



FEDERAL COURT OF AUSTRALIA

Submission to the Advisory Council on Intellectual Property in response to its Discussion Paper: “Should the jurisdiction of the Federal Magistrates Service be extended to include patent, trade mark and design matters?”

We are respectively the Coordinators of the Intellectual Property (“IP”) Panels of Federal Court Judges in Melbourne (Heerey J) and Sydney (Lindgren J). We make the following brief submission in response to the Discussion Paper (July 2002) of the Advisory Council on Intellectual Property (“ACIP”), “Should the jurisdiction of the Federal Magistrates Service be extended to include patent, trade mark and design matters?”. In making this submission, we give our views without attempting to repeat what Justice Lindgren and this Court’s Registrar and Chief Executive Officer, Mr Soden, said to members of ACIP in a consultation on 18 January 2002 in response to its Issues Paper of July 2001.

1. The trend around the world seems to be towards greater specialisation of Judges (cf the Court’s Panel System explained to ACIP by Lindgren J on 18 January 2002 and a forthcoming conference to be held by the International Intellectual Property Institute in Washington on 11 and 12 September on “Judicial Capacity regarding Intellectual Property – Enforcement and Dispute Settlement” at which Justice Lindgren will be a panel contributor on the subject “Case studies on specialised IP courts and their effect on the improvement of IP litigation”). ACIP is on record as having supported such a trend in the Federal Court (see Recommendations 1E and 7 of ACIP’s *Review of Patent Enforcement*, 1901). To give jurisdiction of the kind proposed to the Federal Magistrates Court (“FMC”) would run counter to the worldwide trend and to the position which ACIP itself has supported for the Federal Court.
2. Similarly, and for the same reason, to give IP jurisdiction to the FMC tends to run counter to the general nature, purpose and function of the FMC. We suggest that the FMC has not to date been conceived of as a court with appointees who are experts in the areas of the Federal Court’s specialist jurisdictions, such as IP, Tax, Competition Law and Admiralty. Rather, the FMC has been conceived as a court of highly qualified legal practitioners able to hear and determine a wide range of matters.
3. Although the FMC may be known as “the Federal Magistrates Service” (s 8(2)(a) of the *Federal Magistrates Court Act 1999* (“the Act”)) it is a court just as much as the Federal Court of Australia or the Family Court of Australia is. It exercises the judicial power of the Commonwealth.

Any jurisdiction to enforce IP rights would be an exercise of the judicial power of the Commonwealth. That jurisdiction, if vested in the FMC, could be exercised only by a Federal Magistrate appointed for a term expiring upon his or her attaining the age of seventy years or such lesser age as might, at the time of the Magistrate's appointment, be the maximum age for Federal Magistrates: *Constitution*, s 72, and see the Act, s 9, subcl 1(4) of Schedule 1 and s 11. The exercise of jurisdiction by persons with IP expertise appointed *ad hoc* from time to time for particular cases is no more possible in the case of the FMC (see par 4.4.4a at p 17 of the Discussion Paper) than it is in the case of this Court.

4. By subs 4(1) of the *Evidence Act 1995* (Cth), that Act is made applicable in relation to all proceedings in a federal court. This includes the FMC. Accordingly, it should not be thought that the FMC is at liberty, when proceeding "without undue formality" and endeavouring "to ensure that the proceedings are not protracted" (see s 42 of the Act), not to apply the rules of evidence found in the *Evidence Act 1995*. Not to do so would be an appealable error.
5. The basic policy adopted has been to vest in the FMC specified jurisdictions defined by subject matter (see s 10 of the Act), as opposed to the State model for magistrates' courts where often there is a broad jurisdiction defined by monetary limits. Against that policy background, any proposal for a new jurisdiction needs to demonstrate that there is likely to be a real net benefit.
6. The starting point is the expertise which might be expected from magistrates exercising an IP jurisdiction (Discussion Paper July 2002 par 4.4.4a). It seems unlikely in the extreme that experienced and competent IP practitioners, whether barristers or solicitors, would find the appointment attractive. IP work is intellectually demanding. It tends to attract talented practitioners who in the free market for legal services are able to command higher than average fees. Clients are prepared to pay these fees because IP rights are often very valuable. It is not rational for a person who asserts or denies the existence of a valuable right to retain less expensive but less competent lawyers. (It should, incidentally, never be forgotten that it is not only the enforcement of IP rights that is to be considered; it is also challenges to their validity by a competitor.)
7. The FMC would not carry the prestige, intellectual interest and pension rights that in the case of appointment to a superior court might compensate for a large drop in income. Moreover, at the moment and for the foreseeable future **all** non-family law work in the FMC constitutes less than ten per cent of that Court's work. It is hard to see IP work constituting more than a small fraction of that fraction. We suspect that most IP lawyers would not see a judicial career in these circumstances as attractive.

8. The approach of the IPTA stresses the need for speedy and inexpensive enforcement of IP rights, a “quick umpire’s decision” which might dispense with procedural remedies such as discovery and perhaps even the rules of evidence (DP 4.4.4c). This single-minded approach from the point of view of the IP right owner is all very well, but as Sir Owen Dixon remarked, “Experience of forensic contests should confirm the truth of the common saying that one story is good until another is told”: *Pontifical Society for the Propagation of the Faith v Scales* (1962) 107 CLR 9 at 20. Litigants who assert that claimed IP rights are **invalid**, or have **not** been infringed by the conduct complained of, are entitled to an efficient and fair adjudication. A legal system weighted in favour of IP plaintiffs would not only be unjust, but would be inimical to investment, competition and economic growth.
9. If IP litigation is more expensive than the general run of civil litigation, that is largely a function of client choice rather than the identity of the court dealing with the litigation. If valuable IP rights are at issue, whether to be supported or denied, parties tend to retain the best lawyers and experts they can find in order to give themselves the best chance of success. Inevitably both tend to be costly. If such a case were heard in the FMC, the same thing would happen: there would be no difference in cost. Indeed, one can expect the proceeding to be more costly if the Federal Magistrate has no expertise and therefore needs time-consuming prior “education” in IP law.
10. Conversely, there are occasional fairly routine IP claims, such as undefended enforcement proceedings against trade mark infringers, which do not require contested expert evidence or high level legal representation. But we cannot see why such cases would be cheaper in the FMC either. ACIP could consult the firms who represent Sony and Microsoft, for example, on the question whether they see any advantage in enforcement in the FMC, assuming always, as one must, that the FMC would be applying the same rules of evidence and following the same interlocutory procedures as in the Federal Court.
11. Section 32AB of the *Federal Court of Australia Act 1976* empowers the Federal Court to transfer a “proceeding” pending in the Court to the FMC. We suggest that the Federal Court should also be empowered to transfer part of any proceeding to the FMC. A more restricted version is that the Court should be empowered to transfer part of any IP proceeding to the FMC. For example, an inquiry into profits made by an infringer might be transferred by the Court with directions governing the method of calculation to be followed. The FMC could be empowered to seek directions from the Court. In effect, the FMC would perform the function of a Supreme Court Master (the Federal Court does not have Masters), and the FMC’s determination of the part transferred could be adopted by the Court, either prospectively in the order for transfer or after the determination by the FMC.

12. Cost and delay have been the source of complaints about legal systems world-wide for centuries. It is simple minded to think that merely vesting the jurisdiction in another court is the answer. One must identify precisely why this would provide a solution. Time and cost can be reduced in any court if it is permitted to cease being a court. The fastest and cheapest way to resolve cases is to eliminate hearings altogether and to decide them by the toss of a coin. Those who favour a vesting of jurisdiction in the FMC should be required to specify precisely in what respects the FMC will be able to decide IP disputes in less time and at less cost than the Federal Court does. If the answer is, for example, “by eliminating discovery”, ask “Have you never sought discovery from your opponent in the Federal Court?”, “Do you undertake never to do so?” and “Have you suggested to the Federal Court that discovery in all IP cases should be abolished?”

The point is that if there is any particular suggestion for procedural reform, we would like to hear about it. If it is worth implementing at all, it is worth implementing in the Federal Court. But it is difficult to avoid the impression that some of IPTA’s suggestions ignore completely the necessity that a system of justice protect the other party. One could not, for example, tolerate a system in which, in the interests of speedier and less expensive enforcement by the patentee, a person alleged to have infringed a patent is not permitted to challenge the grant or validity of the patent or to deny that the alleged acts were committed, or, if committed, that they constituted an infringement.

13. We understand from the Chief Justice that the Federal Court was never consulted in relation to the Intellectual Property and Competition Review; *Review of Intellectual Property Legislation under the Competition Principles Agreement* (September 2000) referred to in par 2.3 of ACIP’s Discussion Paper of July 2002.

Justice P C Heerey

Justice K E Lindgren

Dated: 16 August 2002