

PROPOSED FEDERAL MAGISTRY

Overview of Matters that a Small Group of FICPI Council Members put before ACIP

- ➔ FICPI represents private patent attorney practitioners (and not corporate attorneys) and has direct knowledge of the day-to-day problems of enforcing I.P. rights for many clients.
- ➔ FICPI has read and supports IPTA's response.
- ➔ The small group of FICP Council members has stood back from the Issues Paper and canvassed views as to what is really needed, and why there is a problem.
- ➔ The general consensus is that a cheap and quick process is required for infringement matters, particularly, but not exclusively for SMEs. The cost and time factors in running a full infringement action before the Federal Court are usually beyond the resources of many SMEs and/or beyond what the particular product is commercially worth.
- ➔ There needs to be a Court where at least infringement matters can be heard in a rapid and cost effective way commensurate with the worth of a product. A Federal Magistry is one possible venue where this process could be achieved. There may be other venue possibilities, but a Federal Magistry is one such possibility.
- ➔ The Federal Magistry should provide for the hearing of patent, trade mark and design infringement matters on this basis. This of course does not exclude the Federal Magistry from hearing other IP related matters, however, the "infringement" issue is the driving factor.
- ➔ It is essential to recognise that any such court should not be solely for SMEs. A particular product or process may be only a small part of a business, and the driving factors apply equally as well to large businesses where the product or process has only a relatively small commercial value in the overall performance of a business.
- ➔ The high cost and time consuming items of patent litigation under the current courts are in relation to:
 - (i) Obviousness
 - (ii) Discovery
 - (iii) Damages

- ➔ For any infringement hearing at a Federal Magistry, it is felt that if the remedy be solely an **INJUNCTION** with a very tight time schedule before the formal hearing, a desired result will be achieved in the majority of cases. The proposal is that there be no discovery, no awards of damages and no award of costs, with the only relief being an injunction. Also, full evidence of infringement is to be lodged with the application at the Federal Magistry. A short time schedule of say one to two months for lodging evidence in defence, and one to two months to lodge counter evidence should be adequate. The benefit of this tight time schedule will be:-
 - (i) rapid incurring of costs which focuses issues from both sides,
 - (ii) will generally minimise expenses by limiting the range and volume of evidence that can be put together in the short time period.
- ➔ **OBVIOUSNESS** must be retained as this is fundamental to the defence of infringement.
- ➔ The short timeframe proposed will minimise the costs associated with obviousness as the experts simply will not have time to examine all possible evidence and will be constrained to examine only the most important evidence.
- ➔ Any appeal from a Magistrate's Court should be *de novo*. Thus, if the patentee is unsuccessful in the Federal Magistry it is able to make a decision to proceed on appeal based on the anticipated costs of a full action in the Federal Court or Supreme Court. Similarly, a decision to appeal by an unsuccessful defendant may also be considered on that basis, but with the onus of costs heavily upon the defendant, who must make a full case for invalidity before the patentee need consider whether to incur the costs to proceed. This onus may prove to be a disincentive to such appeals, and thus prove to be a factor which concludes the matter.
- ➔ It is considered that the Federal Magistry should not be permitted to make an order for costs, and therefore because of this, each party will have an idea of the expected costs of proceeding before the Federal Magistry at the outset.
- ➔ The above process will minimise the number of experts that are engaged at the outset. The tight timeframe will focus issues with readily available experts at the outset.
- ➔ If the court is required to appoint experts then they should be the experts from the plaintiff and the defendant only, as already used in the case. This will further minimise costs as those experts will be aware of the subject matter.

- ➔ The Magistrate should have the power to set Chambers hearings with the experts to sort out any issues such as technical explanations and obviousness considerations, prior to the final hearing.
- ➔ The final hearing should be without experts or the inventor and be only on affidavit evidence – except if the Magistrate permits otherwise.
- ➔ Balance of Convenience is considered not to be an issue to be considered before the Federal Magistry.
- ➔ Appeals to be only with the approval of an Appellant Court.
- ➔ As an injunction is the only remedy, the large costs normally associated with assessing damages will be avoided. It is felt that if the patentee wants to claim damages then it should proceed in an appropriate court in the first instance.
- ➔ Because Discovery is not possible, then the range of people competent to represent clients is broader than before traditional courts and could include civil advocates such as arbitrators or mediators and patent attorneys.
- ➔ The Magistrate must have power to rule on the volume of evidence which is to be lodged in relation to novelty and obviousness. One possibility would be to say that if there is to be in excess of, say, four documents relied on, then that will only be permitted by leave of the Magistrate. The minimising of the number of documents will therefore cause the parties to put forward their best efforts within the short timeframe, and not search all possible avenues for any remotely relevant evidence, as is currently done in the Federal Court.
- ➔ Amendments to a patent specification should not be permitted during the Federal Magistry process.
- ➔ The Magistrate should be able to suspend the process if both parties consent to suspension. This should only be possible when there is a serious settlement negotiation between the parties.
- ➔ Similar proposals are equally applicable to Trade Marks and Designs.
- ➔ Infringement matters involving high cost products or processes are unlikely to be initiated before the Federal Magistry because the only remedy will be an Injunction. The proposal is therefore part self-regulating in that it will find favour with those entities that will be satisfied with a relatively cheap and quick decision, and the granting of an Injunction only. It will not find favour with those entities where the commercial worth of the subject matter warrants a full and thorough consideration of all possible evidence, and an assessment of damages and costs.

- ➔ For a simple patent infringement action currently before the Federal Courts costs of no less than \$200,000.00 would be expected (based on knowledge drawn from day-to-day practice).
- ➔ For a similar action before a Federal Magistry proceeding on the basis of the above proposals, we believe the following costs would be likely for the plaintiff.

1.	Preparation and filing of Writ	\$10,000 – 15,000
2.	Preparation of evidence to argue the evidence lodged by the defendant	\$20,000 – 30,000
3.	Preparation and attendance at final hearing	\$10,000 – 15,000
	Total	\$40,000 - 60,000

For Designs and Trade Mark infringement cases, costs could be correspondingly lowered.

Noel T Brett
 Jeff Ryder
 Wayne McMaster