



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

12 November, 2002

Ms K Collins  
Secretary, ACIP,  
PO Box 200  
WODEN ACT 2606

Dear Ms Collins

**Extension of the Jurisdiction of Patent, Trade Mark and Design Matters to  
the Federal Magistrates Service  
Our Ref: NTB:PD:GF38005:GM34980**

The Australian Federation of Intellectual Property Attorneys (FICPI Australia) is pleased to take part in discussions in relation to the above proposal.

FICPI Australia (FICPI) is in general agreement with the introduction of a Federal Magistrate's Court (FMC). FICPI commends the introduction of such a Court and believes if introduced, there will be enhanced value to the Intellectual Property System in Australia. FICPI believes that this will generally enhance business investment by small to medium enterprises and this, in turn, will assist Australia.

FICPI has read the response from the Institute of Patent and Trade Mark Attorneys (IPTA) of 20 September 2001 and fully supports the views of IPTA.

FICPI recognises and expects that there will be much criticism of any system that involves a Federal Magistry. This criticism is likely to come from persons who believe that a different decision could have been reached had the matter been taken to a higher court such as the Federal Court (FC) and heard with all possible thoroughness. Notwithstanding the possibility of such criticism, FICPI believe the advantages of the proposal far outweigh the likely negative effects – lower cost and quicker process.

If any appointed IP Magistrates have appropriate Technical and Intellectual Property Law skills as well as Commercial experience then this should further minimise the costs by avoiding the necessity of fully explaining points to the Magistrate during any Hearing.

Enterprises often approach patent attorneys to initiate action for infringement but can not justify the costs to proceed based on the commercial worth of the product. Take for example a person who has obtained a Design Registration in relation to a small component. The business probably requires that person to invest perhaps up

**PRESIDENT:  
NOEL T BRETT**

3<sup>RD</sup> Floor  
509 St Kilda Road  
Melbourne 3004  
Australia

Telephone  
(03) 9243 8300  
International  
+613 9243 8300  
Facsimile  
(03) 9243 8333  
International Facsimile  
+613 9243 8333  
E-Mail  
noel.brett@griffithhack.com.au

**SECRETARY:  
JEFFREY A RYDER**

711 High Street  
Kew  
Victoria 3102  
Australia

Postal Address:  
Private Bag 7  
Kew  
Victoria 3101 Australia

Telephone  
(03) 9810 2111  
International  
+613 9810 2111  
Facsimile  
(03) 9819 4600  
International Facsimile  
+613 9819 4600  
E-Mail  
ryder@callawrie.com.au

**TREASURER:  
PETER HUNTSMAN**

1 Little Collins Street  
Melbourne 3000  
Australia

Telephone  
(03) 9254 2777  
International  
+613 9254 2777  
Facsimile  
(03) 9254 2770  
International Facsimile  
+613 9254 2770  
E-Mail  
mail@davies.com.au

to \$100,000.00 in set-up and tooling, and the net sales of the product may be in the order of about \$60,000.00 per year. The profit on such sales could be expected to be in the range of \$10,000.00 - \$30,000.00 per year over a ten-year period. A competitor produces a similar product and takes half of the original parties business. Appropriate letters of Demand are forwarded and a satisfactory resolution is not obtained. The likely costs of about \$150,000.00 to proceed with a Design Infringement case before the Supreme Court (SC) alone make the costs prohibitive. The costs of a SC action could represent many years profit from the sale of the product and can outweigh any expected costs of recovery for damages or loss of profit. Notwithstanding the present reluctance of enterprises to initiate infringement actions in such circumstances, it appears, from anecdotal evidence, that such persons have not abandoned the Intellectual Property registration system as a whole. These persons continue to use the system to seek appropriate protection to deter competitors but are prohibited from taking action before the Courts because of the costs. FICPI therefore sees that any lowering of the cost to a more realistic level commensurate with the worth of the matter in dispute, will be an improvement on the current system.

## **RESPONSE TO QUESTIONS PUT IN THE ISSUES PAPER JULY 2001**

***Intellectual property is a specialised area of law and one that is often considered quite complex. Are there areas of IP law that are less complex and that could be easily identified as being suitable matters to be heard by a federal magistrate?***

It is FICPI's view that there is mystique about the complexity of intellectual property matters. The complexity most usually arises because of the technically nature of the matters to be considered. To a person with relevant skill, the matters are not so technically difficult. Accordingly, FICPI is of the view that if there are appropriate magistrates with technical, legal and commercial experience in IP matters then seldom would cases arise which could be truly said to be complex.

FICPI holds a similar view to that of IPTA, that any Magistrates Court be able to hear a full range of issues encountered in relation to patents, trade marks and designs. FICPI is conscious that proposals to amend the Patents Act 1990 include proposals for presumptive validity based on a reasonable likelihood of correctness, rather than "a benefit of doubt". This will create a greater burden on patent applicants to prove that they are entitled to grant of a patent. It is expected that the patent office may issue decisions adverse to the interest of patent applicants in so far as, "is the subject matter patentable". Any appeal to the Federal Magistry should be able to quickly and cheaply appeal any decision of the commissioner to refuse the acceptance and subsequent granting of a patent. Similar issues arise in relation to trade marks and designs. Accordingly, FICPI concurs with the views expressed by IPTA, that the Federal Magistrates Service should be able to hear and decide on matters that include, but are not limited to:

- Appeals on decisions of the Commissioner of Patents;
- 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.

FICPI also agrees with IPTA, that any Federal Magistrates Service should not be restricted to administrative matters. FICPI is of the view that such administrative matters should continue to be settled before the AAT.

***What areas of IP law and what provisions could be considered suitable?***

We have already expressed the view that any FMC should be able to hear matters relating to patents, trade marks and designs (except administrative matters) and that the process should be speedy and relatively cheap compared to being heard before the FC or the SC.

***Assuming some IP matters are suitable for consideration by federal magistrates, how should the following be addressed:***

- ***Standing of parties;***
- ***Representation of the parties;***
- ***Roles of experts; and***
- ***Nature of evidence to be considered?***

FICPI is of the view that the various Patents, Trade Marks and Designs Acts make it very clear as to the nature of the person who may apply under any parts of those Acts. It would seem logical to maintain the same standing of the parties as provided for in the present Acts and not to broaden the class of persons who may apply.

FICPI does not see that the financial standing of individuals is an important factor as to whether an action should be heard before a FMC. It is FICPI's view that it is the worth of the invention that should be balanced against the cost of litigating, and provided costs can be reduced relative to those in a FC, then the FMC is an appropriate venue for both small and large enterprises.

FICPI is of the view that a party concerned should be able to be represented by either himself, a registered patent or trade marks attorney, a solicitor or a barrister. Such representations may be made either independently or in combinations with any of the above persons. Providing the above classes of persons for representation, will aide in reducing costs.

FICPI notes IPTA's statement that only a single expert should be available but FICPI holds the view that in some technology areas there may be more than one appropriate expert. For example, in a patent matter that relates to electro-chemical technology, there may be an expert in electrics and a further expert in chemistry. It may be impractical to have a single expert for some technologies. FICPI is of the view, however, that multiple experts of the same technical skill base should be excluded. If more than one expert is to be used then an explanation needs to be provided as to why to a second or subsequent expert is required over and above

any preceding expert(s). The Magistrate may make a pre-trial decision on the allowability of a second expert in such circumstances.

As to the nature of evidence to be considered, it is believed that experts should be available to provide a statement as to the common general knowledge in Australia and how that affects inventive step, and to provide other technical assistance where necessary.

A limit on the number of prior art publications permitted to say 4, may be a way to minimise the experts input, and this, in turn, may further help to keep costs lower than in the FC or SC where an unlimited number is permitted.

***Are there any impediments (legal or otherwise) to the Federal Magistrates Service hearing some IP matters?***

We are not aware of any such impediments.

***As the number of registered IP rights is increasing it is expected that the number of disputes, including court actions can be expected to rise. It also appears that IP enforcement actions take many forms, and that a workload measure taken from the number of 'formal' court actions is only a partial indicator of the underlying problem.***

FICPI is of the view that there are many possible court actions that never proceed because of the underlying problem of costs and delays associated with taking the action before the FC or SC. Thus, if a FMC were able to hear IP matters it could be expected that on the existing number of filings, there would be an increase of court actions filed, simply to take advantage of the perceived lower cost and speed of a FMC. Consequent on any increase in IP rights that may occur in the future, it could also be expected that there would be an increase in the workload. FICPI is of the view that after a period of time, say several years, one would be able to assess the likely level of actions filed and use that as a basis for predicting the number of future actions to be filed having regard to any increase in the IP filing rate or grant rate.

***Should workload and relative complexity be the overriding factors in determining what jurisdictions the Federal Magistrates Services considers?***

FICPI is of the view that "complexity" is an inappropriate term, if the Federal Magistrate appointed for the matter has the correct legal, technical and commercial experience. Some cases will always be more difficult than others, however, FICPI has the view that in general, there should be no case that is so complex that it is unsuitable for hearing by the FMC. Appropriate Magistrates will need to be appointed at the outset.

As to workload, FICPI is of the view there should be an adequate number of Magistrates appointed to cover any expected demand and that this be continually reviewed, so there is never a situation where there will be a delay of more than say six months before the matter can be set down for trial due to workload pressures on the Magistrates. Six months is perceived a reasonable time to prepare each parties case in an action.

***Should adverse impacts on innovation and economic development be influencing factors in determining suitable matter for Federal Magistrates' consideration? If so, to what extent?***

Should there be any impacts on innovations and economic development, it is felt that these should be outside of the consideration as to whether the matter is suitable for being heard by a FMC. The important point as far as FICPI is concerned is, that there be cost effective and speedy process available.

***Should intellectual property become a priority for the Federal Magistracy?***

FICPI would reiterate that there is a dilemma in enforcing IP matters because of the high costs and delays experienced in the FC and the SC, and there is a need particularly for a venue for relatively cheap and speedy process balanced against the commercial worth of the invention. There is a need for a speedy introduction of a quick and cost effective process.

***The cost of IP enforcement action is clearly an inhibiting factor for users of the IP system. It has been suggested in recent IP reviews that costs and time delays could be reduced if Federal Magistrates had jurisdiction to hear some IP matters.***

FICPI agrees.

***Are there likely to be significant savings in time and cost of proceedings, particularly as compared to the current system, if Federal Magistrates hear IP matters.***

FICPI is of the view that there is an urgent need for a quick umpire's decision at relatively economic costs commensurate to the commercial worth of the invention and there needs to be some amendment of the court process to enable this to be achieved. It is believed that placing some limit on the number of prior art documents permitted and the number of experts permitted may be ways of minimising costs. For such class of cases where the commercial worth of the invention is lower than the current costs of proceeding in a FC or SC, it is unlikely there will be an appeal, and it is considered that appeals should only be permitted in exceptional circumstances.

FICPI is of the view there could be savings in cost and time of proceedings relative to proceeding in a FC or SC if these amendments in court process are introduced.

***Bearing in mind the factors of cost and time, what appellate structure would be appropriate if Federal Magistrates were to hear some IP matters?***

A Court of Appeal should be able to decide whether it will allow a matter to proceed. FICPI is of the view that there needs to be some assessment of all relevant circumstances including costs and effects of time delays if the matter were appealed fully through a higher court such as the FC or SC. Guidelines could be based on factors such as, would the costs of appeal be likely to far

outweigh any reasonable expectation of recovery based on the profit or loss of damage or costs, or commercial worth of the invention.

FICPI is also of the view that if the matter should proceed before an appellate court that the matter be heard *de novo*.

***Would it be feasible, practical or desirable to appoint a Federal Magistrate with IP expertise and or experience to hear nominated IP matters in all or any state or territory of Australia?***

FICPI is of the view that Federal Magistry should have IP experience and expertise. This includes technical, legal and commercial experience. There should be a base of Federal Magistrates to cover different technology disciplines such as mechanical, electrical, chemical, pharmaceutical and biotechnology. Certain barristers currently have the necessary skill level for some of these technical disciplines and certain barristers may be appropriate for appointment as a Federal Magistrate. For Designs a detailed technical skill base is not required however, the relevant Magistrate should have an ability to understand technical subject matter and be able to construe drawings or representations of a Design. For Trade Marks no technical skill base seems relevant. There may be certain Magistrates appointed for particular cases depending on their skill level. The Magistry should sit in all States and Territories of Australia and this may require interstate travel for the Magistrate. The use of video link where possible, should be investigated to further minimise costs.

***What would be deemed a relevant level of IP expertise and or experience to enable a Federal Magistrate to hear certain IP matters.***

FICPI considers that an appropriate level of expertise and experience is obtained by practising for many years in the IP profession on a day to day basis with clients. This provides the relevant person with a background in both commercial considerations as well as technical and legal considerations. FICPI is of the view that Federal Magistrates should be drawn from persons having those particular qualities.

***Is it likely that the Federal Magistrates Service will provide fairer and faster adjudication of IP matters for all parties independent of the financial strength of the parties to the dispute?***

FICPI is of the view that the Federal Magistry Service will provide a fairer and faster process only if there is some streamlining of the process relative to that in a SC or FC. This could be by way of limiting the number of experts, or by limiting the number of prior art documents relied on, or both as stated previously. The financial strength of a party should not be a consideration but rather, the commercial worth of the invention – i.e. does the cost of proceeding outweigh the returns to be made through exercising the invention.

***Is it likely that the Federal Magistrates Service will provide quicker and cheaper option for litigants?***

FICPI is of the view that quickness is a factor determined by the relevant technical complexity of a case. For example, in order to prove lack of inventive step (and the subsequent evidence required to counter that) evidence cannot always be prepared quickly. Often, technical experts are unavailable to provide technical input due to existing commitments. This is particularly so in relation to leading edge technology. For some cases, such as for a general combination patent, there may be many possible experts in Australia. Thus, the finding of an expert with appropriate available time for those cases may not be difficult. However, for leading edge technology there may be only one or two experts in Australia. Thus, “quickness” is related to the technical nature of the subject matter and not to any particular court process. There should be very tight time limits imposed to focus the parties, and permit the matter to be heard in a reasonable timeframe. This of course also assumes that the Federal Magistry has sufficient capacity within its ranks to hear all possible cases put before it. FICPI is of view that there should be an adequate base of Federal Magistrates so as not to cause delays in the setting down of cases due to the shortage of Magistrates or an overworked Magistry. FICPI is of the view that a Federal Magistry Service will provide a cheaper option for litigants.

We trust our above comments are useful to you in your deliberation process.

Yours sincerely

Noel T Brett  
PRESIDENT