

## **CALL FOR SIMPLER PATENT ENFORCEMENT STRATEGIES**

### **This paper**

People associate patent enforcement with complexity and substantial expense. The Advisory Council on Intellectual Property (ACIP), has recently made recommendations to address this by a practical ‘hands on’ strategy. This article:

- Supports the recommendations generally, particularly the implementation of a patents tribunal (the Tribunal), which it recommended will make non binding determinations;
- Expresses concerns with certain mechanisms recommended by ACIP where parties:
  - do not use the Tribunal and approach the court directly; or
  - appeal to the court, notwithstanding the Tribunal’s determination;
- Expresses the view that an unsuccessful party’s considerations on whether to appeal, should not be fettered by mechanisms predisposing litigants to consider matters external to the merits of an appeal.

### **Introduction**

Anyone involved with the enforcement of patents in Australia would be well aware of the cost and complexity associated with this form of litigation. Attempts to enable patents to benefit from procedural recommendations, seem to conclude that patents are not suited to the processes recommended for the enforcement of other forms of intellectual property.

In this regard, I have always considered patents to have been treated as the ‘awkward’ child in the traditional intellectual property family, recognised as a member of it, yet less easy to manage than its popular siblings copyright and the fashionable trade mark,

For example, in November 2003, the government released a report by ACIP, which recommended that the general jurisdiction of the Federal Magistrates’ Court (FMC), be extended to include trade mark, design and patent enforcement. The government at the time accepted the recommendation in relation to trade marks and designs, but considered that the inclusion of the patents should be reviewed after a period of two years, in order to assess the impact of the introduction of trade marks and designs to the jurisdiction of the FMC.

At this point in time, neither trade marks nor designs have been added to the FMC's jurisdiction. In fact the court itself, was possibly in jeopardy.<sup>1</sup> In addition, the Fast Track procedure initiated in the Federal Court of Australia, is not available for patent matters.

The enforcement of patents, particularly for small to medium enterprises (SME), has always been an issue. I am pleased to say that ACIP has formulated a model which addresses this need. However, having welcomed patents into the IP enforcement festivities, via the Tribunal, ACIP further recommends that everyone at the function must dance with it.

## **Background**

In early 2006, the Former Parliamentary Secretary, the Hon Bob Baldwin MP, issued terms of reference for ACIP to review the area of patent enforcement, to the benefit of the Australian economy through the encouragement of innovation. The ACIP report responds to those terms of reference.<sup>2</sup>

## **Patent Tribunal**

The centerpiece of the ACIP recommendations is the introduction of an IP Resolution Centre (the Centre).<sup>3</sup> The Centre, co-ordinated by IP Australia, in the first instance focuses on patent disputes in one of three proposed limbs:

- The provision of services from a panel of experts,<sup>4</sup> including:
  - Making non-binding determinations and other types of expert assessment, (as well as opinions on validity and infringement), and
  - Undertaking mediation and arbitration roles.
- The establishment of a Tribunal as the focus of non-binding pronouncements, from a panel of 3 members integrating legal and technical expertise.<sup>5</sup>
- The establishment of a repository of information managed by IP Australia, relating to patent enforcement, into which court decisions would be channeled.

My comment relates to the proposal for the establishment of the Tribunal. More particularly, with some recommended mechanisms underpinning the proposal. Although I

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<sup>1</sup> A review entitled *Future Governance Options for Federal Family Law Courts in Australia Striking The Right Balance* was published in August 2008 recommending at [118] the abolition of the FMC.

<sup>2</sup> The report is available at [http://www.acip.gov.au/reviews\\_completed.html#post\\_grant](http://www.acip.gov.au/reviews_completed.html#post_grant) (the ACIP report)

<sup>3</sup> Recommendation 1 ACIP report p6.

<sup>4</sup> Recommendation 2 ACIP report p6.

<sup>5</sup> Recommendation 3 ACIP report p7.

support the concept of a less expensive and expeditious forum with technical and legal expertise, I am concerned with some of the recommended strategies designed to ‘encourage’ parties to use the Tribunal and comply with its non-binding determinations.<sup>6</sup>

The recommended mechanisms may be described generally as the imposition by the courts of penalties arising from a choice to ignore the Tribunal or its non-binding determinations. These mechanisms propose empowering and encouraging the court to impose:

- ‘positive’ penalties such as indemnity costs or additional damages which are of a punitive nature rather than a compensatory nature; and
- ‘negative’ penalties, by not awarding costs to a successful litigant.

Specifically, I view the mechanisms as taking 2 approaches: ignoring non-binding determinations of the Tribunal and ignoring the Tribunal itself.

#### *Ignoring the decision of the Tribunal*

This recommendation requires the court to take into account the Tribunal’s determination when considering awards of damages and/or costs.<sup>7</sup> Specifically, it is recommended that if the Tribunal had determined that a party was infringing a patent, and that party chose to ignore the determination and proceed for the court’s determination, presumably as a *de novo* appeal, where a court came to the same conclusion, the court should be empowered and encouraged to award *additional damages*<sup>8</sup> under s. 122(1A) of the *Patents Act* 1990, against the infringing party.

The basis of this penalty would be that the infringing party had chosen not to accept the Tribunal’s determination.<sup>9</sup>

An unsuccessful patentee before the court is treated a little more kindly.

In the case where the patentee appeals unsuccessfully, it is recommended that an unsuccessful patentee should be penalised by an award of costs greater than party-party costs, presumably in the nature of indemnity costs. These costs would be in respect of not only the court

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<sup>6</sup> The report: Recommendation 3(f) states: That an embodiment of the determination mechanism in the IP Dispute Resolution Centre is provided in the form of a Patent Tribunal along the following lines:

(a) – (e)...

(f) mechanisms be introduced to encourage parties to comply with the Tribunal’s non-binding determinations, and to discourage parties from using the courts instead of the Tribunal where it would be appropriate to do so;.

<sup>7</sup> ACIP Report p 42.

<sup>8</sup> These are in the nature of punitive damages rather than compensatory.

<sup>9</sup> Ibid.

costs but those incurred in the Tribunal determination, on the basis that the patentee had not accepted the Tribunal's decision.<sup>10</sup>

### *Ignoring the Tribunal*

This recommendation requires the court to take into account, when considering awards of costs, the conduct of either a successful or an unsuccessful litigant, in choosing to initiate court proceedings, rather than firstly submitting the dispute to the Tribunal, in certain cases.<sup>11</sup> It is recommended, that the courts be encouraged to refuse to award costs in favour of a successful plaintiff, where the court concludes that the matter should have been brought before the Tribunal for determination.

### **Why is this important to an IP adviser?**

I would suggest that the importance lies in being aware of a less expensive forum for the enforcement of patents (particularly for SME clients). In addition, advisers must be aware of the potential implications in choosing to seek relief from a court determination and bypassing the Tribunal. It may be however, that a client seeks in its strategy to bring the matter to a speedy determination, by tools such as an interlocutory application for injunctive relief. In such a case the client may be willing to travel a course where it accepts the penalties which may be imposed. In short, as an adviser in the area, all enforcement avenues (their positives and negatives), should be known.

### **Observations**

I make below some general observations.

### *Ignoring the decision of the Tribunal*

In the first case of an appeal by the alleged infringer, where the Tribunal decision is affirmed, it is proposed to empower and encourage the court to award additional damages against that party.

The power to award additional damages in patent infringement cases is a relatively recent addition to the *Patents Act*.<sup>12</sup> In stating the considerations for such an award, the *Designs Act* 2003,<sup>13</sup> refers to flagrancy and a general catch all 'other relevant matters'. The *Patents Act* however, sets out a number of considerations, which may be taken into account in determining whether to award additional damages.

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<sup>10</sup> ACIP report p43.

<sup>11</sup> *Ibid.*

<sup>12</sup> *Intellectual Property Laws Amendment Act* 2006 No. 106 Sch 5 clause 2.

<sup>13</sup> S 75(3) of the *Designs Act* 2003 provides that the 'court may award such additional damages as it considers appropriate, having regard to the flagrancy of the infringement and all other relevant matters.'

The *Patents Act* provision, which was modeled on the provision in the *Copyright Act* 1968,<sup>14</sup> includes a number of identified matters, which the court may consider in determining whether to award additional damages.<sup>15</sup> The *Copyright Act* provision reflects a number of decisions of the courts, where certain conduct and policy considerations attracted additional damages.<sup>16</sup>

In its 1999 ACIP Report, ACIP recommended exemplary (or additional) damages for ‘wilful infringement’ of patents.<sup>17</sup> The explanatory history of the *Intellectual Property Laws Amendment Act* 2006 similarly noted wilful infringement as the basis of awarding exemplary damages.<sup>18</sup> The basis therefore of s 122(1A) of the *Patents Act*, is focused on conduct in relation to patent infringement, not procedural actions of a litigant. The latter is normally the domain of a cost award.

The ACIP recommendation intends to penalise the infringer, not by any evaluation of the infringing conduct, but purely by the decision of that party to seek the court’s determination.

As the basis for this is procedural conduct, this would I believe, raise potential numerous other applications of such a proposed principle, which might equally merit consideration. For example, it is common in litigation for an opponent to seek to exhaust the other party by interlocutory applications such as unmeritorious applications for security for costs. The court, in those cases may exercise its discretion to award indemnity costs if a litigant appears to be adopting such a course. Should additional damages be available to a successful party in such cases?

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<sup>14</sup> *Copyright Act* 1968 (Cth) s 115(4).

<sup>15</sup> ACIP recommended in its 1999 report on ‘Review of the Enforcement of Industrial Property Rights (patent enforcement)’ (the ‘1999 ACIP report’), that ‘[p]rovided most of the recommendations in this report regarding strengthening patent validity are implemented, amend the Act to insert provisions for exemplary damages along the lines of section 115 (4) of the Copyright Act 1968. This is in addition to the courts’ ability to order either ordinary compensatory damages or an account of profits.’ [5.5] Recommendation 11.

<sup>16</sup> For example, *Sullivan v. FNH Investments Pty Ltd* [2003] FCA 323 (Jacobson J, 10 April 2003) *FNH Investments Pty Ltd v Sullivan* [2003] FCAFC 246 (Whitlam, Moore & Kiefel JJ, 7 November 2003) on the conduct of the respondent after being made aware of the allegation of infringement.

<sup>17</sup> The 1999 ACIP Report at [5.5].

<sup>18</sup> <http://www.aph.gov.au/library/pubs/bd/2005-06/06bd159.htm#Purpose>

Similarly, conduct which is presently under review by IP Australia in trade mark and patent opposition proceedings, namely excessive delay by requests for extensions of time to file material, might also be considered procedural conduct warranting indemnity costs or additional damages.

Additional damages in copyright as in patents, flow from the infringement and the circumstances surrounding it. It would not be beyond the court to consider (as a component of conduct generally), under the catch all heading in s 122(1A), ‘all other relevant matters’, the conduct of a party in bringing continual unmeritorious interlocutory applications bordering on abuse of process.

Courts have dealt with these matters by the imposition of costs and in some cases ‘rewarded’ unsatisfactory conduct with an award of costs on an indemnity basis.<sup>19</sup> These are just two examples of many instances, where the procedural conduct is accountable by harsher costs orders. To suggest that additional damages should be awarded purely for procedural conduct rather than the conduct surrounding infringement of rights raises the question as to why the Tribunal should be given preferential treatment above other forums.

The decision to seek the determination of a court can neither be said to be exacerbating the infringing conduct nor conduct which tends to abuse the processes of the court.

In the case of a patentee however, it is recommended that the court should award greater than party party costs. This is either in the form of a lump sum or indemnity costs. I respectfully suggest that this logic is flawed. ACIP suggests that the case for additional damages is an option against an infringer, where the conduct suggested to attract the award is ignoring the Tribunal’s determination. However, the patentee will, just as much as the alleged infringer, by seeking the court’s determination, be ignoring the determination of the Tribunal, yet only potentially face indemnity costs. In short, there is no basis to distinguish the penalty.

For these reasons (and the general reasons below), the recommendation to award additional damages against the infringer and indemnity costs against the patentee, should not be adopted. I would respectfully suggest, that quite apart from the concept itself of awarding additional damages arising solely from a choice to have the court’s determination, the distinction in penalties between the infringer and the patentee, smacks with an odium offensive to the principles of natural justice which surround the right to appeal.

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<sup>19</sup> For example *FNH Investments Pty Ltd v Sullivan* [2003] FCAFC 246 (Whitlam, Moore, Kiefel JJ, 7 November 2003).

In this regard, we only have to look to the recent High Court decision in *Health World*,<sup>20</sup> where the appellant was unsuccessful before the Primary Judge and the Full Court, only to succeed in the High Court.

### *Ignoring the Tribunal*

The proposal to penalise a successful litigant, who chooses to go directly to court, rather than approach the Tribunal, must be the high water mark of these proposed mechanisms. In other words, if a successful litigant in court proceedings, is penalised for seeking the determination of a court, one would expect an unsuccessful litigant in court proceedings (who did not apply to the Tribunal), could expect no better treatment, and more than likely attract a greater penalty.

In this regard I make some further observations, which may equally apply to the election to proceed to court after an unsuccessful Tribunal decision.

The first and principal objection is that the recommendation interferes with a person's right to appeal. It seeks to interfere with a foundational principle of the appeal process. That focus is on the public interest consideration of developing consistency of judgments and thereby law. I find some inconsistency with the proposals and the statement seeking to preserve and recognise a person's right to appeal:

While the initiatives promote the increased use of ADR, they also recognise the importance of people maintaining their right to have their disputes decided by a court or tribunal. ACIP notes that the establishment of the IP dispute resolution centre would not alter the rights of parties in dispute about a patent right to access court enforcement options.<sup>21</sup>

It has been said that the genesis of the right of appeal informs as to the relevant process to correct error.<sup>22</sup> In addition to the need for consistency and the correction of error, is the private individual's right to justice. In this regard, the criminal jurisdiction share a similar considerations:

Appeals in criminal proceedings are said to serve three interests: The first two could properly be called 'jurisprudential' goals: consistency of verdicts, meaning that similar cases receive similar treatment, and orderly development of law, meaning that novel questions of law receive uniform answers from a single authoritative body. ... The third

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<sup>20</sup> *Health World Ltd v Shin-Sun Australia Pty Ltd* [2010] HCA 13 (French CJ, Gummow, Heydon, Crennan and Bell JJ, 21 April 2010).

<sup>21</sup> The ACIP Report at p 34.

<sup>22</sup> UNSW Centre for Continuing Legal Education, Litigation Master Class - 29 March 2007.

interest served by an appellate court is case-specific: the pursuit of justice in the individual case.<sup>23</sup>

Error is not limited to the substantive law, but also to procedural fairness. In this regard, Justice Pumfrey of the UK High Court of Justice Chancery Division (Patents Court) disagreed with Laddie J's suggestion, relating to a new streamline procedure. The point with which Pumfrey disagreed, was the suggestion of Laddie J, an experienced patent judge, that when one side nominated the streamlined procedure, that the onus lay on the other to raise a convincing objection to its use.<sup>24</sup>

Consistency and correction by appeal, has direct bearing on the Commonwealth Attorney General's statement in a recent report that 'the rule of law is a central feature of a modern democratic society.'<sup>25</sup>

### *Mixed issues*

Another issue, is the fact that a matter may involve more than the enforcement of patent rights. As people's awareness grows of their intellectual property rights, commercial strategies are being adopted to secure several forms of IP rights. A patented product may adopt a trade mark. There may also be copyright issues in drawings which form part of the specifications of the patent.

The inability therefore of the Tribunal, to deal with all issues is an obstacle to the proper and expeditious resolution of the dispute, as a party might consider the patent rights weak but might be concerned with trade mark infringement or *Trade Practices* contravention.

The ACIP report seems not to address this possibility directly, although it might be said that this would be a case where the court has a discretion whether or not to apply the recommended penalties.

### *Appeal forums*

It no doubt has been considered, but worth stating, that not all appeals under the *Patents Act* are to the Federal Court. Appeals lay to the Administrative Appeals Tribunal on such matters as seeking extensions of time to do an act under required under the *Patents Act*. This aspect is not distinguished specifically.

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<sup>23</sup> "The Right to Appeal a Judgment of the Extraordinary Chambers in the Courts of Cambodia" O'Neill, Lily; Sluiter, Göran [2009] *MelbJIntLaw* 32; (2009) 10(2) *Melbourne Journal of International Law* 596.

<sup>24</sup> *Research in Motion UK Limited v Inpro Licensing S.A.R.L.* [2007] EWCA Civ 51.

<sup>25</sup> A Strategic Framework for Access to Justice in the Federal Civil Justice System Report by the Access to Justice Taskforce Attorney-General's Department, September 2009 (the Taskforce Report) at p1.



## *Strategic Framework for Access to Justice*

The purpose of the Taskforce Report released by the Commonwealth Attorney, the Honorable Robert McLelland, in September 2009, was to undertake a broad examination of the federal civil justice system.<sup>26</sup> The Report considered that the majority of cases were resolved before they reached a hearing situation. In addition, the Attorney had identified the need to emphasise pre-litigation dispute resolution mechanisms, Relevantly, recommendation 7.6 states:

Before preparing to litigate, disputants and their legal advisers should attempt to resolve the matter through an ADR process or direct negotiation where appropriate. The Attorney-General should work with federal courts and professional bodies to ensure that procedural and professional requirements reflect the expectation that parties have considered resolving the matter outside the court process prior to commencing litigation.<sup>27</sup>

Although it is usual to introduce an alternate dispute resolution process in the lead up to trial, parties often prefer to go into a mediation at later stages of the proceeding in order to enable themselves and their advisers, to ascertain the strength and weaknesses of their own case as well as the opponent's case.<sup>28</sup> However, the court will not interfere usually, if the parties seek by agreement to have the matter mediated before any substantial costs are incurred.

ACIP acknowledged in the report the assistance of the Taskforce Report.<sup>29</sup>

The Taskforce recommendation for the imposition of a heftier filing fee in an appeal to the AAT, provides some encouragement to ACIP, I would suggest, for its recommendations.<sup>30</sup> The Taskforce report states:

Appropriate cost incentives could be introduced to reinforce to agencies the importance of placing a high value on effective primary decision-making. It could reduce the scope for the costs of ineffective decision-making to be externalised to budget funded review tribunals and, more importantly, to applicants who are the least well resourced to absorb those costs. In order to encourage effective decision-making, as an initial step, a filing fee for agency appeals

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<sup>26</sup> A Strategic Framework for Access to Justice in the Federal Civil Justice System Report by the Access to Justice Taskforce Attorney-General's Department, September 2009 at p 7.

<sup>27</sup> The Taskforce Report at p 97.

<sup>28</sup> Ibid at p 54.

<sup>29</sup> At p 4 of the ACIP report it states:

‘Finally, ACIP notes and is encouraged by the Government’s recently published Strategic Framework for Access To Justice. ACIP considers that the recommendations set out below are consistent with this framework, and promote its principles. ACIP would encourage any implementation of the recommendations to take place with regard to the principles and methodology as outlined in the Strategic Framework for Access to Justice.

<sup>30</sup> Recommendation 10.5 of the Taskforce Report at p 135.

from other tribunals or responding to an application for review to the AAT could be imposed upon the relevant government agency. This fee would need to be set an appropriate level; for example, equal to the Federal Court filing fee for an appeal from a decision of the AAT (\$3,150). This will help in promoting early resolution of issues where possible, and would provide a fiscal incentive to encourage better primary decision-making. It would also discourage any misuse of the AAT process by agencies.<sup>31</sup>

## **Conclusion**

I consider that the introduction of the recommended mechanisms, designed to deter approaches to the court, interferes unnecessarily (and without justification), with the proper administration of justice and the rule of law. It is uncertain as to whether the government will adopt the recommendations and if so when they will be implemented.

The proposals establish in my view, a poor precedent which unnecessarily impinges on the free right to consider an appeal based on the merits of the case.

**Dimitrios Eliades**  
**6 July 2010**

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<sup>31</sup> Taskforce Report at p 134.