Intellectual Property Litigation in Australia
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Introduction

Australia has been a battleground for a number of high-profile intellectual property (IP) disputes recently. These include a patent dispute regarding Samsung’s Galaxy Tab and Apple’s iPad and a copyright dispute about an internet service provider’s liability for copyright infringement.

The reasons for this may include: the commercial imperatives as, despite its relatively small population, Australians are voracious consumers of IP and technology; and also the Court’s process and procedures which facilitate the key issues in the dispute being identified at an early stage.

Clients, including overseas practitioners, have a number of common questions about IP litigation in Australia. This brochure will provide a bird's-eye view of the practice issues, in response to those more common questions. However, as litigation is inherently dynamic, our comments should be taken as a guide only.

As Australia is a federation, it has a two-tier Court system of Federal and State / Territory Courts. Most IP litigation is commenced in the Federal Court of Australia, although the State Supreme Courts also have jurisdiction. We will focus on the Federal Court as it is the usual venue.

Case management

The Federal Court is a truly national Court and has registries in each of the capital cities in the States and Territories. The Court encourages electronic filing of documents and also allows video-link appearances, which can lessen the tyranny of distance.

This Court has a hands-on approach to managing litigation through its case management system and its overarching purpose of practice and case management is to facilitate the just resolution of disputes according to law as quickly, inexpensively and efficiently as possible. The Court has a benchmark of completing 85% of matters within 18 months after commencement. However, as IP proceedings are normally quite complex, it may take anywhere from 9 to 24 months after commencement, or even longer, for a judgment to be delivered.

When a matter is commenced, it is allocated to a Judge's docket who will manage the litigation and also preside at the trial. The Judge manages the dispute by holding regular directions hearings, where programming orders are made to prepare the matter for trial. For example, at the first directions hearing the Judge will usually set directions for the conduct of the matter, such as the filing of a defence, discovery of documents and delivery of evidence. There may be a number of directions hearings in a matter. The Court usually progresses IP matters swiftly and will generally set the matter down for trial as soon as early as practicable.
Causes of action – infringement, invalidity and unjustified threats

The main causes of action for IP rights are for infringement, invalidity (called subsistence in relation to copyright) or unjustified threats of infringement.

Infringement

- **Patents**

  Infringement proceedings can either be brought by the owner or an exclusive licensee. However, if the proceedings are commenced by the exclusive licensee, the owner must be joined as a respondent unless it voluntarily joins the proceedings as co-applicant. In order to succeed in infringement proceedings, the owner must prove that the infringer exploits (or authorises another to exploit) the invention without the authorisation from the owner.

- **Copyright and designs**

  The same rules apply to who can bring copyright infringement proceedings. Direct infringement of a work protected by copyright occurs where the work is reproduced in a material form with the owner's permission. This requires an objective similarity between the two works, some evidence of copying and also evidence that a substantial part of the work has been reproduced.

  For designs, proceedings can only be brought by the owner, who must prove that the infringing product is identical to, or substantially similar in overall impression to the registered design.

- **Trade marks and branding**

  Either the trade mark owner or an authorised user of the trade mark (where the owner has consented or, alternatively refused to bring the proceedings) can commence a trade mark infringement action. If the authorised user commences, then the owner must either participate voluntarily as an applicant or be joined as a respondent. A person infringes a registered trade mark if the infringing mark is used as a sign which is substantially identical, or deceptively similar to the mark in relation to the same goods or services.

  If the mark is not registered, then may also be possible to commence proceedings under statutory consumer protection legislation relating to misleading or deceptive conduct, or even pursuant to the tort of passing off.

- **Remedies**

  If successful, the IP owner may obtain declarations, a 'final' injunction which restrains infringement of the IP, damages or at its election, an account of profits and other ancillary orders like delivery-up of infringing products and moulds. Where the infringement is particularly flagrant, the Court can also order additional damages. The Court can also make orders against a third party who has authorised the infringement of the IP right.

Validity / Subsistence

- **Patents**

  Any person can apply for an order revoking a patent. There are a number of possible revocation grounds, the main ones are that: (a) the patentee is not entitled to the patent; (b) the invention is not a patentable invention (because it is not a new manner of manufacture, obvious or is not novel), (c) the
patent (or an amendment to the patent) was obtained by fraud, false suggestion or misrepresentation or (d) the patent does not comply with the internal requirements of validity (such as the claims not being fairly based on the specification).

- **Trade marks and branding**

A person who is substantially interested in having a mark removed from the trade mark register, can apply to Court for the trade mark to be amended, rectified or expunged. The most common grounds are: (a) where the mark has not been used for a specified time; (b) the mark has become generic; or (c) the mark belongs to another person.

- **Copyright**

In order for copyright to subsist, the work must be original and be authored by a human. Questions about subsistence (and also ownership of the work) are usually put into question by the alleged infringer as part of its defence rather than as a separate cause of action.

**Unjustified threats of infringement proceedings**

Where a person threatens another with IP infringement proceedings, a person adversely affected by the threats may commence proceedings for unjustified threats. If successful, the alleged infringer can seek declarations, an injunction restraining the making of threats and also damages sustained as a result of the threats. The standard defence to such an allegation is that the threat was justified because the IP right is infringed.

These causes of action can be, and often are, mixed together. For example, if the alleged infringer commences for unjustified threats of patent infringement, the patentee may cross-claim and allege that the patent is infringed, to which the alleged infringer may claim that the patent is invalid and should be revoked.

**Commencement of proceedings**

Prior to any proceedings being commenced in the Federal Court, the applicant is ordinarily required by statute to take genuine steps to attempt to resolve the dispute. If the applicant does not take such steps, then it may face an adverse costs order when the matter is determined.

Proceedings are generally commenced by an applicant filing an originating application and a statement of claim. Once filed, the proceedings will need to be served prior to the first directions hearing, which usually occurs within 5 weeks of filing. If a respondent is located overseas, the applicant will need to apply to Court for leave to serve the proceedings outside the jurisdiction. If the applicant is resident outside the jurisdiction, or of limited means, then it is also likely that the respondent will request that security for its costs be paid into Court.

The respondent files a defence to the statement of claim and the applicant may reply to that defence. All of the material facts and the issues in dispute are defined in pleadings. In essence, they set out the metes and bounds of the dispute, so they are very important part of the Court process. It is possible to amend the pleadings, but this usually requires the leave of the Court and of late Courts have become stricter in allowing amendments, particularly where the amendment may cause prejudice to the other party.

In IP proceedings there are broadly similar special requirements for pleadings. The parties must set out the instances of where the IP right has been infringed. If they are seeking to invalidate the IP right, then they must also clearly identify the basis for that.

These requirements are designed to ensure that the parties properly understand the case being put against them at an early stage, so that they should not be surprised at trial.
Interlocutory injunctions

Under Australian law it is possible for an IP owner to seek an interlocutory injunction which restrains the alleged infringer from infringing the IP until the matter is determined at trial. It is also possible to seek an interim injunction, which is usually in place for a finite time to allow the IP owner to gather enough material to seek an interlocutory injunction.

Such applications are usually made at the commencement of the proceedings (possibly at the same time as the filing of the originating application). However, they can be made at any time during the dispute. They can be a highly effective weapon in an IP owner's arsenal.

The requirements for obtaining an interlocutory injunction are:

- A prima facie case of infringement: The IP owner must show that it has a prima facie case that its IP has been infringed. In relation to trade marks, for example, this will require evidence of the use of the infringing mark by the other party. The alleged infringer may argue that it does not infringe and also that the IP right is invalid. The Court must assess the strength of the IP owner's case in light of this evidence;

- The balance of convenience favours the granting of the injunction: In assessing this, the Court considers the degree of harm and inconvenience that may be suffered by the IP owner and the alleged infringer if the injunction is granted.

- Unless the injunction is granted, the IP owner will suffer irreparable harm for which damages are not an adequate remedy.

- The IP owner offers a valuable undertaking as to any damages the other party may suffer if the owner is ultimately unsuccessful in the litigation. This may require the payment of security or the holding of a bank guarantee by the Court.

Split trials on liability and quantum

Usually in intellectual property matters the Court will split the litigation so to have a trial on liability first and, once that is determined, a trial on quantum. If this occurs, it means that no discovery will need to be produced or evidence led on quantum until the liability issue is finally determined. If the IP owner is successful on infringement, the Court will usually order that there be an inquiry as to damages or an account of profits. If that occurs, discovery and evidence may be required and the Court will then hold a separate trial and deliver a separate judgment on quantum.

Discovery of documents

Discovery of documents is not as of right in the Federal Court - a party must not apply for an order for discovery unless it is required to facilitate the just resolution of the proceeding as quickly, inexpensively and efficiently as possible. Before discovery is ordered, the parties must confer to discuss the issues to be addressed by discovery and the nature of the documents sought, and whether evidence should precede discovery.

If discovery is required, then it will usually be limited to documents that are directly relevant to the issues raised in the pleadings.
disputes regularly involve litigation between competitors, the Court can also make orders limiting access to confidential documents. Also, documents produced on discovery cannot be used for any ulterior purpose (such as for use in other proceedings) without the Court's leave.

The usual course is that, if discovery is required, then it will precede the delivery of evidence. This should allow the parties to have the discovered documents available in order to finalise their evidence.

Evidence

Usually the Federal Court orders that evidence-in-chief be provided by way of affidavit and that no further evidence-in-chief can be led without leave of the Court. It will usually set directions for the delivery of affidavit evidence from the applicant and then from the respondent.

For example, if both infringement and validity are in issue, the Court may order that the IP owner file its evidence on infringement at the same time as the alleged infringer files its evidence on invalidity. The parties then have an opportunity to file evidence in answer and then in reply.

Expert evidence is usually critical in IP proceedings – whether that be a survey evidence expert in trade mark disputes, an IT expert in a copyright matter or a mechanical engineer in patent disputes. Experts are treated as a special type of witness who hold an overriding duty of independence to the Court. Importantly, this means that particular care must be taken when briefing experts, as both the Court and your opponent are likely to see your instructions.

Before any directions are made for the filing of evidence, the Court will enquire (as appropriate) whether:

- any expert evidence will be required;
- a single expert is appropriate for all or any part of the evidence; or
- any of the evidence can be given orally or by reference to standard texts, or by a combination of summary outline and oral evidence.

The Court will also consider the appropriate method of expert evidence, such as whether the experts should meet prior to trial in order to attempt to explain or narrow the issues in dispute.

It may be necessary to issue subpoenas for documents or evidence in order to prove your case. This usually occurs after the completion of discovery and prior to trial. The Registrar's leave is required to issue a subpoena, which is then served and a copy must be provided to your opponent. Both the addressee or your opponent are able to apply to Court to set the subpoena aside or limit access to confidential documents.

Alternative dispute resolution (ADR)

There are a variety of ADR options available in IP litigation that may resolve the dispute prior to judgment. These include: informal settlement negotiations, mediation, arbitration (although this is rare in IP disputes) and formal offers of compromise made under the Court rules (such offers can be brought to the Court's attention after judgment and can affect what costs order is made). Each settlement is tailored to the requirements of the matter. The terms of settlement could include the payment of money, provision of appropriate undertakings or a licence fee.
Trial

Prior to the trial a significant amount of time is usually spent preparing, including meeting with witnesses, preparing the Court Book and other documents required by the Court (such as chronologies).

At trial, the applicant will usually lead its evidence first and its witnesses will be cross-examined by the respondent. Cross-examination is ‘at large’ and is not restricted to the matters that are raised in the witnesses’ affidavit. However, as the credit of witnesses is not usually a major issue in IP proceedings, cross-examination is usually reasonably refined. Once the applicant has closed its case, the respondent must decide whether it will lead evidence. If it does, then its witnesses will be cross-examined by the applicant.

With the Court’s leave, it is possible for a witness who is located overseas to give evidence by video-link. In certain circumstances, it is also possible for the Court to sit and hear evidence in another place in or out of Australia.

Once evidence is completed, the Court will usually require the parties to deliver final written submissions, which will be supplemented orally. This may occur either at the same time as the trial or at a later date.

Judgment and the appellate process

After receipt of the submissions, the Judge must then prepare a judgment, in light of the pleadings, evidence and submissions made by the parties. The date that the judgment is delivered will depend on a number of factors, such as the time of year, the case-load of the particular docket Judge and the complexity of the matter. However, as a general rule, judgment will usually be delivered between 3 to 12 months after the trial.

It is common in IP litigation for a party who does not succeed at first instance to appeal the decision. The appeal must relate to an error of law that is made by the trial judge and the usual course is that no further evidence can be led at the hearing of the appeal.

The intermediate level of appeal is the Full Federal Court, which is constituted by 3 Judges of the Federal Court. In IP matters, the appellant needs to obtain leave to appeal to the Full Court. The final right of appeal is to the High Court of Australia. However, prior to any such appeal, the appellant must seek special leave to appeal and this is not commonly granted.

Costs

If a party succeeds in the proceedings then the losing party is usually ordered to pay the winning party’s costs on the Court scale (which is a proportion of your actual costs). However, the Court is able to make different costs orders where appropriate formal offers of compromise are made or where, for example, the proceedings were commenced or continued in wilful disregard of known facts or clearly established law.

Conclusion

Our discussion above provides a snapshot of IP litigation practice and procedure in Australia. We would be pleased to provide you with further information or answer any specific questions you may have.