two designs. Does this not suggest a substantial number of cases were removed from the list without judgement? Were the litigants not prepared to continue for cost, complexity or other reasons? Were they satisfied with the process?

This submission is not an attack on the FCA. In view of the complexity of some of the cases with which it deals, it must have procedures which involves time and expense. What I submit is a process to deal with the others.

The model I suggest is as follows:

1. A Magistrate Court should be comprised by an experienced IP practitioner who might not necessarily have legal qualifications. A retired Commissioner or any other senior officer or a retired IP lawyer or patent attorney would be appropriate. Thus there would be a level of technical and IP expertise that would avoid much of the "educatingrr time currently necessary in matters before the Courts.
2. All IP matters which should include matters with a significant IP component but might include other related matters, such as trade practices, confidential information or passing off issues, including patents, trade marks and designs, should be initiated in the Federal Magistracy.
3. It should be open to the parties to seek leave of the Federal Court (single judge) to transfer the matter to the Federal Court. This should be either by consent of the parties or by the party wishing to have the matter transferred establishing a case that the issues are sufficiently complex to justify the involvement of the Federal Court. A prima facie case would need to be established.
4. Appeal from the Federal Magistracy should be to a single Judge of the Federal Court, de novo.
5. Discovery and interrogatories should be permitted only by order of the Magistrate and then narrowly defined.

#### Comment

By there processes, the arguments that establishing a Federal Magistracy would be adding an additional layer to the process are avoided. The major contribution to the cost of litigation would be avoided.

6. The evidence before the Magistrate should be designed to be similar to that in a patent opposition, that is, to say the evidence establishes the case.

**Judges involved in Patent Litigation 1990 -1999**

Lee J	Jenkinson J
Black CJ	Olney J
Lockhart J	Foster J
Gummow J	Branson J
Wilcox J	O'Laughlin J
Heerey J	Tamberlin J
Northrop J	Windeyer J
Cooper J	Beaumont J
Burchett J	McLelland J
Sheppard J	Lindgren J
Ashley J (Vic)	Carr J
Spender J	Drummond J
Davies J	Emmett J
Morling J	Goldberg J
Hill J	Finkelstein J
Beazley J	Sundberg J
Sackville J	Dowsett J
Lehane J	