

ADVISORY COUNCIL ON INTELLECTUAL PROPERTY

Extension of the Jurisdiction of Patent, Trade Mark and Design Matters to the Federal Magistrates Service

Issues Paper - July 2001

Submissions in Response

By

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EXTENSION OF THE JURISDICTION OF PATENT, TRADE MARK AND DESIGN MATTERS TO THE FEDERAL MAGISTRATES SERVICE

Introduction

The Issues Paper published by the Advisory Council on Intellectual Property (ACIP) in July 2001 points out that “Over the past ten years there have been repeated calls from interest groups and through government reviews to have intellectual property (IP) matters heard by a Federal inferior court structure”.

Unrelated to these ‘repeated calls’, the Australian Government has established a Federal Magistrates Service¹ to deal with a range of less complex federal disputes that would otherwise go to the Federal Court or Family Court of Australia. It is designed to provide a quicker, cheaper option for litigants and is intended to ease the workload of both the Federal Court and the Family Court.

The Issues Paper thus seeks:

“to consider and report on whether some practices and procedures, including administrative procedures, to obtain, defend and enforce intellectual property rights relating to patents, trade marks and designs in Australia are appropriate to be referred to the Federal Magistrates Service.”

This submission suggests a use for the Federal Magistrates Service that could provide an affordable opportunity for IP rights holders to enforce their IP rights, and in particular could make an enforcement forum available to groups who find the current forums unaffordable.²

¹ The *Federal Magistrates Act 1999* and the *Federal Magistrates (Consequential Amendments) Act 1999* both received Royal Assent on 23 December 1999.

² It is acknowledged that there may be Constitutional difficulties in conducting the Federal Magistrates Service in the manner proposed. The authors are registered patent attorneys in the Adelaide office of Phillips Ormonde & Fitzpatrick, and are prepared to research the proposal further if it is believed that there is some merit in doing so.

Avoiding the Obstacles

There are two obstacles that often stand in the way of attempts to reform intellectual property enforcement procedures in Australia. It is submitted that any attempt to reform IP enforcement procedures must first accept that those obstacles will be present, and must then seek to avoid them. They are as follows:

Just Another Forum?

It is suggested that any proposal that serves to introduce another level of judicature that is empowered to make binding decisions, such as a level between the Federal Court and IP Australia, is likely to fail in its aim to provide greater affordability. It may succeed in providing greater specialisation, and thus more consistently generate high quality decisions, but is not likely to offer a more affordable forum.

Indeed, if a party to an action in such a forum will be bound by the decision of that forum (giving rise to injunctions and awards of profits or damages), there will generally be too much at stake for either party to manage their case in anything other than the normal manner. There will thus still be a need for at least partial discovery, for the normal procedural issues, for expert evidence (usually oral), for properly experienced lawyers (barristers and solicitors), and for patent attorneys, with the normal attendant cost. Indeed, this appears to be the experience from the United Kingdom with the development of their Patents County Court, which seems to have satisfactorily become a specialist Court, but with little in the way of cost benefit.

The proposal in this submission is thus based on the Federal Magistrates Service only being empowered to make a *prima facie* determination, following a short hearing, to provide parties with an indication as to the likelihood of success before the Federal Court. Ideally, there would be no power to order injunctions or make awards of profits or damages.

Who Can Represent?

It is suggested that there will be significant resistance to any move to permit patent attorneys to represent their clients in matters before the Federal Magistrates Service. In any event, it is likely that there would be few Australian patent attorneys who would be suitably skilled to do

so. Again, the experience from the United Kingdom is that barristers and solicitors continue to represent parties in the Patents County Court, with only a few exceptions where patent agents alone represent a party.

The proposal in this submission is thus based on an acceptance that patent attorneys would not have a right to appear before the Federal Magistrates Service. This submission suggests, though, that patent attorneys be given a right to address the Federal Magistrates Service as an assistant to a legal practitioner, and that the Federal Magistrates themselves be assisted/advised by a patent attorney.

The Proposal

This submission proposes the following for consideration by the Advisory Council on Intellectual Property:

- The Federal Magistrates Service should be able to hear infringement/revocation disputes between parties under the *Patents Act 1990*, the *Trade Marks Act 1995* and the *Designs Act 1906*, either at first instance or during the conduct of the equivalent matter before the Federal Court³, together with actions for unjustified threats and for non-infringement declarations.
- The Federal Magistrates Service should not be, at least initially, an appellate court for appeals arising from decisions of IP Australia⁴, the Administrative Review Tribunal (ART), or the Administrative Appeals Tribunal (AAT). The current processes for appealing from these forums should be maintained.
- The Federal Magistrates Service should comprise a Federal Magistrate assisted/advised by a lawyer with relevant IP experience and, for patent and design

³ It is envisaged that an application to the Federal Magistrates Service may be made with leave from the Federal Court during the conduct of a current action, which action may need to be stayed pending the Federal Magistrates Service determination being provided. This would prevent spurious applications being made to the Federal Court to prevent the use of the Federal Magistrates Service.

⁴ There might, however, be some merit in constituting the Federal Magistrates Service so that it can be an appellate level for decisions from Hearings of IP Australia (the Patent Office, the Trade Marks Office and the Designs Office). If this were so, the normal powers to make orders and awards would need to be available to the Federal Magistrate when sitting as an appellate court.

cases, a registered patent attorney. There should be a pool of suitably qualified IP lawyers and patent attorneys whose role is to assist the Magistrate in this manner.⁵

- ❑ A hearing before the Federal Magistrates Service should be limited in time to cause both parties to be concise and focussed (ideally only a few days, perhaps with a maximum of one week). The hearing should be based solely on affidavit evidence (no oral evidence) and argument. The IP lawyer and patent attorney assisting the Federal Magistrate should be able to question both parties' representatives.⁶
- ❑ There should be *no opportunity for discovery*, and the timetable set out by the Federal Magistrate should only provide short preparation periods. The Federal Magistrate alone should conduct any directions hearings, including hearings related to the appointment of the assisting/advising IP lawyer and patent attorney.
- ❑ *The Federal Magistrates Service would provide a prima facie determination (on the balance of probabilities) to give both parties an indication of the likely result of a substantive trial before the Federal Court.* Ideally, there should be no power to make any orders, or to award an injunction, an account of profits or damages. The normal rules regarding costs of the Federal Magistrates Service hearing should apply.⁷
- ❑ *The losing party in the determination by the Federal Magistrates Service would be informed that their continued participation in an equivalent action before the Federal Court would result in indemnity costs being awarded against them if they were to again lose.* The intention is for the determination to give rise to the action settling.
- ❑ If the prima facie determination of the Federal Magistrates Service is that an IP right (either a granted patent, a registered trade mark or a registered design) is likely to be

⁵ A pool of specialist IP Federal Magistrates would thus not need to be developed, allowing the existing experience and knowledge of IP practitioners (possibly either retired or semi-retired) to be used in its place.

⁶ The aim would be to force parties to present only their strongest case, and for it to be presented in only enough detail for the IP lawyer and patent attorney assisting the Federal Magistrate to understand it.

⁷ The determination would be much like that provided by judgements addressing interlocutory applications, but without the balance of convenience issues. However, there may be a Constitutional problem with there being no *binding and authoritative decision* that determines the existence of a particular right. It is submitted that there would be various mechanisms for avoiding such a Constitutional problem, but the appropriateness of these need to be investigated further.

held invalid, irrespective of whether the action then settles, there is a potential difficulty in the uncertainty that then remains surrounding the right. *Fundamental to this proposal is that this uncertainty is somehow to be accepted.*⁸ It is acknowledged that the position for the IP owner would be that their IP right would be weaker, as there would then be a considered view from a credible forum that the right was invalid. The formal recourse for the IP owner to remove the uncertainty would be to appeal the decision to the Federal Court.⁹

- An appeal from the Federal Magistrates Service should be heard by the Federal Court *de novo*. Such an appeal would essentially result in the same matter being substantively heard in the normal manner, albeit with the maintained risk of indemnity costs if the appellant loses again.

Observations On The Proposal

This proposal aims to provide a quicker and less costly opportunity to get an early determination of the likelihood of success in a contentious matter. The determination would then serve as a basis for settlement between the parties. The risk of having indemnity costs awarded in any subsequent action before the Federal Court would presumably deter an unsuccessful party from proceeding, unless the determination was plainly wrong.

The mere provision of such a forum should provide access to a determination procedure for entities that currently cannot fund a fully defended Federal Court action. It is submitted that the proposed procedure would address public concerns relating to the cost and complexity of enforcing intellectual property rights.

Additionally, if a party obtained a favourable determination, but settlement could still not be reached, at the very least that party would not then be exposed to the full cost implications of a Federal Court trial (assuming they were again to be successful).

⁸ If the uncertainty is considered undesirable, resulting in moves to give the Federal Magistrates Service the power to make orders regarding revocation, it is submitted that the first of the major obstacles (mentioned above) would *not* be avoided. The system would then simply become ‘just another forum’.

⁹ Perhaps this would be a situation where the Commissioner of Patents (for instance) would sensibly order re-examination, assuming that the invalidating ground(s) permitted use of the re-examination system.

It is acknowledged that the proposed system may not suit all infringement/revocation actions, and it may not suit all of the entities that use the existing Federal Court system to litigate IP matters in Australia, particularly the large entities. *Indeed, the proposed system may be of little interest to those entities.* However, as indicated above, many who would otherwise not enforce their rights, might be motivated to do so if the proposed system was available.¹⁰ This may give rise to IP being seen to be more valuable due to it being more affordably enforceable.

It is also acknowledged that if the *sole aim* of the use of the Federal Magistrates Service is to bring *specialisation* to IP litigation, presumably to generate greater confidence in the accuracy of the decisions, the proposal in these submissions may not be suitable. If specialisation is what is required, then the Federal Magistrates Service should be empowered to make all the orders that are currently available to the Federal Court. Although such a specialist system may include procedural restrictions designed to minimise cost, it is our submission that cost minimisation is unlikely to occur where the normal orders remain available.

However, if the aim is to achieve *affordability*, it is submitted that the proposed system *will* achieve that.

¹⁰ It is believed that the proposed system will assist IP owners who currently find themselves *unable* to use the available Federal Court procedures, rather than the IP owners who *are* able to do so. It will thus perhaps be difficult to assess the likely impact or benefit of the proposed system because those who may be inclined to comment on it are likely to be those who see no need for it.