



LAW COUNCIL  
— OF —  
AUSTRALIA

Ms Kay Collin  
Secretary  
Australian Council of Intellectual Property  
P O Box 200  
Woden ACT 2602

Dear Kay,

### **ACIP – Intellectual Property and Federal Magistrates Service**

Following are further submissions by the Intellectual Property Committee of the Business Law Section of the Law Council of Australia ('the Committee') in response to the invitation extended by Australian Council of Intellectual Property ('the ACIP') at our consultation on 3/10/01, and confirmed by your email of 10/10/01.

In making these further submissions the Committee has adopted the technique of replying to questions and scenarios asked, and raised, by ACIP members during the consultation held on 3/10/01. The questions and scenarios are in bold and the answers in ordinary type shade.

### **MATTERS DISCUSSED**

1. **Was it correct to say that the Committee's position is that the current system is working reasonably well and that the Committee sees no role for a Federal Magistrate to deal with less complex Intellectual Property ('IP') matters?**
  - Of the twenty odd submissions received from Committee members that were later moulded into the Committee's submission dated 25/9/01, all were unable to identify substantive IP matters, as opposed to procedural matters, that could be guaranteed not to be complex. Even matters that appeared on the surface to be reasonably straightforward invariably turned into quite complex matters, and could consequently only safely be dealt with by Federal, and State Supreme, Court, judges.

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- Additionally, the Committee is generally of the view that the current system is working reasonably well but could be improved in various aspects procedurally. The Committee believes that the implementation of these procedural reforms would go a long way toward redressing the concerns of small to medium size enterprises (SME's) without any of the obvious defects and dangers of more radical proposals. Discussions concerning those procedural improvements are part of an ongoing dialogue between the Federal Court Judiciary and the Committee. Two symposiums or colloquiums have been held in the last two years. A further meeting between the Federal Court Judiciary, members of the profession and users of the system to discuss IP is planned for March 2002, during which opportunities will arise for further discussion on improving the system.

2. **Would there be some justification for investing Federal Magistrates with jurisdiction to deal with simple cases where a party simply sought final injunctive relief without damages, delivery up, or an account of profits and where, for example, discovery could be dispensed with, and only minimal affidavit evidence used?**

- Courts have traditionally, and correctly, refused to make orders affecting parties rights, such as injunctive orders, unless satisfied to a very high degree that the evidence justified the making of that order. In such circumstances the Committee could not see orders of the type being suggested made without the Court being satisfied, and rightly so, that the overwhelming weight of evidence justified the making of such an order. In order for a court to be so satisfied, comprehensive, well prepared, relevant affidavit and oral evidence must be presented to the Court. Evidence prepared to a lesser standard will, and should, condemn the application to failure.
- Any suggestion to lower the current standard, which has been developed for the protection of individuals' rights, would, and should, be rejected.
- Furthermore, an attempt to obtain solely injunctive relief would most likely be met with a cross-claim for revocation, which would of course prolong the hearing and add to the expense and uncertainty of the outcome. Indeed, nearly all actions for infringement, whether claiming only injunctive relief, or also damages, account of profits, and delivery up, are met with a cross claim for revocation.
- In this regard it is important to appreciate that invalidity of the patent sued upon is properly a defence to an infringement suit. The counter-claim for revocation is no more than the consequence of a defence of invalidity succeeding<sup>1</sup>. Accordingly, any party sued for infringement of a patent can, and almost always does, raise a defence of invalidity, the procedural consequence of which is invalidity.

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<sup>1</sup> Farmatalia Carlo Erba v. Delta West 28 IPR 336 Heerey J at 341.

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- If a cross-claim for revocation is frivolous then the party defending the cross-claim for revocation can make an application for indemnity costs and obtain some protection against the costs of a prolonged trial by that method.
3. **A number of earlier submissions had pointed to the high cost of enforcing intellectual property rights in the Federal Court and further suggested that often the costs of enforcement outweighed the value of the intellectual property thereby dissuading the owner of those rights from enforcing them. These parties have suggested that a fast and inexpensive form of justice might be obtained from a Federal Magistrate if special procedural rules were adopted for intellectual property cases that dispensed with the need for discovery, and the level of proof currently required for intellectual property litigation (which is of course the same as for any other litigation), and possibly dispensing with the laws of evidence altogether.**

The Committee wishes to emphasise that the laws of evidence, and procedures, have been developed over the years to provide the fairest possible justice system and the Committee can see no reason whatsoever to dilute or dispense with these fundamental protections such as in an attempt to provide cheaper and swifter justice to SME's or large enterprises with smaller IP matters. Furthermore, as a general rule, the provision of any system of adjudication of disputes that is below the level which the community has enjoyed over the years will inevitably result in appeals, with time delays and additional costs. In other words, what is being suggested would act counter to the desired objective of achieving a faster and cheaper form of enforcement for IP rights.

However, and as stated earlier in these submissions, procedural and cultural changes could perhaps be made to improve the current system so as to deliver lower costs and greater speed of enforcement of IP rights. Furthermore, improvement of procedural matters, is under active consideration.

4. **Should we in Australia consider something akin to the English Patents County Court but within the Federal Magistrates Service?**

Unfortunately the English Patents County Court under Judge Ford was not a success with most decisions going on appeal and being overturned.

In this regard it should be noted that in the United Kingdom, Justices Jacob, Laddie and Pumfrey, sitting in the High Court of Chancery and High Court of Justice (Patents Court), have case managed IP cases in such a way as to provide a very high level of expeditious cost effective service. Indeed, most patent trials in England are completed within five working days and judgment given approximately three weeks thereafter. Other IP cases are dealt with even more quickly. This compares to average trial times in Australia for patent cases of between 10 and 15 working days and reasonably lengthy times for

other IP cases. As substantial legal costs are incurred during the trial process, very substantial savings in legal costs are achieved in England through reduction in length of trials. Furthermore, certainty is returned to the market quickly because of the swift judgments. In essence, the system works very efficiently, expeditiously, and more cheaply in England, because of the attitude and procedures applied in the High Court of Justice (Patents Court) and the High Court of Chancery, the approximate equivalent of the Australian Federal and State Supreme Courts. It is also probably worth noting that Justices Jacob, Laddie and Pumfrey all had substantial intellectual property practices at the bar.

5. **What processes and procedures have been applied by Justices Jacobs, Laddie and Pumfrey in England?**

- The parties are required to provide a comprehensive outline of their cases at the first directions hearing;
- A trial date is set at the first directions hearing and can only be moved in exceptional circumstances (eg. key witness hit by a truck);
- The timetable for discovery, affidavit evidence etc is set at the first directions hearing and can only be changed in exceptional circumstances;
- Discovery is limited;
- Comprehensive written submissions on fact and law, and a reading list of key documents (eg patent specification, key affidavits, key pieces of prior art) are provided to the Court well in advance of the commencement of the trial;
- The judges ensure that the documents they have been asked to read by the parties are read before the trial starts and this serves to educate the judges and crystallise the issues in advance;
- The judges, having read the key documentation, "hit the ground running" on the first day of trial;
- Because of the preceding point, openings are usually short and the need for extensive explanation of issues and terms usually unnecessary;
- The judges are reluctant to allow counsel to depart from the skeleton outline of issues covered by the written submissions during the trial;
- Expert witnesses are limited to one per discipline except in exceptional circumstances where leave needs to be obtained;
- The judges are very interventionist in relation to cross-examination and do not tolerate lengthy unnecessary cross-examination;

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- The consequences of the last two points is that the taking of evidence is usually much shorter than in Australia.

In the interests of balance, it should be noted that there is a view that the costs pre-trial in the UK are sometimes higher because of somewhat greater preparation including the written submissions and materials presented to the judge. The real costs savings arises from reduced trial time. The other great advantage is that the parties to the proceedings, and other interested parties, benefit from the swift judgments in that within 3 weeks there has been a determination and that injects certainty back into the market in which the IP is used.

6. **If intellectual property jurisdiction were to be given to the Federal Magistrates Court what qualifications would the Magistrate need?**

The Committee's view is that because of the complexity of IP matters the requisite qualifications should be at least those necessary at present to appoint Magistrates, and desirably closer to those regarded as necessary for the appointment of a Federal Court Justice. The Committee considers at least ten years general litigation experience as a barrister or solicitor and preferably including experience in large commercial/intellectual property matters, and highly desirably a demonstrated expertise in the laws of evidence and procedure. Apart from the intrinsic complexity of IP cases, such cases always require argument and rulings on evidentiary and procedural matters, and invariably also require argument and adjudication on other substantive legal disciplines such as contract law, the law of torts, legal devolution of ownership and rights, and administrative law.

As stated earlier in these submissions, Committee is firmly of the view that the current system works reasonably well, and can, with some easily introduced modifications fully accommodate the needs of the users of the IP system to provide as good a system as is available to IP users in other countries. However, if the Committee's views were not accepted and it was decided to invest Federal magistrates with jurisdiction in IP matters, the Committee would raise for consideration the possibility of creating a reserve panel of experienced IP barristers and solicitors to serve as magistrates on a case by case basis. The advantages of such a panel would be:

- conservation of public money. That is, there would be no wastage of magistrates' time as they would only be pressed into service when suitable cases were instituted.
- guaranteed satisfactory level of expertise with consequent efficient dealings with the cases and conservation of time and expense for the parties and the public purse.
- the ability to trial the system before making permanent appointments. During the trial period it may be found that litigants elect to have most of their matters heard by a Federal Court judge and that there are in fact very few, if any, matters sufficiently simple to justify referral to anyone other than a Federal Court Judge. However, if matters were

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referred to the IP experienced "reserve magistrates", there would be a high degree of confidence that such Magistrates would produce sound decisions, thereby avoiding unsatisfactory decisions and expensive appeals.

Obviously, the logistics of such a panel would need to be considered carefully in terms of possible conflicts and cost.

7. **As to representation, apart from litigants representing themselves, what is the Committee's position?**

Litigants representing themselves are given very wide latitude by the Courts which generally leads to cases being prolonged and the other party bearing even greater legal costs than otherwise would have been the case. The same consequences would follow if anyone other than experienced legally qualified practitioners were permitted to represent litigants.

Indeed, only people who have been admitted to practice in the Federal Court and State Supreme Courts should be given the right to represent others before a Federal Magistrate. Apart from the fact that any person representing others should desirably have a sound background knowledge in IP Law, a sound knowledge of other legal disciplines such as contract, tort, administrative law, evidence, and procedure are necessary in order to properly represent a litigant.

Furthermore, only admitted lawyers are subject to certain duties. These duties have been developed for the protection of the wider community which has an essential public interest in the administration of justice. Those duties are now imposed by statute and the common law. For example Section 8(1)(b) of the *Legal Practice Act (Vic) 1996* specifies that a person admitted to legal practice is an officer of the Supreme Court. Similar provisions apply to practitioners in other States.

A summary of these duties follows:-

(a) **Duty of disclosure to the court**

A cornerstone duty to the court is that a solicitor must not knowingly mislead the court either in facts or law.<sup>2</sup>

The principal duties to the court are to act with frankness, candour and honesty in all relations with the court.<sup>3</sup>

A solicitor must not call a witness if the solicitor has knowledge (as opposed to belief) that the witness's evidence is untrue.

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<sup>2</sup> *Tombling v Universal Bulb Co Ltd* [1951] 2 TLR 289, 297; Law Society's Code for Advocacy, paragraph 2.2 'Advocates have an overriding duty to the court to ensure in the public interest that the proper and efficient administration of justice is achieved: they must assist the court in the administration of justice and must not deceive or knowingly or recklessly mislead the court'.

<sup>3</sup> *Re Foster* (1950) 50 SR (NSW) 149 at 152.

Duty to know the law and prepare the case properly.<sup>4</sup>

Duty to bring all relevant authorities to the attention of the court, whether or not they assist the represented party.<sup>5</sup>

(b) **Duty not to abuse the court process**

Duty not to bring an action for an ulterior purpose.<sup>6</sup>

Duty not to represent with excessive zeal.<sup>7</sup>

Duty to abide by undertakings given by them professionally.

Duty not to corrupt the administration of justice.<sup>8</sup>

(c) **Duty to conduct cases efficiently and expeditiously.<sup>9</sup>**

Accordingly, only admitted legal practitioners, subject to the duties enumerated above, with proper expertise in all the relevant legal disciplines should be permitted to represent litigants. In practice, experienced people choosing advocates look very carefully at the advocate's experience and level of skills before engaging that advocate so as to be satisfied that the advocate has all the necessary legal skills to properly represent the client. However, inexperienced litigants may not be able to make proper judgements about relevant experience and skills, and need protection. Ensuring that all advocates are properly trained and skilled in all relevant legal disciplines is the only way of ensuring the public obtain the best representation available. Furthermore, and as pointed out above, generally the more skilled the advocate, the less the wastage in court time and legal costs.

It is also worth noting that in the South African Patent Court (a division of the High Court of South Africa) patent attorneys (who in South Africa are also solicitors) have a right of audience. The South African Patent Court hears approximately 12 patent cases per annum. Between 1982 and 1997 there were only two cases where a patent attorney appeared on behalf of a litigant and none that the LCA is aware of subsequent to this period. In the two cases of which the LCA is aware in which the right was exercised, somewhat disastrous consequences followed. One of the cases was unduly protracted and adverse comments were made in the judgment regarding the conduct of the litigation. Apart from these two instances the right of audience has not been exercised suggesting that those seeking representation, and those entitled to appear, recognise that the best and most cost effective representation can only be provided by specialists, trained and experienced in all relevant legal disciplines.

<sup>4</sup> *Ivan Fergus* (1994) 98 Cr App R 313.

<sup>5</sup> *Glebe Sugar Refining Co v Greenock Port & Harbours Trustees* [1921] WN 85, 86.

<sup>6</sup> *In re G Mayor Cooke* (1889) 5 TLR 407, 408.

<sup>7</sup> *Giannerelli v Wraith* (1988) 165 CLR 543, 556; *Meek v Flemming* [1961] 2 QB 366.

<sup>8</sup> *Tuckiar v The King* (1934) 52 CLR 335.

<sup>9</sup> See discussion in Ipp, above n 2, 105.

8. **Would there be any modifications to the Federal Court system as it currently exists that could be made to address the concerns of SME's and major businesses with small matters?**

The Committee is of the view that:

- (a) There might well be a basis for Federal Magistrates to be used in IP matters much the same as Judges of the Federal Court in some states currently use Registrars. That is, to refer to the Registrars procedural matters such as perhaps discovery disputes, non compliance with time limits, and matters of that nature.
- (b) There is unlikely to be any scope for matters coming before a Federal Court Judge to be examined by that Judge and then referred to a Magistrate for adjudication, not on procedural issues, but on substantive issues. For example, if a trade mark dispute came before a Federal Court judge and the defending party was prepared to concede the validity of the trade mark, that there had been use in relation to the goods the subject matter of the registration, and that the only issue was whether there had been use of a substantially identical mark, then that matter might on first blush be considered suitable for referral to an appropriate Federal Court Magistrate. On the other hand, those concessions are likely to only be made before an experienced Federal Court judge who can quickly identify the issues. Having done so, it is that judge who could go on and expeditiously deal with the matter and avoid the wastage and delay associated with double handling the matter.
- (c) Implementation of all of the procedures and processes adopted by the Justices in England would speed up the process in Australia, reduce cost and more quickly return certainty to the market. Many of those procedures are already applied by various of the Judges in Australia but there are some areas where there is a degree of cultural resistance. A universal application of those processes and procedures would go a long way toward addressing the concerns of SME's and large companies with small matters.
- (d) As mentioned earlier in these submissions an IP workshop is being organised for the Judges of the Federal Court for March 2002. The Committee is confident that the Federal Court Judges would be interested in hearing a distilled version of the complaints of SME's about the cost and speed of enforcing their IP rights before the Federal Court. The issue could be placed on the agenda to ensure these concerns were fully ventilated and debated.

9. **Returning to the issue of alternative procedures, it was suggested by a number of people that something akin to the current Patent Office opposition procedure could be run before a Federal Magistrate.**

Although the laws of evidence do not apply to oppositions, it is the case that oppositions usually take longer than Court proceedings. Furthermore, many oppositions go on appeal, and because the evidence prepared before the Patent Office usually doesn't comply with the laws of evidence, it is necessary to prepare fresh evidence with increased cost.

The Committee does not see any merit in introducing a second "opposition procedure" to be conducted by a magistrate. It would simply add another layer of litigation from which there would be appeals, delay and additional expense.

Yours sincerely

A handwritten signature in black ink, appearing to read 'M. Lavarch', with a long, sweeping horizontal stroke extending to the right.

Michael Lavarch  
Secretary-General Designate

22 October 2001